



# **Annexure F**

## **Policies**

### **2026/27**

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**Final**

**Medium Term**

**Revenue and Expenditure**

**Framework (MTREF)**



inclusive || innovative || inspired

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# 2026/2027 Tariff Policy

1 July 2026

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## 1. OBJECTIVE

1.1 The objectives of the Tariff Policy (Policy) are to ensure that –

- (a) All consumers within a specific category are treated equally and reasonably.
- (b) The income base of the municipality is optimally safeguarded by only approving exemptions, reductions and rebates that are reasonable and affordable.
- (c) The principles supporting the Councils Mission, Vision and IDP are supported.
- (d) Municipal tariffs are set in a manner that promotes the provision of reliable, sustainable and affordable services to all.

## 2. DEFINITIONS

2.1 In this Policy, unless the context otherwise indicates –

- (a) **“Availability tariff”** means where properties are not connected to the municipal infrastructure but can reasonably connect to the service. Charges for electricity, water and sewerage as determined from time to time by the Council shall be levied and will be payable on all properties on a monthly basis, except in cases where the site has been declared un-inhabitable by the municipality without improvements.
- (b) **“Accommodation 3- 8 bedrooms”** means a facility that lawfully and in compliance with the Knysna Zoning Scheme provides for lettable residential and non-residential units or homes, holiday or self-catering accommodation on a regular, seasonal, continuous or occasional basis where the number of lettable bedrooms does not exceed 8.
- (c) **“Basic charge”** or "fixed charge" is a recurring, flat fee that a customer pays to cover the costs of operating and maintaining the utility infrastructure, regardless of consumption, also referred to as a minimum charge, is the recovery of the distribution and billing related costs, which include having a distribution and billing related costs, which include having a distribution system in place, plus the cost of the meter, servicing and reading the meter, mailing the bills and maintaining customer records.
- (d) **“Business”** means the activity of buying, selling or trading in goods or services and includes any office, accommodation establishment or other use on the same erf, the use of which is incidental to such business, with the exclusion of agriculture, farming or, inter alia, any other business consisting of cultivation of soils, the gathering in of

crops or the rearing of livestock or consisting of the propagation and harvesting of fish or other aquatic organisms.

- (e) **“Business unit”** in relation to any premiss , means a building or section of a building occupied or used for shops , offices
- (f) **“Community service”** means services in respect of which the tariffs are set at a level that the costs of the services are not recovered fully from public service charges and are of a regulatory nature.
- (g) **“Consumer”** means the owner or occupier of premises, regardless of whether it is residential/domestic, commercial, industrial or any other type and who has entered into an agreement with the Municipality for the supply of a service.
- (h) **“Council”** means the Knysna Municipal Council, and "Municipal Council" shall have a corresponding meaning.
- (i) **“Domestic consumers”** means residential properties, group housing, town houses, semi-detached houses and suchlike properties.
- (j) **“Due date”**–
  - (i) In relation to accounts payable monthly on a recurring basis, the last day of the month which follows on the month during which an account is rendered;
  - (ii) In relation to accounts payable annually, 30 September unless otherwise provided by any other law; and
  - (iii) In all other instances, as and when demand for payment is made by the Municipality.
- (k) **“Economic services”** means services in respect of which the tariffs are set at a level that the total costs of the services are recovered from customers.
- (l) **“Educational institutions”** means schools and suchlike institutions.
- (m) **“Fixed costs”** means costs which do not vary with consumption or volume produced.
- (n) **“Indigent households”** means households that are registered at the Municipality as such and meet the municipality's criteria in terms of its Customer Care, Credit Control, Debt Collection, Indigent and Tampering Policy and occupying a property within the

jurisdiction of the Municipality and " Indigent household" shall have a corresponding meaning.

- (o) **"Industrial consumers"** means industrial undertakings, factories, warehouses, workshops, scrap yards, wine cellars, abattoirs, dairy processing plants, fish markets and suchlike consumers.
- (p) **"MFMA"** means the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003).
- (q) **"Minimum charge"** shall refer to the minimum amount payable by the consumer in respect of a particular service irrespective of the extent to which the service is used during any given period of time.
- (r) **"MSA"** means the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000).
- (s) **"Owner"** in relation to a property, means the person in whose name the property is registered in the Deeds Registry and such owner's successors.
- (t) **"Premises"** means any erf, immovable property or property which is capable of receiving municipal services whether it is receiving such services or not and whether occupied or not.
- (u) **"Property"** means –
  - (i) Immovable property registered in the name of a person, including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person;
  - (ii) A right registered against immovable property in the name of a person, excluding a mortgage bond registered against the property;
  - (iii) A land tenure right registered in the name of a person or granted to a person in terms of legislation; and
  - (iv) Public service infrastructure.
- (v) **"Public benefit organisations"** means an organisation conducting specified public benefit activities as defined in the Act and registered in terms of the Income Tax Act for tax reductions because of those activities.

- (w) ***“Public Service Purposes”*** in relation to the use of a property means property owned and used by an organ of state as per subsection 1(1)(a), (b), (c), (d), (e) and (f) of the Municipal Property Rates Act., but excludes property contemplated in the definition of “public service infrastructure”:
- a) Hospitals or clinics;
  - b) Schools, pre-schools, early childhood development centres or further educational and training colleges;
  - c) National and provincial libraries and archives;
  - d) Police stations;
  - e) Correctional facilities; or
  - f) Court of law
- (x) ***“Resident”*** means a person who ordinarily resides in the municipal area.
- (y) ***“Place of public worship”*** means property used primarily for the purposes of congregation, excluding a structure that is primarily used for educational instruction in which secular or religious education is the primary instructive medium: Provided that the property is –
- (i) Registered in the name of the religious community;
  - (ii) Registered in the name of a trust established for the sole benefit of a religious community; or
  - (iii) Subject to a land tenure right in favour of a religious community.
- (z) ***“Non-residential”*** means all property other than those defined as residential.
- (aa) ***“Service charge”*** means the charges levied for the provision of a service on a daily, monthly or annual basis.
- (bb) ***“Special agreements”*** means special tariff agreements entered into with categories of consumers making significant economic contributions to the community and that create job opportunities.
- (cc) ***“Sport and recreation facilities”*** means properties used exclusively for sport and recreation purposes including school sport fields which are metered separately for water and electricity consumption.

- (dd) **“Total cost”** means the sum of all fixed and variable costs associated with a service.
- (ee) **“Trading services”** means services referred to in Paragraphs 7.1(a), 9.2 and 9.3 in the Policy in respect of which the tariffs are set at a level that the Council makes a profit on the delivery of the services.
- (ff) **“Units consumed”** means the number of units consumed of a particular service and are measured in terms of the tariff structure reflected in Paragraphs 9.2 and 9.3 in the Policy.
- (gg) **“Variable costs”** means costs that vary with consumption or volume produced.
- (hh) **“VAT”** means Value-Added Tax in terms of the Value-Added Tax Act, 1991, as amended.

### 3. ABBREVIATIONS

|                      |                           |
|----------------------|---------------------------|
| <b>Kg</b>            | Kilogram                  |
| <b>Kl</b>            | Kilolitre or 1,000 litres |
| <b>kVa</b>           | Kilovolt Ampere           |
| <b>kWh</b>           | Kilowatt Hour             |
| <b>m<sup>3</sup></b> | Cubic Meter               |

### 4. PURPOSE OF THIS POLICY

- 4.1 The Knysna Municipality wishes to achieve the following objectives by adopting this Policy –
- (a) To comply with the provisions of Section 62(1)(f) of the MFMA;
  - (b) To comply with the provisions of Section 74 of the MSA;
  - (c) To prescribe procedures for calculating tariffs where the municipality wishes to appoint service providers in terms of Section 76(b) of the MSA; and
  - (d) To give guidance to the Executive Mayor regarding tariff proposals that must be submitted to the Council annually during the budget process.



## 5. TARIFF PRINCIPLES

- 5.1 In setting its annual tariffs the Council shall at all times take due cognisance of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs may have on local economic development.
- 5.2 The Municipality wishes to record that the following tariff principles will apply –
- (a) Service tariffs imposed by the municipality shall be viewed as user charges and shall not be viewed as taxes, and therefore the financial ability of the relevant user of the services to which such tariffs relate, shall not be considered as a relevant criterion (except in the case of the relief measures for indigent households and deserving categories of users approved by the municipality from time to time); and
  - (b) The municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region.
- 5.3 Tariffs for service charges rendered by the Municipality, namely –
- (a) Electricity;
  - (b) Water;
  - (c) Waste Water Sanitation; and
  - (d) Solid waste and Refuse Removal
- Shall as far as possible recover the expenses associated with the rendering of each service concerned. The tariff, which a particular consumer or user pays shall therefore be directly related to the cost to the municipality of rendering the services that are used or consumed.
- 5.4 The Municipality shall, as far as circumstances reasonably permit, ensure that the tariffs levied in respect of service charges generate an operating surplus each financial year of between 1% to 10% or such percentage as the Council may determine at the time that the annual operating budget is approved. Such surpluses shall be applied for the future capital expansion of the service concerned, for the partial financing of general services and in relief of property rates and or both.
- 5.5 In line with the principles embodied in the Constitution and in other legislation pertaining to local government, the Municipality may differentiate between different categories of users

and consumers in regard to the tariffs which it levies. Such differentiation shall, however, at all times be reasonable, and shall be fully disclosed in each annual budget.

- 5.6 The Municipality's Policy shall be transparent, and the extent to which there is cross-subsidisation between categories of consumers or users shall be disclosed to users.
- 5.7 The Municipality shall ensure that its tariffs shall be readily understandable by all users affected by the Policy.
- 5.8 The Municipality undertakes to render its service costs effectively in order to ensure the best possible cost of service delivery.
- 5.9 The consumption of such services shall be properly metered by the Municipality, and all meters excluding prepaid meters shall be read, wherever circumstances reasonably permit, on a monthly basis. The municipality must ensure that meters are functional and accurate to ensure that consumers are billed for their actual consumption. The charges levied on consumers shall be proportionate to the quantity of the service which they consume.
- 5.10 The Municipality shall levy monthly availability or basic charges for the services concerned, and these charges shall be fixed for each type of property as determined in accordance with the detailed policies. Generally, consumers of water and electricity shall therefore pay two charges: one, the basic charge ,which is unrelated to the volume of consumption and is to recover the distribution on costs; and two, charges directly related to the consumption of the service in question.
- 5.11 In considering the costing of its water, electricity and sewerage services; the Municipality shall take due cognisance of the high capital cost of establishing and expanding such services, and of the resultant high fixed costs, as opposed to variable costs of operating these services. The Municipality therefore undertakes to plan the management and expansion of the services carefully in order to ensure that both current and reasonably expected future demands are adequately catered for, and that demand levels which fluctuate significantly over shorter periods are also met. This may imply that the services may at times or for certain periods operate at less than full capacity, and the costs of such surplus capacity must also be covered in the tariffs which are levied annually.
- 5.12 The Municipality shall, by adopting what is fundamentally a two-part tariff structure, namely a fixed basic charge coupled with a charge based on consumption, endeavour to address the demands which both future expansion and variable demand cycles and other fluctuations will make on service delivery.

- 5.13 Part of the Municipality's Policy for electricity services will be to ensure that those consumers who are mainly responsible for peak demand, and therefore for the incurring by the municipality of the associated demand charges from Eskom, will have to bear the costs associated with these charges. Such consumers shall therefore pay the relevant demand charge as well as a service charge directly related to their actual consumption of electricity during the relevant metering period.
- 5.14 A property used for multiple purposes must for purposes of these tariffs be assigned to a category determined by the Council for properties used for a purpose corresponding with the dominant use of the property if the Municipality cannot readily make an apportionment in relation to the services concerned and the categories of users.
- 5.15 In order to provide the Municipality with appropriate security for payment of amounts owing to it from time to time for services rendered, the Council shall impose a system of deposits payable by customers. The deposits shall be set with due regard to the potential financial risk associated with the amounts owing from time to time. The level of the deposits shall be revised annually depending on the defaults instances.

## **6. CATEGORIES OF CONSUMERS**

- 6.1 Separate tariff structures may be imposed for the following categories of consumers (which the council may change) –
- (a) Residential / Domestic consumers;
  - (b) Business or Commercial consumers;
  - (c) Industrial consumers;
  - (d) Municipalities;
  - (e) Consumers with whom special agreements were made;
  - (f) Public Service Purpose
  - (g) Public benefit organisations and suchlike institutions; and
  - (h) Places of worship.

(i) Mining

- 6.2 Where substantially different demands are made on the infrastructure to provide a service to a specific group of users within a category or the standard of services required by such users, the Council may, after having considered a report by the Municipal Manager or the relevant Director, determine differentiated tariffs for the different consumers within the specific category.
- 6.3 The differentiation must be based on one or more of the following elements; infrastructure costs, volume usage, availability and service standards.
- 6.4 If, for purposes of determining the tariff applicable to a particular user or category of users, the user or category of users has not specifically by definition been included under a defined category of users, the Chief Financial Officer shall, by applying the closest match principle, determine the category under which the user or category of users fits in best taking into account the nature of the service concerned and the user or category of users involved.

## **7. SERVICE AND EXPENDITURE CLASSIFICATIONS**

### **7.1 Service classification**

The Chief Financial Officer may, subject to the guidelines provided by the National Treasury and the Mayoral Committee of the Council, make provision for the following classification of services:

(a) Trading Services:

- (i) Water; and
- (ii) Electricity.

(b) Economic Services:

- (i) Solid Waste; and Refuse removal
- (ii) Waste Water/sewerage disposal

(c) Community services:

- (i) Air Pollution;
- (ii) Firefighting Services;
- (iii) Local Tourism;
- (iv) Town Planning;
- (v) Municipal Public Works, only in respect of the needs of municipalities in the discharge of their responsibilities and to administer functions specially assigned to them under the Constitution or any other law;
- (vi) Storm Water management system in built-up areas;
- (vii) Trading Regulations;
- (viii) Fixed Billboards and the display of advertisements in public places;
- (ix) Cemeteries;
- (x) Control of Public Nuisances;
- (xi) Control of undertakings that sell liquor to the public;
- (xii) Facilities for accommodation, care and burial of animals;
- (xiii) Fencing and fences;
- (xiv) Licensing and control of undertakings that sell food to the public;
- (xv) Local Amenities;
- (xvi) Local Sport Facilities;
- (xvii) Municipal Parks and Recreation;
- (xviii) Municipal Roads;
- (xix) Noise Pollution;
- (xx) Pounds;
- (xxi) Public Places;

- (xxii) Street Trading / Street Lighting;
- (xxiii) Traffic and Parking;
- (xxiv) Building Control;
- (xxv) Licensing of Motor Vehicles and Transport Permits; and
- (xxvi) Nature reserves.

(b) Subsidised Services:

- (i) Libraries and Museums;
- (ii) Proclaimed Roads; and
- (iii) Street lights.

## **7.2 Expenditure classification**

Expenditure will be classified in the following categories –

(a) Subjective Classification as per mSCOA Chart:

- (i) Employee Related Costs;
- (ii) Remuneration of Councillors;
- (iii) Bad Debt Impairment;
- (iv) Depreciation and Asset Impairment;
- (v) Finance Charges;
- (vi) Bulk Purchases;
- (vii) Other Materials;
- (viii) Contracted Services;
- (ix) Transfers and Subsidies;

- (x) Other Expenditure;
- (xi) Loss on Disposal of Property, Plant and Equipment; and
- (xii) Capital Expenditure for Capital Projects.

(b) Objective Classification:

- (i) Cost centres will be created to which the costs associated with providing the service can be allocated per –
  - (aa) Department;
  - (bb) Division; and
  - (cc) Section.
- (ii) The subjective classification of each expenditure with a unique vote will be applied to all cost centres.

### **7.3 Cost elements**

The following cost elements will be used to calculate the tariffs –

- (a) Fixed costs which consist of the capital costs (interest and redemption) on external loans as well as internal advances and or depreciation whichever are applicable and any other costs as determined by the Council from time to time;
- (b) Variable costs: This includes all other variable costs; and
- (c) Total costs: Consist of the fixed cost and variable cost.

## **8. TARIFF TYPES**

8.1 In determining the type of tariff applicable to the type of service the municipality shall make use of the following options or a combination of the same.

- (a) Single Tariff:

This tariff shall consist of a cost per unit consumed.

(b) Two to Three Part Tariff – Electricity:

This tariff shall consist of two to three parts. Management, capital, maintenance and operating costs will be recovered by grouping certain components together e.g. management, capital and maintenance costs may be grouped together and be recovered by a fixed charge, independent of consumption for all classes of consumers, while the variable costs may be recovered by a unit charge per unit consumed. Three part tariffs will be used to calculate the tariff for electricity and to provide for maximum demand and usage during limited demand.

(c) Inclining Block Tariff – Electricity:

This tariff is based on consumption levels being categorised into blocks, the tariff being determined and increased as consumption levels increase. This tariff will only be used to subsidised free basic services and to prohibit the exorbitant use of a commodity. The first step in the tariffs will be calculated at break-even point. Subsequent steps will be calculated to yield profits and to discourage excessive use of the commodity.

(d) Declining Block Tariff – Electricity:

This tariff is the opposite of the inclining block tariff and decreases as consumption levels increase. The first step will be calculated by dividing the fixed and variable cost and profit, determined by council from time to time, by the volume consumed. This tariff will only be used for special agreements.

(e) Regulating Tariff – Electricity:

This tariff is only of a regulatory nature and the Municipality may recover the full or a portion of the cost associated with rendering the service.

(f) Time-of-Use Tariff – Electricity:

This tariff is based on fixed charges and seasonally and time differentiated energy and demand charges.

## **9. TARIFF STRUCTURES AND METHODS OF CALCULATIONS**

### **9.1 Calculation of Tariffs for Major Services**



(a) In order to determine the tariffs, to be charged for the supply of water and electricity, the municipality shall endeavour to include at least the operational costs of the undertakings concerned.

(b) To determine the basic or minimum charge the following categories within the operating budget will be included as a basis for calculation –

- (i) Capital costs (interest on loans);
- (ii) Maintenance of infrastructure and other fixed assets;
- (iii) Salary costs; and
- (iv) Depreciation expenses.

(c) To determine the unit charges the following categories within the operating budget will be used as a basis for calculation –

- (i) Cost of bulk purchases in the case of electricity;
- (ii) Distribution costs (General Expenses);
- (iii) Distribution losses;
- (iv) Administration and service costs, including –
  - (aa) Service charges levied by other departments such as finance, human resources and legal services;
  - (bb) Reasonable general overheads, such as the costs associated with the office of the Municipal Manager;
  - (cc) Adequate contributions to the provisions for bad debts and obsolescence of stock; and
  - (dd) All other ordinary operating expenses associated with the service concerned including, in the case of the electricity service, the cost of providing street lighting in the municipal area.

(d) The intended surplus to be generated for the financial year, such surplus to be applied –

- (i) As an appropriation to capital reserves; and/or

- (ii) Generally, in relief of rates and general services; and/or
  - (iii) The cost of approved indigent relief measures.
- (e) The Municipality shall provide the first 50 kWh of electricity per month to registered indigent, pensioners and disabled consumers free of charge. The Municipality shall further consider relief in respect of the tariffs for sewerage, water and refuse removal for such registered indigents, pensioners and disabled persons to the extent that the Council deems such relief affordable in terms of each annual budget. Multiple step inclining block tariffs are utilised to enable the consumer to exercise control over the cost to themselves.

## 9.2 Water

- (a) Fixed costs plus rising block tariffs will apply to all consumers.
- (b) The following blocks will apply:

|                                                                                                                   |                                                                                                               |                    |
|-------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|--------------------|
| <b>DOMESTIC PROPERTY :-</b>                                                                                       |                                                                                                               |                    |
| <b>Residential Indigent, Pensioners and People with Disabilities</b>                                              |                                                                                                               |                    |
| Consumption Charge : First 0 - 6 Kl                                                                               | per kl                                                                                                        | As per Tariff Book |
| Consumption Charge: >6kl - <= 12 Kl                                                                               | per kl                                                                                                        | As per Tariff Book |
| Consumption Charge: >12kl - <= 25 Kl                                                                              | per kl                                                                                                        | As per Tariff Book |
| Consumption Charge : >25kl - <= 40 Kl                                                                             | per kl                                                                                                        | As per Tariff Book |
| Consumption Charge : >40kl - No limit                                                                             | per kl                                                                                                        | As per Tariff Book |
|                                                                                                                   |                                                                                                               |                    |
| <b>Residential Other</b>                                                                                          |                                                                                                               |                    |
| Consumption Charge : > 0 - <=1 Kl                                                                                 | per kl                                                                                                        | As per Tariff Book |
| Consumption Charge: >2kl - <= 12 Kl                                                                               | per kl                                                                                                        | As per Tariff Book |
| Consumption Charge: >12kl - <= 25 Kl                                                                              | per kl                                                                                                        | As per Tariff Book |
| Consumption Charge : >25kl - <= 40 Kl                                                                             | per kl                                                                                                        | As per Tariff Book |
| Consumption Charge : >40kl - No limit                                                                             | per kl                                                                                                        | As per Tariff Book |
|                                                                                                                   |                                                                                                               |                    |
| <b>BUSINESS :-</b>                                                                                                |                                                                                                               |                    |
| Service Charge per annum (These are fixed costs or basic costs applied to each business category on annual basis) | Water services charges will be calculated per the number of business units or shops or hotel room on the erf. |                    |
| <b>COMMERCIAL CONSUMPTION CHARGE</b>                                                                              |                                                                                                               |                    |

|                                        |        |                    |
|----------------------------------------|--------|--------------------|
| Consumption Charge : > 0 - <=24 Kl     | per kl | As per Tariff Book |
| Consumption Charge: >24kl - <= 50 Kl   | per kl | As per Tariff Book |
| Consumption Charge: >50kl - <= 100 Kl  | per kl | As per Tariff Book |
| Consumption Charge : >100kl - No limit | per kl | As per Tariff Book |

(c) Tariff structure rebate

- (i) Properties connected to the water supply system
- (ii) Size of the building (per square metre) per premises/ per business unit/ per shop/ per annum

| <b>BUSINESS :-</b>                |                                                           |                              |
|-----------------------------------|-----------------------------------------------------------|------------------------------|
| Rebates on Basic Charge per annum | per premises / per business unit/per shop unit /per annum | Rebate (by application only) |
| Commercial Building size          | 0 - 50 m <sup>2</sup>                                     | 100%                         |
| Commercial Building size          | 51 – 75 m <sup>2</sup>                                    | 75 %                         |
| Commercial Building size          | 76 – 100 m <sup>2</sup>                                   | 50%                          |
| Commercial Building size          | 101 and above                                             | 0%                           |

(d) Method of calculation

- (i) Indigent, pensioners and people with disability consumers will receive the appropriate 6 Kl free water.
- (ii) The fixed costs of the service shall consist of the costs indicated as such by the council per the number of business units or shops or hotel room on the erf.
- (iii) The number of users and estimated volume consumed per category will be used to determine the fixed tariff per category.
- (iv) Where properties are not connected to the water service but can reasonably be connected to the service an **availability tariff** will be payable.
- (v) Where council decide to make a profit on the service the profit will be added to the fixed and variable cost before tariffs are calculated.

(e) Drought tariffs

(i) Drought Situation Stage 1

An additional 50% of the approved water consumption tariff will be applied only if **AkkerKloof** Dam is at 60% or the river flow is at 200 litres per second and **when**

**consumption is more than 25kl per month.** The 50% increase will be charged from 25kl of consumption.

(ii) Drought Situation Stage 2

An additional 75% of the approved water consumption tariff will be applied only if **AkkerKloof** Dam is at 40% or the river flow is at 200 litres per second and **when consumption is more than 25kl per month.** The 75% increase will be charged from 25kl of consumption.

(iii) Drought Situation Stage 3

An additional 100% of the approved water consumption tariff will be applied only if **AkkerKloof** Dam is at 30% or the river flow is at 200 litres per second and **when consumption is more than 25kl per month.** The 100% increase will be charged from 25kl of consumption.

### 9.3 Electricity

(a) Tariff structure

- (i) Maximum demand (kVA) plus fixed tariff plus kWh consumed.
- (ii) Fixed tariff plus kWh consumed.
- (iii) Unit tariff (KWh consumed) (Pre-paid meters).

(b) Method of calculation

- (i) Guidelines issued by the National Electricity Regulator from time to time will form the basis of calculating tariffs.
- (ii) To recover the capital cost of supplying electricity through a fixed charge will make electricity unaffordable to many low consumption users. Cross subsidisation between and within categories of consumers will be allowed based on the load factors of the categories and consumers within the category. Portions of the fixed costs will be recovered through an energy or time-of-use charge. To apply the abovementioned principle, the cost allocation basis, cost groupings, tariff components and tariff types reflected in the following tables will be used:

| Cost groupings | Underlying cost-allocation bases                   |                                              |                                                                      |
|----------------|----------------------------------------------------|----------------------------------------------|----------------------------------------------------------------------|
|                | Capacity costs:<br>expressed as<br>Rands/kVa/month | Variable costs:<br>expressed as<br>Cents/kWh | Customer specific<br>costs: expressed<br>as rands/<br>customer/month |
| Purchase cost  | √                                                  | √                                            |                                                                      |
| Capital costs  | √                                                  | √                                            | √                                                                    |
| Support costs  | √                                                  |                                              | √                                                                    |

| Tariff types                                                  | Tariff components                              |                              |                                                             |                                                          |
|---------------------------------------------------------------|------------------------------------------------|------------------------------|-------------------------------------------------------------|----------------------------------------------------------|
|                                                               | Fixed charge<br>(rands/<br>customer/<br>month) | Energy charge<br>(cents/kWh) | Time-of-use<br>energy charge<br>expressed as<br>(cents/kWh) | Capacity charge<br>expressed as<br>(rands/kVa/<br>month) |
| One-part<br>single energy<br>rate tariff<br>(Lifeline tariff) |                                                | √                            |                                                             |                                                          |
| Two-part tariff                                               | √                                              | √                            |                                                             |                                                          |
| Two-part time-<br>of-use tariff                               | √                                              |                              | √                                                           |                                                          |
| Three-part<br>tariff                                          | √                                              | √                            |                                                             | √                                                        |
| Three-part<br>time-of-use                                     | √                                              |                              | √                                                           | √                                                        |

**(iii) The one-part single energy rate tariff:**

For the one-part single energy rate tariff, all costs are expressed in a single cents/kWh charge. The recommended methodology for allocating costs into this tariff is as follows:

- (aa) The rands/kVa/month cost must be allocated into a cents/kWh charge through consideration of the average load factor of the types of customer who are likely to use the one-part single energy rate tariff.
- (bb) The rands/customer/month fixed cost should also be allocated into the cents/kWh charge and allocated to the kWh purchase costs in such a way as to ensure that at a level of monthly consumption of 400 kWh, the full amount of the fixed costs would have been recovered through the cents/kWh charge.

**(iv) The two-part tariff:**

- (aa) The rands/kVa/month charge must be allocated into a cents/kWh charge through consideration of the average load factor of the types of customer who are likely to choose the two-part tariff. This reallocated charge must then be added to the kWh purchase charge.
- (bb) The rands/customer/month charge is not reallocated into other tariff elements.
- (cc) The tariff then consists of a fixed monthly charge plus a variable charge related to metered kWh consumption.

**(v) The two-part time-of-use tariff:**

- (aa) The rands/kVa/month charge must be reallocated into different time-of-use cents/kWh charges through consideration of the load curve of the customer in relation to the load curve of the supplier. Such reallocated charges must then be added to the kWh purchase charges, as appropriate.
- (bb) The rands/customer/month charge is not reallocated.

**(vi) The three-part tariff:**

- (aa) The rands/kVa charge recovers the capital cost elements. Some of this cost must be reallocated into different tariff elements.
- (bb) The cents/kWh charge therefore recovers the full variable costs as well as a portion of the reallocated rands/kVa costs.
- (cc) The rands/customer/month charge is not reallocated.

**(vii) The three-part time-of-use tariff:**

- (aa) As with the standard three-part tariff, a portion of the rands/kVa/month charge is reallocated into the various time-of-use cents/kWh charges. The amount of the reallocation takes place with regard to the customer's load factor. The time-variation of the capacity costs is taken into account in the reallocation of the rands/kVa charge into the various time-of-use cents/kWh charges.

- (bb) The cents/kWh charge therefore recovers the full variable costs as well as a portion of the reallocated rands/kVa charges.
- (cc) The rands/customer/month charge is not reallocated.
- (viii) Where council decides to make a profit on the service, the profit will be added to the fixed and variable cost before tariffs are calculated.
- (ix) Where properties are not connected to the electricity service but can reasonably be connected to the service an availability tariff will be payable. The Manager Electrical Engineering will annually determine the tariff.

#### **9.4 Solid Waste (Refuse removal)**

##### **(a) Tariff structure**

- (i) Wheelie Bin per number of removals per week.

##### **(b) Method of calculation**

- (i) The costs per unit of measurement will be determined by dividing the total costs of the service by the total volume of refuse disposed of during the year. The total cost of the service includes the removal cost plus the operating cost associated with the service.
- (ii) The cost associated with the removal of bulk containers will be determined by calculating how many of the smallest removal units will be absorbed by a specific container.
- (iii) Costs for once-off or special removals will be calculated as per tariff book.
- (iv) Private dumping at the disposal site will be allowed after a tariff based on the estimated volume of the dumping has been paid.
- (v) A refuse removal tariff will be raised and is payable by all owners or occupiers of each property situated on the waste removal network, irrespective of whether they making use of the service of the council or any other service provider or those who have applied to be connected whether such owner or occupier uses

the refuse removal service or not or those who are not connected to the distribution networks to whom a refuse removal service is rendered on request.

- (vi) No refuse removal tariffs will be raised in areas where council has not introduced a refuse removal service.

(c) Reallocation of consumers due to excessive consumption

- (i) Where a consumer is found exceeding the tariff applicable to their category of solid waste for which they are levied –

- (aa) They will be moved to the appropriate corresponding tariff category.

- (bb) They may approach Council for reinstatement to the original tariff. Subject to evidence provided.

## 9.5 Waste Water (Sewerage/emptying of conservancy tanks)

(a) Tariff structure rebates

- (i) Properties connected to the sewerage reticulation network.
- (ii) Tanker vehicle per load.

(b) Method of calculation

- (i) Domestic Residential properties shall be levied per residential unit irrespective of the number of water closets and be levied as follows:

- (a) Consumption Charge: >0kl - <= 15 Kl

Consumption Charge: >15kl - up to 35 Kl limit at 70% of Water Consumption charged

- (ii) Business properties will be calculated per the number of business units or shops or hotel room on the erf as follows:

- (a) Sewerage fixed charge - Consumption Charge : > 0 - <=24 Kl; and

- (b) Consumption Charge: >24kl at 70% of water consumption charged for all Businesses charged

- (iii) Where properties are not connected to the sewerage network but can reasonably be connected to the service an **availability tariff** will be payable. The tariff will be calculated by adding a surcharge to the fixed costs applicable to connected consumers per category.



- (iv) An effluent charge/tariff will be charged to promote more efficient use of council's sewerage infrastructure.
- (v) The cost of emptying conservancy tanks will be based on the load, including an additional charge per kilometre for areas in excess of 10 kilometres from the Treatment Works.
- (vi) For the operation of the septic tank effluent drainage system [STED] in Smutsville and Sizamile an annual sewerage charge shall be levied for the effluent discharged into the Council's sewer system.
- (vii) In respect of the vacuum tanker removals from the STED system no charge shall be levied by Council for such service.

## **9.6 Calculation of minor tariffs**

- (a) All minor tariffs (being tariffs in respect of services and facilities other than the major services referred to in Paragraphs 9.1 to 9.5 above) shall be approved by the Council in each annual budget, and shall, when deemed appropriate by the Council, be subsidised by property rates and general revenues, particularly when the tariffs will prove uneconomical when charged to cover the cost of the service concerned, or when the cost cannot accurately be determined, or when the tariff is designed purely to regulate rather than finance the use of the particular service or amenity.
- (b) All minor tariffs over which the Municipality has full control, and which are not directly related to the cost of a particular service, shall annually be adjusted at least in line with the prevailing consumer price index, unless there are compelling reasons why such adjustment should not be effected.
- (c) The following services shall be considered as subsidised services, and the tariffs levied shall cover 50% or as near as possible to 50% of the annual operating expenses budgeted for the service concerned –
  - (i) Burials and cemeteries;
  - (ii) Rentals for the use of municipal sports facilities;
- (d) The following services shall be considered as community services, and no-subsidised tariffs shall be levied for their use –

- (i) Municipal museum and art gallery;
  - (ii) Municipal reference library;
  - (iii) Municipal lending library (except for fines set out below);
  - (iv) Maintenance of graves and garden of remembrance (cremations);
  - (v) Rentals for the use of municipal halls and other premises (subject to the proviso set out below).
  - (vi) Building plan fees;
  - (vii) Clearance certificates for purposes of property transfers; and
  - (viii) Town planning fees.
- (e) The following services shall be considered as economic services, and the tariffs levied shall cover 100% or as near as possible to 100% of the budgeted annual operating expenses of the service concerned –
- (i) Housing rentals;
  - (ii) Sales of plastic refuse bags;
  - (iii) Sales of refuse bins;
  - (iv) Cleaning of stands;
  - (v) New connection fees: electricity, water, sewerage; and
  - (vi) Photostat copies and fees.
- (f) The following charges and tariffs shall be considered as regulatory or punitive, and shall be determined at a reasonable level (with due regard to direct and indirect costs involved, need for discouraging undesirable practices and advantages enjoyed by user) in each annual budget –
- (i) Fines for lost or overdue library books;

- (ii) Advertising sign fees;
  - (iii) Pound fees;
  - (iv) Disconnection and reconnection fees: electricity, water;
  - (v) Penalty and other charges imposed in terms of the approved policy on credit control and debt collection; and
- (g) Market-related rentals shall be levied for the lease of municipal properties defined as investment assets. Not to be applied at Curlew Court.
- (h) In the case of rentals for the use of municipal halls and premises, if the Municipal Manager is satisfied that the halls or premises are required for non-profit making purposes and for the provision of a service to the community, the Municipal Manager may allow a discount or exemption on the rental that would otherwise have applied.
- (i) The Municipal Manager shall determine whether an indemnity or guarantee must in each instance be lodged for the rental of municipal halls, premises and sports fields, and in so determining shall be guided by the likelihood of the municipality sustaining damages as a result of the use of the facilities concerned.
- (j) Tariff structure:
- (i) The unit of measurement as reflected in the separate list of tariffs approved annually will be used to determine regulatory community and subsidised services.
- (k) Overdue Amounts
- (i) The municipality shall be entitled to levy an administration fee on a month to month basis on all overdue accounts subject to such maximum amount per month as the Council may determine.
  - (ii) The municipality may at its discretion enter into a repayment schedule with a consumer in respect of overdue amounts, which repayment schedule will be incorporated into an acknowledgment of debt in favour of the municipality and signed by the consumer. Upon signature of such an acknowledgment of debt, the consumer will become liable for payment of an administration fee in such amount as the Council may determine for attending on the debtor and entering into the acknowledgment of debt with the consumer.

## **10. CAPITAL CONTRIBUTIONS**

10.1 For purposes of these tariffs the under mentioned words and expressions shall have the following meanings assigned to them unless the context otherwise requires –

- (a) **“capital contributions”** means the tariffs (augmentation fees) payable in respect of the water, electricity, sewerage, storm water, roads and refuse removal infrastructure of the Municipality as determined by Council and which amounts exclude amounts payable towards the operational and maintenance costs of such infrastructure.

## **11. NOTIFICATION OF TARIFFS, FEES AND SERVICE CHARGES**

11.1 The tariffs will be approved as part of the annual budget.

11.2 The tariffs will come into effect as and when determined by the Council.

## **12. IMPLEMENTATION OF THE POLICY**

12.1 The principles contained in this Policy will be reflected in the various budget proposals submitted to Council on an annual basis, service by-laws as promulgated and adjusted by Council from time to time and the tariff by-laws referred to in Section 75 of the Systems Act.

12.2 The Council may determine conditions applicable to community service of a regulatory nature. These conditions will be reflected in the standing orders of Council.

## **13.1 ADJUSTMENT OF RATES ACCOUNTS**

- a. Where the property rates levied on a particular property have been incorrectly billed or omitted or false information provided by the property owner concerned or a contravention of the permitted use to which the property concerned may be put, the property rates payable shall be appropriately adjusted. Property rates will be adjusted for the period extending from the date on which the error or omission is detected back to the date on which rates were first levied in terms of the current valuation roll. Interest on the unpaid portion of the adjusted property rates payable

shall be levied at the applicable prime interest rate plus 1% from the date the correction was made. This section does not prevent the Municipality from retrospectively levying rates where the Municipality is able to prove the claim in a normal legal process.

- b. Where the property rates levied on a particular property have been incorrectly billed due to incorrect categorisation by the municipality, the property rates payable shall be appropriately adjusted. Property rates will be adjusted for the period extending from the date on which the error or omission is detected back to the date on which rates were first incorrectly levied in terms of the current valuation roll.

### 13.2. ADJUSTMENTS OF SERVICES ACCOUNTS

- a. Where incorrect debits were raised regarding service charges, the accounts under query will be rectified for the year in which the error was found or reported, and two preceding years. The Municipal Manager may extend the period of corrections in cases of incorrect debits due to administrative errors.
- b. Where the customer caused the adjustment, for example through the by-passing of meters or by supplying the incorrect information, the adjustment will be made for the three preceding years.
- c. Where the service charges levied on a particular property have been incorrectly billed to the detriment of the consumer, the correction will be made retrospectively from the date that charges were incorrectly levied. Where the service charges levied on a particular property have been incorrectly billed or omitted to the detriment of the Municipality, the correction will not be made retrospectively unless it has to do with an incorrect or estimated meter reading. This section does not prevent the Municipality from retrospectively levying service charges where the Municipality is able to prove the claim in a normal legal process.

### 14. SHORT TITLE

This policy is called the Tariff Policy of the Knysna Municipality.



**KNYSNA**  
Municipality Munisipaliteit uMasipala

inclusive || innovative || inspired

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# 2026/2027 Property Rates Policy

1 July 2026

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## **1. BACKGROUND**

- 1.1 In 2022, the Knysna Municipality initiated a process to prepare a General Valuation Roll of all property situated within the geographical boundaries of the municipality in terms of the Local Government: Municipal Property Rates Act, 6 of 2004 (MPRA), which became operative on 2 July 2005. The General Valuation Roll 2023/2024 came into effect on 01 July 2023 and remains valid for a period of 5 years.
- 1.2 This policy is formulated in terms of Section 3 of the Local Government: Municipal Property Rates Act, No 6 of 2004 (MPRA).

## **2. LEGISLATIVE CONTEXT**

- 2.1 In terms of Section 229 of the Constitution Republic of South Africa, No 108 of 1996, a municipality may impose rates on property.
- 2.2 In terms of Section 4(1) (c) of the Local Government: Municipal Systems Act, No 32 of 2000 (MSA), a Municipal Council has the right to finance the affairs of the Municipality by imposing, inter alia, rates on property.
- 2.3 In terms of Section 2(1) of the MPRA, a municipality may levy a rate on property in its area in accordance with the other provisions of the MPRA.
- 2.4 This Policy must be read together with, and is subject to the provisions of the MPRA and the Knysna Municipality's Property Rates By-Law.
- 2.5 In terms of Section 8(1) of the MPRA, the Municipality may, in terms of its Policy, levy different rates for different categories of rateable property, determined in subsection (2) and (3) of the MPRA, which must be determined to the –
  - (a) Use of the property; and
  - (b) Permitted use of the property; or a combination of (a) and (b).

## **3. DEFINITIONS & INTERPRETATION**

- 3.1 In addition to the definitions contained in the MPRA and the Knysna Municipality's Property Rates By-Law, the following words and phrases below bear the meanings assigned to them:
  - 3.1.1 **"Act"** means the Local Government Municipal Property Rates Act, 2004 (No 6 of 2004).
  - 3.1.2 **"MPRA"** means the Local Government Municipal Property Rates Act, 2004 (No 6 of 2004).

- 3.1.3 **“Agent”**, in relation to the owner of a property, means a person appointed by the owner of the property-
- a) To receive rental or other payments in respect of the property on behalf of the owner; or
  - b) To make payments in respect of the property on behalf of the owner.
- 3.1.4 **“Annually”** means once every financial year.
- 3.1.5 **“Appeal board”** means a valuation appeal board established in terms of section 56.
- 3.1.6 **“Accommodation 3-8 bedrooms”** means a facility that provides for lettable residential and non-residential units or homes, holiday or self-catering accommodation on a regular, seasonal, continuous or occasional basis where the number of lettable bedrooms does not exceed 8. Accommodation establishment where the number of lettable bedrooms are less than 3 bedrooms will be classified as residential
- 3.1.7 **“Agricultural property”** means property that is used primarily for agricultural purposes but excludes any portion thereof that is used commercially for the hospitality of guests, and excludes the use of the property for the purpose of eco-tourism or for the trading hunting of game.
- 3.1.8 **“Bona-fide farmers”** means genuine or real farmer whose dominant income is generated from farming activities, on an agricultural property, within the Knysna municipal area, and is taxed by or registered with SARS as a bona-fide farmer.
- 3.1.9 **“Business and commercial property”** means a property used for the activity of buying, selling or trade in goods or services and includes any office or other accommodation on the same erf, the use of which is incidental to such business, with the exclusion of the business of mining, agriculture, farming, or inter alia, any other business consisting of cultivation of soils, the gathering in of crops or the rearing of livestock or consisting of the propagation and harvesting of fish or other aquatic organisms.
- 3.1.10 **“Category”** (a) in relation to property, means a category of property determined in terms of Section 8(2) of the Act;
- a) (b) in relation to owners of property, means a category of owners determined in terms of Section 15(2) of the Act.

- 3.1.11 ***“Exemption”*** in relation to the payment of a rate, means an exemption granted in terms of Section 15 of the Act, that is, the owner or agent is free or released from any liability or requirement to which others are subject permitted in Section 15 of the Act.
- 3.1.12 ***“Heritage”*** means a property containing a building or other heritage resource of national, provincial, or municipal significance, that is, “heritage site” means a place declared to be a national heritage site by SAHRA or a place declared to be a provincial heritage site by a provincial heritage resources authority as defined in the National Heritage Resources Act (No 25 of 1999),
- 3.1.13 ***“Household income”*** means the income accruing to all members of the household permanently residing at the address. It includes income of spouses.
- 3.1.14 ***“Industrial property”*** means a building or usage, other than a noxious trade, which concurs with the meaning of factory as defined in the Machinery and Occupational Safety Act, 1983 and includes an office, caretaker’s quarters, or other building, the use of which is incidental to, and such as would ordinarily be incidental to, or reasonably necessary in connection with the use of such factory on the same site, and included all light industrial uses, and mining activities but does not include a service trade.
- 3.1.15
- 3.1.16 ***“Indigent person”*** means a person whose household income does not exceed the minimum household income as predetermined by the Council;
- 3.1.17 ***“Market value”***, in relation to a property, means the amount the property would have realized if sold on the date of valuation in the open market by a willing seller to a willing buyer as per Section 46 of the Act.
- 3.1.18 ***“Mining properties”***, means a property used for mining operations as defined in the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002)
- 3.1.19 ***“Multiple purposes”***, in relation to a property, means the use of a property for more than one purpose, subject to section 9 of the Act
- 3.1.20 ***(a) “New Business incentive rebate”*** means a rebate granted, on a declining scale, on a property used for a new business brought to the Knysna municipal area. The definition excludes existing business where:
- (i) Change of ownership occurred;
  - (ii) Name change occurred; and

- (iii) Current business operations are expanded.
- (iv) Remodeling and redevelopment of existing businesses

(b) ***“New residential vacant land incentive rebate”*** means a rebate granted, on a declining scale for a period of four years, to newly registered residential vacant land in the Knysna municipal area. This rebate will only apply to:

- (i) First-time property owners in the Knysna municipal area of a newly and existing residential vacant land
- (ii) Owners may only qualify for one property.

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

3.1.22 ***“Organ of state”*** means an organ of state as defined in section 239 of the Constitution

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

(a) Any restrictions imposed by –

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

(b) Any departure from such restrictions.

3.1.24 ***“Place of public worship”*** means property used primarily for the purposes of congregation, excluding a structure that is primarily used for educational instruction in which secular or religious education is the primary instructive medium:

(a) Provided that the property is –

- (i) Registered in the name of the religious community;
- (ii) Registered in the name of a trust established for the sole benefit of a religious community; or

(iii) Subject to a land tenure right.

3.1.25 ***“Private Open Space”*** means any land in private ownership used primarily as a private site for play, rest, recreation without financial gain.

3.1.26 ***“Property”*** means –

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

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

3.1.28

3.1.29 ***“Public open space”*** means land that is under the ownership of Knysna Municipality, not leased on a long term and which is set aside for public as an open space.

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

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

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

- a) Hospitals or clinics;
- b) Schools, pre-schools, early childhood development centres or further educational and training colleges;
- c) National and provincial libraries and archives;

- d) Police stations;
- e) Correctional facilities; or
- f) Court of law

3.1.33 **“Rebate”**, in relation to a rate payable on a property, means a discount on the amount of the rate payable on the property.

3.1.34 **“Reduction”**, in relation to a rate payable on a property, means the lowering of the amount for which the property was valued and the rating of the property at that lower amount.

3.1.35 **“Residential”** means a property included in a valuation roll in terms of Section 48(2)(b) of the Act as residential in respect of which the primary use or permitted use is for residential purposes in terms of the Knysna Zoning Scheme without derogating from Section 9 of the Act.

3.1.36 **“Vacant land”** means land where no immovable improvements have been erected. Vacant land can be classified as follows –

- (a) Residential vacant, means a property included in a valuation roll in terms of Section 8(2) of the Act read with Section 8(3) as vacant.
- (b) Business vacant means a property included in a valuation roll in terms of Section 8(2) of the Act read with Section 8(3) as business vacant.
- (c) Industrial vacant, means a property included in a valuation roll in terms of Section 8(2) of the Act read with Section 8(3) as industrial vacant.
- (d) Public service purposes vacant means a property included in a valuation roll in terms of Section 8(2) of the Act read with Section 8(3) as public service.

## 4. PRINCIPLES

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

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

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

4.1.3 The Municipality may –

- (a) Levy different rate tariffs on different categories of properties;
- (b) Exempt a specific category of property from payment of rates; and/or
- (c) Grant a rebate on, or a reduction in, the rate payment.

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

## 5. CATEGORIES OF RATEABLE

5.1 Properties will be categorised as follows:

|                                                                          |                                                                                                  |
|--------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| <b><u>Category A:</u></b><br>Residential properties                      | 1. Improved Residential<br>2. Indigent<br>3. Pensioners                                          |
| <b><u>Category B:</u></b><br>Industrial properties                       | 1. Industrial                                                                                    |
| <b><u>Category C:</u></b><br>Business and Commercial Properties          | 1. Business and Commercial<br>2. Lettable Accommodation 3 – 8 Rooms<br>3. Accommodation 9+ Rooms |
| <b><u>Category D:</u></b><br>Agricultural properties                     | 1. Agricultural properties-                                                                      |
| <b><u>Category E:</u></b><br>Mining properties                           | 1. Mining                                                                                        |
| <b><u>Category F:</u></b><br>Properties used for public service purposes | 2. Public service purposes                                                                       |
| <b><u>Category G:</u></b><br>Public Services Infrastructure properties   | 1. PSI                                                                                           |
| <b><u>Category H:</u></b>                                                | 1. Public Benefit Organisations                                                                  |

|                                                                                                  |                                                                                                                                                                                                                                                                       |
|--------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Properties owned by Public Benefit Organisations and used for specific public benefit activities |                                                                                                                                                                                                                                                                       |
| <b><u>Category I:</u></b><br>Properties used for multiple purposes                               | Portions of property will be classified individually as per one of the other classifications with separate municipal valuations                                                                                                                                       |
| <b><u>Category J:</u></b><br>Vacant Land                                                         | <ol style="list-style-type: none"> <li>1. Residential</li> <li>2. Business</li> <li>3. Industrial</li> <li>4. Public service purposes</li> </ol>                                                                                                                      |
| <b><u>Category K:</u></b><br>Other                                                               | <ol style="list-style-type: none"> <li>1. Any other category of property as Council may from time to time identify; or</li> <li>2. As may be determined by the Minister or Council with the concurrence of the Minister of Finance by Notice in a Gazette.</li> </ol> |

## 6. EXCLUSION OF RATEABLE PROPERTY FROM THE PAYMENT OF RATES

6.1 The following properties will be excluded from the payment of rates –

- (a) Properties of which the Municipality itself is the owner in terms of Section 7(2)(a) of the Act.
- (b) The first 30% of the market value of public service infrastructure in terms of Section 17(1)(a) of the Act.
- (c) Rights registered against immovable property in the name of a person or for the benefit of the public.
- (d) Property registered in the name of and used primarily as a place of public worship by a religious community, including the official residence registered in the name of that community, which is occupied by the office-bearer of that community who officiates at services at that place of worship in terms of Section 17(1)(i) of the Act.
- (e) On the first R 15,000 of the market value of a property assigned in the valuation roll or supplementary valuation roll to a category determined as residential property or multiple used property provided that one or more component is used for residential purposes in terms of Section 17(1)(h);



- (f) An additional R35000 of the valuation of domestic properties (excluding accommodation establishments and vacant land) will be exempt from property rates for properties valued at R500 000 and below. All properties above R500 000 will not receive the R35 000 rebate Council discretion.
- (g) Properties listed as Protected Areas in terms of the National Environmental Management: Protected Areas Act 2003, excluding the portions of the property that are used for commercial, business, agricultural or residential purposes in terms of Section 17(1)(e) of the Act.
- (h) Properties owned by government not rated for statutory reasons.
- (i) Public Service Purposes as listed in 3.1.28 in this Policy:
  - (i) properties used for Educational institutions shall be granted a 50% rebate;

## **7. DIFFERENTIAL RATE TARRIFS**

### **7.1 General**

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

- (a) The use of the property, the permitted use of the property or a combination of use and permitted use.
- (b) The nature of the property including the impact of rates on its operations
- (c) The promotion of social and economic development of the municipality.

### **7.2 Multiple Use Properties**

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

- (a) Apportioning the market value of the property to the different purposes for which the property is used.
- (b) Applying the relevant rate tariff, to the corresponding market value.

### 7.3 Accommodation Establishments

- 7.3.1 It is required that all properties within the definition of accommodation 3 - 8 register with the municipality in order to be categorised in terms of use, by means of a supplementary valuation as provided for in the Act. To qualify for the 10% rebate for 3 - 8 rooms the property has to be zoned for residential purposes and consent use for the additional rooms must have been granted.
- 7.3.2 Properties that are no longer operating as accommodation establishment are required to provide proof of the following –
- (a) That all signage is removed;
  - (b) That all links on accommodation websites are removed (safari now, sleeping out etc.);
  - (c) That any links or affiliation with any letting agents be removed;
  - (d) Home page website to be removed (should you wish to retain your home page domain name for email purposes, please ensure a generic page is loaded by your hosting company that does not show any accommodation);
  - (e) Any other form of marketing; and
  - (f) An inspection maybe carried out on the property by a municipal official or representative to verify details on the application.
- 7.3.3 Businesses including accommodation establishments 3 - 8 and accommodation establishments 9+ will be rated at business rates tariff.
- 7.3.4 Properties that are lawfully being used as accommodation establishments 3 - 8 will be granted a 10% rebate on the business tariff.
- 7.3.5 A penalty fee will be levied, where the municipality detects/identify a property operating as an accommodation establishment, where the owners failed to register the property as an Accommodation Establishment with the municipality or in the event where owners supplied incorrect/false information.

## 8. RELIEF MEASURES RELATED TO CATEGORIES OF OWNERS

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

### 8.1 Exemptions, Reductions and Rebates

8.1.1 When granting in terms of subsection 8.1 exemptions, rebates or reductions in respect of owners of categories of properties, a Municipality may determine such categories in accordance with Section 8(2) and when granting exemptions, rebates or reductions in respect of categories of owners of properties, such categories may include –

- (a) Indigent owners;
- (b) Owners dependent on pensions or social grants for their livelihoods;
- (c) Owners temporarily without income;
- (d) Owners of property situated within an area affected by –
  - (i) A disaster within the meaning of the Disaster Management Act 2002; or
  - (ii) Any other serious adverse social or economic conditions;
- (e) Owners of residential properties with a market value lower than an amount determined by the Municipality;
- (f) Retention and restoration of conservation worthy buildings; and

First time owners of vacant residential, registered from 1 July 2023 will be granted the rebate on a declining scale for a period of four years.

8.1.2 In addition to the categories of rateable property determined in terms of Section 8(2) of the MPRA a municipality may, subject to any ratio determined in terms of Section 19, for the purposes of granting exemptions, rebates and reductions, determine such property categories based on –

- (a) Properties used for public service purposes; and

- (b) Properties to which the provisions of the National Heritage Resources Act, 1999 (Act 25, of 1999), apply, or an institution that has been declared to be subject to the Cultural Institutions Act, 1998 (Act 119 of 1998).

## 8.2 Criteria for Exemptions, Rebates and Reductions

- 8.2.1 Sufficient proof of status / income of household / affidavits for proof of reasons / identity documents must be attached to all applications;
- 8.2.2 Indigent/pensioners applicants must be the owner and occupy the property and not own more than one property;
- 8.2.3 Where the owner is for acceptable reasons due to no fault of his/her own unable to occupy the property, the spouse or minor children may satisfy the occupancy requirements;
- 8.2.4 The Municipal Manager or his/her delegated nominee must approve all applications;
- 8.2.5 Applications are open throughout the financial year starting from May preceding the start of the new municipal financial year for which relief is sought; and
- 8.2.6 The Municipality retains the right to refuse exemptions, rebates or reductions if the details supplied in the application form were incomplete, incorrect or false.
- 8.2.7 Rates rebate for pensioners or Social Grant Recipients, will be granted on the following qualifying categories for property rates up to a maximum Municipal valuation of R700,000:
  - a) Indigent: Income group with a combined income as per approved tariffs
  - b) Upon submission of acceptable proof, the persons in the income groups set out below will be granted a rebate as per section 10.7.3 of the Customer Care, Credit Control, Debt Collection, Indigent and Tampering Policy – 2026/2027

## 9. **SPECIAL CASES**

### 9.1 Public Benefit Organisations

- 9.1.1 All properties categorised as Public Benefit Organisations will be rated at the prescribed ratio as per the Municipal Property Rates Regulations.

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

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

9.1.3 Applications for change of category to Public Benefit organizations must reach the municipality before end of October preceding the start of the new municipal financial year in which relief is sought. A tax exemption certificate issued by the South African Revenue Services (SARS) as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act ,1962 No 58 of 1962. The Municipal Manager or his nominee must approve all applications.

## 9.2 Public Service Infrastructure

9.2.1 All public service infrastructure providing essential services to the community shall be rated at the prescribed ratio as per the Municipal Property Rates Regulations.

## 9.3 Agricultural Properties

9.3.1 Agricultural properties used primarily for agricultural activities will be categorised as Agricultural and shall be rated at a rate determined by applying the prevailing ratio as prescribed by Regulation. Agricultural properties not predominantly used for agricultural purposes shall be rated according to the category of the actual use thereof.

9.3.2 Confirmation that the property is used primarily for agricultural purposes is subject to in loco inspection to the property.

## 10. **CRITERIA FOR ANNUAL INCREASING RATE TARIFFS**

10.1 Annual increase of rate tariffs will be done in accordance with Section 20 of the Act and the following will be taken into account for the purpose of increasing or decreasing of rates –

- (a) Priorities of a municipality reflected in its Integrated Development Plan;
- (b) The revenue needs of the municipality; and

(c) Affordability of rates to ratepayers.

10.2 The Municipality will consider the imposition of rates annually during the budget process.

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

## **11. REDUCTIONS IN MARKET VALUES**

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

11.2 The reduction will be granted by Council only after proof has been provided. The municipality may require an inspection by a valuer.

## **12. LIABILITY FOR RATES**

### **12.1 Method and Time of Payment**

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

12.1.2 Ratepayers may pay the annual rates in a single amount on or before 30 September of each year without incurring interest.

### **12.2 Recovery of Arrear Rates from Tenant, Occupiers and Agents**

If an amount due for rates levied in respect of a property is unpaid by the owner of the property after the date determined in terms of Section 26(2) of MPRA, the Municipality may recover the amount in whole or in part from a tenant or occupier of the property, despite any contractual obligation to the contrary on the tenant or occupier. The Municipality may recover an amount only after the Municipality has served a written notice on the owner, as well as the tenant or occupier, in accordance with the Customer Care, Credit Control, Debt Collection, Indigent and Tampering Policy. The amount the Municipality might recover from the tenant or occupier of the property in terms of subsection above is limited to the amount of the rent or other money due and payable but not yet paid by the tenant or occupier to the owner of the property (in terms section 28 and 29 of the MPRA)

12.2.1 Any amount the Municipality recovers from the tenant or occupier of the property must be set off, by the tenant or occupier, against any money owed by the tenant or occupier to the owner. (in terms section 28 and 29 of the MPRA)

12.2.2 The Municipality may recover the amount due for rates from an agent of the owner after it has given written notice to that agent or person. The amount the Municipality may recover from the agent or other person is limited to the amount of rent received by the agent or person, less the commission due to that agent or person, subject to the Estate Agents Act, 1976 (Act No. 112 of 1976). The agent or other person must, on request by the Municipality, furnish the Municipality with a written statement specifying all payments for rent on the property and any other money received by that agent or person during a period determined by the Municipality. Section 29(2) of the MPRA

### 12.3 Ownership

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

### 12.4 Supplementary Valuation Debits

12.4.1 In the event that a property has been transferred to a new owner and rates emanating from a supplementary valuation become due and payable, the new owner will be held responsible from the date of registration for the settlement of the interim rates account.

### 12.5 Developments

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

### 12.6 Clearance Certificate

The following fees must be paid before a rates clearance certificate is issued

- a) Administration fee (For the supply of any certificate of valuation or of the outstanding charges against the property, including Rates Clearance Certificate).
- b) Council will withhold rates clearance certificate with the sale of a property within the municipal jurisdiction until all the rates, services and sundry costs attached to the property and any outstanding is paid, plus an amount equal to four months' rates and service charges will be collected in advance as part of the rates clearance process. The rates clearance remains valid for 60 days from the date of issuing.

- c) Council will not accept any written undertaking, except a bank guarantee.
- d) In terms of section 118 (1) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) it is hereby certified that all amount that became due to Knysna Municipality in connection with the under mentioned property situated within the municipality for municipal service fees, surcharges on fees, property rates and other municipal taxes, levies and duties during the 2 (two) years preceding the date of application for this certificate, have been fully paid. If however there is still an amount outstanding debt on a said property which remains a charge upon the property by virtue of Section 118 (3) of Systems Act and is then deemed to be recoverable from any owner at the time through instituting legal proceedings. Municipal debts include: debts up to 30 years old for property rates, refuse and sewerage charges; and debts up to 3 years old for electricity and water consumption.
- e) Section 118 (1) refers to debts incurred within the “two years” prior to the application for a clearance certificate. Such debt must be paid in full, failing which the municipality can exercise a restraint on the transfer of the property until the debt is settled. Such a provision is known as a veto or embargo provision. Section 118 (3), creates a charge over the property in favour of the municipality. In addition Section 118 (3) gives the municipality a “preferent” right which ranks higher than that of the Bank in respect of mortgaged property.
- f) The Municipality can take legal action against the present owner of a property for any municipal debts owing by that owner and any previous owner of that property, provided the amounts have not prescribed and that all by-laws have been complied with. It can include debts up to 30 years old (for rates, refuse and sewer charges) and 3 years old (for electricity and water consumption), including debts of more than one previous owner. Such legal action would entail suing the new owner for the old owners debt and attaching and selling the property itself, which stands as security in terms of Section 118 (3).
- g) The municipality’s right to claim the proceeds of the sale of property trumps the banks right to claim what is owed in terms of the mortgage bond. Consequently the banks risk assessment of purchasers of immovable property can never be accurately done, as it cannot realistically assess the risk that the purchaser may be called upon to settle the debts of previous owners. If however there is still an amount outstanding debt on a said stand, which remains a charge upon the property by virtue of Section 118(3) of the Systems Act and is deemed to be recoverable from any owner at the time of legal proceedings.



- h) All debt must be recovered (including tenants' accounts) before Clearance Certificates are issued: Owner remains liable for all debt to a property.

## 12.7 **Refunds**

All refunds, including service deposits, will be paid to the transferring attorney after registration of the property as follows;

- a) Refunds will only be processed on applications received through Rates Clearance System.
- b) Refunds will be allocated to arrear service debt of tenants and only the balance will be refunded.
- c) Refunds will not be issued if the services have not been connected on the new owner's name and the deed confirming new ownership is not received.
- d) Refunds will be processed when and if the transferring attorney's banking details on the creditor's form has been submitted, with a copy of the responsible person's ID document. The attorneys must supply the municipality with their contact person's e-mail address. Without the information no refund can be processed.
- e) Refunds will be issued once a month per attorney firm.
- f) Disconnection or reconnection of services must be sent through the rates clearance application system,

## 12.8 **Levying of Rates on Property in Sectional Title Schemes**

12.8.1 A rate on property, which is subject to a sectional title scheme, will be levied on the individual sectional title units in the scheme in terms of Section 10 of the Act. However, in valuing the sectional title unit there shall be included in that value the owners proportionate share of the value of the common use areas such as gardens, roads, swimming pools, passages, etc.

## 13. **COSTS OF EXEMPTIONS, REBATES AND REDUCTIONS**

13.1 During the budget process the Chief Financial Officer must inform Council of all costs associated with exemptions, rebates and reductions.

13.2 Provision must be made on the operating expenditure budget for:

- (a) The full potential income associated with property rates; and
- (b) The full costs associated with exemptions, rebates and reductions.

#### **14. LOCAL, SOCIAL AND ECONOMIC DEVELOPMENT**

- 14.1 The Municipal Council may grant rebates to property owners/business owners who are liable for property rates in order to promote local, social and economic development in the municipal area.

The following criteria will apply in determining whether to grant the rebates as well as the extent thereof-

- a) Job creation in the municipal area;
  - b) Social upliftment of the local community; and
  - c) Creation of infrastructure for the benefit of the community
- 14.2. Any application for such a rebate must be made in writing and accompanied by a business plan indicating how local, social and economic development objectives of the municipality will be met.
- Any such rebates shall:
- a) be restricted to such amount(s) or percentage (s) of the rates payable as so determined by the Council;
  - b) be reported in writing to Council; and
  - c) shall be phased out within 3 years from the date that the rebate was granted for the first time.

#### **15. REGISTER OF PROPERTIES**

- 15.1 The Chief Financial Officer must cause to have drawn up and maintain a register of properties as contemplated as Section 23 of the Municipal Property Rates Act.

#### **16. NOTIFICATION OF RATES**

- 16.1 Council will give notice of all rates approved at least 30 days prior to the date that the rates become effective in the local media and by publishing a resolution in the provincial gazette. Accounts delivered after the 30 days' notice will be based on the new rates.
- 16.2 A notice stating the purport of the Council resolution, date on which the new rates shall become operational will be displayed by the municipality at places installed for that purpose.

#### **17. CORRECTION OF ERRORS AND OMISSIONS**

- 17.1 Errors and omissions will be dealt with in terms of section 13 of the Tariff Policy.

#### **18. ROUNDING**

18.1 The values of properties will be rounded off to the nearest R 10,000 value.

## **19. FREQUENCY OF VALUATIONS**

19.1 The Municipality shall prepare a new General Valuation roll every 5 years. The MEC for local government may extend the period for which the valuation roll is valid to 7 years.

19.2 A supplementary valuation roll shall be prepared at least once a year, in terms of subsection 78(1) of the Act, in respect of any rateable property –

- (a) Incorrectly omitted from the valuation roll;
- (b) Included in a municipality after the last general valuation roll;
- (c) Subdivided or consolidated after the last general valuation roll;
- (d) Of which the market value has substantially increased or decreased after the last general valuation roll; including
  - 1) Of which the value has increased due to improvements of the property;
  - 2) Substantially incorrectly valued during the last general valuation roll;
- (e) That must be revalued for any other exceptional reason;
- (f) Of which the category has changed; including
  - 1) Due to the land use that has changed to a different category after the last valuation roll; or
  - 2) Due to a change in the use or permitted use of the property; or
- (g) The value of which was incorrectly recorded in the general valuation roll as a result of a clerical or typing error.

19.3 A Supplementary valuation request fee in respect of Supplementary valuations submitted outside the prescribed objection period(s) will be payable and proof of payment must accompany the said ~~interim~~ Supplementary form.

## **20. REVIEW OF THE POLICY**

- 20.1 This Property Rates Policy is the sole Policy governing property rates in the Municipality. The Municipal Council must approve any reviews to this Policy.
- 20.2 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.
- 20.3 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.



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2026/2027

# Customer Care, Credit Control, Debt Collection, Indigent and Tampering Policy

1 July 2026

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## **1. INTRODUCTION**

- 1.1 This policy is established in terms of Chapter 9 of the Municipal Systems Act (Act no.32 of 2000) and Section 62(f) (iii) of the Municipal Finance Management Act (Act no. 56 of 2003) which requires that a Municipality establish and maintain a credit control and debt collection policy.

## **2. SCOPE OF THE POLICY**

- 2.1 This Policy applies to the Knysna Municipality and all persons of this administration.
- 2.2 This Policy as approved by Council, has been passed to give effect to the Municipal By-law in terms of the Local Government: Municipal Systems Act (Act no. 32 of 2000), Privacy Policy of the Municipality and such Policy will be binding on the public, officials and Councillors of the Municipality of Knysna and no interference in the process will be permitted.
- 2.3 The Policy is applicable until such time as it is reviewed, and Council approves the revisions. All acts performed in terms of the above approved Policy, and the existing Municipal By-law, will not be invalidated due to the timing differences between approval and promulgation.
- 2.4 All acts performed as mentioned in the previous paragraph will be ratified with the promulgation of the related Municipal By-law.

## **3. OBJECTIVES OF THE POLICY**

- 3.1 The objectives of this Policy are to –
- (a) Define a framework within which the Municipality can exercise its executive and legislative authority with regard to credit control and debt collection and to develop an effective procedure to bill and collect its revenues;
  - (b) Ensure that all monies due and payable to the Municipality are collected in full and used to deliver municipal services in the best interest of the community, residents and ratepayers and in a financially sustainable manner as prescribed by the Municipal Systems Act, 2000 (Act No, 32 of 2000), and other applicable legislation;

- (c) Ensure that the principles applied, as a result of this Policy, will enhance and support a healthy working capital position for the Knysna Local Municipality;
- (d) Provide a framework for consumer care and indigent support;
- (e) Set realistic targets for credit control and debt collection;
- (f) Enable the implementation of this Policy throughout the Knysna Municipality;
- (g) Effectively and efficiently deal with defaulters in accordance with the terms and conditions of this Policy; and
- (h) Promote a culture of payment and instil a sense of responsibility towards the payment of Municipal accounts and reduction of Municipal debt.

#### **4. PRINCIPLES**

- 4.1 The administrative integrity of the Municipality must be maintained at all times. The democratically elected Councillors are responsible for policymaking, while it is the responsibility of the Accounting Officer to ensure the execution of these policies.
- 4.2 All customers must complete an official application form, formally requesting municipal services. Existing customers may be required to complete new application forms from time to time, as determined by the Accounting Officer. The most important rights and obligations of the consumer and the Municipality must be included in the service application form.
- 4.3 A copy of the application form including conditions of services must be handed to every new customer on date of application for services. All customers must be informed of the contents of the Council's Customer Care, Credit Control, Debt Collection, Indigent and Tampering Policy and a copy made available to any customer on request.
- 4.4 Billing is to be accurate, timeous and understandable.
- 4.5 The customer is entitled to reasonable access to pay points and to a variety of reliable payment methods.
- 4.6 The customer is entitled to an efficient, effective and reasonable response to appeals, and should suffer no disadvantage during the processing of a reasonable appeal.
- 4.7 Enforcement of payment must be prompt, consistent and effective.



- 4.8 Unauthorised consumption, connection and reconnection, the tampering with or theft of meters, service supply equipment and the reticulation network and any fraudulent activity in connection with the provision of Municipal services will lead to disconnections, penalties, loss of rights and criminal prosecutions.
- 4.9 Incentives and disincentives may be used in collection procedures.
- 4.10 The collection process must be cost effective.
- 4.11 Results will be regularly and efficiently reported and monitored.
- 4.12 There must be legal cause between the Municipality and its customer, and customer debt must arise out of a legal framework and must be legally collectable.
- 4.13 Debtors may be referred to third party debt collection agencies and may be placed on the National Credit Bureau.
- 4.14 Targets for performance in customer service, debt collection, reading of meters and any other relevant services, will be set and pursued and remedies implemented for non-performance.
- 4.15 Consumers that meet Council's indigent criteria must be identified and supported.
- 4.16 The Municipality shall not conduct any business activity with or provide any services to any persons with arrear municipal accounts except as provided for in this Policy and as determined by the Municipality from time to time, nor will any refunds of credits be made to any debtor who is in arrears with their Municipal account.

## 5. DEFINITIONS

- 5.1 In this Policy any word or expression to which a meaning has been assigned in the Local Government: Municipal Systems Act, has that meaning, unless the context, indicates otherwise –
  - 5.1.1 **“Account”** means a notification by means of a statement of account to a ratepayer or customer who is liable for payment of any amount to the Municipality and any authorised service provider in respect of the following –
    - (a) Electricity that is consumed by a consumer based on a meter reading or an estimated consumption and any service fee;

- (b) Water that is consumed by a consumer based on a meter reading or an estimated consumption or water availability fees;
- (c) Refuse removal and disposal;
- (d) Sanitation services and sanitation availability fees;
- (e) Property rates;
- (f) Interest;
- (g) Connection fees;
- (h) Collection charges, miscellaneous;
- (i) Sundry fees;
- (j) Default administration charges; and
- (k) Housing, rentals and instalments.

5.1.2 **“Accounting Officer”** means the person appointed by the Council as the Accounting Officer of the Municipality in terms of Section 82 of the Local Government: Municipal Structures Act (Act No. 117 of 1998) and being the head of the administration and Accounting Officer in terms of Section 60 of the Local Government: Municipal Systems Act 200 (Act No 32 of 2000). It will also include any person to whom the Accounting Officer has delegated a power, function or duty but only in respect of that delegated power, function or duty.

5.1.3 **“Act”** means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) as amended from time to time.

5.1.4 **“Actual consumption”** means the measured consumption by a customer of a municipal service.

5.1.5 **“Agreement”** means a contractual relationship between the Municipality and a customer that arises, either as a result of the Municipality's approval of a written application for municipal services, including any subsequent variation that may be made to that agreement in conformity with this Policy, or that is deemed to be an agreement.

5.1.6 **“Agricultural Property”** means a property that is used primarily for agricultural purposes

but, without derogating from Section 9, of the Municipal Property Rates Act (Act 6 of 2004) excludes any portion thereof that is used commercially for the hospitality of guests, and excludes the use of the property for the purpose of eco-tourism or for the trading in or hunting of game.

- 5.1.7 ***“Applicable charges”*** means the rate (including assessment rates), charges, tariffs or subsidies determined by the Council.
- 5.1.8 ***“Area of supply”*** means any area within or partly within the area of jurisdiction of the Municipality to which a service is provided.
- 5.1.9 ***“Arrears”*** means any amount that is due, owing and payable by a customer in respect of a municipal service provided to such customer that has not been paid on or before the due date reflected on an account rendered in respect thereof.
- 5.1.10 ***“Arrangements”*** means a written agreement or an acknowledgement of debt in terms of which a Municipality agrees to the payment over a period of time of a debt that is outstanding;
- 5.1.11 ***“Authorised agent”*** means –
- (a) Any person authorized by the Council to perform any act, function or duty in terms of or to exercise any power under this Policy;
  - (b) Any person to whom the Council has delegated responsibilities, duties or obligations in respect of the provision of revenue collection services; or
  - (c) Any person appointed by the Council, in a written contract, as a service provider for the provision of revenue collection services or a municipal service to customers on its behalf, to the extent authorized by that contract.
- 5.1.12 ***“Average consumption”*** means the average consumption by a customer of a municipal service during a specific period, which consumption is calculated by dividing the total measured consumption of that service over that period, by the number of periods.
- 5.1.13 ***“Back yard dwellers”*** the portion of a building site behind a house, structure, where somebody lives or stay as a permanent resident.
- 5.1.14 ***“Billing”*** refers to the process of charging for services provided by issuing accounts.
- 5.1.15 ***“By-law”*** means a legislation that is made by a decision taken by the Council of the

Municipality binding in the Municipality on the persons to whom it applies and is published in terms of the Municipal Systems Act.

- 5.1.16 ***“Chief Financial Officer (CFO)”*** means the official of the Municipality appointed by Council to administer its finances regardless of the designation or title attached to the post. He/she is responsible for the collection of moneys owed to the Municipality and/or any other staff member to whom he/she has delegated specific duties and responsibilities in terms of this Policy.
- 5.1.17 ***“Collection costs”*** means an amount that the Municipality can charge with regard to the enforcement of a consumer’s monetary obligations.
- 5.1.18 ***“Commercial customer”*** means a customer other than a domestic customer and an indigent customer, including, but not limited to, a business or an industrial, governmental or an institutional customer.
- 5.1.19 ***“Connection”*** means the point at which a customer gains access to municipal services.
- 5.1.20 ***“Consolidated”*** refers to the combining of all debt in order to establish the total obligation the debtor has to the Municipality.
- 5.1.21 ***“Consumer”*** means any occupier of a property to which the Municipality has agreed to supply services or already supplies services to, or when the occupier is not the responsible person, then the owner of the property.
- 5.1.22 ***“Continuous service”*** means the supply for consideration of a municipal service with the intent that so long as the agreement to supply the service remains, the Municipality will make the service continuously available to be used by the consumer.
- 5.1.23 ***“Council”*** means the Council of the Local Municipality of Knysna. A structure or person exercising delegated authority and power or carrying out an instruction in terms of these by-laws or a service provider fulfilling the responsibility under these by-laws.
- 5.1.24 ***“Credit control and debt collection”*** refers to the action/s required to safeguard revenue including disconnections, reconnections, normalizing installations and follow-up procedures and data integrity.
- 5.1.25 ***“Customer”*** means a person with whom the Municipality has concluded or is deemed to have concluded an agreement for the provision of a municipal service.
- 5.1.26 ***“Default administration charges”*** means a charge that may be imposed by the Municipality

to recover administration costs incurred as a result of a consumer's default.

- 5.1.27 **"Defaulter"** means a customer who owes money to the Municipality after the due date for payment has expired.
- 5.1.28 **"Debt collection"** refers to the debt recovery process and includes sanctions (warning, disconnection, adverse credit rating, legal process and/or eviction, etc.) to be applied in the event of non-payment of accounts.
- 5.1.29 **"Disconnection"** means interrupting the supply of water or electricity to a debtor as a consequence of ignoring a notice for payment.
- 5.1.30 **"Domestic customer"** means a customer who, primarily for residential purposes, occupies a dwelling, structure or premises.
- 5.1.31 **"Due date"** means the date on which an amount payable in respect of an account becomes due, owing and payable by a customer, which date shall be the last day of the month following the monthly debit raising.
- 5.1.32 **"Effective disconnection"** includes, inter alia, the physical removal of connections and/or equipment as a consequence of unauthorised reconnection (tampering and/or by-passing) of the disconnected service.
- 5.1.33 **"Emergency situation"** means a situation that would, if allowed to continue, pose a substantial risk, threat, impediment or danger to the present or future financial viability or sustainability of the Municipality or to a specific municipal service.
- 5.1.34 **"Estimated consumption"** means the consumption that a customer, whose consumption is not measured during a specific reading period, is deemed to have consumed and that is estimated by taking into account factors that are considered relevant by the Municipality. This estimation is often based on various factors such as historical consumption patterns, current demand trends, seasonal variations, and any other relevant data available, which may include the average consumption of similar users within the service area, ensuring a fair and reasonable approximation of usage levels for billing purposes.
- 5.1.35 **"Equipment"** means a building or other structure, pipe, pump, wire, cable, meter, engine or any accessories.
- 5.1.36 **"Financial year"** means the period starting from 1 July of one year and ending 30 June of the next year.

- 5.1.37 **"Household"** means a family unit comprising of all persons, registered owner, occupiers, vulnerable persons or tenants, who are jointly living on a stand or site/erf on a permanent basis and who receive municipal services, regardless whether the person rents or owns the property.
- 5.1.38 **"Illegal connection"** means a connection to any system through which a municipal service is provided and that is not authorized or approved by the Municipality.
- 5.1.39 **"Indigent amount"** refers to the applicable value of the indigent subsidy as determined by the Council of the Municipality from time to time.
- 5.1.40 **"Indigent household"** means a household with a total monthly income of not more than two (2) times the monthly Government old age pension plus 25% rounded up to the next R 100. If council is informed or made aware of a special case where an indigent owner resides with a person that earns an income above the indigent threshold, a committee will evaluate each case.
- 5.1.41 **"Infrastructure"** means the facilities, installations or devices required for the rendering of a municipal service or for the functioning of a community including but not limited to facilities, installation or devices relating to water, power, electricity, transport, sanitation, gas and waste disposal.
- 5.1.42 **"Interest"** means a charge levied on all arrear accounts calculated at a rate of 1% higher than the prime interest rate and will be based on a full month where a part of a month shall also be deemed to be a full month.
- 5.1.43 **"Multiple purposes"** in relation to a property, means the use of a property for more than one purpose, subject to Section 9 of the Municipal Property Rates Act (Act 6 of 2004).
- 5.1.44 **"Municipal consumer debt"** refers to the non-payment or late payment by consumers of property rates and municipal services (water, electricity, sanitation, refuse removal), traffic fines and rental housing payments and includes any amounts considered as irrecoverable.
- 5.1.45 **"Municipal Property Rates Act"** means the Local Government: Municipal Property Rates Act, (Act No 6 of 2004).
- 5.1.46 **"Municipality"** means –
- a. The Municipality of Knysna, a local Municipality established in terms of Chapter 2 paragraph 12 of the Local Government: Municipal Structures Act, (Act No. 117 of 1998) and its successors-in-title; that is Subject to the provisions of any other law and only if expressly or impliedly required or permitted by this Policy, the

Accounting Officer or his/her delegate, in respect of the performance of any function, or the exercise of any duty, obligation, or right in terms thereof or any other law; or

(c) An authorized agent of the Municipality.

5.1.47 **"Municipal services"** for purposes of this Policy, means services provided by the Municipality, including refuse removal, water supply, sanitation, electricity services and rates either collectively or singularly.

5.1.48 **"Non-residential debtors"** are classified as those debtors who do not qualify for or receive free-water.

5.1.49 **"Occupier"** means any person who resides on and/or occupies any premises to which municipal services are supplied.

5.1.50 **"Office bearer"** in relation to places of worship, means the primary person who officiates at services at that place of worship.

5.1.51 **"Official residence"** in relation to places of public worship means –

(a) A portion of the property used for residential purposes; or

(b) One residential property, if the residential property is not located on the same property as the place of public worship, registered in the name of a religious community or registered in the name of a trust established for the sole benefit of a religious community and used as a place of residence for the office bearer.

5.1.52 **"Owner"** refers to the definition as defined in the Property Rates Act.

5.1.53 **"Payment"** refers to any form of settlement acceptable to the Council of Knysna from time to time towards the balance on an account.

5.1.54 **"Person"** means –

(a) Any natural person; or

(b) Any legal entity or institution considered by law to have contractual capacity in its name and capacity to sue or be sued in a court of law, and includes but is not limited to –

- (i) A private or public company established in terms of the Companies Act, 1973 (Act 61 of 1973), as amended from time to time;
- (ii) A trust in terms of the Trust Property Control Act, 1988 (Act 57 of 1988);
- (iii) The state or any of its organs as defined in Section 239 of the Constitution of the Republic of South Africa, 1996;
- (iv) A Co-operative registered in terms of the Co-operatives Act, 2005 (Act 14 of 2005);
- (v) A community-based organisation or voluntary association or any other non-governmental organisation or voluntary association with legal competence;
- (vi) Governments of foreign countries and includes their Embassies occupying property within the Municipality's jurisdictional area;
- (vii) A curator of an insolvent estate appointed in terms of the laws of South Africa;
- (viii) An administrator of a deceased estate appointed in terms of the laws of South Africa; or
- (ix) Such other person or legal entity, as the case may be, recognised by law;

5.1.55 ***"Place of public worship"*** means property used primarily for the purposes of congregation, excluding a structure that is primarily used for educational instruction in which secular or religious education is the primary instructive medium; provided that the property is –

- (a) Registered in the name of the religious community;
- (b) Registered in the name of a trust established for the sole benefit of a religious community; or
- (c) Subject to a land tenure right.

5.1.57 ***"Premises"*** means any piece of land, the external surface boundaries of which are delineated on –

- (a) A general plan or diagram registered in terms of the Land Survey Act (Act No 9 of 1927) or in terms of the Deeds Registries Act, (Act No 47 of 1937);



- (b) A sectional plan registered in terms of the Sectional Titles Act, (Act No 95 of 1986); or
- (c) A register held by a tribal authority or in accordance with a sworn affidavit made by a tribal authority; and, where the text so requires, includes any building, structure or the like erected on such land.

5.1.58 ***"Prescribed tariff or charge"*** means a charge prescribed by the Municipality.

5.1.59 ***"Principle debt"*** means a debt that is owed to the Municipality in respect of property rates and services. It may include interest, collection charges, default administration charges, connection charges and any other charges.

5.1.60 ***"Private Towns, Developments and/or complexes"*** means properties where services such as water, electricity or sewerage networks and/or streets and open spaces has not been taken over by the municipality and a body corporate has been appointed by the individual owners to ensure sufficient levies are raised on the individual owners to cover these expenses.

5.1.61 ***"Public Service Infrastructure Property"*** refers to an organ of state that owns or controls that public service infrastructure as contemplated in the definition of "publicly controlled", provided that a person will, for the purposes of the By-law, be regarded by the Municipality as the owner of a property in the following cases –

- (a) A trustee in the case of a property in a trust, excluding state trust land;
- (b) An executor or administrator in the case of a property in a deceased estate;
- (c) A trustee or liquidator in the case of a property in an insolvent estate or a property in liquidation;
- (d) A judicial manager in the case of a property in the estate of a person under judicial management;
- (e) A curator in the case of a property in the estate of a person under curatorship;
- (f) A person in whose name a usufruct or other personal servitude is registered where the property is subject to a usufruct or other personal servitude;

- (g) A lessee in the case of a property that is registered in the name of the Municipality and is leased by it;
- (h) A buyer in the case of a property that was sold by the Municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer;
- (i) In the case of property occupied by provincial or national government the relevant department of such government; or
- (j) In the case of property occupied by an embassy of a foreign country, then such embassy; or in the case of the Municipality being unable to establish the identity of such person, the person who is entitled to derive benefit from the property or any buildings thereon or his or her legally appointed representative.

5.1.62 **"Public notice"** means publication in the media including one or more of the following –

- (a) Publication of a notice, in at least two of the official languages in general use within the Province or area in question and, where possible, the notice shall be published in a newspaper appearing predominantly in the language utilised in the publication of the notice –
  - (i) In any local newspaper or newspapers circulating in the area of supply of the Municipality;
  - (ii) In the newspaper or newspapers circulating in the area of supply of the Municipality determined by the Council as a newspaper of record;
  - (iii) On the official website of the Municipality; or
  - (iv) By means of radio broadcasts covering the area of supply of the Municipality;
- (b) Displaying a notice in or at any premises, office, library or pay-point of either the Municipality or of its authorized agent and to which the public has reasonable access; and
- (c) Communication with customers through public meetings and ward committee meetings.

5.1.63 **"Public service purposes"** in relation to the use of a property means property owned and used by an organ of state as –

- (a) Hospitals or clinics;
- (b) Schools, pre-schools, early childhood development centres or further education and training colleges;
- (c) National and provincial libraries and archives;
- (d) Police stations;
- (e) Correctional facilities; or
- (f) Courts of law;

but excludes property contemplated in the definition of "*public service infrastructure*".

5.1.64 "**Residential debtors**" are classified as those debtors who qualify for and receive free water.

5.1.65 "**Residential Property**" means a property included in a valuation roll in terms of Section 48(2)(b) of the Local Government Municipal Property Rates Amendment Act 2014 as residential in respect of which the primary use or permitted use is for residential purposes without derogating from Section 9 of the Municipal Property Rates Act (Act 6 of 2004); and which includes the following –

- (a) Used predominantly (60% or more) for residential purposes;
- (b) A unit registered in terms of the Sectional Titles Act, 95 of 1986, used predominantly (60% or more) for residential purposes, and includes any unit in the same Sectional Title Scheme registered in the name of the same owner which is used together with the residential unit as if it were one property, for example a garage or domestic worker's quarters. (Any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes and for clearance application purposes); or
- (c) Owned by a share block company and used predominantly (60% or more) for residential purposes but will be considered as one Residential property as set out in Paragraph 5.1 of the Property Rates Policy;

5.1.66 "**Service**" means a municipal service rendered by the Municipality and includes the supply of electricity, water, sanitation and refuse removal.

5.1.67 "**Separated Couple**" means a married couple who are separated and no longer living

together even though they have not been legally divorced.

5.1.68 ***“Subsidised service”*** means –

- (a) A municipal service which is provided to a customer at an applicable rate which is less than the cost of actually providing the service and includes services provided to customers at no cost;
- (b) Municipal service in An area, as determined by the Council, within which all customers are provided with services from the same bulk supply connection; and
- (c) The receipt, use or consumption of any municipal service, which is not in terms of an agreement or authorised or approved by the Municipality;

5.1.69 ***“Sundry debt”*** refers to any debt other than for rates, housing, metered services, sanitation and refuse removal;

5.1.70 ***“Supply”*** means any metered supply of water or electricity;

5.1.710 ***“Tariff”*** means the levying of fees, rates or taxes for municipal services provided by the Municipality itself and that complies with the Municipal Systems Act, (Act no. 32 of 2000);

5.1.72 ***“Tampering”*** means the unauthorised interference with a service rendered by the Municipality, or to damage or make unauthorised changes to the equipment or property of the Municipality used in connection with the provision of Municipal services. Reconnection of a supply that has been disconnected for non-payment, the interference with the supply mains or bypassing of the metering equipment to obtain an un-metered service;

5.1.73 ***“Total household income or household income”*** refers to the total formal and informal gross income of all people living permanently or temporarily on the property on which the account is based.

5.1.74 ***“Unauthorised service”*** means the receipt, use or consumption of any municipal service which is not in terms of an agreement with or approved by the Municipality.

## **6. LEGISLATIVE FRAMEWORK**

6.1 This Policy is designed and implemented with the framework of the following legislation:

- (a) The Constitution of the RSA, 1996;
- (b) The Municipal Systems Act, 2000 (Act 32 of 2000);
- (c) The Municipal Finance Management Act, 2003 (Act 56 of 2003);
- (d) The Promotion of Administration Justice Act, 2000 (Act 3 of 2000);
- (e) The Promotion of Access to information Act, 2000 (Act 2 of 2000); and
- (f) The Property Rates Act 2000 (Act 6 of 2004).
- (g) Protection of Personal Information Act (2020)

6.2 The framework also covers the duties and functions of Council, Executive Mayor all councillors, Accounting Officer, municipal staff, communities, rates payers and residents.

## **7. CUSTOMER CARE**

### **7.1 Objective**

7.1.1 To focus on the client's needs in a responsible and pro-active way, to enhance the payment for services and to create a positive and cooperative relationship between the persons responsible for the payment for services received, and the Municipality, and where applicable, any service provider.

7.1.2 In terms of Section 95 of the Local Government Municipal Systems Act 2000, in relation to the levying of property rates and other taxes by a Municipality and the charging of fees for municipal services, a Municipality must, within its financial and administrative capacity provide for the following as discussed in paragraphs 7.2 to 7.19 below.

### **7.2 Service Delivery**

7.2.1 Establish a sound Customer Management System that aims to create a positive and reciprocal relationship between persons liable for these payments and the Municipality itself.

### **7.3 Communication and Feedback**

7.3.1 Establish mechanisms for users of services and ratepayers to provide feedback to the Municipality or other service provider regarding the quality of the services and the

performance of the service provider.

- 7.3.2 Take reasonable steps to ensure that users of services are informed of the costs involved in service provision, the reasons for the payment of service fees, and the manner in which monies raised from the service are utilised. (Consolidation of 7.3.3 and 7.3.2)
- 7.3.3 Within its financial and administrative capacity, conduct an annual process of compiling and communicating its budget, which may include targets for credit control and debt collection.
- 7.3.4 Make available Council's Customer Care, Credit Control, Debt Collection, Indigent and Tampering Policy by general publication, on specific request, and which will also be available for perusal at the Municipality.
- 7.3.5 Endeavour to distribute a regular newsletter, which will give prominence to customer care and debt issues.
- 7.3.6 Require ward councillors to hold regular ward meetings, at which Customer Care and Debt Collection issues will be given prominence to customer care and debt collection issued
- 7.3.7 The press/media will be Encourage the press to give prominence to Council's Customer Care, Credit control, Debt Collection, Indigent and Tampering Policies, and may be invited to Council, Committee or public meetings where these are discussed
- 7.3.8 Residents, customers and the users of services will be encouraged to give feedback, through the established mechanisms, to the Municipality regarding the quality of services and the performance of service providers.

#### 7.4 Personal contact

- 7.4.1 Telephonic contact, agents calling on clients –
  - (a) The Municipality will endeavour, within the constraints of affordability and available capacity, to make personal, electronic or telephonic contact with certain arrear debtors to encourage their payment, and to inform them of their arrears state, their rights (if any) to conclude arrangements or to indigent subsidies, other related matters and will provide information on how and where to access such arrangements or subsidies; and
  - (b) The municipality shall maintain a schedule of debtors with large amounts outstanding and will maintain intensive contact with these debtors.

- (c) Such contact is not a right for debtors to enjoy and disconnection of services and other collection proceedings may continue in the absence of such contact for whatever reason.

## 7.5 Accounts and billing

- 7.5.1 Consumers on the billing system will receive an understandable and accurate bill from the Municipality, which bill will consolidate all rates and service costs as well as subsidies/rebates granted in terms of this Policy for that property.
- 7.5.2 Accounts will be produced in accordance with the meter reading cycle and due dates will be linked to the statement date.
- 7.5.3 Accounts will be rendered monthly in cycles of approximately 30 days, in electronic format, to the email address or cell phone number at the address last recorded with the Municipality or its authorised agent.
- 7.5.4 It is the residents, consumer's and/or consumers responsibility to ensure that the postal address, and/or email address, and/or cell phone and other contact details are correct.
- ~~7.5.5~~ It is the consumer's responsibility to make enquiries and ensure timeous payments, If, for whatever reason, and account is not received during the normal billing cycle, it remains the responsibility of the resident, customer and/or consumer to obtain a duplicate account , or any other acceptable alternative , from the Municipality or its authorised agent, at a cost determined by Council from time to time .
- 7.5.6 Settlement or due dates will be as indicated on the statement. Third party must ensure that all direct Bank or electronic payments reflect in the Municipal bank account by due date
- 7.5.7 Where any payment is made to the Municipality or its authorized representative by negotiable instrument and it is later rejected by the bank, the Municipality or its authorized agent –
  - (a) May recover an admin fee as determined by Council relating to dishonoured negotiable instruments against the account of the consumer;
  - (b) Shall regard such an event as a default on payment; and
  - (c) May insist on cash payments for all future accounts.

7.5.8 The Municipality or its authorised agent must, if administratively possible, issue a duplicate account or any acceptable alternative to a consumer on request, at a cost determined by Council from time to time.

7.6 Payment facilities and methods

7.6.1 The Municipality will operate and maintain suitable payment facilities, which facilities will be accessible to all users.

7.6.2 A consumer who has overdue debt, may not specify that the payment is for a specific portion of the account. Payments will always be appropriated to the oldest account (notwithstanding the kind of service), where after it will be appropriated in order of a predetermined priority as approved by the Municipality.

7.6.3 The Municipality may in terms of Section 103 of the Systems Act, with the consent of a consumer, approach an employer to secure a debit or stop order arrangement.

7.6.4 The Municipality will endeavour to appoint a third parties (easy pay, pay@, the SA Post Office, etc.) for the receipt and transfer of payments to the Municipality. The consumer will acknowledge, in the consumer agreements that the use of consumer agents in the transmission of payments to the Municipality is at the risk of the consumer – also for the transfer time of the payment.

7.6.5 Payments can be made:

- (a) At Knysna Municipal Customer care main offices.
  - i. Mondays to Thursday 08h00 to 16h00 and Fridays from 8h00 to 15h00 (Excluding public holidays and weekends.
- (b) Satellite Offices (Sedgefield, Karatara and Rheenendal, Khayaletu)
  - i. Mondays to Thursdays 08h00 to 16h00 and Fridays 08h00 to 13h00);Excluding public holidays and weekends.
- (c) At any of the Easy Pay, Pay@ Snap scan, Zapper, Spar and Post Office pay points as approved by Council. Please note that at least 48 hours should be allowed for processing of all third-party payments; However, payments made at a third party will be done at own risk. It also remains the responsibility of the person making the payment, to ensure that the receipt is correct;
- (d) By direct Bank – and/or electronic payments to the Municipal bank account using Knysna Municipality as beneficiary. The Municipal account number must at all times be used as the reference number; It also remains the responsibility of the person



making the payment to ensure that, at least 48 hours should be allowed for processing of all direct bank and /or electronic payments.

- (e) By way of an automatic debit order. These forms are available at any of the Municipal Offices.

#### 7.7 Incentives for Prompt Payment

- 7.7.1 The Council may, to encourage prompt payment and/or to reward regular payers, at its discretion from time to time consider incentives for the prompt payment of accounts or payment by debit or stop order.
- 7.7.2 If introduced, the cost associated with the incentive scheme will be reflected in the operational budget as additional expenditure or as otherwise determined by the Chief Financial Officer.
- 7.7.3 Council may consider the use of agents as service providers and innovative debt collections methods and products. Costs effectiveness, the willingness of agents to work under appropriate codes of conduct and the success of such agents and products will be part of the agreement Council might conclude with such agents or service provides and will be closely monitored by Council, by way of quarterly reporting to Council where such an incentive scheme has been employed.

#### 7.8 Feedback, Enquiries, appeals and service complaints

- 7.8.1 Within its administration and financial ability, the Municipality will establish –
  - (a) A central complaints/feedback office;
  - (b) A centralized complaints database to enhance co-ordination of complaints, their speedy resolution and effective communication with consumers;
  - (c) Appropriate training for officials dealing with the public to enhance communications and service delivery;
  - (d) A communication mechanism to give Council feedback on the application of the policies on customer care and management, credit control debt collection and other issues of concern;

- (e) Accessible mechanisms for those persons to query or verify accounts and metered consumptions, and appeal procedures which allow such persons to receive prompt redress for inaccurate accounts; and
- (f) Mechanisms to monitor the response time and efficiency in complying with the above points.

The introduction of a regular article in the newsletter to inform residents, customers

If a customer and/or consumer is convinced that his/her account is inaccurate, he/she can lodge a query, together with supporting documentation and proof, with the Municipality before the due date which the debt is due, for the investigation of this account, and where necessary the relevant alterations.

- a) In the interim, the debtor must pay an average based on previous consumption where such history of the account is available. In the absence of such history of the account, the debtor is to pay an estimate provided by the Municipality before payment is due, until the matter is resolved.
- b) The relevant department will investigate and endeavour to inform the debtor within 14 (fourteen) days of the outcome of the investigation and the measures that have been or will be taken to correct the situation.
- c) Failure to make such agreed interim payment or payments will lead to the enforcement of the normal credit control procedures.
- d) A customer/consumer may appeal against the finding of the Municipality in terms of sub-clause (7.8(d)).
- e) An appeal and request in terms of sub-clause (7.8(f)) must be made and lodged with the Municipality within 21 (twenty-one) days after the customer was informed of the finding in sub-clause (7.8(d)) and must: -
  - i. Set out the reasons for the appeal;
  - ii. Be accompanied by any security determined for the testing of a measuring device, if applicable;
- (g) In the instance of the dismissal of an appeal, a fee will be levied to the customer/consumer's municipal account, in accordance with the approved tariffs.

## 7.9 Water leakages – Non-indigent consumers

- 7.9.1 If the leakage is on the consumer's side of the meter, the consumer will be responsible for the payment of all water supplied to the property. The consumer has the responsibility to control and monitor his/her water consumption.
- 7.9.2 A consumer may qualify for a reduction in levy as determined by Council on his/her account in the event of a water leakage, if –
  - (a) The leakage was underground or under the foundation of the building and not easily detectable;

- (b) The leakage was repaired within 48 hours after detection / notification by the Municipality;
- (c) The consumer submits a sworn affidavit by him/herself;
- (d) The consumer has not applied for discount on water leakages within the previous 12 months; and
- (e) An authentic certificate issued by a registered plumber must reach the Municipality within 10 days after completion of repairs done with respect to a water leakage and must contain the following –
  - (i) The date of the invoice and repair work as well as the receipt; and
  - (ii) Confirmation that surface leakage was not visible; or
- (f) If repairs were done by the consumer themselves, his/her sworn affidavit must reach the Municipality within 10 days after completion of repairs done with respect to a water leakage and must contain the following –
  - (i) The date of the invoice and repair work as well as the receipt and/or date stamped photos proving that the leak was underground and repaired by themselves;
  - (ii) That the reading has normalised; and
  - (iii) Confirmation that surface leakage was not visible.

7.9.3 Once the Accounting Officer declares that the AkkerKloof dam volume has dropped to below 30%, no water charges in respect of water losses because of leakages will be reduced.

7.9.4 Water lost due to the meter being stolen, defective irrigation, broken geyser, leaking toilet or leaking tap cannot be considered for reduction.

7.9.5 Council will only allow a reduction up to the difference between the levied amount of the leakage and the recalculated amount calculated as follows –

Domestic and Business: In terms of water leaks the following Council Policy will apply

1. Relief of 70% on excess water within 30 days of the first excessive account
2. Relief of 50% on excess water within 60 days of the first excessive account
3. Relief of 30% on excess water within 90 days of the first excessive account

Relief will only be granted on production of a plumber's certificate, or an on-site inspection carried out by the Engineer, and reported on and recommended for assistance. A sworn affidavit in the case of a private individual having repaired the leak is also acceptable.

7.9.6 When the meter is faulty and replaced it will be dealt with as follows:

The Technical Officer or his delegated official must furnish the Manager Revenue services with a recommendation to revise the billing based on the consumer's average consumption pattern for the previous 12 months.

7.10 Leakages -Indigent consumers:

Water leakages at indigent households premises will be fixed by Council at no cost provided that leaks are reported, by completing on the leaks register at the Customer care offices within 30 days.

7.10.1 If the leakage is on the indigent consumer's side of the meter, the consumer will be responsible for the payment of all water supplied to the property. The indigent consumer has the responsibility to control and monitor his/her water consumption.

7.10.2 An indigent consumer may qualify for a reduction as determined by Council on his/her account in the event of a water leakage, if –

- (a) The indigent consumer submits a sworn affidavit by him/herself confirming the leakage was reported and repaired and that the reading has normalised; and
- (b) The indigent consumer has not applied for discount on water leakages within the previous 12 months.

7.10.3 Council will only allow a reduction up to the difference between the levied amount of the leakage and the recalculated amount calculated as follows –

Rebate recipients: In the case of indigent recipients, and senior citizens (age 60 or older) a six months average supply prior to the water leak will be made applicable upon production of a plumber's certificate or sworn affidavit in the case of private individual having repaired the leak. The excessive consumption above the six-monthly average applied, to be waived.

7.11 Temporary suspension of actions for special reasons

7.11.1 The written approval of the Chief Financial Officer (CFO) or his/her delegate to temporarily suspend actions must at all times be obtained for special reasons. If the suspension of actions in terms of this Policy exceeds 3 months, it must be reported to Council.

7.12 Restricted water

7.12.1 If a person is in arrears and his/her water has been restricted, such person should negotiate

a settlement agreement to redeem the debts.

7.12.2 The water restriction however cannot be restored until the arrear debt is paid in full (unless payment arrangements are in place);

7.12.3 Once the account has been paid in full, the water flow can be restored.

7.13 Process regarding disabled persons or persons who are linked to a respirator or life supporting machine

7.13.1 All collection actions can be suspended where needed with the Chief Financial Officer or his/her delegated officials' consent.

7.13.2 A medical certificate to confirm the client's health condition must be obtained at regular intervals to qualify for this support.

7.14 Inheritor of an insolvent estate

7.14.1 Where the inheritor of a property, with no/or an insolvent estate, qualifies for an indigent subsidy, the outstanding debt can be written off by Council in order for clearance to be given and the property to be transferred.

7.15 Property Rates rebates

7.15.1 Subject to certain criteria the Municipal Council may grant rate rebates annually to certain categories of ratepayers in accordance to the Municipality's Property Rates Policy and By-law.

7.15.2 The following properties will be excluded from the payment of rates –

- (a) Properties of which the municipality itself is the owner;
- (b) First 30% of the market value of public service infrastructure in terms of Section 17(1)(a) of the Act;
- (c) Rights registered against immovable property in the name of a person –
  - (i) On property registered in the name of and used primarily as a place of public worship by a religious community, including the official residence registered in the name of that community, which is occupied by the office-bearer of that

community who is, officiates at services at that place of worship in terms of Section 17(1)(i) of the Act;

- (d) On the first R 15,000 of the market value of a property assigned in the valuation roll or supplementary valuation roll to a category determined as residential property or multiple used property provided that one or more component is used for residential purposes in terms of Section 17(1)(h);
- (e) An additional R35000 of the valuation of domestic properties (excluding accommodation establishments and vacant land) will be exempt from property rates for properties valued at R500 000 and below. All properties above R500 000 will not receive the R35 000 rebate Council discretion.
- (f) Businesses including accommodation establishments 3-8 and accommodation establishments 9+ will be rated at business rates tariff. Properties that are used as accommodation establishments 3-8 will be granted a 10% % rebate on the business tariff. Accommodation establishment where the number of lettable bedrooms are less than 3 bedrooms will be classified as residential;
- (g) Properties registered or recognised as private nature reserves in terms of relevant legislation, which are not developed or used for commercial, business, agricultural or residential purposes in terms of Section 17(1)(e) of the Act.

7.15.3 Rebates granted in terms of Section 4 of the Property Rates Policy may be considered for the following categories of properties –

- (a) Market value of residential property below a determined threshold;
- (b) Retention and restoration of conservation worthy buildings; and
- (c) Heritage areas

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

#### 7.16 Arrangements for settlements

7.16.1 If required, consumers with arrears must convert to a prepaid meter system, and when implemented the cost of the conversion and the arrears total, will be paid off either by –

- (a) Adding the debt to the arrears bill and repaying it over the agreed period; or
- (b) Adding the debt as a surcharge (auxiliary) to the pre-paid electricity cost, and repaying it with each purchase of electricity until the debt is settled; or
- (c) Installation of pre-paid meter is free of charge if a person is indigent.

7.16.2 Council reserves the right to increase the deposit requirement of debtors who seek arrangements.

7.16.3 If an arrangement is not honoured the arrangement will be cancelled.

7.16.4 All arrangements for settlements will be in accordance with the processes and guidelines approved by the Accounting Officer or Chief Financial Officer from time to time in pursuance of the credit control and debt collection targets set by Council.

#### 7.17 Restriction of services (to move to debt collection)

7.17.1 If the Accounting Officer, or his/her delegated authority, is of the opinion that the termination of services, in the case of a particular property in respect of which the account is in arrear, is not in the best interests of the community, specifically because of the potential endangerment of the life of any person, whether resident in or outside the property concerned, the Accounting Officer, or his/her delegated authority, may appropriately restrict rather than terminate the services in question.

#### 7.18 Estate Account Collection

##### 7.18.1 Estates with legal status –

- (a) The accounts of debtors who are declared insolvent or are under administration or deceased are dealt with according to normal legal practices by collection staff of the Municipality.
- (b) Unsuccessful claims must be submitted to Council for approval to be written off.

##### 7.18.2 Estates without formalised legal status –

- (a) Where there is no formal estate or the deceased died intestate without an identified heir:

In numerous cases the head of a household has died without leaving a will indicating to whom ownership of the family residence is to be transferred upon the event of his or her death OR the owner of the property has abandoned his or her family to fend for themselves. As these exceptions are not provided for in the normal legal practice, the following process will be followed in such cases:

1. The remaining family must report the situation to the Municipality's customer care debt collection office, who will require the relevant documentation to be obtained by the family, i.e. a death certificate and an order of the local magistrate allocating right of ownership to a member of the surviving family in the case of a deceased estate OR an order of the local magistrate allocating right of ownership to a member of the abandoned family.
2. Where no Court Order allocating right of ownership is provided or available, the Municipality shall initiate an investigation to determine the status of the property and current occupants.
3. Occupant(s) shall be required to register, via affidavit, as responsible person(s) for the property, and shall be liable for the payment of municipal rates and service charges from the date following the death of the owner/account holder.
4. In the absence of voluntary compliance, the Municipality may take legal steps, including service disconnection in terms of this Policy, or seeking a declaratory court order establishing liability.
5. In all of these cases, extension for the payment of the arrears (arrangements to pay debt over a period of up to 36 months) as at the date of notification will be given by the debt collectors of the Finance Department. Disconnected electricity will also be reconnected, and the remaining family will be expected to pay all amounts levied on monthly current accounts in excess of the amount of the extension until such time as the matter has been finalised. This will prevent any further service restrictions or collection actions at the residence while the family are legalising ownership of the property.
6. As soon as ownership has been officially allocated by the magistrate, the documents concerned must be presented to the Municipality's customer care debt collection office, which will then change the name



of the account to that of the new owner. They will also **instruct** the new owner to make an arrangement for the payment of the arrears to prevent credit control and collection action by the Municipality. Alternatively, if the family qualifies to be registered for assistance in terms of the Municipality's Indigent Policy, they **must** apply for it. After registration, their arrears can be dealt with in terms of the Policy. Child headed families, where the parents are deceased and there are only unemployed minor children living in the dwelling, may qualify for the debt being written off.

7. A reduced burial fee, as determined by Council is charged for an indigent grave.
8. Unsuccessful claims must be submitted to Council for approval to be written off.
9. In the event where the applicant is a tenant, the application must be accompanied by a copy of the rental agreement.

#### 7.18.3 Customers in Correctional Care or Customers Who Were Imprisoned

- a) Must obtain a letter from Correctional Services, which indicates the date of release;
- b) If a lodger occupies the dwelling while the owner is imprisoned, such lodger should accept responsibility for the account. Such lodger may apply for indigent subsidy on behalf of the owner with proof of imprisonment from Correctional Services and authorisation from the owner;
- c) If no tenant is occupying the dwelling, the services will be restricted until the owner is released from prison, after which the outstanding debt on the owner's account will be submitted to Council for consideration to be written off.

#### 7.18.4 Deceased Estates and Abandoned Properties

- a) A certified copy of the deceased's death certificate must be presented.
- b) Proof from the Registrar of Estates should be obtained that the deceased estate is not liable for any claims.
- c) If the estate will be liable for claims, a claim should be laid against the said estate for all municipal debts incurred up to the date of death.
- d) If a death certificate was obtained while no estate was registered, such debts should be written off with effect up to the date of death.

- e) Billing for rates and services post-death will be directed to the executor or a nominated heir in occupation, subject to verification and agreement.
- f) Should the new owner/tenant/authorised person qualify for indigent subsidies, the total outstanding amount should be written off and the subsidies should be granted.
- g) However, if the new owner/tenant/authorised person does not qualify for a subsidy, the owner/tenant/authorised person shall be obliged to settle the outstanding amount from the date of death up to the current date or to arrange for a settlement agreement.
- h) Child-headed families, where the parents/legal guardians are deceased and only unemployed minor children reside in the dwelling, the debt may be written off. The child-headed family will be granted 100% indigent benefits on the deceased owner's account.
- i) In the case where a property owner is deceased, the authorised person(s) may give permission via an affidavit to the occupier of the property, to be responsible for all services and rates on the property. This occupier may apply for indigent or social rebate benefits. The account will stay in the name of the registered owner but will be the responsibility of the authorised occupier.
- j) Unsuccessful claims must be submitted to Council for approval to be written off.

If the owner has passed away or abandoned the property and another person who resides on the property, applies for indigent subsidy or social rebate benefits but has no contact with the registered owner and/or family member(s) the applicant must submit an affidavit that he/she takes full responsibility for the municipal account. The account will remain in the name of the registered owner.

## **8. METERING**

### **8.1 Metering:**

- 8.1.1 The Municipality will, endeavour, within practical and financial limits, to provide meters to every paying consumer for all services.
- 8.1.2 Where the consumption of services has to be measured, take reasonable steps to ensure that the consumption by individual users of services is measured through accurate and verifiable metering systems.
- 8.1.3 All meters will be read monthly, if at all possible. If the meter is not read monthly the Council will estimate the consumption in terms of Council's operational procedures.
- 8.1.4 Consumers are entitled to request verification of meter readings and accuracy within reason but will be held liable for any cost thereof.
- 8.1.5 Consumers will be informed of meter replacement.

- 8.1.6 If a service is metered but it cannot be read due to financial and human resource constraints or circumstances out of the control of the Municipality or its authorised agent, and the consumer is charged for an estimated consumption, the account following the reading of the metered consumption must articulate the difference between the actual consumption and the average consumption, and the resulting credit or debit adjustments.
- 8.1.7 If a meter cannot be read due to no access for six consecutive months, the meter may be replaced with a pre-paid meter at the cost of the owner.
- 8.1.8 The occupier can give the readings through telephonically, email, short message service (sms), or available resources e.g Meter reading App or Collaborator App but at least every six months a true/actual reading must be obtained by the meter reader.
- 8.1.9 In the case of holiday houses, average consumption will not be levied monthly. A true /actual reading must be obtained by the meter reader at least twice a year if possible.
- 8.2 Right of Access
- 8.2.1 All water & electricity meters, pre-paid or conventional, remain the lawful property of the Municipality.
- 8.2.2 Any properly authorised official of the Municipality may enter any premises within the area of jurisdiction of the Municipality in order to read, inspect, install or repair any meter, service or service connection for reticulation, or to disconnect, reconnect, stop or restrict the provision of any service.
- 8.2.3 The owner will be responsible for all the cost associated with the relocation of a meter if satisfactory access is not possible.
- 8.2.4 Authorised officials must always have unrestricted access to any water or electricity meter in order to perform any action listed under subsection 7.6.2.
- 8.2.5 When accessing a premises in terms of subsection 7.6.2, the authorised official shall, upon request, provide proof of his or her identification.
- 8.2.6 Any person who:
- a) refuses to grant access to a premises to a properly authorised official of the Municipality, or;
  - b) who obstructs or inhibits an authorised official in the execution of his or her duties in terms of the provisions of this policy, or;
  - c) refuses to provide information lawfully requested by an authorised official, or;

d) deliberately provide false or misleading information to an authorised official;  
Shall be guilty of an offence.

## **9. CREDIT CONTROL**

### 9.1 Specific objectives

9.1.1 To implement procedures that will restrict the unauthorised use of municipal services, escalation of debt and limit the Municipality's risks.

### 9.2 Application for Municipal Services

9.2.1 All consumers of services will be required to sign an agreement governing the supply and cost of Municipal services. Owners (with their written consent) may allow tenants to sign separate agreements with the Municipality, which the Municipality may at its own discretion accept or reject. No new tenant accounts will be opened except for indigent tenant and businesses or where the owner is untraceable;

9.2.2 The process must occur at least seven days prior to taking occupation of the premises, so that the Municipality can ensure that a meter reading is taken on the appropriate day and that the services are available when occupation is taken. Failure to adhere to the timeframe may result in customers not having the services available when occupation is taken.

9.2.3 Applicants for municipal services may be checked for creditworthiness including banking details and information from credit bureaus, other local authorities, trade creditors and employers to determine the extent of deposit required to cover the risk of default This will require the provision of, an Identity Document, binding lease agreement, title deed and other supporting documents as required by Council from time to time.

9.2.4 Applications for services from businesses, including but not limited to trust, companies, Close corporations and partnerships must include a resolution of the entity providing delegating authority to the applicant to apply for the relevant service and furnishing, if applicable, the business entity's registration number or ID number, the names, addresses and all relevant contact particulars of all business's directors, members, trustees, proprietors or partners;

9.2.5 An applicant must provide all the information and documentation which the Municipality requires.

9.2.6 If an applicant for Municipal service is an existing customer of the Municipality in respect of any other municipal service and such customer has an outstanding amount that is due

and payable to the Municipality –

- (a) The arrears must be paid on this property or any other property within the municipal boundaries; or
- (b) An agreement for payment of arrears must be concluded with the Municipality before an application for services can be approved.

9.2.7 If a consumer fails or refuses to sign a new service agreement or pay the deposit, the Municipality may discontinue services until the necessary agreement has been signed and/or deposit been paid.

9.2.8 The Municipality will render the first account after the first meter reading cycle to be billed following the date of signing the service agreement.

9.2.9 Consumers who illegally consume services without this agreement will be subject to punitive action.

### 9.3 Property Developments

9.3.1 A property developer must inform the Municipality of the nature and extent of the municipal services or services that will be provided as well as the measuring devices that will be used.

9.3.2 A property developer who fails to comply with the provisions of paragraph (a) shall be liable for the payment of all the applicable charges that would have been payable by customers in respect of municipal services that have been used or consumed by such customers.

9.3.3 Services / Tenant account may be opened on the registered erf, for unregistered subdivided erven, if:

- (i) A clearance certificate was issued on the unregistered erf applicable;
- (ii) Capital contributions have been paid;
- (iii) The necessary application for registration has been submitted to the deeds office;
- (iv) The necessary services application forms and supporting documentation have been fully completed, authorised by the registered owner / developer and submitted to the Municipality.

### 9.4 Termination of Services

9.4.1 It is the responsibility of the consumer to notify the Municipality when municipal services are no longer required due to the sale of the property or other reasons.

- 9.4.2 Failure to comply with the provision of paragraph (a) above renders the consumer liable for all service charges and interest thereon accumulated from the date when the premises are vacated to the date when Council becomes aware of such vacation.
- 9.4.3 A customer may terminate an agreement for the supply of municipal services by giving at least 7 (seven) day written notice to the municipality of such termination. Termination will only be processed once all arrear debt on the account have been settled or a valid payment arrangement on this debt was agreed upon;
- 9.4.4 The municipality may terminate an agreement for the supply of Municipal services where the premises have been vacated by the tenant concerned and no arrangement for the continuation of the agreement has been made with the Municipality provided that, in the event of the customer concerned not being the registered owner of the premises;
- 9.4.5 The outstanding balance of the tenant account will appear on the owner's account.
- 9.4.6 A customer shall remain liable for all arrears and applicable charges that are payable for Municipal services rendered prior to the termination of an agreement. Upon termination of the agreement the services will be restricted, and a deposit will be payable. Services will be restored once payment of the services deposits is confirmed, and the necessary services agreement has been signed;
- 9.4.7 An owner may request for the disconnection of services where the meters are on his name, under the following conditions –
- (a) The meter must be removed from the property by our Technical Department;
  - (b) Availability will be charged; and
  - (c) Normal new connection fees and procedures will be applicable for reconnection.
- 9.5 Payment of a Deposit
- 9.5.1 Every consumer must, on application for the provision of Municipal services pay a deposit to the Municipality, prior to the provision of any Municipal services. A minimum deposit will be payable equal to the amount determined by Council from time to time.
- 9.5.2 The Council may require a consumer to whom services are provided and who was not previously required to pay a deposit, for whatever reason, to pay a deposit on request,

within a specified period.

- 9.5.3 The Council may from time to time review the sum of money deposited by a consumer in terms of this Section and, in accordance with such review require that an additional amount be deposited by the consumer. The deposit will also be reviewed where any change in service connection is done. This adjustment will be in line with the amount determined by Council for that specific financial year.
- 9.5.4 The Municipality shall give the owner or occupier of the premises, where Municipal services are rendered reasonable notice of any increase of the deposit.
- 9.5.5 An amount deposited with the Municipality in terms of this paragraph shall not be regarded as being in payment or part payment of an account due for services rendered except in the case of a final account where the final amount will first be cleared before the remaining portion of the deposit can be paid back.
- 9.5.6 No interest shall be payable by the Municipality on the amount of a deposit held by it in terms of this paragraph.
- 9.5.7 An agreement for the provision of services must contain a condition that a deposit shall be forfeited to the Municipality or its authorised agent if it has not been claimed within twelve months of the termination of the agreement.
- 9.5.8 The Municipality may accept a bank guarantee as a deposit.
- 9.5.9 Only on the termination of the agreement the amount of the deposit, less any outstanding amount due to the Municipality, will be transferred to any other outstanding account of the client or refunded to the transferring attorney or to the consumer.
- 9.5.10 For any changes to a connection type, the deposit will be adjusted in accordance with the approved tariff list.
- 9.5.11 In case of lowering of amps or supply, the deposit will not be adjusted on the municipal account.
- 9.5.12 Any inactive deposit that is correctly recognised in the financial statements as payable and has not been claimed back within a period of three years after the service has been delivered, completed or finalised, will be forfeited –
- (a) The only exception to this is when a block booking has been made and the deposit is carried over for the next booking. This is only applicable within a financial year. The

deposit must be repaid and revised at the beginning of a new financial year.

- (b) A request for repayment of an inactive deposit after the three-year period can be made after which the CFO will consider each case on its own merit.

#### 9.5.13 Commercial, Business and Industrial –

- (a) Deposits for businesses will be levied according to twice the highest bill during the previous 12 months for similar businesses or the deposit as specified in the tariff list, whichever is the highest.
- (b) New connections at new extensions of businesses will be as specified in the tariff list for the current financial year.

9.5.14 Payment of a deposit is not applicable to properties where the property has been identified as an indigent household.

9.5.15 For any changes requested on the connection type the deposit will be adjusted accordingly and in accordance with the current approved tariff list. All outstanding debt on this premises or any other property of the consumer must be paid in full. The deposit will not be decreased with the lowering of amps or supply.

#### 9.6 Recovery of Additional Costs

9.6.1 The Municipality may, in addition to any charge, tariff, levy or payment of any kind referred to in this Policy, recover from a customer any reasonable costs incurred by it in implementing this Policy, including all legal costs, including attorney and client costs incurred in the recovery of arrears which shall be debited against such customer as arrears in his/her account.

#### 9.7 Payment for Municipal Services Provided

9.7.1 A customer shall be responsible for the payment of all Municipal services accounts rendered to him/her from the commencement date of the agreement until the account has been paid in full and the Municipality shall be entitled to recover all payments due to it from the customer concerned.

9.7.2 Payments will always be appropriated to the oldest account (notwithstanding the kind of service), where after it will be appropriated in order of a priority as determined by the Municipality.



- 9.7.3 If a customer uses a Municipal service for a use other than that for which it is rendered by the Municipality in terms of an agreement and if he is charged an amount lower than the applicable prescribed charge, the Municipality may alter the amount so charged and recover from him/her the difference between the altered charge and the amount initially charged to him/her.
- 9.7.4 Discontinuation of services and rendering of a final account will always be between two debit raisings. Thus, any request for discontinuation of services after the 01<sup>st</sup> of a month (or if on a weekend or public holiday the first working day thereafter) will only be finalised with the next debit raising of the following month and the basic charges for that period will be payable.
- 9.7.5 The basic fee for water and/or electricity will only be levied on accounts with active meters or active tariffs. This is to ensure that the basic fee is not duplicated where one consumer vacates a property and a new consumer moves in. For example, if a final account is requested during a period as mentioned in (d) above, the meter will stay active until the following debit raising when the account will be finalised and transferred to the new consumer. Although the new consumer will be liable for the water usage from date of the final reading the basic fee will only be levied from the following debit raising when the meter becomes active on the new account.
- 9.7.6 “Full and final settlement” of an amount: Where an account is not settled in full, any lesser amount tendered to and accepted by the Municipality shall not constitute a full and final settlement of such an account despite the fact that the payment was tendered in full and final settlement unless the Accounting Officer or his/her nominee or the manager of the Municipality's authorized agent expressly accepts such payment in writing as being in full and final settlement of the amount reflected on the relevant account.
- 9.7.7 Responsibility for payment of amounts due and payable –
- (a) Notwithstanding any other provision in this Policy, an owner of premises shall be liable for the payment of any amount that is due and payable to the Municipality by a customer who is a lessee or occupier of such premises to which municipal services have been provided, if the Municipality, after having taken reasonable steps to recover from such customer any amount due and payable by him/her, could not do so.
  - (b) Sub-Paragraph (a) must not be construed as absolving the Municipality from its responsibility to collect outstanding amounts in respect of Municipal services provided to premises from the customer who has benefited from it.

#### 9.7.8 Dishonoured payments –

- (a) If the payee or the consumer is an existing consumer of Council, the reversal and penalty fee may be debited to an account of the drawer or beneficiary and a letter of notification will be sent to consumer. Such fee shall be deemed to be a tariff charge and shall be recovered from the consumer. Council reserves the right to place the matter on the National Adverse Credit Listing and also institute legal action which may include criminal charges against the offender.
- (b) If the consumer who received value from the payment is not an existing debtor of Council, a sundry debtor account is opened, and the debit and penalty is raised. Once the account is submitted and the debtor fails to honour the payment including the penalty within 14 days of receipt, a final demand is generated and submitted.
- (c) If the debtor who received value from the payment is an existing debtor of Council, the reversal and penalty fee may be debited to an account of the drawer or beneficiary and a letter of notification must be sent to the debtor. Such fee shall be deemed to be a tariff charge and shall be recovered from the debtor. Council reserves the right to institute legal action which may include criminal charges against the offender.

9.7.9 The Council may, by resolution, approve incentive schemes to encourage prompt payment of charges for services rendered and to reward customers who pay their accounts regularly and on time.

9.7.10 The aforementioned incentive schemes may include the conclusion of a written agreement with the employer of a customer in terms of which such employer undertakes to deduct outstanding rates and service charges or to settle regular monthly accounts, through deductions from the relevant customer's salary or wages, in exchange for a monetary reward either by way of payment of a commission or the grant of a rebate on the charges owing by the employer concerned to the Municipality in respect of services rendered to such employer.

#### 9.7.11 Pay points and payment methods –

- (a) A customer must pay his account at pay points specified by the Municipality or by an approved agent of the Municipality.
- (b) The Municipality will inform customers of the location of specified pay-points and the identity of approved agents who may receive payments on its behalf in respect of services rendered to customers.

- (c) Subparagraphs (a) and (b) must not be construed as prohibiting a customer from paying amounts due to the Municipality or its authorized agent by means of electronic payment methods provided that the date of receipt of a payment shall be the date such payment appears on or is reflected in the banking account of the Municipality.

#### 9.8 Payment of Interest

- 9.8.1 Except where expressly provided to the contrary in this Policy, the Municipality will levy interest on all arrear accounts at a rate of prime plus 1%.
- 9.8.2 Interest on arrear debt shall be calculated for each month for which such payment remains unpaid and part of the month shall be deemed to be a full month.
- 9.8.3 The interest that is payable cannot exceed the capital amount that is owed by the consumer.

#### 9.9 Accounts and Billing

- 9.9.1 The Municipality shall provide every person liable to pay for Municipal services assessments rates and taxes with an account in respect of every property for which that person is liable and all services rendered in respect of that property at the address last recorded with the Municipality.
- 9.9.2 Failure by the Municipality to render an account does not relieve a consumer of the obligation to pay any amount due and payable. The onus shall be on the consumer to obtain a copy of the account before the due date.
- 9.9.3 If no account has been received before the 20<sup>th</sup> of a month, a copy should be obtained from the Municipality. The account must at all times be produced when payments are done, or enquiries are made. The request of copies of monthly accounts for a whole financial year, will be charged at the prescribed tariffs.
- 9.9.4 An account rendered by the Municipality for services provided to a consumer shall be paid not later than the last date for payment specified in such account which date will not be more than 21 days after the date of the account.
- 9.9.5 Accounts will be rendered on a monthly basis in cycles of 30 days and shall be payable on the due date as indicated on the account.
- 9.9.6 Payments shall be deemed to be late unless received on or before the due date as

determined by the Municipality. Electronic payments and payments made through agents must be received in a Municipal bank account by the close of business on the due date.

9.9.7 The Municipality may:

- (a) Consolidate any separate accounts of a person(s) or entity liable for payments to the municipality.
- (b) Credit a payment by such a person against any account of that person.
- (c) Implement any of the debt collection and credit control measures provided for in this Policy in relation to any arrears on any of the accounts of such a person.
- (d) Subsection (a) to (c) above does not apply where there is a dispute between the Municipality and a person referred to in that subsection concerning any specific amount claimed by the municipality from that person.

9.9.8 Accounts must contain at least the following –

- (a) The consumption or estimated consumption of water and electricity;
- (b) Property rates and services; and
- (c) Interest and arrears.
- (d) The erf number;
- (e) The amount due based on the measured or estimated consumption;
- (f) The amount due and payable for any other Municipality services;
- (g) The final date for payment;
- (h) The methods, places and approved agents where payment may be made.

9.9.9 Accounts may be accompanied by a notice stating that –

- (a) The consumer may conclude an agreement with the Municipality for payment of the arrear amount in instalments at the Municipality 5 working days before the final date for payment, if a consumer is unable to pay the full amount and payable;

- (b) If no such agreement is entered into, the Municipality may, in accordance with the Policy contained herein, limit the water services to the consumer by installing a water restrictor and disconnection of electricity;
- (c) Legal action may be instituted against any consumer for the recovery of any arrear amount in terms of the Policy contained herein;
- (d) The defaulting consumer's name may be listed with a credit bureau or any other equivalent body as a defaulter; and
- (e) The account may be handed over to a debt collector for collection.

#### 9.10 Disputes, Queries and Complaints

9.10.1 In this Section "Dispute" refers to when a consumer questions the correctness of any account rendered by the Municipality to such consumer and the consumer lodges an appeal with the Council in accordance with this Section. A consumer may lodge a query or a complaint in respect of any amount that is due and payable by him/her before or on the due date for payment specified in the account concerned or as soon as reasonably possible thereafter.

9.10.2 Procedure to be followed. In order for a dispute to be registered with the Municipality, the following procedures must be followed:

##### *(a) By the Consumer*

- (i) The consumer must submit the dispute in writing to the Accounting Officer of the Municipality before or on the due date for payment specified in the account concerned or as soon as reasonably possible thereafter;
- (ii) It must clearly state that it is a dispute;
- (iii) No dispute will be registered verbally whether in person or over the telephone;
- (iv) The consumer must furnish his full personal particulars including the account number, direct contact telephone number, fax, e-mail addresses and any other relevant information as may be required by the Municipality;
- (v) The full nature of the dispute must be described in the correspondence referred

to above;

- (vi) The onus will be on the consumer to ensure that he receives a written acknowledgement of receipt of the dispute from the Municipality; and
- (vii) In the interim the debtor where history of the account is available, the debtor must pay the current account plus 30% of the outstanding amount per month until the matter is resolved. Where no such history is available, the debtor must pay without prejudice of rights an estimate provided by the Municipality before payment due date until the matter is resolved.

(b) By the Council

On receipt of the query or dispute, the following actions are to be taken –

- (i) All incoming queries or disputes must be registered on the Collaborator system and a reference number obtained. Within 14 days after receipt of a query it must be answered via e-mail, telephonically or by normal mail depending on the contact details available.
- (ii) If the client is not satisfied with the reply or the corrective actions regarding the query and a formal written dispute is received, the authorised official must ensure that the dispute is taken to the Chief Financial Officer for a final decision.
- (iii) A written acknowledgement of receipt of the dispute must be provided to the consumer within 7 days.
- (iv) The Municipality should not institute enforcement proceedings against the consumer for an amount or an account entry that is in dispute until it has resolved the dispute.
- (v) All investigations regarding disputed amounts must be concluded by Council's Chief Financial Officer or his/her delegate within 21 calendar days from receipt thereof.
- (vi) The consumer shall be advised in writing of the findings.

9.11 Appeals against Findings

9.11.1 A consumer may, in writing, appeal against a finding of the Municipality.

9.11.2 An appeal shall be in writing and shall clearly state that it is an appeal, set out the reasons

for the appeal and be lodged with the Accounting Officer within 21 days from the date the consumer was advised of the findings of the dispute investigation.

- 9.11.3 An appeal must be decided by the Council of the Municipality at its first ordinary meeting held after the appeal was lodged.
- 9.11.4 The decision of the Council shall be final, and the consumer must pay any amounts due and payable in terms of such decision within 14 days from the date of the letter of him/her being advised of the Council's decision.
- 9.11.5 The Council may, in its sole discretion, condone the late lodging of an appeal or other procedural irregularity.
- 9.11.6 If the consumer is not satisfied with the outcome of the appeal, he/she may, under protest, pay the amount in dispute and redress his/her action in a court of law.
- 9.12 Agreement for the Payment of Arrears in Instalments
- 9.12.1 Only a consumer with positive proof of identity or a person authorised in writing by that consumer, will be allowed to enter into an agreement for the payment of arrears in instalments.
- 9.12.2 The offer by the consumer to payment arrangements for arrear amounts plus accrued interest thereon shall be embodied in a written agreement signed by the parties. The aforesaid agreement shall include an acknowledgement of debt signed by the consumer and a copy of the agreement shall be made available to the consumer.
- 9.12.3 A consumer will, in the agreement, assume liability for any administration fees, costs in taking action for the recovery of arrears and any penalties, including the payment of a higher deposit:
- 9.12.4 The Municipality may, on an individual basis, allow a longer period than 12 months for the payment of arrears if special circumstances prevail that, in the opinion of the Head: Income, warrants such an extension and which the consumer reasonably could not prevent or avoid. Documentary proof of any special circumstances must be furnished by the consumer on request by the Municipality.
- 9.12.5 In concluding an agreement with a consumer, the arrangement criteria referred to in other sections of this policy shall be applied and, as far as possible, be incorporated into the agreement referred to in this Section.
- 9.12.6 The Municipality may, in exercising its discretion have regard to a consumer's –

- (a) Credit record;
- (b) Consumption;
- (c) Level of service;
- (d) Previous breaches of agreements for the payment of arrears in instalments; and
- (e) Any other relevant factors.

9.12.7 Should a consumer fail to comply with an agreement for the payment of arrears in instalments, the total of all outstanding amounts, including the arrears, any interest thereon, administration fees, costs incurred in taking relevant action, and penalties, including payment of a higher deposit, will immediately be due and payable, without further notice or correspondence.

9.12.8 A consumer may, in the sole discretion of the Head: Income, be allowed to enter into a new agreement for the payment of arrears in instalments where that consumer has failed to honour a previous agreement for the payment of arrears in instalments, entered into after the receipt of a discontinuation notice. In the event of such further agreement being permitted, then the arrangements mentioned in 9.5.1(f) below shall be applied to such consumer on the basis of primary arrangements.

9.12.9 Where a body corporate is responsible for the payment of any arrear amount to the Municipality in respect of a sectional title development, other development, private town or complex the liability of the body corporate shall be extended to the members thereof, jointly and severally and the agreement shall reflect this status accordingly.

9.12.10 A copy of the agreement will, on request, be made available to the consumer.

9.12.11 If water is already restricted, the restriction cannot be restored until the arrear debt is paid.

#### 9.13 Unauthorised Reconnection of Water/Electricity Supply Tampering

9.13.1 The unauthorised reconnection of or tampering with a service supply is prohibited and shall constitute a criminal offence that will result in legal action being taken against the person responsible for such unauthorised reconnection or tampering. Where this happens, the service reconnected without authorisation or tampered with will be effectively disconnected.

9.13.2 The full amount of arrears plus any unauthorised consumption, and any applicable



reconnection tariffs, interest and increased deposit will be payable prior to reconnection. Should exceptional circumstances exist, adequate payment arrangements may be permitted at the discretion of the Accounting Officer in consultation with the Chief Financial Officer.

- 9.13.3 Tampering at indigent/subsidy household will be handled the same as with normal households and removed from the list of indigents.

9.14 Unoccupied Premises

- 9.14.1 When a consumer terminates a services agreement and no new service agreement is entered into with the Municipality, the property shall be deemed to be unoccupied.

- 9.14.2 Whenever water and/or electricity consumption is recorded at a property that is deemed to be unoccupied, an account will be raised and forwarded to the owner of the property for payment. A written notice in this regard will also be mailed to the owner.

9.15 Installation of Prepaid Meter

- 9.15.1 If required consumers with arrears must convert to a prepaid meter, and the arrears total, will be paid off either by –

- (a) Adding the debt to the arrears bill and repaying it over the agreed period; or
- (b) Adding the debt as a surcharge (auxiliary) to the pre-paid meter cost and repaying it with each purchase of electricity until the debt is liquidated.

- 9.15.2 The first installation of pre-paid meter is free of charge for indigent and subsidised households; however, this is not applicable for more than one meter per property.

- 9.15.3 The cost of the conversion must first be paid before the actual conversion can be done.

- 9.15.4 All cancellation of prepaid tokens must first be inspected before cancellation of the token.

9.16 Allocation of Prepaid Purchases to Arrears

- 9.16.1 The Municipality will use its pre-payment system to –

- (a) Link the provision of electricity by the Municipality to a "prepaid" system comprising, first prepaid kWh electricity;

- (b) Raise and recover payments in respect of arrear municipal taxes and other municipal levies, tariffs and duties in respect of services such as water, refuse removal and sanitation via a percentage as determined by Council, of the value of units purchased for electricity allocated to any arrears; and
- (c) To enforce satisfactory arrangements with consumers in arrears by blocking the prepaid meter in order to prevent purchasing of electricity and also enforce the consumer to enter into a service agreement with Council and pay the necessary fees as per the Policy.

9.16.2 Pre-paid tokens must be inserted into the meter within three months after the purchase date as the tokens can expire after three months and no refund or replacement of the tokens are allowed.

#### 9.17 Employer Deductions

9.17.1 The Council may, enter into a written agreement with any employer within the Council's area of jurisdiction to deduct outstanding rates and service charges or to settle regular monthly accounts through deductions from salaries or wages of its employees.

#### 9.18 Property Rates

##### 9.18.1 Property rates (and other annual levies)

- (a) Where rates, sanitation and availability fees (on vacant erven) are paid on a monthly basis or annually, such payment must be made before the due date for payment. Failing this, interest at the standard rate of prime plus 1%, will be levied on the outstanding amount.
- (b) If an account is not paid by the due date as displayed on the account, a notice shall be issued showing the total amount owed to Council.
- (c) If an account is not settled or there is no response from the consumer to make acceptable arrangements to repay the debt, summons shall be issued, and the legal process followed.
- (d) At any stage while the debt is outstanding, all reasonable steps shall be taken to ensure that the ultimate sanction of a sale-in-execution is avoided or taken only as a last resort. The Council, however, has total commitment to a sale-in execution should the consumer fail to make use of the alternatives provided for by the Council from time to time.

- (e) All rate payers will be placed on the annually rates payment arrangement, but on application can be changed to a monthly rates payment.

#### 9.18.2 Monthly Rates

- (a) Interest will be charged on all overdue accounts at an interest rate of Prime plus 1%;
- (b) The monthly amount payable for current annual rates will be calculated to allow the total balance of such amount to be paid in equal instalments by the end of that financial year.

#### 9.18.3 Rates Clearance Certificate

The following fees must be paid before a rates clearance certificate is issued

- a) Administration fee (For the supply of any certificate of valuation or of the outstanding charges against the property, including Rates Clearance Certificate).
- b) Council will withhold rates clearance certificate with the sale of a property within the municipal jurisdiction until all the rates, services and sundry costs attached to the property and any outstanding is paid, plus an amount equal to four months' rates and service charges will be collected in advance as part of the rates clearance process. The rates clearance remains valid for 60 days from the date of issuing.
- c) Council will not accept any written undertaking, except a bank guarantee.
- d) In terms of section 118 (1) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) it is hereby certified that all amount that became due to Knysna Municipality in connection with the under mentioned property situated within the municipality for municipal service fees, surcharges on fees, property rates and other municipal taxes, levies and duties during the 2 (two) years preceding the date of application for this certificate, have been fully paid. If however there is still an amount outstanding debt on a said property which remains a charge upon the property by virtue of Section 118 (3) of Systems Act and is then deemed to be recoverable from any owner at the time through instituting legal proceedings. Municipal debts include: debts up to 30 years old for property rates, refuse and sewerage charges; and debts up to 3 years old for electricity and water consumption.
- e) Section 118 (1) refers to debts incurred within the "two years" prior to the application for a clearance certificate. Such debt must be paid in full, failing which the municipality can exercise a restraint on the transfer of the property until the debt is settled. Such a provision is known as a veto or embargo provision. Section 118 (3), creates a charge over the property in favour of the municipality. In addition Section

118 (3) gives the municipality a “preferent” right which ranks higher than that of the Bank in respect of mortgaged property.

- f) The Municipality can take legal action against the present owner of a property for any municipal debts owing by that owner and any previous owner of that property, provided the amounts have not prescribed and that all by-laws have been complied with. It can include debts up to 30 years old (for rates, refuse and sewer charges) and 3 years old (for electricity and water consumption), including debts of more than one previous owner. Such legal action would entail suing the new owner for the old owners debt and attaching and selling the property itself, which stands as security in terms of Section 118 (3).
- g) The municipality’s right to claim the proceeds of the sale of property trumps the banks right to claim what is owed in terms of the mortgage bond. Consequently the banks risk assessment of purchasers of immovable property can never be accurately done, as it cannot realistically assess the risk that the purchaser may be called upon to settle the debts of previous owners. If however there is still an amount outstanding debt on a said stand, which remains a charge upon the property by virtue of Section 118(3) of the Systems Act and is deemed to be recoverable from any owner at the time of legal proceedings.
- h) All debt must be recovered (including tenants’ accounts) before Clearance Certificates are issued: Owner remains liable for all debt to a property.

#### 9.18.4 Persons and Businesses Who Tender to the Municipality

- (a) The Procurement Policy and Tender Conditions of the Municipality will include the following –
  - (i) Reject any bid from a bidder 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, unless an agreement has been made between the supplier and the municipality that the outstanding debt will be paid off in three consecutive months. This will be recovered directly from the supplier’s invoice.

## 10. DEBT COLLECTION

### 10.1 Objective

10.1.1 To provide procedures and mechanisms to collect all the monies due and payable to Council arising out of the supply of services and any levies, in order to ensure financial sustainability and

delivery of Municipal services in the interest of the community.

#### 10.2 Disconnection / Restriction of Services

10.2.1 Consumers who are in arrears with their Municipal account and who have not made arrangements with the Council will have their supply of electricity and water, and other Municipal services, suspended, restricted or disconnected.

10.2.2 Council reserves the right to deny or restrict the sale of electricity to consumers who are in arrears with their rates or other Municipal charges.

10.2.3 no disconnections for the first time defaulters may be effected until at least 14 days after the due date for payment stipulated on the account.

#### 10.3 Restoration of Services

10.3.1 Upon the liquidation of arrears, or the conclusion of an acceptable arrangements for term payment, the service will be reconnected as soon as conveniently possible and not later than the first working day after the account has been settled satisfactorily and the reconnection fee has been paid

#### 10.4 Discretion: Negotiable Amounts

10.4.1 Discretion in terms of the agreement amounts as per this Policy is delegated to the Chief Financial Officer with the right to sub-delegate.

10.4.2 Officials with delegated powers may use discretion as a final tool by which decisions can be made in accordance with this Policy.

10.4.3 At all times, and at all levels, discretion will only be used so as to apply the principles embodied in the Policy and to ensure that some form of payment acceptable to Council is forthcoming from negotiations with the consumer.

#### 10.5 Arrangements

##### 10.5.1 Principles for Residential Debtors

(a) Notwithstanding that all debts should be treated the same, certain categories of debt may be subject to category specific repayment parameters.

(b) Current charges must be paid in full and cannot be negotiated.

- (c) The consumer may be required to prove levels of income and must agree to a monthly payment towards arrears based on his ability to pay or based on his total liquidity if Council so requires.
- (d) All negotiations with the consumer should strive to result in an agreement that is sustainable and is most beneficial to Council.
- (e) Debtors, excluding housing debtors, who default on two occasions in respect of arrangements made, will be denied the privilege of making further arrangements and the full amount becomes due and payable.
- (f) All arrangements should be subject to annual review.
- (g) All services may be disconnected, or restricted and legal action will be taken against consumers as provided for in this Policy and/or such debt may be referred to third party debt collectors, for recovery.

#### 10.5.2 Arrangement Criteria for Residential Debtors (recommended changes)

- (a) All consumers who are in arrears and apply to make arrangements to reschedule their debt will, be obliged to make the following minimum payment requirements at the time of entering into such arrangement –
  - (i) Current account;
  - (ii) Plus, an initial payment towards arrears with the preferred minimum payment being 33% of the arrear amount or if the customer is unable, the current must be paid with the instalment period ; and
  - (iii) Alternative payment arrangements of the current / arrangement
  - (iv) A monthly instalment which will liquidate the arrear amount plus accrued interest thereon within a period of up to a maximum 24months.

#### 10.5.3 Arrangement Criteria for Non-Residential Debtors

- (a) Non-residential debtors may make arrangements to liquidate their arrears where it would be financially beneficial to the Council for them to do so.

- (b) The final decision to make these arrangements will rest with the Chief Financial Officer with the authority to sub-delegate.
- (c) All arrangements should be subject to annual review (which maybe due to annual increases of municipal rates and services and inflation rate).

#### 10.6 Listing of Debtor with Credit Bureau

10.6.1 Where an account rendered to a consumer remains outstanding for more than 60 days –

- (a) The defaulting consumer's name may, at the option of the Municipality, be listed with a credit bureau or any other equivalent body as a defaulter; and
- (b) May be handed over to a debt collector or an attorney for collection.

#### 10.7 Termination, Limitation and Discontinuation of Services

10.7.1 A consumer may terminate an agreement for the provision of services by giving to the Municipality not less than seven days' notice in writing of the consumer's intention to do so.

10.7.2 The Municipality may, after having given notice, terminate an agreement for services if a consumer has vacated the premises to which such agreement relates.

10.7.3 The Municipality may, subject to the conditions contained in this Policy, limit or discontinue services provided in terms of this Policy –

- (a) On failure by the consumer to pay the prescribed tariffs or charges on the date specified and after the final demand referred to in this Policy has been issued and there has been no response from the consumer.
- (b) On the failure of the consumer to comply with the provisions of any agreement entered into with the Municipality in terms of this Policy.
- (c) On failure by the consumer to comply with any other provisions of this Policy and after due notice has been given to the consumer.
- (d) If the agreement for the provision of services has been terminated and the Municipality has not received an application for subsequent services to the premises after a period of 30 days of such termination, transfer the services to the account of the owner. After 3 months, a deposit will be levied on the owners account.

- (e) If the building on the premises to which services were provided has been demolished.
- (f) If the consumer has interfered with a limited or discontinued service; or
- (g) Obstructs the efficient supply of electricity, water or any other municipal services to another customer.
- (h) Supplies such municipal service to a consumer who is not entitled thereto or permits such service to continue.
- (i) Causes a situation, which in the opinion of the Municipality is dangerous, or a contravention of relevant legislation.

10.7.4 The deposit of any defaulter will be adjusted and brought into line with relevant policies of Council.

10.7.5 The cost of the restriction or disconnection and the reconnection will be payable as per the tariffs approved by Council.

10.7.6 The Municipality will not be liable for any damages or claims that may arise from the limitation or discontinuation of services provided in terms of this Section.

#### 10.8 Services Not Reconnected or Reinstated

10.8.1 If services have been terminated or restricted in the case of a property in respect of which the account is in arrear, and the accountholder has not paid such arrears, including the interest raised on such account, or made an acceptable arrangement with the Accounting Officer for the payment of the arrear account, including the interest raised on such account, within a period of 28 (twenty eight) calendar days after the date of termination or restriction of the service(s) concerned, the Accounting Officer or the Municipality's Debt Collection Agent shall forthwith proceed with legal actions collection and such further action as is deemed necessary.

10.8.2 Such further action shall include if necessary, the sale in execution of such property to recover arrear property rates and service charges (if the accountholder is also the owner of the property). All legal expenses incurred by the Municipality shall be for the account of the defaulting accountholder.

#### 10.9 Notices and Documentation

10.9.1 An order, notice or other document issued by the Municipality in terms of this Policy shall



be deemed to be duly authorised by the Council of the Municipality if signed by the Accounting Officer or by a duly authorised employee of the Council.

10.9.2 Any notice or other document served on a person by the Municipality in terms of any other legislation is regarded as having been served by –

- (a) Delivering the notice to him/her personally or to his duly authorised agent; or
- (b) Delivering the notice at his residence or place of employment to a person apparently not less than sixteen years of age and apparently residing or employed there.
- (c) If he has nominated an address for legal purposes, by delivering the notice to such an address; or
- (d) If he has not nominated an address for legal purposes, delivering it to the address given by him/her in his application for the provision of water services, for the reception of an account for the provision of water services.
- (e) Sending it by pre-paid registered or certified post addressed to the customers last known address.  
Sending it by electronic mail as registered in the record system of the Municipality.
- (f) In the case of a body corporate, by delivering it to the registered office or the business premises of such a body corporate.
- (g) If service cannot be effected in terms of the aforesaid subsections by affixing it to the principal door of entry to the premises, or displaying it on a conspicuous place.

10.9.3 In the case where compliance with a notice is required within a specified number of working days, such period shall be deemed to commence on the date of delivery or sending of such notice.

10.9.4 Delivery of a copy of the document shall be deemed to be delivery of the original.

#### 10.10 Legal Processes / Use of Attorneys / Use of Credit Bureaus

10.10.1 The Accounting Officer may, when a debtor is in arrears for a period of more than 60 days, commence legal process against that debtor, which process could involve final demands, disconnections, restrictions, summonses, judgements, execution of loose assets, garnishee orders and as a last resort, sales in execution of property.

10.10.2 The Accounting Officer will exercise strict control over this process, to ensure accuracy and

legality within it, and will require regular reports on progress from outside parties, be they attorneys or any other collection agents appointed by Council.

10.10.3 Council will establish procedures and codes of conduct where external service providers have been appointed to collect outstanding debtors.

10.10.4 Emolument Attachment order, in the case of employed debtors, are preferred to sales in execution, but both are part of Council's system of debt collection procedures.

10.10.5 All steps in the consumer care and credit control procedure will be recorded for Council's records and for the information of the debtor.

10.10.6 Individual debtor accounts are protected and are not the subject of public information. However, Council may release debtor information to credit bureaus.

10.10.7 Council may consider the cost effectiveness of the legal process, and will receive reports on relevant matters.

10.10.8 Council may consider the use of agents as service providers and innovative debt collection methods and products. Cost effectiveness, the willingness of agents to work under appropriate codes of conduct and the success of such agents and products will be part of the agreement Council might conclude with such agents or service providers; and will be closely monitored by Council.

## **11. INDIGENT, SENIOR CITIZENS PEOPLE WITH DISABILITY AND ADDITIONAL FINANCIAL ASSISTANCE CATEGORIES**

### **11.1 Objectives of this Policy**

11.1.1 The objectives of this Policy is to –

- (a) Determine the criteria for qualification of indigent
- (b) Ensure that the criteria are applied correctly and fairly to all applicants;
- (c) Allow the Municipality or its authorised agent to conduct in loco visits to the premises of applicants to verify the actual status of the household;
- (d) Allow the Municipality to maintain and publish the register of names and addresses of account holders receiving subsidies;

- (e) Ensure the provision of basic services to the community in a sustainable manner within the financial and administrative capacity of the Council; and
- (f) Ensure the provision of procedures and guidelines for the subsidisation of basic service charges to indigent households.

## 11.2 Principles of this Policy

- 11.2.1 The administrative integrity of the Municipality must be maintained at all costs. The democratically elected Councillors are responsible for making the Policy, while it is the responsibility of the Accounting Officer to ensure the execution of this Policy.
- 11.2.2 All applicants qualifying for an indigent subsidy, due to the valuation of the property being less than the amount determined by Council, must complete an official application form, which is to be submitted together with the supporting documents as specified in this Policy. The indigent status will be valid for a period of three years from application. Subject to annual review.

## 11.3 Criteria for Indigent

### 11.3.1 Indigent Income Households

- (a) To qualify as an Indigent Income Household, a household must comply with the following criteria –
  - (i) For an Indigent subsidy the verified gross household monthly income, may not exceed the sum of two times the amount of the **South African Social Security Agency (SASSA) state funded social grant** plus 25% rounded up to the next R 100, as stated in the approved tariffs
  - (ii) The registered indigent must be the full-time occupant of the property concerned.
  - (iii) Property Owners only qualify for one property/household. Should the indigent household's owner/s of a property do have another property registered in his/her name/s; the owner will not qualify for indigent subsidy on the property not occupied by the owner. The occupants of the second property may, subject to the provisions of paragraph 10.6.7 qualify for the full indigent subsidy or alternatively receive only 50 kWh units of free electricity and 6 kl of free water

per month if they meet the criteria of being registered as an indigent household.

- (iv) Owners of vacant land do not qualify as indigents rebate.
- (v) Customers who receive water and electricity through bulk metering—specifically owners residing in multiple dwellings (such as sectional title schemes)—are excluded from receiving these free basic services. This applies in cases where the municipality does not directly supply electricity or where services are provided through a third party without a service level agreement.

#### 11.4 Application for Indigent Income Households (addional changes were done)

11.4.1 The account holder must apply in person at all Municipal Finance Offices of the Municipality on the prescribed application form. The following items must accompany the application –

- (a) The latest municipal account of the household; (proof of ownership or allocation letter if property is government subsidised.
- (b) Certified copy of the account holder's South African identity; If applicable refugee permit/asylum documents
- (c) Proof of income (SASSA Affidavit/Acceptable Proof of SASSA Income, Salary Slip, Bank Statement etc.) of the total household income;
- (d) Sworn affidavit if unemployed; and
- (e) In the event where the property owner is deceased a copy of death certificate, Will or letter of authority /executorship and if death certificate is lost sufficient proof that the owners is deceased will be accepted.
- (f) Consent to Verification

#### 11.5 Consequence of a false information on the indigent application form and false sworn affidavit

11.5.1 If an information on the indigent application form or a sworn affidavit is false, the following will happen –

- (a) The indigent benefit will be cancelled;
- (b) All previous discounts for the current financial book year will be reversed; and
- (c) Local Audit (Verification) of Indigent Household Income.

11.5.2 The Municipality reserves the right to send officials and/or representatives of the Municipality to the property/household or site of the applicant(s) at any reasonable time,

with the aim of carrying out a local verification of the accuracy of the information provided by the applicant(s).

- 11.5.3 The Municipality also reserves the right to contact employers in Knysna to verify whether a person applying for subsidy is employed by them.

11.6 Subsidy

- 11.6.1 Indigent subsidies will be funded from the equitable share contribution made from the national government's fiscal policy and as provided for in the municipal budget.

- 11.6.2 Subsidised services may include water, electricity, sanitation, refuse removal and assessment rates or any other sundry levies.

- 11.6.3 If a consumer's consumption or use of the municipal service is less than the subsidised service, the unused portion will not be accrued by the consumer and will not entitle the consumer to cash or a rebate in respect of the unused portion.

- 11.6.4 All consumers who qualify for a subsidy must agree to the installation of a prepaid electricity and water meter and will, if in arrears, be placed on restricted service levels in order to limit further escalation of debt. Installation of a pre-paid meter is free of charge for indigent and subsidised households.

- 11.6.5 When a household qualifies for a subsidy for the first time, the arrear account will be written-off in terms of Council's Writing-off of Irrecoverable Debt Policy.

- 11.6.6 Where a qualifying consumer's account is paid in full at the date of application, or regularly maintains a paid-up account after receiving the subsidy, the restriction on service levels will be waived. If the account is cleared due to the arrear debts being written off, the restriction on service levels can only be waived after usages normalised and during which the account was paid in full every month.

- 11.6.7 Where the household qualifies for the subsidy but is not the owner or account holder of the property and the owner cannot be traced, an account will be amended to include the current occupier as a care-of address.

- 11.6.8 A subsidised consumer must immediately request deregistration by the Municipality or its authorized agent if his/her circumstances have changed to the extent that he/she no longer meet the criteria.

- 11.6.9 A subsidised consumer may at any time request deregistration.

11.6.10 A list of subsidised consumers will be maintained and audited on a regular basis and the info may be supplied to the general public.

11.6.11 In the event that the property is sold and transferred, the Indigent status will be reviewed and the new owner must submit an application, or else pro rata, billing will be applied.

#### 11.7 Rates and Services Subsidies per Category

##### 11.7.1 Indigent Households

- (a) 6 kl free Water and no basic charge per month;
- (b) 50 kWh Electricity and no basic charge per month. An indigent household should have a 20 ampere prepaid meter. If the pre-paid meter is a 30 ampere or more, the applicable basic charge will not be subsidised;
- (c) Refuse removal – no basic charge per month;
- (d) Sewerage – no basic charge per month-
- (e) Property Rates – property rates up to a maximum municipal valuation of R 700,000;
- (f) Other Indigent Household Subsidies –
  - (i) Water leakages where water leakages occur at indigent or pensioner's households, people with disability, and Additional financial assistance categories such leakages must be reported by the consumer in accordance with the water leakage policy, after which the remaining debt may be written off and recovered from the equitable share grant, on condition that the consumer agrees to have a pre-paid water meter installed.
  - (ii) Fire Brigade Fees –
    - (aa) All fire brigade fees levied on indigent income households, pensioner's people with disability and Additional financial assistance categories may be written off.
- (g) Blocked Drains and Sewerage –
  - (i) All fees relating to blocked drains and sewerage that was levied on indigent income households and pensioner households may be written off.

- (ii) In cases where the client is an indigent valuation household or pensioner household, an audit must be done to determine whether the client would have qualified as an indigent income household or pensioner household, before the debt will be presented to Council for write off.

#### 11.7.2 Pensioners (Senior Citizens) / People with Disability

Commented [BK1]: Council may reconsider to review the rebates

- (a) 6 kl free Water per month as per Council approved tariffs;
- (b) 50 kWh free Electricity per month as per Council approved tariffs;
- (c) Refuse removal – applicable to households in the income groups in paragraph 10.7.3 below;
- (d) Sanitation – applicable to households in the income groups in paragraph 10.7.3 below;
- (e) Property Rates – a property rates subsidy based on the additional financial assistance categories referred to in paragraph 10.7.3 below.

#### 11.7.3 Additional financial assistance categories (rebate for pensioners or Social grant)

Additional financial assistance will be given to households in the following income groupings above the indigent household's threshold – (Rates rebate will be granted on the following qualifying categories:

|       |          |                     |        |
|-------|----------|---------------------|--------|
| (i)   | Group A: | (R5 500 – R7 500)   | = 80%; |
| (ii)  | Group B: | (R7 501 – R 9 700)  | = 60%; |
| (iii) | Group C: | (R9 701 – R11 900)  | = 40%; |
| (iv)  | Group D: | (R11 901 – R13 180) | = 20%  |

- (b) The financial assistance through the percentages quoted in sub-paragraph (a) above to be provided through the equitable share allocation will apply to all basic service charges (water, sanitation, refuse and electricity) levied as per the income groups quoted above.
- (c) The financial assistance through the percentages quoted in sub-paragraph (a) above to be provided through the equitable share allocation will apply to property rates levied up to a maximum municipal valuation of R 700,000 as per the income groups quoted above.

- (d) The financial assistance in this section must be read together with paragraph 10.7.1 and 10.7.2 of this Policy. No double-dipping will be allowed and the ratepayer/consumer will have to make a choice when applying for indigent status, pensioner relief or financial assistance.

## **12. IRRECOVERABLE DEBT**

12.1 Irrecoverable debt will be written-off in terms of Council's Writing-Off of Irrecoverable Debt Policy.

12.2 Debt Will Be Regarded as Irrecoverable If

12.2.1 The Accounting Officer has ensured that all avenues were utilized to collect the arrear debt with no success.

12.2.2 Circumstances whereby a Council may validate the termination of debt collection procedures as contemplated in Section 109(2) of the Municipal Systems Act:

- (a) All reasonable notifications and cost-effective measures to recover a specific outstanding amount have been exhausted; or
- (b) If the amount to be recovered is too small to warrant further endeavours to collect it; or
- (c) The cost to recover the debt does not warrant further action, i.e. to summons in another country; or
- (d) Inactive accounts where all the necessary steps have been taken with no success and/or the debtor has no assets; or
- (e) The amount outstanding is the residue after payment of a dividend in the rand from an insolvent estate, sequestration, liquidation; or
- (f) A deceased estate has no liquid assets to cover the outstanding amount; or
- (g) Indigent with no liquid assets (*nulla bona*) to cover the outstanding debt; or
- (h) It has been proven that the debt has prescribed; or
- (i) The consumer is untraceable or cannot be identified so as to proceed with further action; or



- (j) It is impossible to prove the debt outstanding; or
- (k) The outstanding amount is due to an administrative error by Council; or
- (l) If the debtor qualifies as an indigent and are receiving a subsidy; or
- (m) Clients in correctional care or clients who are imprisoned and there is no way of recovering the debt; or
- (n) Water leakages resulting in high water levies at registered indigent; or
- (o) Fire brigade fees at registered indigent or
- (p) Blocked drains and sewerage at registered indigent.

### 12.3 Criteria for the Determination of the Recoverability or Non-Recoverability of Debt

12.3.1 All cases with the following classification “summons, judgment or execution” should be tested prior to the taking of action, with regard to the following –

- (a) Asset’s Survey. To undertake a home visit to make a survey of the type of house, its contents and other assets like vehicles registered in the name of the account holder; and
- (b) As well as the combined income of the household. The result of this survey will determine whether further action is to be taken.

12.3.2 If the survey however reveals that the debt is still not recoverable after all necessary steps have been taken, it should be tabled together with the “write off compliance report” for consideration by Council to write off the debts.

## **13. OFFENCES AND PENALTIES**

13.1 The Council acknowledges that, in terms of Section 119 of the Local Government: Municipal Systems Act of 2000 it is an offence for any person who –

- (a) Fails to give the access required by a duly authorised representative of the Municipality in terms of this Policy as refers to in clause 8.17 above;
- (b) Obstructs or hinders a duly authorised representative of the Municipality in the

exercise of his or her powers or performance of functions or duties in terms of this Policy;

- (c) Unlawfully uses or interference with municipal equipment or the consumption of services supplied to any customer;
- (d) Tamper with or breaks any seal on a meter or on any equipment belonging to the Municipality, or causes a meter not to register properly the service used;
- (e) Fails, or refuses, to give a duly authorised representative of the Municipality such information as he or she may reasonably require for the purpose of exercising or performing his or her powers or functions in terms of this Policy, or gives such representative false or misleading information, knowing it to be false or misleading; or
- (f) Contravenes, or fails to comply with, a provision of this Policy, shall be guilty of an offence.

13.2 When any of the above-mentioned offences is detected, a tamper fee will be payable. Services will only be reconnected once this fee and outstanding debt is paid.

13.3 Council may decide on further prosecution through the court, where the court will determine further penalties or imprisonment.

## **14. TAMPERING POLICY**

### **14.1 Objective**

14.1.1 Section 97(1) (h) of the Act stipulates that a Municipality's Credit Control and Debt Collection Policy must provide for matters relating to unauthorised consumption of services, theft and damages.

14.1.2 The objective of this Policy is to provide in this Policy an extension of Credit Control and Debt Collection Policy for the matters referred to in that section.

### **14.2 Implementing Authority**

14.2.1 The Accounting Officer must implement and enforce this Policy and any By-laws enacted to give effect to this Policy.

### **14.3 Unauthorised use of property of the Council**

14.3.1 No one may tamper with any municipal equipment or property.

14.3.2 An authorised officer must inspect the equipment and property of the Municipality when he or she suspects tampering –

- (a) That any illegal connections were attached to such equipment or property; or
- (b) That any unauthorised consumption or use of services is taking place; or
- (c) Any theft of such equipment or property; or
- (d) Any damage to such equipment or property.

### **14.4 Municipality's right of access to premises**

14.4.1 In terms of Section 101 of the Act the occupier of premises in a Municipality must give an authorised officer access at all reasonable hours to the premises in order to read, inspect, repair; any meter or service connection for reticulation, or to stop or restrict the provision of any service.

### **14.5 Power to restrict or terminate supply of services**

14.5.1 Where the Municipality has suffered any loss or damage as a result of any act contemplated

in paragraph 13.3 a penalty equal to the amount of damages or loss may be imposed on the occupier of the premises concerned.

- 14.5.2 The occupier must be notified of the amount of damage or loss by means of a notice which is hand delivered, or sent per mail, to the latest recorded address of the occupier, and such notice must also stipulate the date on or before which such amount must be paid to the Municipality.
- 14.5.3 The Council may in addition to the steps contemplated in paragraph (2) limit or discontinue the supply of water and electricity in terms of the prescribed disconnection procedures or discontinue any other service to any premises.
- 14.5.4 The Council may hand deliver or send per mail to the latest recorded address of the consumer a discontinuation notice informing such consumer –
- (a) That the provision of the service will be, or has been discontinued on the date stated on the discontinuation notice; and
  - (b) Of the steps which can be taken to have the service reconnected.
- 14.5.5 The Council shall reconnect or restore full levels of supply of any of the restricted or discontinued Municipal services only after the full amount of the penalty, including the costs of such disconnection and reconnection, if any, have been paid in full, or any other relevant condition or conditions of the Council's Credit Control Policy as it may deem fit have been complied with.
- 14.5.6 The right of the Council or any duty appointed agent to limit or discontinue water to any premises or customer, shall be subject to the provisions of Sections 3 and 4 of the Water Service Act, (Act No. 108 of 1997).
- 14.6 Illegal reconnections and/or tampering
- 14.6.1 The Accounting Officer shall, as soon as it comes to his/her attention that any terminated or restricted service has been irregularly reconnected or reinstated, instate one, some or all of the following enforcement actions –
- (a) Not reinstate such service(s) until the arrear account, including the interest raised on such amount, the charges for the notice sent and the charges for both the original and subsequent reconnection or reinstatement of the service(s) and the revised deposit and penalty have been paid in full for normal meters and prepaid electricity meters;

- (b) Laying criminal charges with the police;
- (c) Cancel the contract; or
- (d) In the event of a second tampering of an electricity installation or where the meter has been damaged with the tampering, the meter will be removed, and only be replaced with a prepaid split meter, after the cost of the meter as well as the fine has been paid.

14.6.2 All indigent households shall be visited by a person or firm delegated by Council on a regular basis to investigate tampering and illegal connection cases and or to inspect the status of meter's connections and restrictions and/or flow limiters.

## **15. COMMENCEMENT**

15.1 In the event of an inconsistency between the English, Afrikaans or Xhosa text, the English text shall prevail.

15.2 This Policy will come into effect on 1 July 2026.



**Knysna**

Municipality Munisipaliteit uMasipala

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# **2026/2027**

# **Cash Management and Investment Policy**

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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.



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# 2026/2027 Borrowing Policy

1 July 2026

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## **1. PURPOSE**

The purpose of this policy is to establish a borrowing framework for the Municipality and to set out the objectives, policies, statutory requirements and guidelines for the borrowing of funds, in order to:

- 1.1 manage interest rate and credit risk exposure;
- 1.2 maintain debt within specified limits and ensure adequate provision for the
- 1.3 repayment of debt; and
- 1.4 ensure compliance with all Legislation and Council policy governing borrowing of funds.

## **2. LEGISLATIVE FRAMEWORK**

All borrowings made by the Municipality shall be subject to the requirements of the Constitution, Local Government: Municipal Finance Act, 2003 ("the MFMA") and the Municipal Regulations on Debt Disclosure ("the Disclosure Regulations") made there under and published under GN R 492 in Government Gazette 29966 of 15 June 2007.

## **3. DEFINITIONS**

Any word or expression used in this policy shall, unless the context clearly requires a different interpretation, bear the same meaning attached to it in the MFMA or the Disclosure Regulations, as the case may be; provided that if there is any conflict between a definition contained in the MFMA and a definition contained in the Disclosure Regulations, then the definition contained in the MFMA shall prevail.

## **4. TYPES OF DEBT**

- 4.1 This policy applies to the debt incurred by the Municipality through the issue of municipal debt instruments or in any other way.
- 4.2 Without derogating from the generality of the preceding subparagraph, this policy will apply:
  - 4.2.1 to any debt, whether short -term or long term;

4.2.2 to any debt incurred pursuant to any financing agreement, which includes any of the following agreements under which the Municipality undertakes to repay a long-term debt over a period of time:

4.2.2.1 loan agreements;

4.2.2.2 leases;

4.2.2.3 instalment purchase contracts;

4.2.2.4 hire purchase arrangements;

4.2.3 To any contingent liability such as that created by guaranteeing a monetary liability or obligation of another.

## **5. PRINCIPLES GUIDING BORROWING PRACTICES**

The following principles shall guide the borrowing practices of the Municipality, namely:

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

5.2 Cost of Borrowings: The borrowings should be structured to obtain the lowest possible interest rate, on the most advantageous terms and conditions, taking cognisance of borrowing risk constraints, infrastructure needs and the borrowing limits determined by National Treasury, but in any case, not exceeding 40% of the previous year's own income (Total Income less Grants and Subsidies).

5.3 Prudence: Borrowings shall be made with care, skill, prudence and diligence. To this end, officials of the Municipality are required to:

5.3.1 adhere to this policy, and other procedures and guidelines;

5.3.2 exercise due diligence;

5.3.3 prepare all reports in a timely fashion; and

5.3.4 ensure strict compliance with all Legislation and Council policy.

## **6. FACTORS TO BE TAKEN INTO ACCOUNT WHEN BORROWING**

- 6.1 The Municipality shall take into account the following factors when deciding whether to incur debt:
  - 6.1.1 the type and extent of benefits to be obtained from the borrowing;
  - 6.1.2 the length of time the benefits will be received;
  - 6.1.3 beneficiaries of the acquisition or development financed by the debt;
  - 6.1.4 the impact of interest and redemption payments on both current and forecast income;
  - 6.1.5 the current and future capacity of the Municipality's revenue base to pay for borrowings;
  - 6.1.6 other current and projected sources of funds;
  - 6.1.7 likely movements in interest rates for variable rate borrowings;
  - 6.1.8 competing demands for funds; and
  - 6.1.9 timing of money market interest rate movements and the long term rates on the interest rate curve.
- 6.2 The Municipality will, in general, seek to minimise its dependence on borrowings in order to minimise future revenue committed to debt servicing and redemption charges.

## **7. SOURCES OF BORROWINGS**

- 7.1 Subject to any particular determination of the Council of the Municipality, the Municipality may enter into financing agreements with:
  - 7.1.1 registered South African Banks;
  - 7.1.2 the Development Bank of Southern Africa;
  - 7.1.3 vendors of goods acquired under instalment purchase contracts or hire purchase arrangement.

- 7.2 Unless the Council of the Municipality specifically determines otherwise, the Municipality shall not incur any debt by the issuance of any municipal debt instruments.

## **8. SHORT-TERM DEBT**

- 8.1 The Municipality may incur short-term debt only in accordance with and in the circumstances contemplated in Section 45 of the MFMA.
- 8.2 In particular, the provisions of section 45 (1) of the MFMA must be noted, these requiring that the Municipality may incur short-term debt only when necessary to bridge:
- 8.2.1 shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic anticipated income to be received within that financial year; or
  - 8.2.2 capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long-term debt commitments.
- 8.3 Furthermore, as required by section 45 (4) of the MFMA, the Municipality must pay off short term debt within the financial year.

## **9. OVERDRAFT FACILITY**

- 9.1 Overdraft facilities are regulated by Section 45(3) of the MFMA.
- 9.2 The Municipality may have an overdraft facility limited to R5 million which is to be utilized only in emergency circumstances and be repaid as soon as the funds are obtained, but in any case within the financial year.

## **10. LONG-TERM DEBT**

- 10.1 The Municipality may incur long-term debt only in accordance with and in the circumstances contemplated in Section 46 of the MFMA.
- 10.2 Long-term debt may be incurred only for the purposes contemplated in Section 46(1) of the MFMA, namely:



10.2.1 capital expenditure on property, plant or equipment to be used for the purpose of achieving the objects of local government, as set out in Section 152 of the Constitution; or

10.2.2 re-financing existing long-term debt, subject to section 46(5).

10.2.3 long-term debt will only be incurred for capital expenditure for the following revenue generating services:

10.2.3.1 Water;

10.2.3.2 Sewerage;

10.2.3.3 Refuse removal;

10.2.3.4 Electricity; and

10.2.3.5 Roads.

10.2.3.6 And in instances vehicles with a high value

10.2.4 New long-term debt will only be incurred if the financial ratios, norms and credit rating of the municipality is positive and the indicators are of such nature that it will not put undue pressure on the tariffs and affordability levels of the community.

## **11. COUNCIL APPROVAL**

11.1 Sections 45(2) and 46(2) require that short- and/or long-term debt respectively be incurred only if:

11.1.1 a resolution of the Council, signed by the Mayor, has approved the debt agreement; and

11.1.2 the municipal manager has signed the agreement or other document which creates or acknowledges the debt.

## **12. REFINANCING**

12.1 Short-term debt may not be renewed or refinanced due to the effect of extending the short-term debt into a new financial year.

12.2 The Municipality may borrow in order to refinance long-term debt subject to the conditions contained in Section 46(5) of the MFMA.

### **13. EARLY REPAYMENT OF LOANS**

- 13.1 No loans will be repaid before due date unless there is a financial benefit to the Municipality.
- 13.2 The Municipality shall therefore assess the nature and extent of any benefits of early repayment before it makes any such early repayment.
- 13.3 Cognisance must be taken of any early repayment penalty clauses in the initial loan agreement, as part of the assessment.

### **14. DEBT REPAYMENT PERIOD**

- 14.1 As far as is practical, cognisance must be taken of the useful lives of the underlying assets to be financed by the debt for purposes of determining the duration of the debt.
- 14.2 Should it be established that it is cost effective to borrow the funds for a duration shorter than that of the life of the asset, the Municipality should endeavour to raise a loan on a shorter duration.

### **15. PROVISION FOR REDEMPTION OF LOANS**

- 15.1 The Municipality may set up sinking funds to facilitate loan repayments, especially when the repayment is to be met by a bullet payment on the maturity date of the loan.
- 15.2 Such sinking funds may be invested directly with the Lender's Bank.
- 15.3 The maturity date and accumulated value of such investment must coincide with the maturity date and amount of the intended loan that is to be repaid.

### **16. NON-REPAYMENT OR NON-SERVICING OF A LOAN**

- 16.1 The Municipality must honour all its loan obligations.

16.2 Failure to effect prompt payment may jeopardise the Municipality's credit rating and adversely affect the ability of the Municipality to raise loans in future at favourable interest rates.

16.3 In addition to ensuring the timely payment of the loans, the Municipality must adhere to the covenants stipulated in the loan agreements, including, in particular, the following where applicable:

16.3.1 furnishing audited annual financial statements;

16.3.2 maintaining long-term credit rating;

16.3.3 reporting of material changes in financial position of the Municipality.

## **17. BORROWING FOR INVESTMENT PROHIBITED**

17.1 The Municipality shall not under any circumstances borrow funds for the purposes of investing them.

## **18. SECURITY**

18.1 Section 48 of the MFMA provides that the Municipality may provide security for any of its debt obligations in any of the forms referred to in Section 48(2).

18.2 Such security shall be given only pursuant to a resolution of the Council, which resolution must comply with the provisions of Section 48(3), (4) and (5) of the MFMA.

## **19. DISCLOSURE**

19.1 The stipulations of Section 49 of the MFMA must be adhered to.

## **20. GUARANTEES**

20.1 The Municipality may issue guarantees only in accordance with the provisions of Section 50 of the MFMA.

## **21. INTERNAL CONTROL**

21.1 The municipal manager shall ensure that mechanisms, procedures and systems are put in place to ensure that:

21.1.1 duties are separated in order to prevent fraud, collusion and other misconduct;

21.1.2 loan agreements and contracts are kept in proper safe custody;

21.1.3 there is a clear delegation of duties relating to the borrowing process;

21.1.4 senior officials check and verify all transactions;

21.1.5 transactions and repayments are properly documented;

21.1.6 a Code of Ethics and standards is established and adhered to;

21.1.7 procedures relating to the borrowing process are established.

## **22. REPORTING AND MONITORING REQUIREMENTS**

22.1 The Municipality shall promptly submit all returns and reports relating to borrowings as required by National Treasury, including reports on the Municipality's external interest paid each month, and the quarterly itemization of all of its external borrowings.

## **23. OTHER REPORTING AND MONITORING REQUIREMENTS**

23.1 The Municipality shall on a monthly basis perform the following control and reporting functions relevant to borrowings:

23.1.1 reconciliation of bank accounts;

23.1.2 payment requisition verification and authorization;

23.1.3 maintain schedule of payment dates and amounts;

23.1.4 complete National Treasury Cash Flow returns;

23.1.5 submission of particulars of borrowings as required by Section 71 of MFMA;

23.1.6 perform analysis of ratios; and

23.1.7 scrutinise loan agreements to ensure compliance with loan covenants.

23.2 The Municipality shall on a quarterly basis submit the prescribed return to National Treasury;

## **24. RELATED POLICIES**

24.1 This policy must be read in conjunction with the Cash Management and Investment Policy of the Municipality.

## **25. MUNICIPAL MANAGER TO IMPLEMENT POLICY**

25.1 The Municipal Manager, as accounting officer of the Municipality, shall be responsible for implementing this policy, provided that he or she may delegate in writing any of his or her powers under this policy to any other official of the Municipality.

## **26. REVIEW OF THE POLICY**

26.1 This Borrowing Policy is the sole policy borrowing in the municipality. The Municipal Council must approve any reviews to this policy.

26.2 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.

26.3 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.



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# 2026/2027 Funding & Reserves Policy

1 July 2026

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## **FUNDING AND RESERVES POLICY**

### **1. INTRODUCTION AND OBJECTIVE**

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

This policy aims to set standards and guidelines 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<sup>1</sup>.
- 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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<sup>1</sup> 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 indicators to within acceptable levels<sup>2</sup>.

### **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"<sup>3</sup>.

### **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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<sup>2</sup> Indicators may include those referred to in the following budget schedules:

SA8: Performance indicators and benchmarks

SA10: Funding measurement

<sup>3</sup> 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")<sup>4</sup>

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

### 2.8.4.2 SURPLUS/DEFICIT EXCLUDING DEPRECIATION OFFSETS<sup>5</sup>

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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<sup>4</sup> Supporting Table SA10 Funding measurement: indicator no. 3

<sup>5</sup> Supporting Table SA10 Funding measurement: indicator no. 4

### 2.8.4.3 PROPERTY RATES/SERVICE CHARGE REVENUE PERCENTAGE INCREASE LESS MACRO INFLATION TARGET<sup>6</sup>

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 | <b>=Revenue increase/decrease</b>                                           | <b>R XX</b>    | <b>R XX</b>     | <b>R XX</b> |
| D | % Increase/(Decrease)                                                       | C/B %          | C/B %           | C/B %       |
| E | Less: Upper limit of macro Inflation target                                 | %              | %               | %           |
| F | <b>=Growth in excess of inflation target</b>                                | <b>%</b>       | <b>%</b>        | <b>%</b>    |
| G | Less: Expected growth %                                                     | %              | %               | %           |
| H | <b>=Increase attributed to tariff Increase above macro inflation target</b> | <b>%</b>       | <b>%</b>        | <b>%</b>    |

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.

<sup>6</sup> Supporting Table SA10 Funding measurement: indicator no. 5



#### **2.8.4.4 CASH COLLECTION PER CENTRATE<sup>7</sup>**

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<sup>8</sup>**

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)<sup>9</sup>**

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.

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<sup>7</sup> Supporting Table SA10 Funding measurement: indicator no. 6

<sup>8</sup> Supporting Table SA10 Funding measurement: indicator no. 7

<sup>9</sup> Supporting Table SA10 Funding measurement: indicator no. 8

#### **2.8.4.7 GRANT REVENUE AS A PERCENTAGE OF GRANTS AVAILABLE<sup>10</sup>**

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)<sup>11</sup>**

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<sup>12</sup>**

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.

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<sup>10</sup> Supporting Table SA10 Funding measurement: indicator no. 10

<sup>11</sup> Supporting Table SA10 Funding measurement: indicator no. 11 and 12

<sup>12</sup> 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.<sup>13</sup>

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

#### **2.8.4.10 ASSET RENEWAL/REHABILITATION EXPENDITURE LEVEL<sup>15</sup>**

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.<sup>16</sup>

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<sup>13</sup>Based on MFMA Circular 55, paragraph 4.2

<sup>14</sup> MFMA Circular 55, paragraph 4.2

<sup>15</sup> Supporting Table SA10 Funding measurement: indicator no. 14

<sup>16</sup> 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



# 2026/2027 Long Term Financial Plan Policy

1 July 2026

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## **1. DEFINITIONS AND ABBREVIATIONS**

In this policy, unless the context indicates otherwise –

**“Basic municipal service”** means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment.

**“BSC”** means Budget Steering Committee, a committee established in terms of regulation 4 of the Municipal Budget Reporting Regulations (MBRR), to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Municipal Finance Management Act (MFMA).

**“Budget-related policy”** means a policy of a municipality affecting or affected by the annual budget of the municipality, including—

- (a) the tariffs policy which the municipality must adopt in terms of section 74 of the Municipal Systems Act;
- (b) the rates policy which the municipality must adopt in terms of legislation regulating municipal property rates; or
- (c) the credit control and debt collection policy which the municipality must adopt in terms of section 96 of the Municipal Systems Act.

**“Chief Financial Officer (CFO)”** means a person designated in terms of section 80(2)(a) of the MFMA.

**“IDP”** means the Integrated Development Plan.

**“LTFP”** means the Long Term Financial Plan.

**“Long-term debt”** means debt repayable over a period exceeding one year.

**“MBRR”** means the Municipal Budget and Reporting Regulations.

**“MFMA”** means the Municipal Finance Management Act No. 56 of 2003.

**“MTREF”** means the Medium Term Revenue and Expenditure Framework, as prescribed by the MFMA. It sets out indicative revenue and projected expenditure for the budget year, plus two outer financial years.

**“Municipal Council” or “Council”** means the council of a municipality referred to in section 18 of the Municipal Structures Act.

**“Municipal tariff”** means a tariff for services, which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff.

**“Municipal tax”** means property rates or other taxes, levies or duties that a municipality may impose.

**“National Treasury”** means the National Treasury established in terms of Section 5 of the Public Finance Management Act.

**“Short Term”** refers to a period up to 3 (three) years.

**“Medium Term”** refers to a period between 3 (three) and 5 (five) years.

**“Long Term”** refers to any period longer than 5 (five) years).

## **2. INTRODUCTION**

- 2.1. The Local Government: Municipal Finance Management Act No. 56 of 2003 (MFMA) has instituted various financial reform measures. Sound financial management practices have been identified as essential for the long- term sustainability of municipalities. In this regard the MFMA necessitates that municipalities must have a policy relating to the Long Term Financial Plan (LTFP).
- 2.2. A municipality’s financial plan integrates the financial relationships of various revenue and expenditure streams to give effect to the Integrated Development Plan (IDP). It provides guidance for the development of current budgets and assesses financial impacts on outer years’ budgets by incorporating capital expenditure outcomes, operating expenditure trends, optimal asset management plans and the consequential impact on rates, tariffs and other service charges.
- 2.3. The Municipality has developed a financial model that aims to determine the appropriate mix of parameters and assumptions within which the Municipality should operate to facilitate budgets which are affordable and sustainable at least 10 years into the future. In addition, it identifies the consequential financial impact of planned capital projects on the municipality’s operational budget.

## **3. PROBLEM STATEMENT**

Preceding the inception of the MFMA, municipal budgets usually catered for immediate demands with little or no view of future needs or the future consequences of particular decisions. This poor planning practice fragmented the sustainability of municipal budgets.

## **4. PURPOSE**

The policy aims to ensure that all long-term financial planning is based on a structured and consistent methodology therefore enabling delivery of Municipal strategies whilst ensuring the Municipality’s long term financial sustainability and affordability in order to achieve objectives over the medium and long term.

## **5. STRATEGIC FOCUS AREA**

The Municipality’s five year IDP identifies strategic priorities and objectives which supports the vision of creating a town of success, and to provide a solid foundation for the execution of service delivery.

## **6. GUIDING PRINCIPLES**

The policy is based on the following principles: -

- 6.1. Future financial sustainability inclusive of realistic revenue sources;
- 6.2. Optimal collection of revenue, taking into consideration the socio-economic environment;
- 6.3. Optimal utilisation of grant funding;
- 6.4. Continuous improvement and expansion within the service delivery framework; and
- 6.5. Prudent financial strategies.

## **7. ROLE PLAYERS AND STAKEHOLDERS**

The following role players will ensure that the LTFP is implemented in accordance with the prescribed legislative requirements and Council processes.

### **7.1. Budget Department**

- 7.1.1. Responsible for the preparation, compilation and presentation of the LTFP in line with this policy; and
- 7.1.2. Review this policy, in consultation with relevant stakeholders, to ensure maximum compliance in terms of legislation.

### **7.2. Directorates and Departments**

- 7.2.1. Responsible for providing information to the Budget Department to update the financial plan;
- 7.2.2. Required to identify revenue and expenditure plans for both operating and capital budgets for at least 3 years; and
- 7.2.3. Required to make recommendations on future service delivery matters.

### **7.3. Executive Management Team**

- 7.3.1. Mechanism of engagement in the Strategic Management Framework (SMF) process; and
- 7.3.2. The SMF process informs planning and helps ensure delivery on the strategic objectives set out in the IDP.

### **7.4. Budget Steering Committee**

- 7.4.1. Responsible for providing guidance on technical budget principles relevant to the LTFP; and
- 7.4.2. Responsible for endorsing the projected MTREF assumptions and parameters contemplated by the LTFP.

### **7.5. Executive Mayor**

- 7.5.1. Provides guidance in terms of section 53 of the MFMA.

## 8. REGULATORY CONTEXT

- 8.1. Section 17(3) of the MFMA states that when an annual budget is tabled, it must be accompanied with, amongst others, *“any proposed amendments to the budget-related policies of the municipality”*.
- 8.2. Section 21(b) of the MFMA states that the mayor of a municipality must at least 10 months before the start of the budget year, table in the municipal council a time schedule outlining key deadlines for, amongst others: -
- (i) *the preparation, tabling and approval of the annual budget;*
  - (ii) *the annual review of -*
    - (aa) *the Integrated Development Plan in terms of section 34 of the Municipal Systems Act; and*
    - (bb) *the budget-related policies;*
  - (iii) *the tabling and adoption of any amendments to the integrated development plan and the budget-related policies; and*
  - (iv) *any consultative processes forming part of the processes referred to in subparagraphs (ii) and (iii).*
- 8.3. Regulation 7 of the Municipal Budget and Reporting Regulations, 2009 (MBRR) states that: *“the municipal manager of a municipality must prepare, or take all reasonable steps to ensure the preparation of budget-related policies of the municipality, or any or any necessary amendments to such policies, in accordance with the legislation applicable to those policies for tabling in the municipal council by the applicable deadline specified by the mayor in terms of section 21(1)(b) of the Act”*.
- 8.4. Regulation 7(1)(g) of the MBRR, further states that the annual budget of a municipality must include a policy relating to the long term financial plan.
- 8.5. Section 21(1)(a) of the MFMA states that the mayor of a municipality must *“coordinate the processes for preparing the annual budget and for reviewing the municipality’s integrated development plan and budget related policies to ensure that the tabled budget and any revisions of the integrated development plan and budget related policies are mutually consistent and credible”*.
- 8.6. Section 53(1)(a) of the MFMA states that the mayor of the municipality must *“provide general political guidance over the budget process and the priorities that must guide the preparation of a budget”*. Regulation 4(1) of the MBRR states that *“the mayor of a municipality must establish a budget steering committee to provide technical assistance to the mayor in discharging the responsibilities set out in section 53 of the Act”*.
- 8.7. Section 26(h) of the Local Government: Municipal Systems Act 32 of 2000 (MSA) states that *“An Integrated Development Plan must reflect a financial plan, which must include a budget projection for at least the next three years”*.

## 9. POLICY DIRECTIVE DETAILS

### 9.1. Financial strategies

An intrinsic feature of the LTFP is to give effect to the Municipality's financial strategies.

These strategies include:

- a. Maintaining or improving basic municipal services;
- b. Maintaining fair, equitable and cost reflective rates and tariff increases;
- c. Continuous improvement of the financial position;
- d. Ensuring funding for asset maintenance and renewal;
- e. Ensuring realistic revenue sources and affordable debt levels to fund the Capital Budget;
- f. Optimising utilisation of previous years' surpluses (if any);
- g. Achieving and maintaining a breakeven/surplus in the total Operating Budget); and
- h. Ensuring full cost recovery for the provision of internal services.

### 9.2. Non – Financial Strategies

The LTFP is a key component for achieving the goals listed in the IDP of the Municipality and must consider the IDP inclusive of the Municipality's other strategies and frameworks.

#### 9.2.1. In preparation of the LTFP: -

9.2.1.1. The fiscal overview must be considered by reviewing past financial performance and taking into account strategic and policy direction of the Municipality to ensure sustainability.

9.2.1.2. The LTFP, being a forecasting model, requires assumptions on, amongst others, the following internal and external factors: -

- (a) External factors – demographic trends related to socio-economic factors e.g. Population migration, employment, health, development of businesses, and new residential areas, etc.;
- (b) General inflation outlook and the impact on the municipal activities;
- (c) Affordability of municipal rates and tariffs;
- (d) Credit rating outlook;
- (e) Interest rates for borrowings and investment of funds;
- (f) Rates, tariffs, charges and timing of revenue collection;
- (g) Growth or decline in tax base of the municipality;
- (h) Collection rates for each revenue source;
- (i) Price movements on expenditure categories;
- (j) Average salary increases;
- (k) Industrial relations climate, reorganisation and capacity building;
- (l) Changing demand characteristics (demand for services);
- (m) Trends in demand for free or subsidised basic services;
- (n) Impact of national, provincial and local policies;

- (o) Ability of the municipality to spend and deliver on the programmes;
- (p) Implications of organisational restructuring and other major events in the future;
- (q) Consideration of the Cost Containment Regulatory measures; and
- (r) Sector Plans and Infrastructure Masterplans.

9.2.1.3. Intergovernmental fiscal transfers/allocations/subsidies from National and Provincial Governments play a pivotal role in the finances of the Municipality. The following unconditional transfers/allocations must be considered, as a minimum, when projecting the budget:

- (a) Local Government Equitable Share;
- (b) Fuel levy; and
- (c) Grants related to the provision of Provincial Government functions.

9.3. The annual updated LTFP must identify the following: -

- 9.3.1. Assumptions and parameters to be used to compile the operating and capital budget over the next MTREF;
- 9.3.2. Future operating revenue and expenditure projections based on historic trends, assumptions and parameters;
- 9.3.3. Future affordability of projected capital plans; and
- 9.3.4. Funding requirements, which includes external funding.

## **10. EVALUATION AND REVIEW**

- 10.1. This policy shall be implemented once approved by Council.
- 10.2. This policy must be reviewed on an annual basis, or as required due to any contextual/legislative changes.
- 10.3. Changes in financial strategy, non-financial strategic strategies and legislation must be taken into consideration for future amendments to this policy.
- 10.4. Any amendments must be tabled to Council for approval as part of the budget process.





inclusive || innovative || inspired

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# 2026/27

# SUPPLY CHAIN MANAGEMENT

# Policy

1 July 2026

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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               |      |                                                  |                                                      |      |                                          |
|-------------------------------|------|--------------------------------------------------|------------------------------------------------------|------|------------------------------------------|
| <b>POLICY OWNER:</b>          |      | Knysna Municipality Supply Chain Management Unit |                                                      |      |                                          |
| <b>POLICY EFFECTIVE DATE:</b> |      | 01 July 2026                                     |                                                      |      |                                          |
| Version                       | Date | Revision                                         | Section                                              | Page | Reason for change                        |
| Number 07                     | 2005 | 08                                               | Various sections in terms of section 111 of the MFMA | 87   | National Treasury Regulations Amendments |

## 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 –

|                             |                                                                                                                                                                        |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>“Accounting Officer”</b> | 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.                                                                                                         |
| <b>“Quotations”</b>         | means a stated price that a supplier expects to receive for the provision of specified services, works or goods;                                                       |
| <b>“Bid”</b>                | 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               |
| <b>“MFMA”</b>               | means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003).                                                                               |
| <b>“HOD”</b>                | Director of the Department                                                                                                                                             |

|                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>“Close Family Member”</b>                             | means:<br>(i) spouse or partner,<br>(ii) child,<br>(iii) parent                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>“Close Members of the Family for GRAP Disclosure”</b> | 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:<br><br>(a) are married or live together in a relationship similar to a marriage; or<br><br>(b) are separated by no more than two degrees of natural or legal consanguinity or affinity.                                                                                                                                                                                                                                                                           |
| <b>“Competitive Bidding Process”</b>                     | means a competitive bidding process referred to in paragraph 12 (1) (d) of this Policy;                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>“Competitive Bid”</b>                                 | means a bid in terms of a competitive bidding process;                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>“Bid Committee Systems”</b>                           | means Bid Specification Committee, Bid Evaluation Committee and Bid Adjudication Committee.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>“Consultants”</b>                                     | 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, nongovernmental (NGO’s) and individuals.<br><br>or<br><br>Means a professional person, individual, partnership, corporation, or a company appointed to provide technical and specialist advise or to assist with a design and implementation of projects or to assist a municipality or municipal entity to perform its functions to achieve the objects of local government in terms of section 152 of the Constitution |
| <b>“Contract”</b>                                        | means the agreement that results from the acceptance of a bid by the Municipality;                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

|                           |                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>“Contract Manager”</b> | 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. |
|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                         |                                                                                                                                              |
|-------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
|                         |                                                                                                                                              |
| <b>“Contract Owner”</b> | 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. |
| <b>“Delegation”</b>     | in relation to a duty, includes an instruction a request to perform, or to assist in performing the duty.                                    |

|                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>“Emergency dispensation”</b>         | <p>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;</p> <ul style="list-style-type: none"> <li>(a) The possibility of human injury or death;</li> <li>(b) The prevalence of human suffering or deprivation of rights;</li> <li>(c) The possibility of damage to property, or suffering and death of livestock and animals;</li> <li>(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;</li> <li>(e) The possibility of serious damage occurring to the natural environment;</li> <li>(f) The possibility that failure to take necessary action may result in the Municipality no being able to render an essential community service;</li> <li>(g) The possibility that the security of the state could be compromised; or</li> <li>(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.</li> </ul> |
| <b>“Exceptional Case”</b>               | <p>means unusual not typical circumstances where it is impractical or impossible in practice to follow procurement processes.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>“Final Award”</b>                    | <p>in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept;</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>“Formal Written Price Quotation”</b> | <p>means quotations referred to in Section 12 (1) (c) of this Policy;</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>“Head of Department”</b>             | <p>means a person in the employment of Knysna Municipality who heads a department or who reports to the Accounting Officer</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |



|                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|--------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>“IDP”</b>                         | means Integrated Development Plan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>“In the service of the State”</b> | <p>means to be –</p> <ul style="list-style-type: none"> <li>(a) a member of – <ul style="list-style-type: none"> <li>i) any municipal council; ii) any provincial legislature; or</li> <li>iii) the National Assembly or the National Council of Provinces;</li> </ul> </li> <li>(b) a member of the board of directors of any municipal entity;</li> <li>(c) an official of any Municipality or municipal entity;</li> <li>(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);</li> <li>(e) an executive member of the accounting authority of any national or provincial public entity; or</li> <li>(f) an employee of Parliament or a provincial legislature;</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>“Irregular Expenditure”</b>       | <p>In relation to a municipality or municipal entity. Means –</p> <ul style="list-style-type: none"> <li>a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA , and which has not been condoned in terms of section 170 of the MFMA;</li> <li>b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has been condoned in terms of that Act;</li> <li>c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998; or</li> <li>d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality’s by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of “unauthorised expenditure”.</li> </ul> |

|                                                   |                                                                                                                            |
|---------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| <b>“Long Term Contract”</b>                       | means a contract with a duration period exceeding one year;                                                                |
| <b>“List of Accredited Prospective Providers”</b> | means the list of accredited prospective providers which the Municipality must keep in terms of Section 14 of this Policy; |
| <b>“Municipality”</b>                             | means Knysna Local Municipality                                                                                            |

|                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>“Municipal Systems Act”</b>        | means the Local Government: Municipal System Act 32 of 2000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>“Notice Boards”</b>                | means the official notice boards at the municipal offices, libraries and any notice boards at the dedicated directorates                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>“Other Applicable Legislation”</b> | <p>means any other legislation applicable to municipal supply chain management, including –</p> <ul style="list-style-type: none"> <li>a) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2022).</li> <li>b) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003);</li> <li>c) the Construction Industry Development Board Act, 2000 (Act No.38 of 2000);</li> <li>d) the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);</li> <li>e) the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000);</li> <li>f) the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);</li> <li>g) the Prevention and Combating of Corrupt Activities Act, 2000 (Act No. 12 of 2004);</li> <li>h) the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003); Municipal Supply Chain Management Regulations;</li> <li>i) the Preferential Procurement Regulations, 2017</li> <li>j) the Competitions Act 1998 (Act No. 89 of 1998)</li> </ul> |

|                                                |                                                                                                                                                                                                                  |
|------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>“Policy”</b>                                | means the Supply Chain Management Policy of the Knysna Local Municipality                                                                                                                                        |
| <b>“Quotation”</b>                             | means a stated price that a supplier expects to receive for the provision of specified services, works or goods;                                                                                                 |
| <b>“Single source”</b>                         | refers to when competition exist in the market, but from a selected few supplier due to technical capabilities and abilities comply with the requirements of the Municipality;                                   |
| <b>“Sole Supplier”</b>                         | 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; |
| <b>“Supply chain management practitioners”</b> | includes the Chief Financial Officer and the Head of Supply Chain Management as well as other supply chain officials;                                                                                            |
| <b>“Tender”</b>                                | means ‘bid’ or ‘quotation’ in relation to ‘Tender Box’                                                                                                                                                           |
| <b>“Splitting of Contracts”</b>                | Splitting of goods, services and construction works resulting to avoid the competitive bidding process                                                                                                           |
| <b>“Treasury Guidelines”</b>                   | means any guidelines on supply chain management issued by the Minister in terms of Section 168 of the Act;                                                                                                       |
| <b>“Unsolicited Bids”</b>                      | A proposal/ concept received outside of normal approved procurement process or Informal business offer or transaction submitted to the public entity outside of the normal procurement process.                  |
| <b>“Public Private Partnership”</b>            | Means a commercial transaction between the municipality and private party in terms of the regulations                                                                                                            |
| <b>“Transactional Advisor”</b>                 | Means a person appointed in terms of the regulation 2(1) (b)                                                                                                                                                     |
| <b>“Transversal Contract”</b>                  | Means a centrally facilitated contract arranged by the National Treasury                                                                                                                                         |
| <b>“Deviation”</b>                             | Dispensing of the formal or normal procurement process by the Accounting Officer                                                                                                                                 |
| <b>“Exempted”</b>                              | Means not bound to comply with policies and procedures.                                                                                                                                                          |

|                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>“Variation or expansion”</b> | Additional without changing the actual scope of work for goods or services and contractual work                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>“Amendments”</b>             | Changing the actual approved scope of contractual work                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>“CIDB”</b>                   | Means the Construction Industry Development Board, National Body established by the Act of Parliament to oversee sustainability and growth in the construction industry                                                                                                                                                                                                                                                                                                                                                                         |
| <b>“Validity period”</b>        | means the period for which a bid is to remain valid and binding as stipulated in the relevant tender document. <b>The validity period for all Knysna tenders will be 180 days.</b> Notwithstanding the period of validity of bids as set out in the bid documents, the Municipality reserve the right to request validity extension. Failure of bidder/s to accept or confirm the bid validity extension period on or before the stipulated date, it will be accepted that there are no objections to the extension of the bid validity period. |

## 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 gives effect to
- Section 217 of the Constitution; and ii) Part 1 of Chapter 11 and other applicable provisions of the Act;
  - is fair, equitable, transparent, competitive and cost effective;
  - complies with –
    - the Regulations; and
    - any minimum norms and standards that may be prescribed in terms of Section 168 of the Act;
  - is consistent with other applicable legislation;
  - does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres;
  - is consistent with national economic policy concerning the promotion of investments and doing business with the public sector;
  - applies the highest ethical standards;
  - 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 Senior Manager or Director of the 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) Director of the 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 subdelegated 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 Director 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) 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.
- (6) No supply chain management decision-making powers may be delegated to an advisor or consultant.

#### **4. Oversight role of Council and its Committee's**

- (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 section 80 committee and 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 Treasury Regulations, and in addition to the deviations reports that are already being reported on, the Accounting Officer must also submit monthly reports to the Mayor for tabling in Council containing details of all tenders awarded.
  - a) 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 Accounting Officer.
  - b) 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 to the Accounting Officer.

## **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) asset, inventory and disposal management.
  - (iv) risk management; and
  - (v) contracts, supplier performance management, compliance, monitoring and evaluation.



## ***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 way they should be procured as well as the timelines 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) formal written price quotations for procurement of a transaction value over –
  - (b) (i) R2000 up to R300 000 (VAT included), and
  - (c) a competitive bidding process for–
    - (i) procurement transactions with a value above of R300 000.00 (all applicable taxes included); and (ii) the procurement of long-term contracts.
- (2) The Accounting Officer may, in writing-
  - (a) lower, but not increase, the different threshold values specified in Sub-Section (1); or (b) direct that –
    - (i) one written quotations to be obtained for any specific procurement of a transaction value of 2000 or lower.;

- (ii) At three formal written price quotations be obtained for any specific procurement of a transaction value lower than R300 000.00; or
  - (iii) a competitive bidding process be followed for any specific procurement of a transaction value above R300 000.00.
- (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.

#### **12. General preconditions for consideration of written quotations or bids**

A supply chain management policy must state that the municipality or municipal entity may not consider a written quotation or bid unless the provider who submitted the quotation or bid—

- (a) has furnished the municipality or municipal entity with 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 or municipal entity to obtain a tax clearance from the South

African Revenue Services that the provider's tax matters are in order; and

(c) has indicated—

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

the previous 12 months;

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

state in the previous 12 months; or

(iii) whether a spouse, child or parent of the provider or of a director, manager, shareholder

or stakeholder referred to in subparagraph (ii) is in the service of the state, or has been in

the service of the state in the previous 12 months.

### **13. Lists of accredited prospective providers**

(1) A supply chain management policy must—

(a) instruct the accounting officer—

(i) to keep a list of accredited prospective providers of goods and services that must be used

for the procurement requirements of the municipality or municipal entity through written or

verbal quotations and formal written price quotations; and

(ii) at least once a year through newspapers commonly circulating locally, the website of the

municipality or municipal entity and any other appropriate ways, to invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers;

(b) specify the listing criteria for accredited prospective providers; and

(c) 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.

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

## **14. Formal Written Price Quotations**

- (1) 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;
- (2) The conditions for the procurement of goods or services from R0.00 (VAT included)(all applicable taxes included) up to R300 000.00 (VAT included) (all applicable taxes included), 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 or Central Supplier Database, 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) the service providers must be requested to submit such quotations in writing;
  - c) Requirements for quotations above R 2000 and up to R 300 000 must be advertised for at least seven (07) days on the website and an official notice board of the Municipality. Refer back to the thresholds values.
  - d) if it is not possible to obtain at least three quotations, the reasons must be recorded and reported monthly to the Chief Financial 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 from R2000 up to R300 000:
  - (a) Quotations must be submitted in writing through electronic form.
  - (b) A designated official referred to in Sub-Section (1) (c) must Report to the CFO

## **16. Procedures for procuring goods, services and construction works through formal written price quotations**

- (1) The procedure for the procurement of goods or services through written or formal 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 or services and construction work in excess of R2 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 and functionality where applicable in line with the CIDB requirements for construction related works, and goods or services;
  - (d) that the accounting officer must take all reasonable steps to ensure that the procurement of goods and services through formal written price quotations is not abused;
  - (e) the Accounting Officer or Chief Financial Officer must on a monthly basis be notified in writing of all written quotations and formal written price quotations accepted by an official acting in terms of a sub delegation;
  - (f) offers from R2 000 must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods , services and constructions works and lowest price where justifiable and lowest price must be market related or value for money;
  - (g) 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.
- (a) For construction related works, the municipality must comply with the CIDB prescripts
- (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 R300 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 Practitioner in consultation with the relevant directorate for consideration of SCM Manager and CFO and displayed on notice boards, E Tender portal placed on the municipal website, and advertised in commonly circulated local and/or provincial newspapers.
- (3) No requirement for goods or services and construction work above an estimated transaction value of R300 000 may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services other 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,

The verification process is ongoing, 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); Tenders to be evaluated on functionality;
- (f) The municipality must state in the tender documents if the tender will be evaluated on functionality.

The evaluation criteria for measuring functionality must be objective.

The tender documents must specify - the evaluation criteria for measuring functionality; the points for each criteria and, if any, each sub-criterion; and the minimum qualifying score for functionality.

The minimum qualifying score for functionality for a tender to be considered further- must be determined separately for each tender; and may not be so-

- (i) low that it may jeopardise the quality of the required goods or services; or
- (ii) high that it is unreasonably restrictive.
  - (iv) Points scored for functionality must be rounded off to the nearest two decimal places.
  - (v) tender that fails to obtain the minimum qualifying score for functionality as indicated in the tender documents is not an acceptable tender.
  - (vi) Each tender that obtained the minimum qualifying score for functionality must be evaluated further in terms of price and the preference point system and any objective criteria envisaged in the tender document.
- (f) include conditions for sub-contracting where applicable in terms of the legislation;
- (g) ensure that a due diligence process (Background checks, screening, document verification, site inspection and reference checks where applicable) 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



- a) for the past three years; or
- b) 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.
- (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 is 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 the rand value of R300 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.
- (o) No alteration to a bid document and annexures are allowed unless duly authorised.
- (p) Bids must be completed in black ink
- (q) No correction fluids must be used in the tender documents
- (r) No e-mailed, faxed or re-typed tender documents will be accepted
- (s) The municipality reserves the right to withdraw, cancel, accept, not to accept or award partly or award to more than one bidder.

## **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 CIDB website for construction related works.
  - (b) the information contained in a public advertisement, must include –
    - (i) the closure date for the submission of bids, time and venue for submission of bids. Invitation of bids 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; including in the CIDB website for construction work.

(ii) a statement/bid condition that bids may only be submitted on the bid documentation provided by the Municipality and no late bids will be accepted

(iii) date, time and venue of any proposed information or clarification session.

(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 with the compelling 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 and deposited in the secured designated bid box in the municipal building, clearly marked bid number, bid description and the name of the bidder

## **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; in the presence of bidders representative where applicable within the stipulated time and date

(ii) must be opened at the stipulated date and time, as soon as possible after the period of the closure of bids has expired; and

(iii) received after the closing time should not be accepted, but be recorded in a late bid register and returned unopened immediately.

(iv) Record all bids received on time in the register, name of the bidder and bid price, and make the register public, publish the register on the Municipal website

(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) Bid documents must be made available on the Municipal Website at no charge, as far as possible.

- (4) 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.
- (5) At the advertised time, the tender box will be unlocked by officials from the Supply Chain Management Unit.
- (6) A Supply Chain Management practitioner will open bid documents in the presence of bidders or other interested parties where applicable.
- (7) 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.
- (8) Unmarked or incorrectly marked tenders will not be opened
- (9) The names and total bid amounts will be read out and recorded in the tender opening register, which will be available for public .
- (10) A copy of the record must be kept in the office of the SCM Manager.
- (11) Bid results will be published on the Municipality's website immediately.

## **22. Negotiations with preferred bidders**

- (1) The Accounting Officer or delegated official 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 or terms of award are not beneficial than the terms offered to the bidder, or other bidders
  - c) If the price offered by a tenderer scoring the highest points is not market-related, the organ of state may not award the contract to that tenderer.
  - d) The municipality may-
    - negotiate a market-related price with the tenderer scoring the highest points or cancel the tender;
    - if the tenderer does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the second highest points or cancel the tender;
    - if the tenderer scoring the second highest points does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the third highest points or cancel the tender.
  - e) If a market-related price is not agreed as envisaged in Sub-Section 6.10.3, the municipality must cancel the tender.
  - f) does not lead to a higher price than the bid as submitted.
- (3) Minutes and attendants' registers (report) 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 2022 (as amended); 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.
  - h. A bid specification committee must be composed of at least four (4) officials of the municipality including Manager/Project Manager from the Procuring department, a SCM practitioner, Chairperson and an official from another directorate. The Committee may, when appropriate, include external specialist advisors.
- 3 No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.
  - 4 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.
  - 5 The advertisement must be approved by the Accounting Officer or any other delegated official prior to advertisement of the bid.
  - 6 The municipality must state in the tender documents if the tender will be evaluated on functionality.
  - 7 The evaluation criteria for measuring functionality must be objective.
  - 8 The tender documents must specify-
    - the evaluation criteria for measuring functionality;
    - the points for each criteria and, if any, each sub-criterion; and
    - the minimum qualifying score for functionality.
  - 9 The minimum qualifying score for functionality for a tender to be considered further-
    - must be determined separately for each tender; and
    - may not be so-
    - low that it may jeopardise the quality of the required goods or services; or
    - high that it is unreasonably restrictive.

- 10 Points scored for functionality must be rounded off to the nearest two decimal places.
- 11 A tender that fails to obtain the minimum qualifying score for functionality as indicated in the tender documents is not an acceptable tender.
- 12 Each tender that obtained the minimum qualifying score for functionality must be evaluated further in terms of price and the preference point system and any objective criteria envisaged in Section 11.

## **26. Bid Evaluation Committee**

- (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 be composed of at least four (4) officials of the municipality including the Manager/Project Manager from the Procuring department, a SCM practitioner, Chairperson and an official from another directorate.
- (3) -
  - (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) Attendance of the relevant Manager/Project Manager is compulsory

- (e) 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.
- (f) 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.
- (10) Criteria for breaking deadlock in scoring:
  - i. If functionality is part of the evaluation process and two or more tenderers score equal, the contract must be awarded to the tenderer that scored the highest points for functionality.
  - ii. If two or more tenderers score equal total points in all respects, the award must be decided by the drawing of lots.
  - iii. Only a tenderer who has completed and signed the declaration part of the tender documentation may be considered.
- (11) The municipality must, when calculating comparative prices, take into account any discounts which have been offered unconditionally.
- (12) A discount which has been offered conditionally must, despite not being taken into account for evaluation purposes, be implemented when payment is processed.
- (13) When the municipality needs a service provided by only tertiary institutions, such services must be procured through a tendering process from the identified tertiary institutions.
- (14) **Cancellation of tender**
  - a. The municipality may, before the award of a tender, cancel a tender invitation if-
    - i. due to changed circumstances, there is no longer a need for the goods or services specified in the invitation;
    - ii. funds are no longer available to cover the total envisaged expenditure;
    - iii. no acceptable tender is received; or there is a material irregularity in the tender process.
  - b. The decision to cancel a tender invitation in terms of Sub-Section (1) must be published in the same manner in which the original tender invitation was advertised.

## **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 and also use of National Treasury I.T Transversal contracts
- (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) EXEMPTIONS**

The Council and Knysna Municipality has standardized on the software package. They are exempted from the SCM Processes. The SCM policy will not apply to the following instances or where it is clearly not practical to obtain quotations or follow competitive process:

- Microsoft
- Adobe
- GIS software
- 3G software
- Collaborator
- Promun/Rdata
- CAT Routemaster
- iDesk
- CAD software
- CaseWare
- Barnowl
- Membership fees with professional bodies & regulatory bodies
- Monthly subscriptions fees and bank charges
- Training provided by the regulatory body
- Conferences fees, seminars, exhibitions

- Statutory services
- Partnership and Collaborations
- Payment of public entities and any other organ of state
- Utility bills

### **30. Procurement of goods or services and construction works 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.
  - (c) Transversal contracts concluded by National Treasury on behalf of any organ of state or public entity.

### **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 R300 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 or consultants
- (8) No consultant must be awarded a contract if already in the services of the Municipality
- (9) A municipality or municipal entity may only appoint consultants if an assessment of the needs and requirements confirms that the affected municipality or municipal entity does not have the requisite skills or resources in its full-time employ to perform the function
- (10) An accounting officer must adopt a fair and reasonable remuneration framework for consultants taking into account the rates –
- (a) Determined in the “Guideline on fees for audits undertaken on behalf of the Auditor-General of South Africa”, issued by the South African Institute of Chartered Accountants;
  - (b) Set out in the “Guide on Hourly Rates for Consultants”, issued by the Department of Public Service and Administration; or
  - (c) As prescribed by the body regulating the profession of the consultant.
- (11) The tender documentation for the appointment of consultants must include a clause that the remuneration rates will be subject to negotiation, not exceeding the applicable rates mentioned in sub-regulation (2).
- (12) When negotiating cost-effective consultancy rates for international consultants, the accounting officer may take into account the relevant international and market-determined rates.
- (13) When consultants are appointed, the accounting officer must –
- (a) Appoint consultants on a time and cost basis with specific start and end dates;
  - (b) Where practical, appoint consultants on an output-specified basis, subject to specific measurable objectives and associated remuneration;
  - (c) Ensure that contracts with consultants include overall cost ceilings by specifying whether the contract price is inclusive or exclusive of travel and substance disbursements;

- (d) Ensure the transfer of skills by consultants to the relevant officials of a municipality or municipal entity;
  - (e) Undertake all engagements of consultants in accordance with the Municipal Supply Chain Management Regulations, 2005 and the municipality or municipal entity's supply chain management policy; and
  - (f) Develop consultancy reduction plans to reduce the reliance on consultants.
- (14) All contracts with consultants must include a fee retention or penalty clause for poor performance.
- (15) To ensure that the specifications and performance are used as a monitoring tool for the work to be undertaken and are appropriately recorded and monitored.
- (16) The travel and subsistence costs of consultants must be in accordance with the national travel policy issued by the National Department of Transport, as updated from time to time.
- (17) The contract price must specify all travel and subsistence costs and if the travel and subsistence costs for appointed consultants are excluded from the contract price, such costs must be reimbursed in accordance with the nation travel policy of the National Department of Transport.

#### **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 and construction work through any convenient process, which may include direct negotiations, but only –
    - i. in an emergency
    - ii. if such goods or services are produced or available from a single provider only;
    - iii. for the acquisition of special works of art or historical objects where specifications are difficult to compile;
    - iv. acquisition of animals for zoos and/or nature and game reserves; or
    - v. in any other exceptional case where it is impractical or impossible to follow the official procurement processes.
  - (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
- (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 supported by proper business case or feasibility study.
  - (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.
- (j) Procurement is limited to R300 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.
- (k) 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.
- (l) 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) To provide an effective system of logistics management in order to provide for the setting of inventory levels, placing of orders, receiving and distribution of goods, stores and warehouse management, expediting order, transport management, vender performance, maintenance and contract administration.

#### **38. Asset and Disposal management**

- (1) The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets will be subject to Sections 14 and 90 of the Act, and asset transfer regulations;
- (2) Assets may be disposed of by –

- a) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;
- b) transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
- c) selling the asset; or
- d) 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 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) MFMA 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 including the consultant
  - (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;
- (vi) 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 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.
  - (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 be binding on supply chain management officials 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. Fourteen (14) days Provisional award letters**

Accounting Officer may delegate to the CFO and Manager Supply Chain Management the responsibility for signing of provisional appointment letter.

Manager SCM can issue provisional appointment letters immediately after the decision to award by the Bid Adjudication Committee.

All the objections must be resolved within 14 days' from the last date of objections period.

Bidders will be informed through the Knysna Municipality Website regarding the Intention to award or provisional awards or any manner determined by the delegated authority.

Bidders are advised to view the outcome of the provisional awards on the municipal website.

#### **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) Objectors must provide reasons and the grounds of the objection, complaint or dispute including any non-compliance with this Policy, the MFMA and related legislation. The Accounting Officer shall provide written acknowledgement of the receipt of objections to the objector;
  - (c) Upon receipt of the objection the Accounting Officer may on good cause determine that the grounds of the objection/complaint/dispute do not constitute good cause for delaying the appointment of the successful bidder until after the objection/complaint/dispute has been resolved. In all other cases, the appointment must be delayed, and the successful bidder must be informed of the delay and the reasons, therefore.
- (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.
- (7) When a ruling on an objection or dispute has been made, the Accounting Officer will advise the objector in writing of the outcome.

#### **49. Objections and Complaints**

- (1) Persons aggrieved by decisions or actions taken by the municipality or municipal entity in the implementation of its supply chain management system, to lodge within 14 days (calendar days) of the decision or action a written objection or complaint to the municipality or municipal entity against the decision or action.

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

## 55. Amendment of Contracts

5.6.1 A contract or agreement procured through the supply chain management policy of the municipality may be amended by the parties, in exceptional circumstances in order to mitigate abuse, in perception after the fact to prevent financial inefficiencies and influencing financial sustainability.

5.6.2 In terms of Section 116(3) of the MFMA, (56 of 2003), amendments (in compliance with SCM procedures), may only be made after:

- 5.6.2.1 the reasons for the proposed amendment have been tabled in the council; and
- 5.6.2.2 the local community has been given reasonable notice of the intention to amend the contract or agreement; and
- 5.6.2.3 has been invited to submit representations to the municipality.
- 5.6.3 contracts where the expansion or variation is not more than (NT Circular 62):
  - 5.6.3.1 20% (construction related goods, services and/or infrastructure projects), and
  - 5.6.3.2 15% (all other goods and/or services) of the original value of the contract must be submitted directly to the SCM Manager for consideration of the CFO and approval of the Accounting Officer.
- 5.6.4 Amendments of contracts scope more than the threshold prescribed by National Treasury (MFMA Circular 62), must be dealt with in terms of the provisions of section 116(3) of the MFMA, and are exempt from this process.
- 5.6.5 Amendments to the contract, without influencing the value or term of the contract, within the scope of the original terms and conditions, may be altered, provided that both parties have consensus on the amendment and the contract amendment is in writing and signed by both parties.
- 5.6.6 No agreement to amend or vary a contract shall be valid and of any force unless such agreement to amend or vary is entered into in writing and signed by the contracting parties.
- 5.6.7 Section 33 of the MFMA will apply when an amendment has budgetary implications for a term longer than the 3 (three) financial years of the current year's budget, (Section 116 (3) of the MFMA will be followed with section 33, when amending an existing contract for longer than 3 years). It remains the responsibility of the user department to give effect to section 33, following due process, as stipulated in Section 33 of the MFMA. The SCM Manager will support the relevant user department in order to ensure that compliance to all SCM legislations is adhered to.

## **55. 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.

## **56. 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 nonhuman 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.

## **57. Social**

Sustainable procurement is also used to address issues of social policy, such as inclusiveness, equality, international labour 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.

## **58. 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.

## 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 immovable 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**

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



#### 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.
- b) 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.
- c) 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.
- d) 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 | <p><b>Initiation Report or Pre-Feasibility Report</b></p> <p>(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.</p> <p>Or</p> <p>(ii) A Pre-Feasibility Report is required on Mega Capital Projects, to determine whether to proceed to the Feasibility Stage; where sufficient</p> |

|          |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----------|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>2</b> | <b>Concept</b> | <p>information is presented to enable a final project implementation <b>Concept Report or Feasibility Report</b></p> <p>(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,</p> |
|----------|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

| Stage |      | Project Stage Deliverables                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-------|------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| No    | Name | End of Stage Deliverables                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|       |      | <p>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.</p> <p>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.</p> <p>c) Provide an indicative schedule for documentation and construction, or maintenance services, associated with the project.</p> <p>d) Include a site development plan, or other suitable schematic layouts, of the works.</p> <p>e) Describe the statutory permissions, funding approvals and utility approvals required to proceed with the works associated with the project.</p> <p>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.</p> <p>g) Contain a risk report, need for further surveys, tests, investigations, consents and approvals, if any, during subsequent stages.</p> <p>(iii) A Feasibility Report must provide the following minimum information:</p> <p>a) Details regarding the preparatory work covering:</p> <p>□ A needs and demand analysis with output specifications.</p> |

|              |                      |                                                                                                                                                                                                                                                                                                                                                                                    |
|--------------|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3            | Design Development   | <p>□ An options analysis. <b>Design Development Report</b></p> <p>(i) The Design Development Report must, as necessary:</p> <p>a) Develop, in detail, the approved concept to finalise the design and definition criteria.</p>                                                                                                                                                     |
| <b>Stage</b> |                      | <b>Project Stage Deliverables</b>                                                                                                                                                                                                                                                                                                                                                  |
| <b>No</b>    | <b>Name</b>          | <b>End of Stage Deliverables</b>                                                                                                                                                                                                                                                                                                                                                   |
| <b>Stage</b> |                      | <b>Project Stage Deliverables</b>                                                                                                                                                                                                                                                                                                                                                  |
| <b>No</b>    | <b>Name</b>          | <b>End of Stage Deliverables</b>                                                                                                                                                                                                                                                                                                                                                   |
|              |                      | <p>b) Establish the detailed form, character, function and costings.</p> <p>c) Define the overall size, typical detail, performance and outline specification for all components.</p> <p>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.</p>                     |
| 4            | Design Documentation | <p><b>Design Documentation</b></p> <p>(i) Design documentation provides:</p> <p>a) the production information that details performance definition, specification, sizing and positioning of all systems and components that will enable construction;</p> <p>b) the manufacture, fabrication and construction information for specific components of the work, informed by the</p> |
| 5            | Works                | <p><b>Completed Works capable of being used or occupied (i)</b></p> <p>Completion of the Works Stage requires:</p> <p>a) Certification of the completion of the works in accordance with the provisions of the contract; or</p> <p>b) Certification of the delivery of the goods and associated services in accordance with the provisions of the contract.</p>                    |
| 6            | Handover             | <p><b>Works which have been taken over by the user or owner; Completed Training; Record Information</b></p> <p>(i) The handover stage requires the following activities to be undertaken:</p> <p>a) Finalise and assemble record information which accurately reflects the infrastructure that is acquired, rehabilitated, refurbished or maintained;</p>                          |
| 7            | Close-Out            | <p><b>Defects Certificate or Certificate of Final Completion; Final Account; Close-Out Report</b></p>                                                                                                                                                                                                                                                                              |

| 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: <ul style="list-style-type: none"> <li>a) Record information is archived;</li> <li>b) Defects certificates and certificates of final completion are issued in terms of the contract;</li> <li>c) Final amount due to the contractor is certified in terms of the contract;</li> <li>d) Close-Out Report is prepared by the Implementer and approved by the Municipality.</li> </ul> |

- e) Procurement of PSPs and Contractors can occur at different points in the project stages.
- f) 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.
- g) 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.
- h) 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.



# 2026/2027 Disposal of Unserviceable Obsolete or Redundant Assets Policy

**1 July 2026**

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## 1. PURPOSE OF POLICY

The purpose of the policy is to outline when and how unserviceable, obsolete and redundant assets are identified and disposed of.

## 2. SCOPE

- a) The policy covers the disposal of the following asset classes:
  - i) Transport Assets;
  - ii) Computer Equipment;
  - iii) Machinery and equipment;
  - iv) Furniture and office equipment
  - v) Old/replaced infrastructure assets
- b) The following are examples of unserviceable, obsolete or redundant assets:
  - i) Assets that have become uneconomical to maintain or to operate;
  - ii) Assets that are no longer suitable for service delivery;
  - iii) Assets that have a negative impact on the service delivery of the Municipality, the environment or the community;
  - iv) Assets that no longer support a Business Unit's service objective due to change in type or service being delivered or the delivery method;
  - v) Assets where the use has become uneconomical to continue due to the limited availability of spares or the cost of replacement parts exceed the reasonable value of the item;
  - vi) Assets where the technology has been outdated;
  - vii) Assets which can no longer be used for the purpose originally intended to; or
  - viii) Assets which have exceeded their economic useful life and the current condition of the asset justify replacement

## 3. DEFINITIONS AND ABBREVIATIONS

| ABBREVIATIONS |                                                  |
|---------------|--------------------------------------------------|
| <b>AFS</b>    | Annual Financial Statements                      |
| <b>BEC</b>    | Bid Evaluation Committee                         |
| <b>CFO</b>    | Chief Financial Officer                          |
| <b>ICT</b>    | Information and Communications Technology        |
| <b>MFMA</b>   | Municipal Finance Management Act (No 56 of 2003) |
| <b>MM</b>     | Municipal Manager                                |
| <b>SCM</b>    | Supply Chain Management                          |
| <b>VAT</b>    | Value Added Tax                                  |

| DEFINITIONS                 |                                                                                                     |
|-----------------------------|-----------------------------------------------------------------------------------------------------|
| <b>Obsolete assets</b>      | Assets that are no longer produced or used and/or out of date                                       |
| <b>Redundant assets</b>     | Assets that are no longer needed or useful                                                          |
| <b>Quorum</b>               | The minimum number of members of an assembly at a meeting to make proceedings of that meeting valid |
| <b>Unserviceable assets</b> | Assets that are not fit for use                                                                     |
| <b>Voetstoots</b>           | Sold as-is, without guarantee                                                                       |

#### **4. POLICY FRAMEWORK (RELATIONSHIP WITH OTHER POLICIES)**

- a) This policy is subject to all the relevant requirements contained in the:
  - i) Municipal Finance Management Act 56 of 2003;
  - ii) Municipal Asset Transfer Regulations 2008; and
  - iii) Municipal Supply Chain Management Regulations 2005.
- b) This policy, once effective, needs to be read in conjunction with other relevant adopted policies of the Municipality, including the following, but not limited to:
  - i) Supply Chain Management Policy of Knysna Municipality;
  - ii) Asset Management Policy of Knysna Municipality; and
  - iii) Delegation of Powers (Delegation register).

#### **5. RESPONSIBILITIES**

##### **5.1 User Departments**

- a) A formal asset disposal form must be completed and at least the following included on the form:
  - i) Full description of the asset;
  - ii) Identification number (barcode and/or serial number)
  - iii) Status of the asset (must clearly indicate whether the asset is unserviceable, obsolete or redundant (eg. The asset is broken, technologically outdated, etc.))
  - iv) Reason for disposal (eg. The asset is not required to provide the minimum level of services, Asset is not in use, etc);
  - v) Signature of the Departmental Manager responsible for the asset, indicating that the asset has been identified for disposal and confirming that all the information is correct.
- b) The signed asset disposal form must be accompanied with the asset and handed in at the municipality's official storage site.
- c) The receiving of assets for safekeeping will only be done as and when required. ~~every Thursday afternoon.~~
- d) The department handing in the asset must request a receipt from the Asset Section that the asset was handed in.

##### **5.2 AFS, Asset & Liability (Asset Section)**

- a) The asset section receives the original Asset Disposal Form;
- b) The asset section keeps and updated list of all assets handed in at the storage site together with all the relevant information required, to proceed with the disposal transaction;
- c) The asset section should countersign the Asset Disposal Form to ensure that all information is relevant and correct;

- d) The asset section distributes a list of assets kept in the storage site to the Asset Disposal Committee, when requested;
- e) Once the Disposal Committee decides on the method of disposal and that all assets listed, complies with the criteria of write-off, the asset section will proceed with the disposal process (by means of auction, tender, donation, or demolishing the asset).
- f) The Asset Section is responsible for the safekeeping of unserviceable, obsolete and redundant assets up to the date of sale.

### **5.3 Supply Chain Management Department**

- a) SCM Department receives a list of assets identified for disposal from the Assets & Liability Department;
- b) SCM follows normal procedures relating to the sale of an asset through a tender process (competitive bidding process);
- c) All tender procedures as included in this document shall be complied with;
- d) Once the contract is signed by the successful bidder(s) and the Accounting Officer, payment must be made within 5 days into the Municipality's bank account;
- e) A list of all lots sold, together with the successful bidder(s) details and the purchase price, will be forwarded to the Asset Section after finalised by the BEC;
- f) The Asset Section will be responsible to ensure that all auctioned and/or tendered items sold, are removed from the premises within 10 days by the successful bidder(s).
- g) The Asset Section shall report back to the CFO of uncollected items.

### **5.4 Disposal Committee**

The Disposal Committee is called by the Administrator of the Committee to make recommendations to the CFO regarding the following:

- a) Whether all assets listed on the disposal listing complies with the criteria as set out in the MFMA Section 14;
- b) Where needed, physically inspect assets;
- c) Supply reasons why an asset should be removed from the listing;
- d) Should the Disposal Committee find that assets may still be usable by another department, they should include this in their report to the CFO;
- e) Recommend to the CFO the method of disposal.

### **5.5 Fleet Management Department**



The department is fully responsible for the correct procedures to be followed in the event of a vehicle being sold via a tender or auction and must ensure that:

- a) The vehicle classified as unserviceable, obsolete or redundant must be kept in a safe and secure building until such time of the disposal;
- b) All copies of the change of ownership and documents must be filed in the vehicle file.
- c) All vehicles disposal forms are completed and signed by the responsible person in the Finance Department who will in return remove the vehicle details from the asset register and insurance schedules; and
- d) All vehicle details be removed from the fleet listing and re-allocate a unique number to the next new vehicle purchased.

## **6. ADMINISTRATION OF THE DISPOSAL COMMITTEE**

### **6.1 Composition of the Disposal Committee**

- a) The Disposal Committee member must consist of 6 members, made up from persons from the following Departments/Sections:
  - i.) A senior representative from the Assets and Liabilities Department (hereafter called Administrator of the Committee);
  - ii.) A senior representative from the Stores Section;
  - iii.) A senior representative from the Technical Directorate;
  - iv.) A senior representative from the ICT department;
  - v.) A senior representative from the Corporate Directorate;
  - vi.) A senior representative from the Planning and Development Directorate
- b) The Administrator of the Committee will be required to act as the Secretariat;
- c) The Administrator will be required to call meetings and compile a report to the CFO on the recommendations made by the Committee;
- d) The composition of the committee is not limited to the above, and the Administrator of the Committee may decide whether any other employee should attend a meeting, should he/she deem it necessary for the Committee to make an informed decision (eg. It may be necessary for a representative from the Fleet Management Department to attend meetings where vehicles are disposed).

### **6.2 Quorum**

Four members will constitute a quorum.

### **6.3 Meetings**

- a) Meetings will be held at least every financial year. The meeting will be held to decide on the disposal of the bulk of the assets, will be held before the end of December every year, to allow sufficient time for administrative tasks and timelines to be met;

- b) The Administrator will call meetings as may be required and allow a 5-day notice period.

#### **6.4 Consideration by the Disposal Committee**

- a) The Disposal Committee must consider the following factors:
  - i) Whether there are net disposal benefits, either in financial or other forms;
  - ii) Whether there are secondary service obligations associated with the asset which dictates its retention;
  - iii) Whether a disposal can be carried out without adverse impacts on the physical environment;
  - iv) Whether the assets will be sold at an appropriate value. In such circumstances, the advantages of disposing the asset must be weighed against the cost of continued ownership. Examples of cost of ownership include insurance, maintenance, storage cost, operating cost and staffing cost;
  - v) Whether the disposal is in accordance with this policy and the legislation as mentioned in section 4 above
- b) The Disposal Committee shall be responsible for:
  - i) Recommending to the CFO the method of disposal to be applicable;
  - ii) Considering all factors above, whether the method of disposal will yield the best value for money;
  - iii) Considering whether the assets listed for disposal are no longer needed to provide the minimum level of basic services.

### **7. METHODS OF DISPOSAL**

- a) Disposal of an asset should be performed in a manner which satisfies the following objectives:
  - i) The disposal should take place on an equitable basis. There should be an equal opportunity for all to purchase the asset; and
  - ii) The best possible return for the Municipality must be achieved.
- b) These methods of disposal will not be applicable to assets disposed by means of a transfer to another Municipality or Municipal entity or to a national or provincial organ of state, and/or where land and buildings are disposed of.

#### **7.1 Auction**

- a) The asset section will keep an updated list of assets held in the auction storage site;
- b) The Asset Section will publish details of the auction as a public notice in a widely distributed media within a reasonable time prior to the auction;
- c) The conduct of the auction is subject to the control of the auctioneer who has the sole right to regulate the bidding procedures;

- d) In the event of any dispute between the bidders, the decision of the auctioneer shall be final and binding.
- e) If the auctioneer makes any mistakes, it shall not be binding, but shall, if practicable, be rectified as soon as possible and the auctioneer shall not on any grounds whatsoever (whether contractual, delictual or otherwise) be responsible therefor, or for any loss or damage suffered as a result thereof, or for the fulfilment of the Condition of Sale;
- f) The parties, when signing the registration documents, confirm that they have read and understood all of the terms and conditions therein and agree that they are bound to it;
- g) For each municipal land or building to be disposed, a reserved price will be determined prior to the disposal. The auctioneer must ensure that the auction starts on the reserved price and may not sell for less than this value
- h) Upon appointment of the Auctioneer, all supply chain regulations will be adhered to;
- i) Immediately when an item or lot is knocked down on a bidder, the risk passes to the purchaser;
- j) Full ownership only passes to the purchaser after all the amounts due in respect thereof have been paid in full;
- k) All items purchased should be removed from the Municipality's grounds within 10 days; and
- l) Knysna Municipality will not be held liable for any loss or damage if the purchaser failed to remove the purchased item(s) within 10 days.

## **7.2 Tender**

The Supply Chain Management policy of the Municipality determines the required procedures to be followed if this method of disposal is to be used.

- a) The Municipality shall not be compelled to accept the highest or any bid and shall not be liable to furnish reasons for any decisions made.
- b) If the seller makes any mistakes, it shall not be binding, but shall, if applicable, be rectified as soon as possible and shall not on any grounds whatsoever (whether contractual, delictual or otherwise) be responsible therefor or for any loss or damage suffered as a result thereof, or for the fulfilment of the Conditions of Sale;
- c) The purchaser must provide a certified copy of a valid TV license when bidding on television sets;
- d) All vehicles sold, will be required to comply with the section on vehicles below;
- e) All items sold must be removed by the purchaser within 10 days.

## **7.3 Computer Equipment donated to government organisations**

- a) The ICT Department will distribute a list of all available computer equipment that are still in a working order to all schools as determined by the Provincial Department of Education;
- b) The Disposal Committee must be informed by the ICT Department of its decision to donate computer equipment to schools and how it will be distributed to the schools;
- c) The schools on the list must be awarded an opportunity to receive such equipment as a donation;
- d) The school(s) that will benefit from such a donation, must upon receipt of the equipment, acknowledge receipt by signing the list provided and stamping their official stamp on this list;
- e) The donation to the schools must be approved by the Accounting Officer;
- f) Should no school be interested in the equipment or the equipment be in such a state that it cannot be used by any other government organisation, it shall be sold via Tender or Auction process.

#### **7.4 Transfer of ownership of Municipal Cell phones**

- a) Due to the advancement in cell phones and inherent depreciation of the value thereof, officials shall be granted the opportunity to purchase such equipment at 10% of the purchase price.

### **8. VEHICLES**

- a) The purchaser must on his own cost obtain any roadworthy certificates or other documentation which may be required to register any vehicles which he/she may have bought into his/her name. The purchaser also pays all costs and expenses which may be incurred to obtain such roadworthy certificate or documentation and to affect the transfer. The owner of such goods shall on request sign all documents which may be required to register goods in the name of the purchaser, providing all amounts payable in respect thereof have been paid;
- b) Municipal logos may not be used on vehicles bought and must be removed by the purchaser;
- c) The eNatis documentation must be completed in full;
- d) When the bidder purchase vehicles on behalf of another individual, it is compulsory that the following documentation be provided by the bidder:
  - i) Completed Section B of NCO form (Notification of change of ownership/sale of motor vehicle), obtainable from any Traffic Department.
  - ii) Bidder must be in possession of a certified proxy, issued by the purchaser, authorising the bidder to purchase a vehicle on his/her behalf.
  - iii) Certified copies of ID document of bidder as well as purchaser.
  - iv) No vehicle registration papers will be handed over to the bidder unless proof of change of ownership is provided.

- e) The Fleet Management Department will be responsible for all administrative tasks in the case of vehicles sold per tender or auction.

## **9. CONDITIONS OF SALE**

### **9.1 Voetstoots**

- a) The goods are sold as is (“voetstoots”) and without guarantee of any nature. The seller shall not be liable for any representation in respect of any goods being sold.
- b) When a bidder tenders on a lot or an item, it is accepted that he is fully familiar therewith.

### **9.2 Purchase Price and Value Added Tax (VAT)**

- a) All goods are sold for cash and the purchaser pays the purchase price plus the VAT thereon immediately after written notification of being the preferred bidder was received, but in any event before items are removed from the seller’s premises. However, any items where pricing needs to be determined as per the weight classification, payment will take place after the weight has been determined.
- b) The Purchase price (bid price) is exclusive of VAT.
- c) VAT will only apply for land and buildings on the amount above the reserved price;
- d) VAT invoices will only be issued if so indicated and all relevant information is provided.



**Knysna**

Municipality Munisipaliteit uMasipala

inclusive · innovative · inspired

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# **2026/2027 Petty Cash Policy**

**1 July 2026**

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## 1. PREFACE

The Accounting Officer of a Municipality is responsible for the management of the expenditure of the Municipality in an effective and controlled manner. Therefore, Knysna Municipality adopts the following Petty Cash Policy.

## 2. REGULATORY FRAMEWORK

- The Municipal Finance Management Act (56 of 2003)
- Section 15 of the Municipal Supply Chain Regulations
- Supply Chain Management Policy

## 3. POLICY OBJECTIVES

The aim of the policy is to ensure that the petty cash funds of the Municipality are managed and controlled effectively, efficiently, economically and transparent in accordance with the procurement processes of the Municipality and the prescribed legislation.

The SCM policy provides for the procurement of goods and services by way of petty cash purchases, up to a transaction value of R2000 (VAT included).

## 4. DEFINITIONS

|                                 |                                                                                                                                                              |
|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Accounting Officer:</b>      | means the municipal officials referred to in section 60 of the MFMA (2003) and include a person acting as the Accounting Officer.                            |
| <b>Chief Financial Officer:</b> | The person designated in terms of section 80(2) of Act 56 of 2003 (MFMA), and includes any person acting in that position or to whom authority is delegated. |
| <b>Petty Cash:</b>              | A relatively small amount of cash kept at hand for making immediate payments for miscellaneous small expenses.                                               |
| <b>Petty Cash Float:</b>        | The total sum of Petty Cash, which has been granted to a Petty cash official.                                                                                |
| <b>Petty Cash Official:</b>     | An employee, made responsible for the day-to-day operating of the Petty Cash Float.                                                                          |
| <b>Reconciliation:</b>          | Is the process of comparing information, for example cash spent, compared with the relevant documentation and receipts.                                      |



## 5. RESPONSIBILITY AND ACCOUNTABILITY

The key responsibilities in terms of the MFMA (Section 65) are: Accounting Officer (Municipal Manager)-

- (1) The Accounting Officer of a Municipality is responsible for the management of the expenditure of the Municipality.
- (2) The Accounting Officer must for the purpose of subsection (1) take all reasonable steps to ensure:
  - (a) that the Municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds;
  - (b) that the Municipality has and maintains a management, accounting and information system which:
    - (i) recognises expenditure when it is incurred;
    - (ii) accounts for creditors of the Municipality; and
    - (iii) accounts for payments made by the Municipality;
  - (c) that the Municipality has and maintains a system of internal control in respect of creditors and payments;
  - (d) that payments by the Municipality are made:
    - (i) directly to the person to whom it is due unless agreed otherwise for reasons as may be prescribed; and
    - (ii) either electronically or by way of non-transferable cheques, provided that cash payments and payments by way of cash cheques may be made for exceptional reasons only, and only up to a prescribed limit;

The Municipal Manager delegates authority to the Chief Financial Officer in terms of Section 79 of the MFMA.

## 6. PETTY CASH POLICY

### 6.1 GENERAL POLICY

- The maximum amount allocated to the Petty Cash box will be R2,000.00, unless authorized, to exceed the prescribed amount, by the Chief Financial Officer.
- An individual claim may not exceed R150.00 (Vat included), however the CFO may approve amounts exceeding R150.00 in exception instances, where said withdrawal does not exceed R300.00
- Loans or advances to employees for personal use from the Petty Cash funds are forbidden.
- No item, which is available from a supplier on the Knysna Municipalities' database of tenders or RFQ's, may be purchased through Petty Cash.
- The only exception for above would be emergency purchases, after official business hours and this will be authorized by the respective departmental head.

**Commented [MM1]:** The current petty cash box is for R1900.00

- Other cash floats may also be established for the purpose of providing change for a cash register, or any purpose approved by the Chief Financial Officer. Use of such floats is restricted to the purpose for which they were established and does not form part of the scope of this policy;

## 6.2 ESTABLISHING AND OPERATING A PETTY CASH FLOAT

- To establish a new petty cash float or increase an existing advance, a written application must be made to the Chief Financial Officer by the relevant Manager of a department;
- A request for the establishment of an advance will indicate the position of a senior administrative employee to be held responsible for the control over the petty cash float within the relevant department;
- The senior administrative employee mentioned under 6.2(b) will be responsible for the security and safe custody of the float;
- The minimal security arrangement that will be acceptable is that the float will be kept in a locked box which will be kept in a locked filing cabinet or safe;
- When an advance is approved, the Expenditure section will advise the relevant Department accordingly and request that the senior administrative employee mentioned above to collect the advance; and
- The initial capturing of the advance will be charged against a control vote in the General Ledger and not against expenditure votes.

## 6.3 SAFE GUARDING

- The petty cash float is to be safeguarded in a lockable cash box, which should be locked, not only after hours, but also during normal business hours in a locked, fire and tamper resistant safe located in the section.
- The designated official from the Creditors section will fulfil the function of Petty cash official.
- The Petty cash official is responsible for the safekeeping of all the keys of the cashbox. The Accountant or Section Head is in possession of a spare key for safekeeping only.

## 6.4 REQUEST FOR REIMBURSEMENT

- Request for Petty Cash reimbursement must be authorized by the delegated official, Head of Department or Section Head, as approved by Council, in allotted space, on a requisition form. **The recipient must sign the Petty cash form as proof of receipt and to verify that the amount is correct.**
- The official signatory must ensure that funds are available on the budget, prior to submitting claims.
- An applicable vote number must be supplied on the requisition form.
- Reason for purchase must be supplied.
- An official petty cash form must be used for all the above (Annexure A)

## 6.5 SECURING OF PROPER RECEIPTS FOR PETTY CASH REIMBURSEMENT

- An original receipt/invoice, signed by the person to reimburse must support the requisition form.
- Receipts must set forth the complete description of the purchase. If not identified on the receipt or cash register slip, the purchase must be itemized on a separate document, signed by the salesperson, and attached to the receipt, the invoice must clearly indicate that it has been paid, containing the vendors name and signed by the salesperson.
- Receipts that bear evidence of alternation cannot be accepted or processed.

## 6.6 DOCUMENTATION CONTROL

- All documentation (requisition form and receipts), applicable for the period between replenishments, must be kept in lockable cash box which will always be kept in a locked, fire-and tamper resistant safe.
- With replenishment, the above documentation together with a reconciliation sheet, must be attached to the cheque/payment voucher.

## 6.7 RECONCILIATION

- A reconciliation sheet compiled by the Petty cash official must support a request for replacement.
- The above sheet must be signed by the Petty cash official and authorized by the Accountant or Section head.
- Such reconciliation must be done once a month and submitted to the Manager Expenditure.
- The Accountant: Creditors must do a year-end reconciliation and replenishment, at the 30th of June.

## 6.8 SHORTAGE/LOSSES

The Petty cash official will be held accountable for losses and shortages unless:

- Prescribed procedures were followed.
- Petty Cash was properly secured.
- There is physical evidence of breaking-in and no act or omission, on the part of the Petty cash official, contributed to loss.

**Failure to adhere to the above after investigation will lead to the Petty Cash official having to reimburse the losses and shortages.**

## **6.9 OUT-OF-POCKET PAYMENTS**

- Where a staff member has made a purchase from own funds and seeks reimbursement from the petty cash, supporting documentation must be provided to substantiate the claim;
- The responsibility to ensure that the purchase will be in accordance with all the prescriptions of this policy will be the sole responsibility of the purchaser of such item(s); and
- The recording-, documentation- and authorization requirements will be as stated in the above paragraphs (Section 6.3 and 6.4).

## **6.10 TRANSFERAL OF FUNCTION**

- The Petty Cash official must perform a reconciliation and a summary report complied, before possession of Petty Cash, can be handed over.
- The summary report must be signed by both the Petty Cash official and the recipient, in order to verify that the amount in cash, correspond with the balance on the summary report.
- When the petty cash is returned to the Petty Cash official, the same processes must be taken.
- In cases where the Petty Cash official is on leave for more than five business days, the responsibility of safeguarding, as well as procedures set out by this policy, may be transferred to the next level official appointed by the Expenditure: Section Head.



**KNYSNA**  
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**2026/2027**

**Budget Policy**

**1 July 2026**

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## **PREAMBLE**

The Council of Knysna Municipality hereby adopts this Budget Policy 2025 effective from 1 July 2025.

## **1. DEFINITIONS AND INTERPRETATIONS**

In this Policy, any reference to the masculine gender includes the feminine and any corporate entity, the singular includes the plural and vice versa and, unless the context otherwise indicates:

**"Accounting Officer"** means a person appointed in terms of section 54A of the Local Government:

Municipal Systems Act, 2000 (Act 32 of 2000) read with section 60 of the MFMA; and includes any person:-

- (a) Appointed by council to act in such position; and
- (b) to whom the Council has delegated a power, function or duty in respect of such a delegated power, function or duty.

**"Allocation"** means

- (a) a municipality's share of the local government's equitable share referred to in section 214(l) (a) of the Constitution;
- (b) an allocation of money to the municipality in terms of section 214(1) (c) of the Constitution;
- (c) an allocation of money to the municipality in terms of a provincial budget; or
- (d) any other allocation of money to the municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction;

**"Annual Division of Revenue Act"** means the Act of Parliament, which must be enacted annually in terms of section 214 (1) of the Constitution;

**"Approved budget,"** means an annual budget:

- (a) approved by a municipal council in terms of section 24 of the MFMA, or
- (b) includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA;

**"Basic Municipal Service"** means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment;

**"Budget-related Policy"** means a policy of the municipality affecting or affected by the annual budget of the municipality, including:

- (a) the tariffs policy, which the municipality must adopt in terms of section 74 of the Municipal Systems Act;
- (b) the rates policy which the municipality must adopt in terms of section 3 of the municipal property rates Act;
- (c) the credit control and debt collection policy, which the municipality must adopt in terms of section 96 of the Municipal Systems Act;
- (d) the cash management and investment policy which the municipality must adopt in terms of section 13(2) of the Act;
- (e) a borrowing policy which must comply with Chapter 6 of the Act;
- (f) a funding and reserves policy;
- (g) a policy related to the long-term financial plan;



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

(q) any other budget-related or financial management policies of the municipality.

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

**"Budget Year"** means the financial year of the municipality for which an annual budget is to be approved in terms of section 16(1) of the MFMA;

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

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

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

**"Councillor"** means a member of council;

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

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

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

**"Executive Mayor"** – see **"Mayor"**;

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

**"Financial recovery plan"** means a plan prepared in terms of section 141 of the MFMA;

**"Financial statements"**, means statements consisting of at least –

- (a) statement of financial position;

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

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

**"Financing agreement"** includes any loan agreement, lease, and instalment purchase contract or hire purchase arrangement under which the municipality undertakes to repay a long-term debt over a period of time;

**"Fruitless and wasteful expenditure"** means expenditure that was made in vain and would have been avoided had reasonable care been exercised;

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

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

**"Irregular expenditure"** means –

- (a) expenditure incurred by the municipality or municipal entity in contravention of, or that is not in Accordance with, a requirement of the MFMA Act, and which has not been condoned in terms of section 170 of the MFMA;
- (b) expenditure incurred by the municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) expenditure incurred by the municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or

- (d) expenditure incurred by the municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by the municipality which falls within the definition of "unauthorised expenditure";

**"Lender"** means a person who provides debt finance to the municipality;

**"Local community"** has the meaning assigned to it in section 1 of the Municipal Systems Act;

**"Long-term debt"** means debt repayable over a period exceeding one year;

**"Mayor"** means, in relation to a municipality with an Executive Mayor, the Councillor elected as Executive Mayor of the municipality in terms of section 55 of the Municipal Structures Act, or a municipality with an executive committee, the Councillor elected as Mayor in terms of section 44 of said act with the EXCO;

**"MFMA"** means the Local Government: Municipal Financial Management Act, 2003 (Act 56 of 2003);

**"Municipal council"** or "council" means the council of the municipality referred to in section 18 of the Municipal Structures Act;

**"Municipal debt instrument"** means any note, bond, debenture or other evidence of indebtedness issued by the municipality, including dematerialised or electronic evidence of indebtedness intended to be used in trade;

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

**"Municipality"** means –

- (a) when referred to as a corporate body, means the municipality as described in section 2 of the Municipal Systems Act; or

- (b) when referred to as a geographic area, means the municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

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

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

**"Municipal Systems Act"** means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000); **"Municipal tariff"** means a tariff for services which the municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff;

**"Municipal tax"** means property rates or other taxes, levies or duties that the municipality may impose;

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

**"Official"** means –

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

**"Overspending"**

- (a) means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year's budget for its operational or capital expenditure, as the case may be;

- (b) in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or
- (c) in relation to expenditure under section 26 of the MFMA, means causing expenditure under that section to exceed the limits allowed in subsection (5) of this section;

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

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

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

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

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

- (a) projections for each month of:
  - (i) revenue to be collected, by source; and
  - (ii) operational and capital expenditure, by vote;
- (b) service delivery targets and performance indicators for each quarter; and
- (c) any other matters that may be prescribed, and includes any revisions of such plan by the Mayor in terms of section 54(l) (c) of the MFMA;

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

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

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

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

**"Vote"** means one of the main segments into which a budget of a municipality is divided for the appropriation of funds for the different departments or functional areas of the municipality; and which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

Votes are the basic divisions of the budget. In accordance with the definition of "vote" in the MFMA, votes shall be at the departmental or functional level. Votes must be related to an international classification system, such as the Government Finance Statistics (GFS) system.

**"Vote holder"** means the senior manager to which the vote is assigned.

## **2. ABBREVIATIONS**

- CFO Chief Financial Officer

|         |                                                      |
|---------|------------------------------------------------------|
| ➤ CM    | Council Minute/'s                                    |
| ➤ IDP   | Integrated Development Plan                          |
| ➤ MFMA  | Municipal Finance Management Act, Act No. 56 of 2003 |
| ➤ MSA   | Municipal Systems Act, Act No.32 of 2000             |
| ➤ MTREF | Medium term revenue and expenditure framework        |

### **3. STATUTORY FRAMEWORK AND RESPONSIBILITIES**

3.1 In terms of section 215 of the Constitution municipal budgets and budgetary processes must promote transparency, accountability and the effective financial management of the economy, debt and the public sector. National legislation must prescribe the form of municipal budgets and that budgets in each sphere of government must show the sources of revenue and the way in which proposed expenditure will comply with national legislation. Budgets in each sphere of government must contain estimates of revenue and expenditure, differentiating between capital and current expenditure, proposals for financing any anticipated deficit for the period to which they apply and an indication of intentions regarding borrowing and other forms of public liability that will increase public debt during the ensuing year.

3.2 Section 16(1) of the Local Government: Municipal Finance Management Act 2003 (Act No 56 of 2003)(MFMA) demands that the Council must, before the start of each financial year, approve an annual budget for the municipality for that financial year. In order for the Council to approve an annual budget before the start of a financial year the Mayor must table the annual budget at a Council meeting at least 90 days before the start of the budget year.

3.3 The annual budget must generally be divided into a capital and an operating budget in accordance with international best practice. The budget must be in the prescribed format –



- 3.3.1 setting out realistically anticipated revenue for the budget year from each revenue source;
  - 3.3.2 appropriating expenditure for the budget year under the different votes;
  - 3.3.3 setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year;
  - 3.3.4 setting out estimated revenue and expenditure by vote for the current year and actual revenue and expenditure by vote for the financial year preceding the current year.
- 3.4 When an annual budget is tabled at a Council meeting, it must be accompanied by the following documents:
- 3.4.1 draft resolutions approving the budget, imposing property rates and setting tariffs for the budget year and approving any other matter that may be prescribed;
  - 3.4.2 measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the Municipality's Integrated Development Plan (IDP);
  - 3.4.3 a projection of cash flow for the budget year by revenue source, broken down per month;
  - 3.4.4 any proposed amendments to the IDP following its annual review;
  - 3.4.5 any proposed amendments to the budget-related policies of the municipality;
  - 3.4.6 particulars of the municipality's investments;
  - 3.4.7 any prescribed budget information on municipal entities under the sole or shared control of the Municipality;

- 3.4.8 particulars of all proposed new municipal entities which the Municipality intends to establish or in which the municipality intends to participate;
  - 3.4.9 particulars of any proposed service delivery agreements, including material amendments to existing service delivery agreements;
  - 3.4.10 particulars of any proposed allocations or grants by the Municipality to other municipalities, any municipal entities and other external mechanisms assisting the Municipality in the exercise of its functions or powers, any other organs of state and any organisations or bodies outside any sphere of government otherwise than in compliance with a commercial or other business transaction;
  - 3.4.11 the proposed cost to the Municipality for the budget year of the salary, allowances and benefits of each political office-bearer, Councillors and the Municipal Manager, the Chief Financial Officer, each senior manager of the Municipality and any other official having a remuneration package greater than or equal to that of a senior manager;
  - 3.4.12 the proposed cost for the budget year to a municipal entity under the sole or shared control of the Municipality of the salary, allowances and benefits of each member of the entity's board of directors and the chief executive officer and each senior manager of the entity; and
  - 3.4.13 any other supporting documentation as may be prescribed.
- 3.5 In terms of section 18 of the MFMA an annual budget may only be funded from realistically anticipated revenues to be collected, cash-backed accumulated funds from previous years' not committed for other purposes and borrowed funds, but only for the capital budget. Revenue projections in the budget must be realistic, taking into account projected revenue for the current year based on collection levels to date and actual revenue collected in previous financial years.

### 3.6 The Mayor must-

- 3.6.1 co-ordinate the processes for preparing the annual budget and for reviewing

the IDP and budget-related policies to ensure that the tabled budget and any revisions of the IDP and budget-related policies are mutually consistent and credible;

3.6.2 at least 10 months before the start of the budget year, table at a Council meeting a time schedule outlining key deadlines for-

3.6.2.1 the preparation, tabling and approval of the annual budget;

3.6.2.2 the annual review of the IDP and the budget-related policies;

3.6.2.3 the tabling and adoption of any amendments to the IDP and the budget-related policies; and

3.6.2.4 any consultative processes forming part of the processes.

3.7 When preparing the annual budget, the Mayor must-

3.7.1 take into account the IDP;

3.7.2 take all reasonable steps to ensure that the Municipality revises the IDP, taking into account realistic revenue and expenditure projections for future years;

3.7.3 take into account the national budget, the provincial budget, the national government's fiscal and macro-economic policy, the annual Division of Revenue Act and any agreements reached in the Budget Forum;

3.7.4 consult the District Municipality and the other local municipalities within the area of the District Municipality, the Provincial Treasury and when requested, the National Treasury and any national or provincial organs of state, as may be prescribed; and

3.7.5 provide, on request, any information relating to the budget to the National Treasury and to the national departments responsible for water, sanitation,

electricity and any other service as may be prescribed, any other national and provincial organ of states, as may be prescribed and any other municipality that may be affected by the budget.

3.8 Section 22 of the MFMA requires that, immediately after an annual budget is tabled at a Council meeting, the Municipal Manager must-

3.8.1 in accordance with Chapter 4 of the Municipal Systems Act make public the annual budget and the supporting documents tabled with the budget and invite the local community to submit representations in connection with the budget; and

3.8.2 submit the annual budget to the National Treasury, the Provincial Treasury, to any prescribed national or provincial organs of state and to other municipalities affected by the budget.

3.9 When the annual budget has been tabled, the Council must consider the views, comment and representations, if any, of the local community, the National and Provincial Treasuries and other organs of state, including municipalities, which made submissions on the budget. After considering all the submissions, the Council must give the Mayor the opportunity to respond thereto and, if necessary, to revise the budget and table amendments for consideration by the Council.

3.10 In terms of section 24 of the MFMA the Council must at least 30 days before the start of the budget year consider approval of the annual budget, which must be approved before the start of the financial year. An annual budget must be approved together with the adoption of resolutions as may be necessary-

3.10.1 imposing property rates for the budget year;

3.10.2 setting any municipal tariffs for the budget year;

3.10.3 approving measurable performance objectives for revenue from each source

and for each vote in the budget;

3.10.4 approving any changes to the IDP; and

3.10.5 approving any changes to the Municipality's budget-related policies.

3.11 The Municipal Manager must submit the approved budget to the National and Provincial Treasuries.

3.12 The Municipality may revise an approved annual budget through an adjustments budget in terms of Section 28. An adjustments budget-

3.12.1 must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;

3.12.2 may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;

3.12.3 may, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the Mayor;

3.12.4 may authorise the utilisation of projected savings in one vote towards spending under another vote;

3.12.5 may authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the Council;

3.12.6 may correct any errors in the annual budget; and

3.12.7 may provide for any other expenditure within a prescribed framework.

3.13 When the Mayor tables an adjustments budget, it must be accompanied by-

- 3.13.1 an explanation how the adjustments budget affects the annual budget;
  - 3.13.2 a motivation of any material changes to the annual budget;
  - 3.13.3 an explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years; and
  - 3.13.4 any other supporting documentation that may be prescribed.
- 3.14 Property rates and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan.
- 3.15 The appropriation of funds in an annual or adjustments budget lapses to the extent that it is unspent at the end of the financial year to which the budget relates, except in the case of an appropriation of money for capital expenditure made for a period longer than that financial year.
- 3.16 The Mayor must provide general political guidance over the budget process and the priorities that must guide the preparation of a budget, co-ordinate the annual revision of the IDP and the preparation of the annual budget, determine how the IDP is to be taken into account or revised for the purposes of the budget and take all reasonable steps to ensure that the Municipality approves its annual budget before the start of the budget year. She/he must promptly report to the Council and the MEC for finance any delay in the tabling of an annual budget. The Mayor must further ensure that the revenue and expenditure projections for each month and the service delivery targets and performance indicators for each quarter, as set out in the service delivery and budget implementation plan (SDBIP), are made public no later than 14 days after the approval of the SDBIP and that the annual performance agreements of the Municipal Manager and senior managers are made public no later than 14 days after the approval of the SDBIP.

3.17 The Municipal Manager is responsible for implementing the approved budget who must take all reasonable steps to ensure that the spending of funds is in accordance with the budget and is reduced as necessary when revenue is anticipated to be less than projected in the budget or in the SDBIP and that revenue and expenditure are properly monitored. When necessary, the Municipal Manager must prepare an adjustments budget and submit it to the Mayor for consideration and tabling at a Council meeting. The Municipal Manager must no later than 14 days after the approval of an annual budget submit to the Mayor a draft SDBIP for the budget year and drafts of the annual performance agreements for the Municipal Manager and all senior managers.

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

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

3.20 National Treasury Practices Notes:

Cognisance must be taken of the National Treasury Circulars that may have an impact on the budgeting environment. All National Treasury Circulars will be considered.

#### **4. OBJECTIVE OF POLICY**

The objective of the budget policy is to set out a framework for this Municipality to deal with –

- (a) The preparation the of a MTREF budget;

- (b) The shifting or virement of funds and budget allocations;
- (c) The introduction of adjustment budgets;
- (d) Unforeseen and unavoidable expenditure;
- (e) Irregular expenditure;
- (f) Fruitless and wasteful expenditure;
- (g) To establish and maintain procedures to ensure adherence to the Municipality's IDP review and budget processes;
- (h) to assist the planning of the Municipality's operations for a budget year;
- (i) to coordinate the activities of the various organisational components of the Municipality;
- (j) to control the planned activities;
- (k) to provide high-level strategic objectives for both Councillors and the community; and
- (l) to shift the focus from inputs towards outputs and outcomes.

## **5. BUDGETING PRINCIPLES**

- 5.1 The Municipality shall not budget for a cash deficit and should ensure that revenue projections in the budget are realistic taking into account actual collection levels.
- 5.2 Expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each vote in the approved budget.
- 5.3 The Municipality shall prepare three-year budget (MTREF budget) and Council shall approve the budget.



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

#### 5.5 Capital budget:

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

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

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

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

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

- (a) the projected cost of the project over all the ensuing financial years until the project becomes operational; and
- (b) future operational costs and any revenues, which may arise in respect of such project, including the likely future impact on operating budget.

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

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

(c) maintenance of fixed assets, and

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

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

(a) Revenue or Surplus

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

(b) New borrowings (External loans)

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

(c) Capital Replacement Reserve (CRR)

Council shall establish a CRR for the purpose of financing capital projects and the acquisition of assets. Such reserve shall be established from the following sources of revenue:

- i. inappropriate cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
- ii. interest on the investments of the CRR, appropriated in terms of the investments policy;

- iii. additional amounts appropriated as contributions in each annual or adjustments budget;
- iv. interest earned on investments of unutilised grants;
- v. VAT claimed back on grants and subsidies; and
- vi. Proceeds on the sale of assets.

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

(d) Grant Funding

- i. Non capital expenditure funded from grants must be budgeted for as part of the revenue budget
- ii. Expenditure must be reimbursed from the funding creditor and transferred to the operating and must be budgeted for as such.
- iii. Capital expenditure must be budgeted for in the capital budget.
- iv. Grant funding does not need to be cash backed but cash should be secured before spending can take place.
- v. All unutilized grants received must be ring fenced and cash backed by means of an investment.

## **5.6 Operational budget:**

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

- (a) provision for accrued leave entitlements equal to 100% of the accrued leave;
- (b) continued employee benefits as at 30 June of each financial year;

- (c) provision for the impairment of debtors taking into account prior year, current year improvements and future improvement in debt collection percentages;
- (d) provision for the obsolescence and deterioration of stock in accordance with its stores management policy;
- (e) Depreciation and finance charges shall be charged to or apportioned only between the departments or votes to which the projects relate;
- (f) At least 5% of the operating budget component of each annual and adjustments budget shall be set aside for maintenance.

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

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

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

- Depreciation charges;
- Repairs and maintenance expenses;
- Interest payable on external borrowings; and
- Other operating expenses.

5.6.5 The Chief Financial Officer shall ensure that the cost of indigent relief is separately reflected in the appropriate votes as income forgone.

## **6 BUDGET PREPARATION PROCESS**

### **6.1 Formulation of the budget**

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

- 6.1.2 The Mayor shall table the IDP & Budget process plan to Council not later than **31 August** of each year for approval.
- 6.1.3 The IDP and Budget process plan shall indicate the key deadlines for the review of the IDP as well as the preparation of the MTREF budget. Such target dates shall follow the prescriptions of the Municipal Finance Management Act, Municipal Budget and Reporting regulations, the District Municipality IDP Framework as well as the guidelines set by National Treasury.
- 6.1.4 The Mayor shall, after consideration of the budget by the Executive Committee or Mayoral Committee (as the case may be) table the draft IDP and MTREF budget to council by **31 March** of each year together with the draft resolutions and budget related policies.
- 6.1.5 The Chief Financial Officer and senior managers undertake the technical preparation of the budget. The budget must be in the prescribed format by National Treasury, and must be divided into capital and operating budget.
- 6.1.6 The budget must contain the information related to the two financial years following the financial year to which the budget relates, as well as the estimated figures for the current year and the three prior year actual outcome.

## **6.2 Public participation process**

Immediately after the draft annual budget has been tabled, the Municipality must convene hearings on the draft budget in April and invite the public, stakeholder organisations, to make representation at the Council hearings and to submit comments in response to the draft budget. This must all be spelled out in the process plan.

## **6.3 Approval of the budget**

- 6.3.1 Council shall consider the Annual Budget for approval on recommendation by the Executive Committee/ Executive Mayor and Mayoral Committee (as the case may be) not

later than 31 May for the ensuing financial year. The council resolution, must contain budget policies and performance measures be adopted.

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

6.3.3 The budget tabled to Council for approval shall include the following supporting documents:

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

## **6.4 Publication of the budget**

6.4.1 Within 10 working days after the draft annual budget has been tabled, the Director Corporate services must post the budget and other budget-related documentation onto the municipal website so that it is accessible to the public.

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

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

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

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

## **6.3 Service Delivery and Budget Implementation Plan (SDBIP)**

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

6.3.2 The SDBIP shall include the following components:

- (a) Monthly projections of revenue to be collected for each source;
- (b) Monthly projections of expenditure (operating and capital) and revenue for each vote;

- (c) Quarterly projections of service delivery targets and performance indicators for each vote;
- (d) Ward information for expenditure and service delivery; and
- (e) Detailed capital works plan broken down by ward over three years

## **7 FUNDING THE BUDGET**

The budget must be funded in terms of the Council's approved funding and reserves policy.

## **8. UNSPENT FUNDS AND ROLLOVER OF BUDGET**

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

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

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

8.3 No funding for projects funded from the Capital Replacement Reserve shall be rolled over to the next budget year except in cases where a commitment has been made at least 30 days (31 May each year) prior the end of that particular financial year.

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

8.5 Application for rollover of capital funds must be forwarded to the budget office by the latest 15<sup>th</sup> of July of each year. Only these applications will be considered for inclusion in an adjustment budget for which the adoption by Council will take place not later than 25<sup>th</sup> August.

## **9. BUDGET TRANSFERS AND VIREMENTS**



## **9.1 Objective**

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

## **9.2 Financial Responsibilities**

- 9.2.1 Strict budgetary control must be maintained throughout the financial year in order that potential overspends and / or income under-recovery within individual vote is identified at the earliest possible opportunity.
- 9.2.2 The Accounting Officer has a statutory duty to ensure an effective system of financial control, specifically to ensure compliance with Section 15 of the MFMA, is in place, the budget transfer and virement process is one of these controls.
- 9.2.3 It is the responsibility of each senior manager and/or head of a department/activity to which funds are allotted, to plan and conduct assigned operations so as not to expend more funds than budgeted.
- 9.2.4 In addition, they have the responsibility to identify and report any irregular or fruitless and wasteful expenditure in terms of the MFMA sections 78.

## **9.3 Virement Restrictions**

- 9.3.1 No virement may take place between votes without consent of both vote holders, the CFO and the approval of the Municipal Manager.
- 9.3.2 .
- 9.3.3 A virement may not create new policy, significantly vary current policy, or alter the approved outcomes / outputs as approved in the IDP for the current or subsequent years.
- 9.3.4 No virement may commit the Municipality to increase recurrent expenditure, which commits the Council's resources in the following financial year.

- 9.3.5 An approved virement does not give expenditure authority and all expenditure resulting from approved virements are still subject to the supply chain management policy of Council as periodically reviewed.
- 9.3.6 Virements may not be made between Expenditure and Income
- 9.3.7 No virement are allowed in terms of income line items.
- 9.3.8 No virement are allowed from capital budget to the operating budget.
- 9.3.9 Virements of conditional grant funds to a purpose outside than specified in the relevant conditional grant framework are not permitted.

#### **9.4 Budget transfer Restrictions**

- 9.4.1 No funds may be transferred between line items without approval of the vote holder.
- 9.4.2 Funds may only be transferred from or to the ring fenced group of employee related costs if approved by the CFO.
- 9.4.3 Transfers in capital budget allocations are only permitted within specified action plans and not across funding sources and must in addition have comparable asset lifespan classifications.
- 9.4.4 No transfers are permitted in the first three months or the final month of the financial year without the express agreement of the CFO.
- 9.4.5 An approved transfer does not give expenditure authority and all expenditure resulting from approved transfers must still be subject to the supply chain management policy of Council as periodically reviewed.
- 9.4.6 Transfers may not be made between Expenditure and Income .
- 9.4.7 No transfers are allowed in terms of income line items.

- 9.4.8 No transfers are allowed from capital budget to the operating budget.
- 9.4.9 Transfers should not result in new projects on the capital budget that is not part of the approved MTREF period
- 9.4.10 Transfers of conditional grant funds to a purpose outside than specified in the relevant conditional grant framework are not permitted.

## **9.5 Virement and Budget transfer procedure**

- 9.5.1 All virement/transfer requests must be completed on the appropriate documentation and forwarded to the official responsible to process the virement/transfer.
- 9.5.2 All virements must be signed by the initiator, both the vote holders, the Chief Financial Officer and Municipal Manager.
- 9.5.3 All budget transfers must be signed by the initiator, the vote holder, the Chief Financial Officer and the official responsible to process the transfer.
- 9.5.4 All operating budget transfers R1 to R500 000 require the approval of the relevant Director and the Chief Financial Officer
- 9.5.5 All operating budget transfers R500 000 to R1 million require the approval of the relevant Director and the Chief Financial Officer and the Municipal Manager
- 9.5.6 All operating transfers in excess of R1 million must be tabled for Council approval.
- 9.5.7 All capital budget transfers R1 to R500 000 require the approval of the relevant Director and the Chief Financial Officer.
- 9.5.8 All capital budget transfers R500 000 to R1 million require the approval of the relevant Director, Chief Financial Officer and Municipal Manager.
- 9.5.9 All capital transfers in excess of R1 million must be tabled for Council approval.

9.5.10 All documentation must be compiled and approved in line with the delegations as per section 79 of the MFMA before any expenditure can be committed or incurred.

9.5.11 The Municipal Manager will report to the Mayor on a quarterly basis on those virements that have taken place during that quarter.

## **10. ADJUSTMENT BUDGETS**

10.1 Council may revise its annual budget by means of an adjustments budget in terms of section 28 of the MFMA and according to the timelines of the Municipal Budget and Reporting regulations section 23. Section 28 (2) of the MFMA determine when an adjustment must be done and on what conditions it may be prepared.

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

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

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

10.5 An adjustments budget—

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

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

10.6 The CFO shall ensure that an adjustments budget:

- a) Comply with the requirements of the National Treasury;
- b) Reflect the budget priorities determined by the Mayor;
- c) Are aligned with the IDP;
- d) Comply with all budget-related policies; and
- e) Shall make recommendations to the Mayor on the revision of the IDP and the budget-related policies where these are required.

10.7 An adjustments budget must contain all of the following:

- a) an explanation of how the adjustments affect the approved annual budget;
- b) appropriate motivations for material adjustments; and
- c) an explanation of the impact of any increased spending on the current and future annual budgets.

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

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

10.10 Unauthorised expenses may be authorised in an adjustments budget.

## **11 UNFORESEEN AND UNAVOIDABLE EXPENDITURE**

11.1 Before the Mayor considers any authorization of unforeseeable and unavoidable expenditure in terms of Section 29 of the MFMA, the Accounting Officer will ensure that a report is prepared consisting of all the relevant information in order for the Mayor to make an informed discussion.

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

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

11.3 The Mayor may not authorise expenditure in terms of section 29 of the Act if the expenditure-

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

11.4 The authorized amount may not exceed 4 % of the approved own revenue included in the annual budget.

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

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

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

## **12. UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE**

### **12.1 Unauthorised expenditure**

- a) The Accounting Officer, with the assistance of the CFO and other senior managers, must ensure that no unauthorised expenditure occurs.

- b) In the event that the Accounting officer, CFO or any other senior managers, becomes aware of the fact some decision taken is likely to result in unauthorised expenditure, then that official must immediately in writing report the incident to the Accounting Officer or Mayor as the case may be.
- c) In the event that unauthorised expenditure did happen, the relevant senior manager, vote holder within which vote the expenditure occurred, must prepare a report within 10 working days after the matter came to his knowledge.
- d) This report must address at least the following:
  - Background on the matter;
  - Financial implication;
  - Steps taken to prevent or rectify relevant internal control measures;
  - Person responsible for the occurrence; and
  - Recoverability of the amount.
- e) This report with the Accounting Officer's recommendation must then be tabled to the Council committee responsible to deal with the investigation in terms Section 32(2) (a) of the MFMA.
- f) The Accounting Officer, in terms of section 32(4) of the MFMA, must promptly inform the Mayor, the MEC for Local Government and the Auditor-General of the occurrence.
- g) The Committee responsible to deal with the investigation in terms Section 32 of the MFMA; may consider the following resolutions, apart from corrective action decisions to prevent re-occurrence:
  - i. Recommendation that the matter must be referred to the adjustment budget;



- ii. That the recovery of the money from the person liable must commence; or
  - iii. Certification that the money is irrecoverable and must be written-off by Council.
- h) Within 48 hours of the resolution taken by this committee, the Director: Corporate Service must inform the CFO of the result.
- i) The CFO has the responsibility to:
  - 1. In the case of resolution i, the CFO prepares an adjustment budget for the Mayor to table in Council;
  - 2. In the case of resolution ii, the CFO must put measures in place to transfer the expense to debtors accounts and commence with collection mechanisms to his disposal to recover the money due from the person liable; or
  - 3. In the case of resolution iii, the CFO must report the matter in the Annual Financial Statements.

## **12.2 IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE**

- a) The Accounting Officer, with the assistance of the CFO and other senior managers, must ensure that no irregular or fruitless and wasteful expenditure occur.
- b) In the event that the Accounting officer, CFO or any other senior managers, become aware of the fact that a decision taken is likely to result in irregular, fruitless and wasteful expenditure, then that official must immediately in writing report the incident to the Accounting Officer or Mayor as the case may be.
- c) In the event that irregular or fruitless and wasteful expenditure occurred, the relevant senior manager, vote holder within which vote the expenditure occurred, must prepare a report within 10 working days after the matter came to his knowledge.
- d) This report must address at least the following:

- Background to the occurrence;
  - Financial implication;
  - Steps taken to prevent or rectify these internal control measures;
  - Person responsible of the occurrence; and
  - Recoverability of the amount.
- e) This report must be tabled with the Accounting Officer's recommendation to the Council committee responsible to deal with the investigation in terms Section 32(2) (b) of the MFMA.
- f) The Accounting Officer, in terms of section 32(4) of the MFMA, must promptly inform the Mayor, the MEC for Local Government and the Auditor-General of the occurrence.
- g) The Committee responsible to deal with the investigation in terms Section 32 of the MFMA, may consider the following resolutions, apart from corrective action decisions to prevent re-occurrence:
- A. That the recovery of the money must commence from the person liable; or
  - B. Certify that the amount is irrecoverable and must be written-off by Council.
- h) Within 48 hours of the resolution taken by this committee, the Director: Corporate Service must inform the CFO of the result.
- i) The action to be taken by the CFO include the following:
- 1. In the case of resolution A, the CFO must prepare an adjustment budget for the Mayor to table in Council;
  - 2. In the case of resolution B, the CFO must put measures in place to transfer the expense to debtors' accounts and commence with collection mechanisms to his disposal to recover the money due from the person liable; or

3. The CFO must report the matter in the Annual Financial Statements.

- j) The Accounting Officer must in terms of Section 32(6) of the MFMA report all cases of alleged irregular expenditure that constitute a criminal offence as well as theft and fraud that occurred in the municipality.
- k) The Council must take all reasonable steps in terms of Section 32(7) of the MFMA to insure that all cases in term of Section 32(6) are reported to the South African Police Service if –
  - i. the charge is against the accounting officer; or
  - ii. the accounting officer fails to comply with that subsection.

### **13. BUDGET IMPLEMENTATION**

#### **13.1 Monitoring**

- a) The Accounting Officer, with the assistance of the CFO and other senior managers, is responsible for the implementation of the budget, and must take reasonable steps to ensure that:
  - i. Funds are spent in accordance with the budget;
  - ii. Expenses are reduced if expected revenues are less than projected; and
  - iii. Revenues and expenses are properly monitored.
- b) The Accounting Officer, with the assistance of the CFO, must prepare any adjustment budgets when such budget is necessary and submit it to the Mayor for consideration and tabling in Council.

- c) The Accounting Officer, with the assistance of the CFO, must ensure that the Municipality has and maintains an effective system of expenditure control in order to assist with budget control. Budget control must be performed on the lowest level of the budget, as well as the starting activity of an expense.
- d) The Accounting Officer, with the assistance of the CFO, must ensure that the Municipality has and maintains effective systems of:
  - 1. Revenue collection; and
  - 2. Debtor management.
- e) The assumptions on which the revenue forecasts were based must be monitored on at least a monthly basis.
- f) The Accounting Officer, with the assistance of the CFO and other senior managers, must report in writing to Council any impending shortfalls in the annual revenue budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.

## **13.2 Reporting**

### **13.2.1 Monthly budget statements – Section 71 report**

- a) The Accounting Officer, with the assistance of the CFO, must not later than ten working days after the end of each calendar month, submit to the Mayor, Provincial and National Treasury a report in terms of section 71 of the MFMA in the prescribed format on the state of the municipality's budget for such calendar month, as well as on the state of the budget cumulatively for the financial year to date.
- b) The report to the National Treasury must be both in electronic format and in a signed written document.

### **13.2.2 Quarterly Reports – Section 52 report**

The Accounting Officer, with the assistance of the CFO, must assist the Mayor, in his duties in terms of Section 52(d) of the MFMA to submit to Council within thirty days of the end of each quarter a report on the implementation of the budget and the financial state of affairs of the Municipality.

### **13.2.3 Mid-year budget and performance assessment – Section 72 report**

- a) The Accounting Officer must assess the budgetary performance of the Municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the service delivery performance of the municipality against the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan.
- b) The Accounting Officer must then submit a report in terms of Section 72 of the MFMA on such assessment to the Mayor by 25 January each year and to Council, Provincial Treasury and National Treasury by 31 January each year.
- c) The Accounting Officer may in such report make recommendations, after considering the recommendation of the CFO, to prepare an adjustment budget.

## **14. MUNICIPAL WEBSITE**

The following documents must be placed and maintain on the municipality's official website:

- (a) Annual and adjustments budgets and all budget-related documents;
- (b) All budget-related policies;
- (c) Integrated Development Plan;
- (d) Annual report;

- (e) All performance agreements;
- (f) All service delivery agreements;
- (g) All long-term borrowing contracts; and
- (h) All quarterly and mid-year reports submitted the Council on the implementation of the budget and the financial state of affairs of the municipality.

## **16. APPROVAL AND COMMENCEMENT**

The implementation of this Policy takes effect on 1 July 2026 and the Policy must be reviewed within 12 months of its current date of effect or earlier if dictated by circumstances or any change to existing legislation.

Council approved this Budget Policy on the 29 May 2026 (resolution# ).



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2026/2027

Virement  
Policy

1 July 2026

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## PREAMBLE

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

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

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

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

**Now therefore** the Municipal Council of the Knysna Municipality adopts the following Virement Policy:

## 1. DEFINITIONS

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

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

**“Act”** means the Local Government: Municipal Finance Management Act, No 56 of 2003.

**“Approved budget”** means an annual budget:

- (a) approved by a municipal council in terms of section 24 of the MFMA, or
- (b) includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA.

**“Branch”** means a functional area which represents a logical point at which cost (expenditure) is collected and managed by a responsible Branch owner.

**“Budget-related policy”** means a policy of a municipality affecting or affected by the annual budget of the municipality;

**“Capital Budget”** This is the estimated amount for capital items in a given fiscal period. Capital items are fixed assets such as facilities and equipment, the cost of which is normally written off over a number of fiscal periods;

**“Council”** means the council of Knysna Municipality as referred to in Section 18 of the Municipal Structures Act;

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

**“Cost category”** means a category of expenditure as set out in the approved budget.

**“cost centre”** is a cost collector which represents a logical point at which cost (expenditure) is collected and managed by a responsible cost centre owner.

**“Cost item”** means a line item of expenditure as set out in the approved budget.

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

**“Function”** means the department of functional area to which the income or expenditure relates;

**“Line Item”** means an appropriation that is itemized on a separate line in a budget adopted with the idea of greater control over expenditure;

**“mSCOA”** means municipal standard chart of accounts. In accordance with mscoa project based budgeting is done and all transactions are linked to six segments (project, fund, function, item, region and costing);

**“Operating Budget”** means the municipality’s financial plan, which outlines proposed expenditures for the coming financial year and estimates expenditures for the coming financial year and estimates the revenues, used to finance them;

**“Overspending”** means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year’s budget for its operational or capital expenditure, as the case may be;

- a. in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or
- b. in relation to expenditure under section 26, means causing expenditure under that section to exceed the limits allowed in subsection (5) of that section.

**“Ring Fenced”** an exclusive combination of line items grouped for specific purposes for instance salaries and wages;

**“Service Delivery and Budget Implementation Plan”** means a detailed plan approved by the Mayor in terms of section 53(1) (c) (ii) of the MFMA for delivery of municipal services and implementing its annual budget;

**“Senior manager”** means a person appointed by Council in terms of Section 56(a) of the Act as a manager directly accountable to the City Manager.

**“Unauthorised expenditure”** means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes-

- a. overspending of the total amount appropriated in the municipality's approved budget; and
- b. overspending of the total amount appropriated for a vote in the approved budget;

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

Transferring budgeted funds from one line item with an approved project to another, with the approval of the relevant Manager, Head of Department and CFO, to enable budget managers to amend budgets in the light of experience or to reflect anticipated changes (section 28(2)(c) MFMA).

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

## **2. PURPOSE OF THIS POLICY**

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

- 2.1 To assist the Accounting Officer to ensure that adequate policies and procedures are in place to ensure an effective system of financial control.
- 2.2 To enable the Chief Financial Officer to advise the Accounting Officer and to assist senior managers in the exercising of powers and duties assigned to them in terms of Section 78 or delegated to them in terms of Section 79 of the Act.
- 2.3 To provide guidelines to the Accounting Officer and senior managers in the use of virements as a mechanism in their day-to-day management of their budget votes.

- 2.4 To empower the Accounting Officer and senior managers with an efficient financial and budgetary system to ensure optimum service delivery within the current legislative framework of the Act and the municipality's system of delegations.
- 2.5 Allow limited flexibility in the use of budgeted funds to enable management to act on occasions such as disasters, unforeseen expenditure in cases of disasters, unforeseen expenditure or saving etc in order to accelerate service delivery in a financially responsible manner.

## **2. VIREMENT PRINCIPLES FINANCIAL RESPONSIBILITIES**

Strict budgetary control must be maintained throughout the financial year to ensure that potential overspending and/ or income under-recovery within individual vote departments are identified at the earliest possible opportunity (section 100 MFMA).

The Chief Financial Officer has a statutory duty to ensure that adequate policies and procedures are in place to ensure an effective system of financial control. The budget virement process is one of these controls (Section 27(4) MFMA).

It is the responsibility of each manager or head of a department or activity to which funds are allotted, to plan and conduct assigned operations so as not to expend more funds than budgeted for. In addition, they have the responsibility to identify and report any irregular, fruitless and wasteful expenditure in terms of the sections 78 and 102 of the MFMA.

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

- 3.1 In order for the Accounting Officer to authorise the transfer of funds from one cost item or capital project to another cost item or capital project within or across a vote (department); a saving has to be identified within the monetary limitations and within a similar funding segment of the approved cost item or capital project allocations on the respective budgets (operational and capital).
- 3.2 Any budgetary amendment of which the net impact will be a change to the total approved annual budget allocation and any other amendments not covered in this Policy are to be considered for budgetary adoption via an adjustments budget (Section 28 of the Act).
- 3.3 In terms of Section 17 of the Act a municipality's budget is divided into an operational and capital budget and consequently no virements are permitted between the operational and capital budgets.

- 3.4 Virements between votes (departments) will be permitted where the proposed shifts in funding facilitate sound risk and financial management.
- 3.5 Virements are not permitted in relation to the revenue side of the operational budget except where the Policy specifically caters for such virements.
- 3.6 Virements are not permitted in relation to the expenditure side of the operational budget except where the Policy specifically caters for such virements.
- 3.7 Virements are not permitted in relation to the expenditure side of the capital budget except where the Policy specifically caters for such virements.

#### **4. VIREMENT REQUIREMENTS AND RESTRICTIONS**

- 4.1. No funds may be vired between departmental main segments (functions) without prior Council approval.
- 4.2. Virement can be approved as follows:
  - 4.2.1. R1 - R500, 000.00 - Director recommends to the CFO for approval
  - 4.2.2 R500,001.00 - R1,000,000.00 - CFO recommends to the AO for approval
  - 4.2.3 >R1,000,001.00 - AO recommends to Council for approval
- 4.3. A virement may not create new policy, significantly vary from current policy or alter the approved outcomes/ outputs as approved in the IDP for the current of subsequent years (sections 19 and 21 MFMA).
- 4.4. Virements resulting in adjustments to the approved SDBIP need to be submitted with an adjustments budget to the Council with altered outputs and measurements for approval (MFMA Circular 13, page 3 para 3).
- 4.5. No virement may commit the Municipality to increase recurrent expenditure, which commits the Council's resources in the following financial year. This refers to expenditure such as entering into agreements, into leases or rental agreements such as for vehicles, photo copiers or fax machines.
- 4.6. No virement may be made where it would result in over expenditure (Section 32 MFMA).
- 4.7. No virement shall add to the staff establishment of the Municipality.
- 4.8. If the virement relates to an increase in the work force of the establishment, then the Council's existing recruitment policies and procedures will apply.
- 4.9. Virements may not be made in respect of ring-fenced allocations.
- 4.10. Budget allocations may not be transferred from support services (interdepartmental) costs, capital financing, depreciations, contributions, grant expenditure and income foregone.

- 4.11. Budget allocations may only be transferred from salaries if approved by the CFO and Municipal Manager.
- 4.12. Virements in capital budget allocations are only permitted within specified action plans and not across funding sources and must in addition have comparable asset lifespan classifications.
- 4.13. No virements to be processed in the first quarter of the financial year, January and February
- 4.14. No virement proposal shall affect amounts to be paid to another department without the agreement of the Manager of that department as recorded on the signed virement form (Section 15 MFMA).
- 4.15. Virement amounts may not be rolled over to subsequent years or create expectations on following budgets (Section 30 MFMA).
- 4.16. An approved virement does not give expenditure authority and all expenditure resulting from approved virements must still be subject to the procurement/ supply chain management policy of Council.
- 4.17. Virements may not be made between Expenditure and Income.
- 4.18. No virement shall be made from Repairs and Maintenance votes, however may be made between repairs and maintenance.
- 4.19. Virements in capital budget allocations are only permitted within the specified action plans and not across funding sources.
- 4.20. All virements must be submitted to S80 Finance on a quarterly basis

## **5. OPERATING BUDGET VIREMENTS/ VIREMENT PROCEDURE**

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

- a. All virement proposals must be completed on the appropriate documentation (see Annexure A) and forwarded to the relevant financial officer for checking and implementation.
- b. All virements must be signed by the Head of the Department within which the vote is allocated (section 79 MFMA).

- c. A virement form (See Annexure A) must be completed for all Budget Transfers.
- d. Virements R1 to R500 000 need approval of the relevant Director and the Chief Financial Officer (section 79 MFMA).
- e. Virements R500 000 to R1million need approval of the relevant Director, Chief Financial Officer and Municipal Manager.
- f. Virements in excess of R1 million must be tabled to council for approval.
- g. Virement proposals must include changes to the SDBIP.
- h. All documentation must be in order and approved before any expenditure can be committed or incurred (section 79 MFMA).
- i. The Municipal Manager will report to the Mayor/ Executive Mayor (as the case may be) on a quarterly basis on those virements that have taken place during that quarter.

## **5.2 Cost categories**

### **5.2.1 Employee Related Costs**

- (a) Virements to and from this category of expenditure are not allowed.
- (b) Virements are allowed between cost items, Branches and votes within these categories but only –
  - (i) To correct errors in the budget due to employees linked to an incorrect cost centre in the payroll system; and
  - (ii) To transfer unallocated funds budgeted for vacant positions to the branch -where it was reprioritised.
- (c) Virements within this expenditure category are subject to the approval of the relevant senior manager, Chief Financial Officer and the Accounting Officer.

### **5.2.2 Labour Costs Charge Outs**

- (a) Virements to and from this category of expenditure is not allowed.
- (b) Virements are allowed between cost items, branch and votes within this category but only to correct errors in the budget.
- (c) Virements within this expenditure category are subject to the approval of the relevant senior manager and the Chief Financial Officer.

### **5.2.3 Remuneration of Councillors**

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



- (b) Virements are allowed between cost items and branches within this category but only to correct errors in the budget.
- (c) Virements within this expenditure category are subject to the approval of the relevant senior manager, Chief Financial Officer and the Accounting Officer.

#### 5.2.4 Provisions (Current and Non-Current) and Bad Debts Written Off

- (a) Virements to and from these categories of expenditure are not allowed.
- (b) Virements are allowed between cost items, branches and votes within this category of expenditure.
- (c) Virements within these expenditure categories are subject to the approval of the relevant senior manager and the Chief Financial Officer.

#### 5.2.5 Contracted Services, Inventory Consumed, Operating Leases, Operational Cost and Transfer and Subsidies

- (a) Virements to and from cost items, branches and votes within these categories of expenditure are allowed.
- (b) Virements within these expenditure categories within a single vote are subject to the approval of the relevant senior manager and the Chief Financial Officer.
- (c) Virements within these expenditure categories between votes are subject to the approval of the relevant senior manager, Chief Financial Officer and the Accounting Officer.

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

- (a) Virements to and from as well as between cost items, branches and votes within these categories of expenditure are not allowed.
- (b) Virements are allowed between cost items, branches and votes within a single category of expenditure but only to correct budgeted errors due to incorrect allocations of budgeted funds.
- (c) Virements between the same cost item between branches and / or votes are subject to the approval of the relevant senior manager, Chief Financial Officer and the Accounting Officer.

### 5.3 **Revenue categories**

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

## **6. CAPITAL BUDGET VIREMENTS**

- 6.1 No “new” capital projects onto the capital budget will be permitted except for where it is necessary to accelerate capital projects spending of capital projects already approved by Council in the IDP and capital budget of the indicative years.
- 6.2 No virements which relate to capital projects approved as part of the annual or adjustments budgets will be permitted except in cases where in the opinion of the Accounting Officer it is necessary to procure operational assets (vehicles, office equipment, computer equipment, computer software, tools and equipment, etcetera) from funds allocated to the administration to enable them to perform their duties effectively, efficiently and economically.
- 6.3 Motivations for virements in paragraph 5.1 and 5.2 above should clearly state the reason for the need of a new capital project/s on the budget as well as the saving/s within the approved capital project/s.
- 6.4 Virements to and from the various categories of funding sources are not allowed. Virements are permitted within a single category of funding source.
- 6.5 The categories of funding sources for capital projects are as follows –
  - (a) Capital Replacement Reserve (CRR) / Own funds;
  - (b) External loans;
  - (c) Conditional grants (IUDG, RBIG, INEP, etcetera);
  - (d) Landfill site provision;
  - (e) Development Contributions; and
  - (f) Other donations.
- 6.6 Virements within a department are subject to the approval of the relevant senior manager and Chief Financial Officer.
- 6.7 Virements between departments are subject to the approval of the relevant senior manager, Chief Financial Officer and the Accounting Officer.

## **7. PROCESS AND ACCOUNTABILITY**

- 7.1 Accountability, to ensure that virement application forms are completed in accordance with Council's Virement Policy and which is not in conflict with the department's strategic objectives, manifests with the senior manager of a department.
- 7.2 The relevant senior manager will ensure that the virement application form is duly completed, the virement duly motivated and signed by the senior manager. Supporting documentation, proving savings on a cost item/s, must accompany the application form that needs to be handed over to the budget office.
- 7.3 The budget office will verify the virement application form and the Chief Financial Officer will authorise the verified virement application should it comply with the Virement Policy of Council. If not, the virement application form will be returned to the relevant senior manager.
- 7.4 All relevant virement application forms verified by the budget office and authorised by the Chief Financial Officer will be submitted to the Accounting Officer by the budget office for final approval. The Accounting Officer may refuse to approve a virement application even if the Chief Financial Officer has authorised the virement application.
- 7.5 After receiving the final approval from the Chief Financial Officer or Accounting Officer where applicable the budget office may process the virement.
- 7.6 Completed virement documentation is to be kept by the Chief Financial Officer (budget office) for audit purposes.

## **8. DELEGATIONS**

- 8.1 Any official acting in a position of a senior manager, the Chief Financial Officer and the Municipal Manager will have the delegated powers to authorise or approve virement applications.
- 8.2 For operational reasons the Chief Financial Officer may delegate his authorisation rights to senior managers within the financial management, budget, accounting and reporting branch. These delegations must be in writing and kept by the budget office for audit purposes.
- 8.3 For operational reasons the Municipal Manager may delegate his final approval rights to the Chief Financial Officer with the proviso that the Chief Financial Officer may not authorise and approve the virement application at the same time. This delegation must be in writing and kept by the budget office for audit purposes.

. **SHORT TITLE**

This policy is the Virement Policy of the Knysna Municipality.

## APPLICATION FOR VIREMENTS

Ref#:

## Motivation

Processed:-y.....



inclusive || innovative || inspired

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**2026/27**

**UNAUTHORISED, IRREGULAR, FRUITLESS AND  
WASTEFUL EXPENDITURE**

**POLICY**

**1 July 2026**

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## PREAMBLE

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 as amended.

The following Laws and regulations, amongst others, inform this policy, (a) Section 32 of the MFMA (b) Sections 170 and 173 of the MFMA (c) Regulations 23 and 74 of the Municipal Budget and Reporting Regulations (d) Relevant GRAP statements (e) MFMA Circular 68 of 2013

**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               |               |                                                  |                                                             |       |                                        |
|-------------------------------|---------------|--------------------------------------------------|-------------------------------------------------------------|-------|----------------------------------------|
| <b>POLICY OWNER:</b>          |               | Knysna Municipality Supply Chain Management Unit |                                                             |       |                                        |
| <b>POLICY EFFECTIVE DATE:</b> |               | 01 July 2026                                     |                                                             |       |                                        |
| Version                       | Date          | Revision                                         | Section                                                     | Pages | New Policy on UIWF                     |
| Number 01                     | 27 March 2026 | 01                                               | Unauthorised, Irregular, Wasteful and Fruitless Expenditure | 22    | In accordance with the SCM Regulations |

## 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 –

|                             |                                                                                                                                                                        |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>“Accounting Officer”</b> | 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.                                                                                                         |
| <b>“MM”</b>                 | Municipal Manager                                                                                                                                                      |
| <b>“Council”</b>            | Highest Decision Making body in the Municipality                                                                                                                       |



|                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                           |
|----------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>“Bid”</b>                                             | 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                                                                                                                                                                                                                                                                  |
| <b>“Close Family Member”</b>                             | means:<br>(i) spouse or partner,<br>(ii) child,<br>(iii) parent                                                                                                                                                                                                                                                                                                                                                           |
| <b>“Close Members of the Family for GRAP Disclosure”</b> | 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:<br><br>(a) are married or live together in a relationship similar to a marriage; or<br><br>(b) are separated by no more than two degrees of natural or legal consanguinity or affinity. |
| <b>“Competitive Bidding Process”</b>                     | means a competitive bidding process referred to in paragraph 12 (1) (d) of this Policy;                                                                                                                                                                                                                                                                                                                                   |
| <b>“Competitive Bid”</b>                                 | means a bid in terms of a competitive bidding process;                                                                                                                                                                                                                                                                                                                                                                    |
| <b>“BSC”</b>                                             | Bid Specifications Committee                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>“BEC”</b>                                             | Bid Evaluation Committee                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>“BAC”</b>                                             | Bid Adjudication Committee                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>“Consultants”</b>                                     | 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, nongovernmental (NGO’s) and individuals.                                                                                                       |
| <b>“Contract”</b>                                        | means the agreement that results from the acceptance of a bid by the Municipality;                                                                                                                                                                                                                                                                                                                                        |
| SLA                                                      | Service Level Agreement definitions                                                                                                                                                                                                                                                                                                                                                                                       |
| GCC                                                      | General Conditions of Contract                                                                                                                                                                                                                                                                                                                                                                                            |

|                           |                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>“SCC”</b>              | Special Conditions of Contract                                                                                                                                                                                                                                                                                                                                                                        |
| <b>“Contract Manager”</b> | 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. |

|                                           |                                                                                                                                              |
|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| <b>“Contract Owner” / Project Manager</b> | 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. |
| <b>“Delegation”</b>                       | in relation to a duty, includes an instruction a request to perform, or to assist in performing the duty.                                    |
| <b>“Deviation”</b>                        | Dispensing of the procurement process by the Accounting Officer as guided by the regulations                                                 |

|                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>“Emergency dispensation”</b>         | <p>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;</p> <ul style="list-style-type: none"> <li>(a) The possibility of human injury or death;</li> <li>(b) The prevalence of human suffering or deprivation of rights;</li> <li>(c) The possibility of damage to property, or suffering and death of livestock and animals;</li> <li>(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;</li> <li>(e) The possibility of serious damage occurring to the natural environment;</li> <li>(f) The possibility that failure to take necessary action may result in the Municipality no being able to render an essential community service;</li> <li>(g) The possibility that the security of the state could be compromised; or</li> <li>(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.</li> </ul> |
| <b>“Exceptional Case”</b>               | <p>means unusual not typical circumstances where it is impractical or impossible in practice to follow procurement processes.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>“Final Award”</b>                    | <p>in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept;</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>“Formal Written Price Quotation”</b> | <p>means quotations referred to in Section 12 (1) (c) of this Policy;</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>“Head of Department”</b>             | <p>means a person in the employment of Knysna Municipality who heads a department or who reports to the Accounting Officer</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

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|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>“IDP”</b>                         | means Integrated Development Plan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>“In the service of the State”</b> | <p>means to be –</p> <ul style="list-style-type: none"> <li>(a) a member of – <ul style="list-style-type: none"> <li>i) any municipal council; ii) any provincial legislature; or</li> <li>iii) the National Assembly or the National Council of Provinces;</li> </ul> </li> <li>(b) a member of the board of directors of any municipal entity;</li> <li>(c) an official of any Municipality or municipal entity;</li> <li>(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);</li> <li>(e) an executive member of the accounting authority of any national or provincial public entity; or</li> <li>(f) an employee of Parliament or a provincial legislature;</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>“Irregular Expenditure”</b>       | <p>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 condoned in terms of the Policy.</p> <ul style="list-style-type: none"> <li>(a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA, and which has not been condoned in terms of section 170.</li> <li>(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act.</li> <li>(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or</li> <li>(d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality’s by-laws giving effect to such policy, and which has not been condoned in terms of such policy or bylaw, but excludes expenditure by a municipality which falls within the definition of “unauthorised expenditure”.</li> </ul> |

|                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
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| <b>Fruitless and Wasteful Expenditure</b> | means expenditure that was made in vain and would have been avoided had reasonable care been exercised. The phrase ‘made in vain’ indicates that the municipality derived no value for money from the expenditure or the use of other resources. Fruitless and wasteful expenditure must fulfil both the conditions in the definition, namely, that it was made in vain, and it would have been avoided had reasonable care been exercised.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Unauthorised Expenditure</b>           | <p>in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the MFMA, and includes</p> <ul style="list-style-type: none"> <li>(a) overspending of the total amount appropriated in the municipality’s approved budget.</li> <li>(b) overspending of the total amount appropriated for a vote in the approved budget.</li> <li>(c) expenditure from a vote unrelated to the department or functional area covered by the vote.</li> <li>(d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose.</li> <li>(e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of “allocation” in the MFMA otherwise than in accordance with any conditions of the allocation; or</li> <li>(f) a grant by the municipality otherwise than in accordance with the MFMA.</li> </ul> |
| <b>Overspending</b>                       | <ul style="list-style-type: none"> <li>(a) In relation to the budget of a municipality, means causing the operational or capital expenditure incurred by the municipality during financial year to exceed the total amount appropriated in that year’s budget for its operational or capital expenditure.</li> <li>(b) In relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote.</li> <li>(c) In relation to expenditure under section 26, means causing expenditure under that section to exceed the limits allowed in subsection (5) of that section.</li> </ul>                                                                                                                                                                                                                                                                                                           |
| <b>Vote</b>                               | <p>means –</p> <ul style="list-style-type: none"> <li>(a) One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different department or functional areas of the municipality; and</li> <li>(b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>“Long Term Contract”</b>               | means a contract with a duration period exceeding one year;                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

|                                                   |                                                                                                                            |
|---------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| <b>“List of Accredited Prospective Providers”</b> | means the list of accredited prospective providers which the Municipality must keep in terms of Section 14 of this Policy; |
| <b>“Municipality”</b>                             | means Knysna Local Municipality                                                                                            |

|                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
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| <b>“Municipal Systems Act”</b>          | means the Local Government: Municipal System Act 32 of 2000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Municipal Finance Management Act</b> | a) Means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>“Notice Boards”</b>                  | means the official notice boards at the municipal offices, libraries and any notice boards at the dedicated directorates                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>“Other Applicable Legislation”</b>   | <p>means any other legislation applicable to municipal supply chain management, including –</p> <ul style="list-style-type: none"> <li>b) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2022).</li> <li>c) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003);</li> <li>d) the Construction Industry Development Board Act, 2000 (Act No.38 of 2000);</li> <li>e) the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);</li> <li>f) the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000);</li> <li>g) the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);</li> <li>h) the Prevention and Combating of Corrupt Activities Act, 2000 (Act No. 12 of 2004);</li> <li>i) the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003): Municipal Supply Chain Management Regulations;</li> <li>j) the Preferential Procurement Regulations, 2017</li> <li>k) the Competitions Act 1998 (Act No. 89 of 1998)</li> </ul> |

|                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>“Policy”</b>                                    | means the Supply Chain Management Policy of the Knysna Local Municipality                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>“Quotation”</b>                                 | means a stated price that a supplier expects to receive for the provision of specified services, works or goods;                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>“Single source”</b>                             | refers to when competition exist in the market, but from a selected few supplier due to technical capabilities and abilities comply with the requirements of the Municipality;                                                                                                                                                                                                                                                                                                                                                           |
| <b>“Sole Supplier”</b>                             | 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;                                                                                                                                                                                                                                                                                                                         |
| <b>Unsolicited Bids</b>                            | A proposal/ concept received outside of normal approved procurement process                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>PPP</b>                                         | Public Private Partnership                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>SCM</b>                                         | Supply Chain Management                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>“Supply chain management practitioners”</b>     | 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;                                                                                                                                                                                                                                                                                                                                                                        |
| <b>“Tender”</b>                                    | means ‘bid’ or ‘quotation’ in relation to ‘Tender Box’                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>“Treasury Guidelines”</b>                       | means any guidelines on supply chain management issued by the Minister in terms of Section 168 of the Act;                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>“Validity period”</b>                           | means the period for which a bid is to remain valid and binding as stipulated in the relevant tender document. <b>The validity period for all Knysna tenders will be 180 days.</b> Notwithstanding the period of validity of bids as set out in the bid documents, Knysna Municipality reserves its right to extend the validity period, should you not be willing to hold your bid valid in all respects for further period as requested, it will lapse on expiry of the current validity period.                                       |
| <b>Allocations in relation to the Municipality</b> | <p>(a) means a municipality’s share of the local government’s equitable share referred to in section 214(1)(a) of the Constitution.</p> <p>(b) an allocation of money to a municipality in terms of section 214(1)(c) of the Constitution.</p> <p>(c) an allocation of money to a municipality in terms of a provincial budget; or</p> <p>(d) any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction;</p> |

## **ESTABLISHMENT AND IMPLEMENTATION OF UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE POLICY**

### **1. BACKGROUND**

1.1 The purpose of this policy is to define and regulate unauthorised, irregular or fruitless and wasteful expenditure. The aim is to identify, prevent and investigate unauthorised, irregular or fruitless and wasteful expenditure.

1.2 To respond appropriately in accordance with the law and to address instances of unauthorised, irregular or fruitless and wasteful expenditure conclusively.

1.3 In terms of section 4(2)(a) of the Municipal Systems Act (MSA) the Council has a duty to use the resources of the municipality in the best interest of the Community. This duty is extended to individual Councillors through the Code of Conduct for Councillors which states that a Councillor must:

- (i). “perform the functions of office in good faith, honestly and in a transparent manner; and
- (ii). “at all times act in the best interests of the community and in such a way that the credibility and integrity of the municipality is not compromised.”

1.4. Municipalities are often challenged with unauthorised, irregular or fruitless and wasteful expenditure

### **2. OBJECTIVES**

2.1. The objectives of the policy include the followings amongst other things namely:

- (a) Emphasising the principles of accountability and reporting for Municipal employees and Councillors.
- (b) Ensuring that employees and Councillors have a clear and comprehensive understanding of the procedures they must follow when dealing with unauthorised, irregular or fruitless and wasteful expenditure.
- (c) Ensuring that resources allocated to the Municipality are utilized efficiently, effectively, economically and for only authorised or approved official purposes.
- (d) Ensuring that the Municipality’s resources are managed in compliance with the MFMA, the Municipal Budget, Reporting Regulations and any other relevant applicable legislation; and
- (e) Ensure that irregular, unauthorised or fruitless and wasteful expenditure is detected, processed, recorded, and reported timeously.



### **3. SCOPE OF APPLICATION**

3.1. To ensure the principles of good governance for accountability and reporting, or responsibility perspective, this policy is relevant to all Municipal employees of the Greater Knysna Municipality, whether full-time or part-time.

3.2 It is, however, specifically applicable to the Council, Accounting Officer, Chief Financial Officer, Senior Manager's, Managers, and all other employees in the services of the Greater Knysna Municipality. In particular, the duly appointed Directorate and responsibility managers have significant roles in:

- (a) Identify the identity of the person who is liable for unauthorised, irregular or fruitless and wasteful expenditure.
- (b) Decide on how to recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure.
- (c) Determine the amount of unauthorised, irregular or fruitless and wasteful expenditure to be recovered, written off or provided for

### **4. PROCESS DEALING WITH UNAUTHORISED EXPENDITURE**

4.1 Any employee who becomes aware of or suspects the occurrence of unauthorised expenditure must immediately report, in writing, such expenditure to the Accounting Officer or his/her delegate.

4.2 On discovery of alleged unauthorised expenditure, such expenditure must be left in the account i.e. relevant vote and the Accounting Officer, or his/her delegate should record the details of the expenditure in an unauthorised expenditure register.

4.3 The accounting officer or his/her delegate must investigate the alleged unauthorised expenditure to determine whether the expenditure meets the definition of unauthorised expenditure.

4.4 During the period of investigation, the expenditure must remain in the expenditure account. The results of the investigation will determine the appropriate action to be taken regarding the expenditure.

4.5 Should the investigation reveal that the expenditure is in fact valid expenditure and therefore does not constitute unauthorised expenditure the details of the expenditure should be retained in the register for completeness purposes (and to provide an appropriate audit trail). The register must then be updated to reflect the outcome of the investigation.

4.6 If the investigation indicates that the expenditure is in fact unauthorised expenditure the Accounting Officer must immediately report, in writing, the particulars of the expenditure to the Mayor.

4.7 If Council subsequently condones the unauthorised expenditure, the municipality requires no further action as the amount has already been expensed in the statement of financial performance. The register should be updated to reflect the fact that the unauthorised expenditure was condoned.

4.8 If however, the Council does not condone the amount, the accounting officer must take effective and appropriate action to recover the amount from the responsible person.

## **5. AUTHORISING UNAUTHORISED EXPENDITURE**

5.1 In considering authorisation of unauthorised expenditure, Council must consider the following factors:

- (a) Has the matter been referred to Council for a determination and decision?
- (b) Has the nature, extent, grounds and value of the unauthorised expenditure been submitted to Council?
- (c) Has the incident been referred to a Council committee for investigation and recommendations?
- (d) Has it been established whether the accounting officer or official or public office bearer that made, permitted or authorised the unauthorised expenditure acted deliberately or in a negligent or grossly negligent manner?
- (e) Has the accounting officer informed Council, the mayor or the executive committee that a particular decision would result in an unauthorised expenditure as per section 32(3) of the MFMA?
- (f) Are there good grounds shown as to why an unauthorised expenditure should be authorised? For example:
  - (i) the mayor, accounting officer or official was acting in the best interests of the municipality and the local community by making and permitting unauthorised expenditure.
  - (ii) the mayor, accounting officer or official was acting in good faith when making and permitting unauthorised expenditure; and
  - (iii) the municipality has not suffered any material loss because of the action.

In these instances, the Council may authorise the unauthorised expenditure. If unauthorised expenditure is approved by Council, there would be no further consequences for the political office-bearers or officials involved in the decision to incur the expenditure.

### **5.2 Adjustments budgets to authorise unauthorised expenditure:**

Council may only authorise unauthorised expenditure in an adjustments budget. This can be addressed in three different adjustments budgets as follows:

#### **5.2.1 Adjustments budget for unforeseen and unavoidable expenditure:**

An adjustments budget to allow Council to provide ex post authorisation for unforeseen and unavoidable expenditure that was authorised by the mayor in terms of section 29 of the MFMA must be tabled in Council at the “first available opportunity” or within the 60 days after the expenditure was made.

Should either of these timeframes be missed, the unforeseen and unavoidable expenditure must be treated in the same manner as any other type of unauthorised expenditure and may still be authorised in one of the other adjustments’ budgets processes described below.

### **5.2.2 Main adjustments budget:**

Council may authorise unauthorised expenditure in the adjustments budget which may be tabled in Council “at any time after the mid-year budget and performance assessment has been tabled in the Council, but not later than 28 February of the current year”.

Where unauthorised expenditure from this period is not identified or investigated in time to include in this adjustments budget, it must be held over to the following adjustments budget process noted below.

### **5.2.3 Special adjustments budget to authorise unauthorised expenditure:**

Council may authorise unauthorised expenditure in a special adjustments budget tabled in Council when the mayor tables the annual report. This “special adjustment budget “may only deal with unauthorised expenditure from the previous financial year which the Council is being requested to authorise in terms of section 32(2)(a)(i) of the Act.

## **6. RECOVERY OF UNAUTHORISED EXPENDITURE.**

6.1 All instances of unauthorised expenditure must be recovered from the liable official or political office-bearer, unless the unauthorised expenditure has been authorised by Council in an adjustment budget.

(a) The Accounting Officer (or his/her delegate) must determine who the responsible party is from whom the amount should be recovered. This information would normally become evident while performing the investigation.

(b) The Accounting Officer (or his/her delegate) must in writing request that the liable official or political office-bearer to pay the amount relating to such unauthorised expenditure within 30 days. If the person/s fails to comply with the request, the matter may be handed to the municipality’s legal division for the recovery of the debt through normal debt collection process.

## **7. PRINCIPLES ON IRREGULAR EXPENDITURE**

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

7.2 Categories of irregular expenditure as a result of a non-compliance with a Treasury regulation, the MFMA and the municipal Supply Chain Management Policy. Examples include namely:

(i) Procuring of goods or services by means of quotations where the value of the goods/services exceed the set threshold as determined in the SCM policy quotations.

(ii) Irregular Expenditure incurred as a result of procuring goods or services by means of other than through competitive bids where the reason for deviating from the prescribed processes have not been recorded or approved in terms of section 17 of the SCM regulations.

(iv) Irregular Expenditure resulting from non-adherence to the delegation of authority as approved. Irregular Expenditure incurred as a result of expenditure outside contracts or contracts expired and not extended in terms of MFMA section 116.

(v) Expenditure resulting from non-adherence to an institution's delegation of authority is also regarded as irregular expenditure

### **7.3 Procedures for the condonation of irregular expenditure**

(a) The provision is made for accounting officers to forward submissions to the Provincial Treasury or the relevant authority to request condonation for non-compliance with the MFMA or other legislation respectively.

(b) The treasury to which the submission must be forwarded will depend on the provision that was contravened. It must, however, be emphasised that submissions requesting condonation for non-compliance must contain detailed motivation as to why the irregular expenditure in question should be considered for condonation, together with steps that have been taken to avoid a recurrence of this type of irregular expenditure.

(c) It must, however, be emphasised that submissions requesting condonation of irregular expenditure must contain detailed motivation as to why the irregular expenditure in question should be considered for condonation, together with steps that have been taken to avoid a recurrence of the irregular expenditure.

(d) If the irregular expenditure is subsequently condoned by the relevant authority, no further action is required by the department as the amount has already been expensed in the statement of financial performance.

(e) The register must be updated to reflect that the irregular expenditure was condoned and the notes to the annual financial statements must also be updated to reflect the condoned irregular expenditure.

(f) In instances where condonation for irregular expenditure is not granted by the relevant authority, immediate steps must be taken to recover such expenditure from the relevant person, if he/she is liable in law.

(g) If there is doubt regarding liability in law referred to in (d) above, the accounting officer must consult their in-house legal services in this regard.

## **8. PRINCIPLES ON FRUITLESS AND WASTEFUL EXPENDITURE**

8.1. No particular expenditure is explicitly identified by the MFMA as fruitless and wasteful.

8.2 Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

8.3 Fruitless and Wasteful expenditure will always emanate from an action instigated by an official that resulted in a financial loss to the institution.

8.4. Fruitless and wasteful expenditure can arise from a range of events, activities and actions from a simple oversight in performing an administrative task to a deliberate and/or an intentional transgression of relevant laws and regulations

8.5 It seems that the most logical approach to address assess / whether or not expenditure can be classified as fruitless and wasteful expenditure is to ask a few elementary questions prior to the spending of municipal funds such as:

8.5.1 Did the intended spending relate to the formal powers of the municipality?

- A municipality may perform only those functions and powers conferred to it by the Constitution and relevant legislation. Any expenditure incurred relating to an act or conduct exercised outside those functions and powers will result in fruitless and wasteful expenditure notwithstanding sufficient provision has been made on the budget and correct procedures were followed in incurring the expenditure.

8.5.2 Would the expenditure further the interest of the municipality?

- The expenditure incurred to obtain a service, inventory, asset or to render a service, etc. must have been necessary and ideally unavoidable to enable the Municipality to exercise its functions and powers in accordance with the relevant legislation.

8.5.3 Was it essential to incur the intended expenditure?

- It is of paramount importance to incur expenditure only when it is really necessary or essential for purposes as mentioned above. One should be satisfied that nonincurrence of such expenditure will have a negative impact on the lawful activities of the Municipality.

8.5.4 Was any other option perhaps available to prevent the intended expenditure or to reduce it?

- This question overlaps to some extent with question above but it is more specific in the sense that it put pressure on the Municipality to apply its mind and to consider all possible options. Should it appear after the expenditure has been incurred that a more effective and perhaps a less expensive option was at the disposal of the Municipality but that it was ignored or disregarded without good cause the expense will be regarded as fruitless and wasteful.

## **9.PROCESS DEALING WITH IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE.**

9.1 Any official who becomes aware of or suspects the occurrence of irregular - or fruitless and wasteful expenditure should immediately report in writing, the particulars of such expenditure which are within his or her knowledge, to the Accounting Officer or his or her delegate.

9.2 Once the Accounting Officer or his or her delegate has received the report alleging the occurrence of irregular - or fruitless and wasteful expenditure, the details of such expenditure must be recorded in a register for irregular or fruitless and wasteful expenditure.

9.3 The Accounting Officer or his or her delegate should investigate the alleged irregular - or fruitless and wasteful expenditure to determine whether the expenditure meets the definition of irregular or fruitless and wasteful expenditure.

9.4 For accounting records purposes, during the investigation, the expenditure must remain in the expense account i.e. the vote of the department within the municipality. The results of the investigation will determine the appropriate action to be taken regarding such expenditure. Should the investigation reveal that the expenditure is not irregular - or fruitless and wasteful expenditure as defined; the details of the expenditure should be retained in the register for record purposes and to provide a full audit trail. The register must be updated to reflect the outcome of the investigation.

9.5 Should the investigation reveal that the expenditure is irregular - or fruitless and wasteful expenditure as defined above, the Accounting Officer must immediately report, in writing, the particulars of such expenditure to the Mayor. The register must be updated to reflect the outcome of the investigation.

9.6 The Accounting Officer must also include the expenditure in the relevant department's monthly revenue and expenditure report submitted to Council in terms of the MFMA; and

9.7 For accounting records purposes, the irregular - or fruitless and wasteful expenditure must be treated as an asset in the books of the municipality until such time as the expenditure is recovered from the responsible person or certified by Council as irrecoverable and written off in the Annual Financial Statements.

## **10. ROLE OF COUNCIL COMMITTEE**

10.1 In terms of section 74 of the Municipal Budget and Reporting Regulations contained in Government Notice 393 of 17 April 2009, a Council committee appointed to investigate the recoverability or otherwise of any unauthorised, irregular or fruitless and wasteful expenditure must consider –

- (a) the measures already taken to recover such expenditure.
- (b) the cost of the measures already taken to recover such expenditure.
- (c) the estimated cost and likely benefit of further measures that can be taken to recover such expenditure; and
- (d) submit a motivation explaining its recommendation to the Council for a final decision.

10.2 The accounting officer must provide the committee concerned with such information it may require for the purpose of conducting a proper investigation.

10.3 The aforesaid committee may only comprise Councillors and should not include political office bearers of the municipality. At least 3 Councillors are required to constitute a committee

10.4 It should be noted that the Council is required by resolution to certify that the expenditure concerned is considered irrecoverable and that it should be written off. This power may not be delegated by the Council.

10.5 An audit committee established in terms of section 166 of the Act is not precluded from assisting the appointed committee with its deliberations.

## **11. INVESTIGATIONS AND DISCIPLINARY ACTIONS.**

11.1 In terms of sections 172 and 173 of the MFMA, an Accounting Officer is guilty of financial misconduct and an offence respectively if he or she:

- (a) wilfully or negligently fails to take effective and appropriate steps to prevent unauthorised, irregular or fruitless and wasteful expenditure as required by the MFMA.
- (b) fails to take effective and appropriate disciplinary steps against an official in the department who makes or permits unauthorised, irregular or fruitless and wasteful expenditure; and
- (c) fails to report unauthorised, irregular or fruitless and wasteful expenditure in terms of the MFMA.

11.2 As soon as the accounting officer becomes aware of an allegation of financial misconduct against an official, the Accounting Officer has a responsibility to ensure that the Mayor initiates an investigation into the matter and if the allegations are confirmed, holds a disciplinary hearing in accordance with the prescripts of the applicable legislation.

11.3 In terms of section 172 of the MFMA, an official of a department to whom a duty or power has been assigned commits an act of financial misconduct if that official will fully or negligently fail to perform that duty or exercise that power in line with applicable legislation.

11.4 In terms of the MFMA, the accounting officer must take appropriate and effective disciplinary steps against an official who makes or permits unauthorised, irregular or fruitless and wasteful expenditure.

11.5 When an accounting officer determines the appropriateness of disciplinary steps against an official in terms of applicable legislation, he or she must take into account the following:

- (a) circumstances of the transgression.
- (b) extent of the expenditure involved; and
- (c) nature and seriousness of the transgression.

11.6 Ratification of minor breaches of the procurement process

The accounting officer may ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely technical in nature provided that this provision is included in the municipality's supply chain management policy and the official or committee who committed the breach had the delegated authority to perform the function.

11.7 Disciplinary charges for Irregular or Fruitless and Wasteful Expenditure.

If, after having followed a proper investigation, the Council concludes that the political office-bearer or official responsible for making, permitting or authorising irregular expenditure did not act in good

faith, then the municipality must consider instituting disciplinary action and/or criminal charges against the liable person/s.

If the irregular expenditure falls within the ambit of the above description, then the Council, mayor or accounting officer (as may be relevant) must institute disciplinary action as follows:

- (a) Financial misconduct in terms of section 171 of the MFMA: in the case of an official that deliberately or negligently:
  - contravened a provision of the MFMA which resulted in irregular expenditure; or
  - made, permitted or authorised an irregular expenditure (due to noncompliance with any of legislation mentioned in the definition of irregular expenditure);
- b) Breach of the Code of Conduct for Municipal Staff Members: in the case of an official whose actions in making, permitting or authorizing an irregular expenditure constitute a breach of the Code; and
- (c) Breach of the Code of Conduct for Councillors: in the case of a political officebearer, whose actions in making, permitting or authorizing an irregular expenditure constitute a breach of the Code. This would also include instances where a Councillor knowingly voted in favour or agreed with a resolution before Council that contravened legislation resulting in irregular expenditure when implemented, or where the political office-bearer improperly interfered in the management or administration of the municipality.

#### 11.8 Criminal charges arising from an act of Irregular or Fruitless and Wasteful expenditure:

- (a) If, after following a proper investigation, the Council concludes that the official or political office-bearer responsible for making, permitting or authorising an instance of irregular expenditure acted deliberately or negligently, then the Council must institute disciplinary procedures and lay criminal charges against the liable official or political office-bearer.
- (b) The irregular expenditure was the result of a breach of the definition of irregular expenditure it must be considered in terms of section 173 of the MFMA

## 12. RECOVERIES OF UIFW EXPENDITURES

12.1. Notwithstanding the disciplinary process, the accounting officer must identify the official who is responsible for the unauthorised -, irregular or fruitless and wasteful expenditure.

12.2. The relevant information would normally be evident from the investigation process.

12.3. The amount of the expenditure should be recovered from the official concerned by taking the following steps:

- (a) The accounting officer must write to the official concerned and request him or her to pay the amount within 30 days or in reasonable instalments.
- (b) Reasonable instalments will vary from case to case depending on such factors as the total amount involved and the affordability level of the official concerned.
- (c) The accounting officer is expected to apply his or her discretion judiciously.



12.4. Should the official refuse or fail to pay as requested, the matter may be referred to an attorney for recovery.

12.5. If the amount is not recoverable, the accounting officer may request Council to certify the debt as irrecoverable and write it off in terms of the municipal Customer Care, Credit Control & Debt Collection policy.

12.6. All instances of irregular expenditure must be recovered from the liable official or political office-bearer, unless the expenditure is certified by the municipal Council, after investigation by a Council committee, as irrecoverable and is written off by the Council.

12.7. Irregular expenditures resulting from breaches of the Public Office-Bearers Act is an exception in that the irregular expenditure must be recovered from the political office-bearer to whom it was paid, who might not have been responsible for making, permitting or authorising the irregular expenditure.

12.8. Once it has been established who is liable for the irregular expenditure, the accounting officer must in writing request that the liable political office-bearer or official pay the amount within 30 days or in reasonable instalments. If the person fails to comply with the request, the matter must be recovered through the normal debt collection process of the municipality.

### **13. REPORTING OF UIFW EXPENDITURES**

13.1. The accounting officer must comply with the following reporting requirements.

13.2. Immediately upon discovery of unauthorised, irregular or fruitless, and wasteful expenditure, the accounting officer must report the details of the unauthorised, irregular or fruitless, and wasteful expenditure to the Mayor. The report must include the following details:

- (a) amount of the unauthorised, irregular or fruitless and wasteful expenditure.
- (b) name of the vote from which the expenditure was made.
- (c) reason why the unauthorised, irregular or fruitless and wasteful expenditure could not be avoided.
- (d) name and title of the responsible official.
- (e) details of any recovery steps taken or to be taken by the municipality; and f. details of any disciplinary steps taken or to be taken by the municipality.

13.3. The accounting officer must also include the expenditure in the relevant department's monthly revenue and expenditure report submitted to the Council in terms of the MFMA.

13.4. All unauthorised, irregular or fruitless and wasteful expenditure must be reported as a note to the annual financial statements.

13.5. The Accounting Officer must record the reasons for any deviations in terms of SCM regulations and report to the next Council meeting and disclose this expenditure in a note to the annual financial statements.

#### **14. REGULAR REVIEW OF THE UNAUTHORISED IRREGULAR, OR FRUITLESS AND WASTEFUL EXPENDITURE REGISTER**

14.1. The unauthorised, irregular or fruitless and wasteful expenditure register should be reviewed monthly by the chief financial officer of the municipality. This review will ensure that unauthorised -, irregular or fruitless and wasteful expenditure are adequately disclosed, dealt with, recorded and that no mathematical errors exist.

#### **15. ACCOUNTING TREATMENT OF UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE**

15.1. Unauthorised, irregular or fruitless and wasteful expenditure identified during one financial period, but not paid in the specific period should be recorded in the following financial year.

15.2. The cumulative unauthorised, irregular or fruitless and wasteful expenditure incurred at financial year end should be adequately and appropriately disclosed in the financial statements of the municipality

15.3. Recognition and measurement of unauthorised, irregular or fruitless and wasteful expenditure shall be treated in terms of the latest available guidelines for the compilation of the Annual Financial Statements issued to municipalities by National Treasury on an annual basis and be in line with the latest GRAP requirements.

#### **16. DISCLOSURE OF UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE**

16.1 MFMA section 125 require accounting officers and accounting authorities to disclose in the notes to the Annual Financial Statements of the municipality particulars of any material unauthorised, irregular or fruitless and wasteful expenditure incurred during the financial year.

16.2 Particulars of any criminal or disciplinary steps taken as a result of such unauthorised, irregular or fruitless and wasteful expenditures should be disclosed in the notes to the Annual Financial Statements.

#### **17. POLICY ADOPTION**

As approved by Council at the Council meeting which was held on .....



inclusive || innovative || inspired

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# 2026/2027 Insurance Management Policy

1 July 2026

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## 1. PREAMBLE

Whereas it is required of the Municipal Manager to take all reasonable steps to ensure that the Council has and implements crucial policies for effective financial and risk management.

And whereas the safeguarding of assets and the protection of Council against liabilities is very important and forms part of a proper assets management system as prescribed by Section 63 and needs annual revision in terms of Section 24(2)(c)(v) of the Municipal Finance Management Act 56 of 2003.

Therefore the Municipal Council of the Knysna Municipality adopts the following Policy for Insurance Management.

## 2. DEFINITIONS AND ABBREVIATIONS

|           |                                                                                                                                                                                                                                                                                                                                    |
|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CFO       | Chief Financial Officer                                                                                                                                                                                                                                                                                                            |
| MFMA      | Municipal Finance Management Act (No 56 of 2003)                                                                                                                                                                                                                                                                                   |
| MM        | Municipal Manager (i.e. Accounting Officer)                                                                                                                                                                                                                                                                                        |
| MSA       | Municipal Systems Act (No. 32 of 2000)                                                                                                                                                                                                                                                                                             |
| SIR       | Self-Insurance Reserve                                                                                                                                                                                                                                                                                                             |
| PPE       | Property, Plant and Equipment                                                                                                                                                                                                                                                                                                      |
| Insurance | Insurance is a contract (policy) in which the Municipality receives financial protection or reimbursement against losses from an insurance company. Risk is transferred when the risk is shared amongst different parties, so one party does not carry the full loss should an event occur. Insurance involves a transfer of risk. |

|                         |                                                                                                                                                                                                                           |
|-------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Self- Insurance Reserve | Entities have self-insurance reserves to set aside amounts to offset potential losses or claims that are not insured externally.                                                                                          |
| Excess                  | Means the first amount payable in the event of each and every claim.                                                                                                                                                      |
| Personal effects        | Means staff personal property including wallets, cash, handbags, sunglasses, clothes, shoes, reading glasses and mobile phones.                                                                                           |
| Burglary                | Means the criminal offense of breaking and entering a building or other.                                                                                                                                                  |
| Forcible and violent    | Means an act that would cause physical damage. There must be both forcible (as simple as turning a key or pushing open a door) AND violent actions (entry by the use of any force accompanied by a violent physical act). |
| Public liability claims | Means third party claims for bodily injury and property damage arising out of the Municipality's operations.                                                                                                              |

### **3. OBJECTIVE OF THE INSURANCE POLICY**

The objective of this policy is to ensure that Knysna Municipality's assets, Councillors and employees are insured adequately and economically at all times. Detailed procedures, to ensure that management and employees within the Municipality understand their respective responsibilities and duties, are provided in the standard operating procedures.

This document indicates the policy of Knysna Municipality for insuring municipal assets, and for insuring the Municipality, its employees and Councillors against public liability claims and other losses.

In general, the object of this policy is to ensure sound and sustainable financial management within Knysna Municipality.

Insurance brokers active in the municipal environment over years prepared a standard for local authority insurance that takes all circumstances related to a Municipality into account. There are however aspects in addition to this standard that the Council can decide on policy in order to reduce premium without an increase in risk or where the Council is prepared to accept risk because of a very slim probability that an event might occur.

Responsible financial management of any Municipality requires that assets are properly managed. Municipalities have large numbers of assets, including PPE. As trustees of public funds, the Council must ensure that municipal assets are adequately insured at all times. The insurance should in addition protect the Municipality, Councillors and employees against public liability claims and other losses.

It is of interest that a risk assessment must be conducted at least annually to identify potential hazards and establish necessary coverage levels.

## **4. POLICY FRAMEWORK**

### **4.1 LEGISLATIVE REQUIREMENTS**

Section 63 of the MFMA, Asset and liability management, states that:

- “(1) The Accounting Officer of a Municipality is responsible for the management of —*
- a) the assets of the Municipality, including the safeguarding and the maintenance of those assets; and*
  - b) the liabilities of the Municipality.*
- 2) The Accounting Officer must for the purposes of subsection (1) take all reasonable steps to ensure—*

- a) *that the Municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the Municipality;*
- b) *that the Municipality's assets and liabilities are valued in accordance with standards of generally recognised accounting practice; and*
- c) *that the Municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed."*

## **4.2 RELATIONSHIP WITH OTHER POLICIES**

This policy, once effective, needs to be read in conjunction with other relevant adopted policies of the Municipality, including the following, but not limited to–

- a) Delegation of Powers (Delegations register);
- b) SCM Policy;
- c) Asset Management Policy;
- d)
- e) Budget Implementation and management Funds and Reserves; and
- f) Risk Management Policy;

## **5. RESPONSIBILITIES**

### **5.1 THE CFO OR HIS/HER DELEGATED OFFICIAL(S) –, ASSETS AND LIABILITIES DEPARTMENT**

The Chief Financial Officer delegates this authority to the Manager, Assets and Liabilities, who will be responsible to implementing this policy in line with the standard operating procedures. The Manager, Assets and Liabilities:

- a) Shall (at least every three years, before the lapsing of the tender that was previously awarded) call for tenders for the insurance of municipal assets, Councillors, employees and third parties;



- b) Shall, in accordance with such schedules and subject to this policy, effect such insurance through the service of an Insurance Company/Insurance Broker appointed by the Municipality through the competitive prescribed SCM process;
- c) Shall ensure that the insurance period will be from 1 July to 30 June of the following year and shall be renewable, dependent on previous performance (and in line with the tender processes followed).
- d) Shall pay the monthly/annual premiums in advance;
- e) Shall pay premiums over to the Insurers during the year, should circumstances change during the year when amendments, additions or deletions are made to the insurance portfolio. The Director to ensure that sufficient budget is made available to cover the costs for additions to the portfolio during the year;
- f) Shall immediately notify the Council's insurer of any claim by or against the Council or against its insurers.
- g) . Public Liability claims should only be settled when the Municipality could reasonably be seen to have acted negligently which resulted in the loss to the third party and when there is reasonable prospect of the Municipality being found legally responsible for third party damages;
- h) Shall ensure that sufficient funding is available to cover insurance broker fees for a financial year;
- i) Shall report to Council of the status of existing claims against the Municipality and its Insurers;
- j) Shall ensure that all claims and applications are dealt with diligently within a reasonable time;

- k) Shall finalise all claims and applications submitted to the Section and ensuring that all the required technical, financial and legal aspects to each claim and application are dealt with when these are being finalised;
- l) Shall update the Asset Register in accordance with the outcome of each insurance claim; and
- m) Shall, with guidance by Council's insurers, recommend the payment of excess amounts, the settlement of claims below excess, settlement of claims not covered by the Insurers, and all other insurance related expenditure within prescribed timeframes as determined by the broker.
- n) Shall keep record of all claims (forms, memorandums, reports, broker correspondence, photos etc) in a record system with limited access

## **5.2 THE DIRECTORS AND SENIOR MANAGERS AND MANAGERS OF DEPARTMENTS:**

- a) Shall before 31 May of each year verify or update the schedule of insurable risks and insurable assets under their control (and any other information deemed necessary)
- b) Shall notify the CFO (or delegated official) without delay of any new insurable risk or of any alteration in an existing insurable risk which has arisen in connection with his/her department;
- c) Shall ensure that the CFO (or delegated official) is notified of any occurrence or event giving rise or likely to give rise to a claim by or against the Council or against its Insurers. Failure to report incidences of loss might lead to the affected employee being held liable for the losses to Council;
- d) Shall ensure that all documents / information (for example any required forms, reports, quotations, photos) for the completion of the claim is forwarded to the CFO (or delegated official) for submission to Council's insurance brokers;

- e) Shall within 2 weeks (10 working days) of submitting a claim to the CFO (or delegated official), submit a departmental report to the CFO (or delegated official) in order to finalise the claim;
- f) Shall report each claim against Council for investigation and the outcome reported to the CFO (or delegated official) and where necessary disciplinary steps and/or recovery be ~~instituted~~ ~~perused~~ against any employee who is found, in terms of the investigation, to have acted negligently; and
- g) Should advise all staff of their obligations to ensure the security of private property brought to the workplace to minimise the risk of loss and inconvenience to staff.

### **5.3 THE EMPLOYEES OF KNYSNA MUNICIPALITY**

- a) Should avoid storing private property at the workplace for extended periods of time, especially over weekends and during vacation periods;
- b) Should insure personal property against loss or damage, particularly if it is of significant value in their personal capacity;
- c) Shall report all losses, damages or any potential claims to the Insurance Section, their Departmental Manager and the Health & Safety Practitioner.
- d) Shall take all reasonable steps to ensure that municipal assets are kept safe and assist the Municipal Manager to implement processes to safeguard assets and prevent losses to Council of all assets under their control.

## **6. RISK MANAGEMENT**

The Municipal Manager must ensure that an evaluation of all potential events that might adversely affect the finances of a Municipality is performed. The potential loss of income

and extra expenses that a Municipality might incur must be the consideration factor when the risk identification exercise is performed.

Even though risk is managed and preventative measures taken to minimise risk, it is acknowledged that not all risks can be eliminated and therefore Council accepts the fact that insurance remains the ultimate solution to risk management. It must however be viewed as the last resort.

The table below provides a list of risks (but not limited to) that has to be transferred to another party in the form of insurance. Risks not listed have been retained either due to the cost of control or due to the inability to obtain insurance cover. The latter is listed as special conditions to cover.

| <b>Insured Section</b>                 | <b>Description of Insured section</b>                                                                                                                                                                                                                                                                                                                                                                      |
|----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Combined (Including homeowners)</b> | Cover Damage or loss to all built structures, including outbuildings thereof, the owner's loose and fixed fittings therein and thereon, boundary and other walls, gates, poles, fences, public access points, purification plants, reservoirs and sewerage plants.                                                                                                                                         |
| <b>Business All Risk</b>               | Damage to the whole or part of the property described in the Specification, the property of the Insured or for which they are responsible, while anywhere in the world by any accident or misfortune not otherwise excluded.                                                                                                                                                                               |
| <b>Burglary/Theft</b>                  | Damage to contents, the property of the insured or for which they are responsible, of any building at the insured premises, as a result of theft accompanied by forcible and violent entry into or exit from such building or any portion thereof or any attempt threat or as a result of theft (or any attempt threat) following violence or threat of violence against persons lawfully on the premises. |
| <b>Money</b>                           | Loss or damage to money (as defined). This includes money not contained in a locked safe or strong room in the custody of any authorized employee while away from the premises or at the premises outside normal working hours and also any other time from the premises.                                                                                                                                  |
| <b>Fidelity Guarantee</b>              | Loss of money and/or other property stolen by an employee, direct financial loss sustained as a result of fraud or dishonesty of an employee, which results in dishonest personal financial gain for the employee concerned. The term " <i>dishonest personal financial gain</i> " shall not include gain by an employee in the form of salary,                                                            |

| <b>Insured Section</b>                             | <b>Description of Insured section</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                    | salary increases, fees, commissions, bonuses, promotions or other remuneration.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Glass</b>                                       | Damage to internal and external glass (including mirrors), signwriting and treatment thereon at the insured premises, the property of the Insured or for which they are responsible.                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Goods in Transit</b>                            | Damage to the whole or part of the property owned by the Municipality or for which they are responsible, in the course of transit by air, rail or road or other means incidental thereto and caused by any accident or misfortune not otherwise excluded.                                                                                                                                                                                                                                                                                                                      |
| <b>Public Liability</b>                            | Damages which the insured shall be legally liable to pay consequent upon bodily injury of any person, or accidental loss of or physical damage to tangible property. Cover for claims against the Knysna Municipality from a 3rd party for damage to the 3rd party's property and/or to the 3rd party himself caused by any structure related or in control of Knysna Municipality, for example, if bodily injury or any damage to a 3rd party's property, caused by accidental, violent, external and visible means to a 3rd party.                                           |
| <b>Employers Liability</b>                         | Damages for which the Municipality shall become liable to pay consequent upon death of, or bodily injury to, or illness of any person employed under a contract of service or apprenticeship with the Municipality, or any Councillor or any person on the business of the Council whether on a voluntary basis or otherwise, which occurred in the course of and in connection with such person's employment by the Municipality within the territorial limits and which results in a claim or claims first being made against the Municipality in writing.                   |
| <b>Group Personal Accident</b>                     | Bodily injury caused by accidental, violent, external and visible means to any principal, partner, Director, Councillor or employee of the Municipality or any person on the business of the Council whether on a voluntary basis or otherwise, as specified. The Insurers will pay to the Insured, on behalf of the Insured person or his estate, the compensation stated in the schedule in the event of accidental bodily injury to any such person directly and independently of all other causes resulting within 24 calendar months in death or disability as specified. |
| <b>Motor Fleet &amp; 3rd Party Motor Liability</b> | Loss of or damage to any vehicles as indicated to the insurers and its accessories and spare parts whilst thereon. In addition, if such vehicle is disabled by reason of any loss or damage insured hereby, the insurers will pay the reasonable cost of protection and removal to the nearest repairers and the Municipality may give                                                                                                                                                                                                                                         |

| <b>Insured Section</b>                    | <b>Description of Insured section</b>                                                                                                                                                                                                                                                                                                                                                                                    |
|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                           | instructions for repairs to be executed without the previous consent of the insurers to the extent of but not exceeding a specified amount, provided that a detailed estimate is first obtained and immediately forwarded to the insurers.                                                                                                                                                                               |
| <b>Electronic Equipment</b>               | Physical loss or damage to the property insured described in the schedule from any cause not herein after excluded whilst –<br>(i) at work or at least anywhere within the Municipality's premises as specified;<br>(ii) in transit, including loading and unloading or whilst temporarily stored at any premises en-route; or<br>(iii) temporarily removed from the premises to any other location.                     |
| <b>HIV/Aids</b>                           | Insured person diagnosed as being HIV positive after accidental injury while executing duties in the service of Council.                                                                                                                                                                                                                                                                                                 |
| <b>Directors and Officers Liability</b>   | Legal Liability if any Director or municipal official is prosecuted in his/her private capacity due to Council activities or Council decision making.                                                                                                                                                                                                                                                                    |
| <b>Councillors Special Risk Insurance</b> | As per the Government Gazette No 40519 dated 21 December 2016. Insurance cover provided to a Councillor by the Municipality, which covers the loss of or damage to a Councillors personal fixed or moveable property and assets, excluding property used by such Councillor for business purposes, as well as life and disability cover, for any loss or damage caused by riot, civil unrest, strike or public disorder. |

## **7. INSURANCE KEY MANAGEMENT PRINCIPLES**

### **7.1 Municipal Assets**

- a) Material movable and immovable assets (in value and substance) shall be insured at least against destruction, fire and theft, and all municipal buildings shall be insured at least against fire and allied perils.
- b) All insured assets shall be handled in terms of the Municipality's Insurance Policy as agreed with the Insurance Brokers.

- c) Separate cover for riot, strike and public disorder damage shall be taken out at the discretion of the Municipal Manager in consultation with the CFO and the relevant Director.
- d) Any other insurance cover shall be at the discretion of the Municipal Manager.
- e) The decision whether to insure an asset or not shall be at the discretion of the Municipal Manager in consultation with the CFO and the relevant Director.
- f) All contracts between Council and a 3rd party should be monitored to ensure loss or damage to municipal property are minimised and insured. This may include but is not limited to; eg. Rental agreements, projects under construction and any other contract relating to municipal assets.
- g) Any agreements entered into as per 7.1(f) above, that may influence Council's Insurance Policy and assets covered in this policy, must be communicated with the AFS, Assets & ~~Returns~~ Liabilities department in order to arrange cover if required.
- h) The Director must ensure that sufficient budget is made available to repair/replace a municipal asset.
- i) Insurance money received is treated as Income and an asset may not be repaired/replaced directly from the income vote.
- j) Should an asset be broken/stolen and not covered under Council Insurance for a specific reason, the relative department must ensure that funding is made available to repair/replace the asset

## 7.2 Staff Property

- a) Applications by staff members for reimbursement of the loss of or damage to staff property at work shall not be considered by the Municipality. Liability will not be accepted by the Municipality for loss or damage to an employee's personal effects which are used or stored on premises owned or used by the Municipality.

- b) It is expected that employees, in their own interests, will ensure that any valuable items of jewellery (including wrist watches) worn on duty, and/or personal equipment are adequately insured against loss or theft on their personal insurance policies.
- c) The carrying of unreasonably large amounts of cash, credit cards or other easily stolen and rapidly convertible items should be avoided during working hours as far as is practicable.
- d) No compensation will be paid by the Municipality for loss or damage to any employee's personal assets (e.g. Private cellular phone, Private Vehicle, Private Laptop, Handbags, Cash, etc.)

### 7.3 Public Liability

7.3.1 Any claim from the general public relating to personal injury or damage within the jurisdictional area of Knysna Municipality or in the course of or in connection with the delivered municipal services for which the member of the public held the municipality liable, should be directed to the Insurance Section of the Municipality. The claim must be in writing and at least include:

- 7.3.1.1 Surname, initials, and Identity number
- 7.3.1.2 Contact details (Address, Telephone or Cell);
- 7.3.1.3 Date and time when Incident occurred;
- 7.3.1.4 Premises or Location where Incident occurred; and
- 7.3.1.5 Description of the Incident.
- 7.3.1.6 Photos of the incident
- 7.3.1.7 At least 2 quotations to provide the quantum of the claim
- 7.3.1.8 Proof from the claimant's personal insurance or affidavit that the claim is only against the municipality insurance.
- 7.3.1.9 The Insurance section will communicate with the claimant to give updates on the progress of the claim, request information that is outstanding to finalise the claim and the outcome of the claim.

7.3.2 All claims, above and below excess, will be referred to the appointed Municipal insurance broker for investigation and outcome



7.3.3 Public Liability claims under the excess amount should only be settled when the Municipality could reasonably be seen to have acted negligently by the Insurance Broker which resulted in the loss to the third party and when there is reasonable prospect of the Municipality being found legally responsible for third party property damage or bodily injury. Settling claims where this is not the case would set bad legal precedence which the Municipality would not be able to sustain financially into the future.

d) 7.3.4 The department must state in the departmental report if a claim is supported or not.

The responsibility remains with the department, as decision maker, to provide the outcome of a claim against the municipality.

e) 7.3.5 Should a claimant appeal against a repudiated claim by the department for claims under excess, the municipality can appoint an assessor for an independent opinion on the claim against the municipality. The cost for this service will be for the department's account.

## 7.4 Limits

Excess limits are incorporated in the 3-year contract with the insurance broker appointed, therefore the excess limits will be in accordance to this contract.

## 7.5 Payment of excesses (or losses below excess payable) by employees

Where in the opinion of the relevant Director and the Municipal Manager an employee's negligence led to the damage to, or loss of, an asset, the excess payable may be claimed from the employee concerned in terms of the outcome of the Disciplinary Procedures.

## 7.6 Insurance claims rejected by the Insurer (above excess)

Where in the opinion of the relevant Director and the Municipal Manager an employee's negligence led to the damage to, or loss of, an asset, the total loss to the Municipality may be claimed from the employee concerned in his/her personal capacity in terms of the outcome of the Disciplinary Procedures.

### 7.7 Failure to report an incident

Failure to report an incident to the insurance section within the timeframes indicated on the SOP, may result in disciplinary action taken against the employee responsible for the asset. The outcome of the disciplinary process will determine whether the employee will be personally held liable for the losses incurred.

## **8. APPOINTMENT OF INSURANCE BROKERS**

The appointment of an insurance broker must be performed in terms of the Municipality's Supply Chain Management Policy. Call for bids to appoint an insurance broker will be done every three years. Section 33 of the MFMA will be applicable if the duration exceeds 3 years

### **ADMINISTRATION OF POLICY**

This policy will be administrated by the Chief Financial Officer that will be the Policy holder and it shall be reviewed periodically to ensure that it remains adequate for current operations and risks.



**KNYSNA**  
Municipality Munisipaliteit uMasipala

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**2026/27**

**INVENTORY MANAGEMENT  
POLICIES AND PROCEDURES**  
**1 July 2026**

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# INVENTORY MANAGEMENT POLICY AND PROCEDURES

## PREAMBLE

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.

The following Laws and regulations, amongst others, inform this policy, (a) Section 32 of the MFMA (b) Sections 170 and 173 of the MFMA (c) Regulations 23 and 74 of the Municipal Budget and Reporting Regulations (d) Relevant GRAP statements (e) MFMA Circular 68 of 2013

**The 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               |                  |                                                  |                                              |       |                                        |
|-------------------------------|------------------|--------------------------------------------------|----------------------------------------------|-------|----------------------------------------|
| <b>POLICY OWNER:</b>          |                  | Knysna Municipality Supply Chain Management Unit |                                              |       |                                        |
| <b>POLICY EFFECTIVE DATE:</b> |                  | 01 July 2026                                     |                                              |       |                                        |
| Version                       | Date             | Revision                                         | Section                                      | Pages | New Policy on Inventory Management     |
| Number 01                     | 25 February 2025 | 01                                               | Inventory Management Policies and Procedures | 29    | In accordance with the SCM Regulations |

## 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 –

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## 1. DEFINITIONS

In this Policy, unless the context indicates otherwise, the following definitions are applied:

**“Accounting Officer”** means the Municipal Manager for the Municipality as contemplated in section 60 of the Local Government: Municipal Finance Management Act, 56 of 2003

**“Asset Controller”** is any official to whom the responsibility has been delegated and who needs to account for the control, use, physical and financial management of the Municipality’s assets, in terms of the Municipality’s standards, policies and procedures and relevant guidelines.

**“CFO”** means the Chief Financial Officer designated in terms of section 80(2) (a) of the Local Government: Municipal Finance Management Act, 56 of 2003

**“SCM”** means Supply Chain Management – means the coordination and management of activities involved in sourcing and delivering products and services

**“Cost”** shall comprise costs of purchase, costs conversion and other costs incurred in bringing the inventories to their present location and condition

**“Delegated authority”** means the official who is given the authority for relevant functions in terms of the municipality’s written delegations;

**“Good received note”** means a document which is used to acknowledge the receipt of goods in good condition and correct quantities.

**“Goods return note”** mean a document which is used to record information about goods returned to supplier/s after purchase.

**“Dormant/ slow moving item/s”** means inventory item/s that has not being used or sold for the extend period of time, these items remain in storage taking up space and resources but not generating revenue or serving any purpose.

**“Inventories”** are assets: In the form of material or supplies to be consumed in the production process, In the form of materials or supplies to be consumed or distributed in the rendering of services Held for sale or distribution in the ordinary course of operations, or In the process of production for sale or distribution

**“Municipality”** shall mean the Knysna municipality.

**“Net Realisable”** Is the estimated selling price in the ordinary course of operations less the estimated costs of completion and estimated costs necessary to make the sale exchange or distribution.

**“Obsolete inventory”** means items that have expired, are redundant or damaged;

**“Re-order level”** means the level of inventory at which inventory is re-ordered;

**“Requisition form”** means a written request to supply specified inventory;

**“Store/ Warehouse”** means a place where inventory is stored and reserved for future use, or a source from which supplies may be drawn;

**“Inventory Officer”** means an official responsible for the requisition, receipt, issue, recording, safeguarding of inventory and cost-effective and efficient management of inventory.

**“Stock Issue Register”** means a document which is used to authorize the removal or issue of stock items from stores.

## **2. OBJECTIVE OF THE POLICY**

2.1. The policy aims to achieve the following objectives which are to namely:

- Provide guidelines that employees of the Municipality must follow in the management and control of inventory, including safeguarding and disposal of inventory.
- Procure inventory in line with the established procurement principles contained in the Municipality’s Supply Chain Management Policy.
- Eliminate any potential misuse of inventory and possible theft.

## **3. SCOPE OF THE POLICY**

3.1. This policy applies to Knysna Municipality’s inventory received by the Inventory Officer and issued to users.

3.2. Equipment and other assets not defined as inventory will be processed on Promun before received into the stewardship of the relevant department

3.3. This policy specifically excludes:

- Pharmaceutical inventory, livestock and face value forms;

## **4. LEGAL FRAMEWORK**

4.1. In terms of the MFMA, the Accounting Officer for a municipality must:

4.1.1. Be responsible for the effective, efficient, economical and transparent use of the resources of the municipality as per section 62 (1)(a);

4.2. Take all reasonable steps to prevent unauthorized, irregular and fruitless and wasteful expenditure and other losses as per section 62(1)(d);

4.3. Be responsible for the management, including the safeguarding and the maintenance of the assets, and for the management of the liabilities, of the municipality as per section 63 (1)(a) and (b).

4.4. In terms of GRAP 12

4.4.1. Inventories shall be recognized as an asset if, and only if,

4.4.2. It is probable that future economic benefits or service potential associated with the item will flow to the entity, and

4.4.3. The cost of the inventories can be measured reliably.

## **5. MEASUREMENT AT RECOGNITION**

- 5.1. Inventories that qualify for recognition as assets shall initially be measured at cost,
- 5.2. Where inventories are acquired at no cost, or for nominal consideration, their costs shall be their fair value as at the date of acquisition.

## **6. MEASUREMENT AT RECOGNITION**

- 6.1. Inventories shall be measured at the lower of cost and net realization value, except where paragraph .18 of GRAP 12 applies.
- 6.2. Inventories shall be measured at the lower of cost and current replacement cost where they are held for:
  - 6.2.1. distribution at no charge or for a nominal charge ,or
  - 6.2.2. consumption in the production process of goods to be distributed at no charge or for a nominal charge.

## **7. RECOGNITION AS AN EXPENSE.**

- 7.1. When inventories are sold, exchanged or distributed, the carrying amount of those inventories shall be recognized as an expense in the period in which the related revenue is recognized.
- 7.2. If there is no related revenue, the expense is recognized when the goods are distributed, or related service is rendered.
- 7.3. The amount of any write-down of inventories to net realizable value and all losses of inventories shall be recognized as an expense in the period the write-down or loss occurs.
- 7.4. The amount of any reversal of any writes –down of inventories arising from an increase in net realizable value, shall be recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.
- 7.5. Some inventories may be allocated to other assets accounts, for example, inventory used as a component of self-constructed property, plant or equipment. Inventories allocated to other assets in this way are recognized as an expense during the useful life of that asset.

## **8. INVENTORY PROCEDURES.**

- 8.1. The procedures for inventory must be followed to ensure that:
  - 8.1.1. Inventory is safeguarded at all times;
  - 8.1.2. There are accurate records of quantities on hand at all times;
  - 8.1.3. Optimum inventory levels are maintained to meet the needs of users;
  - 8.1.4. Only authorised issues of inventory are made to users; and
  - 8.1.5. Items placed in store are secured and only used for the purpose for which they were purchased.



## **8. APPOINTMENT OF RESPONSIBLE OFFICIALS.**

8.1 The CFO has delegated SCM to perform the duties of an Inventory Officer in terms of this Policy.

8.2 Adequate segregation of duties between the requisition, receipt, recording, storage and safekeeping of inventory and the management and control (occasional spot-checks) thereof must be maintained to avoid the potential occurrence of errors and fraud.

## **9. ORDERING INVENTORY.**

Standard Supply Chain Management procedures as per approved Supply Chain Management policy are to be implemented.

## **10. RECEIPT OF INVENTORY.**

All inventory must be received by the completion of a goods received note and processed on the financial management system and in the Central Store Section or Main Warehouse.

## **11. STORAGE OF INVENTORY.**

11.1. Inventory must be stored in a secured, exclusive use area, under lock and key, furthermore the inventory must be insured in terms of the Risk Management Policy of the municipality.

11.2. The area must be used exclusively for the storage of inventory, with limited authorised access only.

11.3. Inventory must be positioned to facilitate efficient handling and checking.

11.4. All items must be stored separately, with proper segregation.

11.5. Inventory must be clearly labeled for easy identification. Inventory tag/bin cards or inventory labels may be used to identify each item and to aid in the physical verification of the items.

11.6. Where practically possible, all items of the same type and reference must be stored together as per the description on the inventory records.

11.7. Items with limited shelf life must be rotated on a first in first out basis, in accordance with paragraph 35 of GRAP, to reduce the occurrence of expired or obsolete stocks.

11.8. Due diligence and care must be exercised to prevent damage or deterioration of inventory.

11.9. Due regard must be given to any safety standards which may apply to the storage of certain inventories.

11.10. Steps must be taken to ensure safe custody of items, including precautions against loss or theft.

11.11. The Inventory Officer or Delegated Official responsible for the custody and care of inventory must ensure that in his/her absence such items, where applicable, are securely stored.

11.12. The responsibility for the custody of the storeroom keys must be allocated by the delegated authority to an official who is accountable for its use.

11.13. No unauthorized persons/officials shall obtain entry to premises, buildings or containers where inventory is kept, unless accompanied by the responsible official.

11.14. Whenever a change in the Inventory Officer occurs, an inventory count must be conducted.

11.15. An independent official shall be nominated in writing by the delegated authority to assist the official handing and taking over with the checking of the inventory and any discrepancies.

11.16. Should the above not be complied with, the official taking over shall be liable for any discrepancies.

11.17. A handing-over certificate as prescribed by the SCM Manager must be completed by the handing and taking over officials and a copy retained for record purposes.

**11.18. The following fire protection precautions must be adhered to:**

11.18.1. Inventories of an inflammable or dangerous nature shall be stored and handled in such a manner that persons or property are not endangered and in compliance with the requirements of any local authority;

11.18.2. The area must be clearly signposted; and

11.18.3. Fire extinguishing equipment must be placed in the area where inventory is held and must be serviced regularly.

**12. ISSUE OF INVENTORY.**

12.1. Only the Inventory Officer is authorised to issue inventory from the storeroom.

12.2. Inventory must only be issued in terms of the approved requisition form of the Municipality.

12.3. All requisition forms must be ruled off immediately below the last item to prevent items being added once the requisition is authorised by the Procuring Manager/Project Manager.

12.4. The Inventory Officer must prepare the Stock Issue Register once stock items to be issued have been picked up from the shelves

12.5. The official receiving the inventory must acknowledge the receipt of stock items requested, by signing the Stock Issue Register prepared by the Inventory Officer.

12.6. Inventories must be issued and used for official purposes only and verified by the Assets Officer.

**13. OBSOLETE AND REDUNDENT INVENTORY**

13.1. The preparatory work for the disposal of obsolete inventory must be undertaken by the Inventory Officer and verified by the Assets Officer.

13.2. The Accounting Officer or delegated authority must convene a Disposal Committee for the disposal of obsolete inventory, in line with approved disposal policy and procedures of the Municipality.

13.3. All disposed items must be updated in the inventory records/register/database for the purposes of proper management and control.

13.4. The delegated authority may approve the write-off of inventory, if satisfied in consultation with the relevant department that:

- The inventory has expired and is redundant;
- The inventory is of a specialized nature and has become outdated due to the introduction of upgraded and more effective products;
- The inventory cannot be used for the purpose for which it was originally intended; or
- The inventory has been damaged and is rendered useless.

#### **14. INVENTORY COUNT.**

14.1. Items may be subject to an inventory count on a quarterly basis.

14.2. Where the quantity of inventory is too large for the count to be completed on a single occasion, inventory counts may be carried out on a rotational basis with a full inventory count at the end of each financial year.

14.3. All approved Municipal procedures and processes must be complied with during the inventory count.

14.4. The Inventory Officer must submit a report to the SCM Manager and CFO after investigating any discrepancies between the inventory records/register/database, bin/tag cards or inventory labels and the physical inventory.

14.5. The SCM Manager must submit a report with the findings to the Accounting Officer, in order to have the matter reported to the Council of the Municipality for the write-off of any inventories losses, or the write –up of surpluses.

14.6. The appropriate disciplinary action must be instituted when applicable.

14.7. The inventory record, register, database or system must be updated accordingly.

#### **15. INVENTORY RECORDS.**

15.1. An inventory record/register/database must be maintained for all inventory items, either manually and / or electronically.

15.2. All relevant information must be included for the proper management and control of all inventory items. It is recommended that details include but are not limited to:

15.2.1. Order number/date;

15.2.2. Item description;

15.2.3. Quantity and value of stock on hand;

15.2.4. Quantity and value of stock received;

15.2.5. Quantity and value of stock issued;

15.2.6. Re-order level;

15.2.7. Optimum inventory level;

15.2.8. Quantity and value of obsolete stock; and

15.2.9. Opening/closing balance.

15.2.10. An inventory register/database must be printed monthly and the hard copy filed in a chronological order to maintain a proper audit trail.

## 16. REPORTING.

A report must be submitted at least quarterly to the Chief Financial Officer and/or the SCM Manager detailing the following:

16.1. Any inventory shortages or surpluses and the reasons for such;

16.2. Any inventory deficits proposed to be written-off; and

16.3. Any obsolete inventory items.

16.4. Inventories purchased during the financial year must be disclosed at cost or net realizable value in the disclosure notes of the Financial Statements of the Municipality.

16.5. In terms of GRAP the financial statements shall disclose:

16.6 The accounting policies adopted in measuring inventories,

16.7 The total carrying amount of inventories and the carrying amount in classifications appropriate to the entity,

16.8 The carrying amount of inventories carried at fair value less costs to sell,

16.9 The amount of inventories recognized as an expense during the period,

16.10 The amount of any write-down of inventories recognized as an expense in the period in accordance with paragraph .43,

16.11 The amount of any reversal of any write-down that is recognized as a reduction in the amount of inventories recognized as an expense in the period in accordance with paragraph .43,

16.12 The circumstances or events that led to the reversal of a write-down of inventories in accordance with paragraph .43, and

16.13 the carrying amount of inventories pledged as security for liabilities

## 17. STOCK COUNT PROCEDURES AND GUIDELINES

| Table 1: Stock count instructions and Procedures/ Guidelines |                       |                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                               |             |                    |                    |  |                       |  |  |                  |  |  |                   |  |
|--------------------------------------------------------------|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|--------------------|--------------------|--|-----------------------|--|--|------------------|--|--|-------------------|--|
| Key areas                                                    |                       | Guidelines stock count instructions                                                                                                                                                                                                                                                                                                                                                                                | Stock count instructions:                                                                                                                                                                                                                     |             |                    |                    |  |                       |  |  |                  |  |  |                   |  |
| Stock count teams and other responsible officials            |                       |                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                               |             |                    |                    |  |                       |  |  |                  |  |  |                   |  |
| 1.1.                                                         | Stock count teams     | The stock count team at each specific store: <ul style="list-style-type: none"><li>• Include details of employee names, job titles and their roles and responsibilities.</li><li>• Employees responsible to supervise the count.</li><li>• (Note: the employee should not be responsible for the custody and recording of stock).</li><li>• Employees responsible to review and approve the stock count.</li></ul> | Management of stock count:                                                                                                                                                                                                                    |             |                    |                    |  |                       |  |  |                  |  |  |                   |  |
|                                                              |                       |                                                                                                                                                                                                                                                                                                                                                                                                                    | <table><tr><td>Name</td><td>Job title</td><td>Head of Department</td></tr><tr><td></td><td>SCM Manager</td><td></td></tr></table>                                                                                                             | Name        | Job title          | Head of Department |  | SCM Manager           |  |  |                  |  |  |                   |  |
|                                                              |                       |                                                                                                                                                                                                                                                                                                                                                                                                                    | Name                                                                                                                                                                                                                                          | Job title   | Head of Department |                    |  |                       |  |  |                  |  |  |                   |  |
|                                                              |                       |                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                               | SCM Manager |                    |                    |  |                       |  |  |                  |  |  |                   |  |
|                                                              |                       |                                                                                                                                                                                                                                                                                                                                                                                                                    | Review and approval of stock count:                                                                                                                                                                                                           |             |                    |                    |  |                       |  |  |                  |  |  |                   |  |
|                                                              |                       |                                                                                                                                                                                                                                                                                                                                                                                                                    | <table><tr><td>Name</td><td>Job title</td><td>Independent</td></tr><tr><td></td><td>Chief Audit Executive</td><td></td></tr><tr><td></td><td>Internal Auditor</td><td></td></tr><tr><td></td><td>Inventory Officer</td><td></td></tr></table> | Name        | Job title          | Independent        |  | Chief Audit Executive |  |  | Internal Auditor |  |  | Inventory Officer |  |
|                                                              |                       |                                                                                                                                                                                                                                                                                                                                                                                                                    | Name                                                                                                                                                                                                                                          | Job title   | Independent        |                    |  |                       |  |  |                  |  |  |                   |  |
|                                                              | Chief Audit Executive |                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                               |             |                    |                    |  |                       |  |  |                  |  |  |                   |  |
|                                                              | Internal Auditor      |                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                               |             |                    |                    |  |                       |  |  |                  |  |  |                   |  |
|                                                              | Inventory Officer     |                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                               |             |                    |                    |  |                       |  |  |                  |  |  |                   |  |
|                                                              |                       |                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                               |             |                    |                    |  |                       |  |  |                  |  |  |                   |  |
|                                                              |                       |                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                               |             |                    |                    |  |                       |  |  |                  |  |  |                   |  |
|                                                              |                       |                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                               |             |                    |                    |  |                       |  |  |                  |  |  |                   |  |

**Table 1: Stock count instructions and Procedures/ Guidelines**

| Key areas                                                                                                                                           |                                                                               | Guidelines stock count instructions                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Stock count instructions:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |           |                        |           |                |          |                |                         |                                    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|------------------------|-----------|----------------|----------|----------------|-------------------------|------------------------------------|
|                                                                                                                                                     |                                                                               | <ul style="list-style-type: none"><li>Employees responsible to perform the stock count.</li><li>(Note: the employee should not be responsible for the custody and recording of stock).</li><li>Employees who will assist with the stock count: should assist with identification of stock items and leading teams through the stores. (Note: this may be the person responsible for the custody of stock).</li><li>The use of experts (where applicable).</li></ul>                 | <table><tr><td></td><td>Inventory Practitioner</td><td></td></tr><tr><td></td><td></td><td></td></tr></table> <p><b>Perform stock count and assist with stock count:</b><br/>There will be one stock count team each consisting of:</p> <ul style="list-style-type: none"><li>Inventory Officer</li><li>Inventory Practitioner</li><li>Technical Services.</li><li>Internal Audit supervision.</li></ul> <p><b>Use of expert:</b> not applicable</p>                                                                                             |           | Inventory Practitioner |           |                |          |                |                         |                                    |
|                                                                                                                                                     | Inventory Practitioner                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |           |                        |           |                |          |                |                         |                                    |
|                                                                                                                                                     |                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |           |                        |           |                |          |                |                         |                                    |
| Itinerary of stock counts                                                                                                                           |                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |           |                        |           |                |          |                |                         |                                    |
| 1.2.                                                                                                                                                | Itinerary of stock count                                                      | Date and time of the count at each store.                                                                                                                                                                                                                                                                                                                                                                                                                                           | The store will be closed for the full day. A memorandum will be circulated to all departments that the store will be closed on 28 June to 30 June of each year                                                                                                                                                                                                                                                                                                                                                                                   |           |                        |           |                |          |                |                         |                                    |
| Location of stock counts                                                                                                                            |                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |           |                        |           |                |          |                |                         |                                    |
| 1.3.                                                                                                                                                | Location of each store stock within each store                                | Consideration for the following: <ul style="list-style-type: none"><li>Department responsible for coordinating the stock count at the store.</li><li>Address.</li><li>Locations of stock within the store (for example, whether the stock is stored in a warehouse, an outside camp or a container).</li><li>Consideration for stock that should be counted at “outside locations” (stock kept at other stores locations).</li></ul>                                                | All stock belonging to the Knysna Municipality and stored on the premises or at other locations must be counted. Locations to count: <table><tr><td>Warehouse</td><td>Main Central Store</td></tr><tr><td>Location:</td><td>Fechter Street</td></tr><tr><td>Address:</td><td>Fechter Street</td></tr><tr><td>Warehouse outside store</td><td>Inside warehouse and outside store</td></tr></table>                                                                                                                                                | Warehouse | Main Central Store     | Location: | Fechter Street | Address: | Fechter Street | Warehouse outside store | Inside warehouse and outside store |
| Warehouse                                                                                                                                           | Main Central Store                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |           |                        |           |                |          |                |                         |                                    |
| Location:                                                                                                                                           | Fechter Street                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |           |                        |           |                |          |                |                         |                                    |
| Address:                                                                                                                                            | Fechter Street                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |           |                        |           |                |          |                |                         |                                    |
| Warehouse outside store                                                                                                                             | Inside warehouse and outside store                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |           |                        |           |                |          |                |                         |                                    |
| Stock items requiring special attention<br>[Non-municipal stock items (contractor stock); obsolete stock; damaged stock; slow moving; fixed assets] |                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |           |                        |           |                |          |                |                         |                                    |
| 1.4.                                                                                                                                                | Identification and treatment of stock items before and during the stock count | Stock not owned by the municipality (for example, contractor stock): <ul style="list-style-type: none"><li>Identification process and procedures.</li><li>Correct treatment: separated from municipal stock and clearly labelled.</li><li>This stock should not be included in the stock count sheet.</li></ul> Obsolete or damaged items: <ul style="list-style-type: none"><li>Definition of obsolete and damaged items.</li><li>Identification process and procedures.</li></ul> | All stock not owned by the Knysna Municipality, such as contractor stock: <ul style="list-style-type: none"><li>The Inventory Officer is responsible to identify this stock.</li><li>Stock should be separated from Knysna Municipality stock and not kept at the Municipal Premises</li><li>Stock should be clearly labelled.</li><li>Stock should not be included in the stock count sheet.</li><li>Stock should not be counted during the stock count.</li></ul> Definitions: <ul style="list-style-type: none"><li>Obsolete stock:</li></ul> |           |                        |           |                |          |                |                         |                                    |

**Table 1: Stock count instructions and Procedures/ Guidelines**

| Key areas |  | Guidelines stock count instructions                                                                                                                                                                                                                                                                                                                                                                                     | Stock count instructions:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-----------|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|           |  | <ul style="list-style-type: none"> <li>• Correct treatment: separated from the stock (where possible) and clearly labelled.</li> <li>• This stock should be listed on a separate stock list and will be counted. Alternatively, this stock should be clearly marked on stock count sheets as damaged obsolete.</li> <li>• Management should provide guidelines regarding the treatment of these stock items.</li> </ul> | <ul style="list-style-type: none"> <li>○ Stock which is at the end of its “useful life”.</li> <li>○ Consider whether there is an expiry date, or consider whether the stock will ever be able to be used?</li> <li>○ This stock must be written down in value: impairment journal will be calculated and processed by management.</li> <li>• Damaged items: <ul style="list-style-type: none"> <li>○ Stock which cannot be used in its current condition.</li> <li>○ This stock must be written down in value: impairment journal will be calculated and processed by management.</li> </ul> </li> </ul> <p><b>Processes and procedures required during the stock count:</b><br/>For all obsolete or damaged stock:</p> <ul style="list-style-type: none"> <li>• The Inventory Officer is responsible to identify this stock.</li> <li>• Stock should be separated from the rest of the stock.</li> <li>• Stock should be clearly labelled.</li> <li>• If the stock is included in the stock count sheet, the stock should be clearly noted as being “obsolete” or “damaged”.</li> <li>• Stock should be counted during the stock count.</li> <li>• Stock count lists of all obsolete damaged stock will be submitted to management, who will then prepare an impairment journal.</li> </ul> |
|           |  | <p>Slow moving items:</p> <ul style="list-style-type: none"> <li>• Definition of slow moving items.</li> <li>• Identification process and procedures.</li> <li>• This stock should be counted during the count and detailed in the stock count sheet.</li> <li>• Management should provide guidelines regarding the treatment of slow moving items.</li> </ul>                                                          | <p><b>Definitions:</b></p> <ul style="list-style-type: none"> <li>• <b>Slow moving stock:</b> <ul style="list-style-type: none"> <li>○ Stock which has been on hand for an extended period of time, considering the type of stock item.</li> </ul> </li> </ul> <p><b>Processes and procedures required during the stock count:</b><br/>For all slow moving stock:</p> <ul style="list-style-type: none"> <li>• The Inventory Officer is responsible to identify this stock.</li> <li>• Stock should be clearly labelled</li> <li>• If the stock is included in the stock count sheet, the stock should be clearly noted as being “slow moving”.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

**Table 1: Stock count instructions and Procedures/ Guidelines**

| Key areas                                           |                                          | Guidelines stock count instructions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Stock count instructions:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-----------------------------------------------------|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                     |                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <ul style="list-style-type: none"> <li>Stock should be counted during the stock count.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 1.5.                                                | Non-stock items (including fixed assets) | Non-stock items (including fixed assets) should be segregated from stock items and should not be included in the stock count.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <p>All fixed assets and non-stock items should not be counted during the stock count:</p> <ul style="list-style-type: none"> <li>These items should be clearly separated from stock items in the store.</li> <li>These items should not be listed in stock count sheets.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Stock count preparations: preparation of the stores |                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 1.6.                                                | Stock count preparations at each store   | <p>Detailed instructions regarding the preparations required at each store should include the following:</p> <ul style="list-style-type: none"> <li>The accurate identification of the stage of completion of work-in-progress (where necessary).</li> <li>Arrangement of stock in an orderly manner to facilitate the stock count.</li> <li>Equipment required for measuring stock should be in working order and calibrated where necessary.</li> <li>The deadline for booking stock into the Maintenance store in Fechter Street, from other stores.</li> </ul>                                                                                                                                       | <p>The Inventory Officer is responsible to ensure the store is organized as follows:</p> <ol style="list-style-type: none"> <li>Stock to be arranged in an orderly manner.</li> <li>Stock to be clearly labelled.</li> <li>All electrical cables: The Inventory Officer should ensure that they have all the resources available to count the stock efficiently and accurately.</li> </ol> <p>The Inventory Officer is responsible to ensure that all equipment required for measuring stock is in working order and calibrated</p> <p>The deadline for booking stock into the Maintenance Store from other stores:</p> <ul style="list-style-type: none"> <li>23 June</li> </ul> <p>The Manager SCM will communicate this with all the stores, via Memorandum.</p> |
| Stock count sheets                                  |                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 1.7.                                                | Stock count sheets                       | <p><b>Preparation</b> of stock count sheets:</p> <ul style="list-style-type: none"> <li>The employee who is responsible to prepare the stock count sheets for each store.</li> <li>The method in which stock count sheets are compiled, which may include the following: <ul style="list-style-type: none"> <li>Main store: Stock count lists generated by Promun.</li> </ul> </li> <li>Deadline for submission of stock count sheets.</li> <li>The recommended stock count sheet template. (Note: Stock count sheets should be pre-numbered; include stock descriptions and stock numbers; unit of measurement; name of the store; location of the stock; the stock count team; and no stock</li> </ul> | <p>Preparation of stock count sheets:</p> <ul style="list-style-type: none"> <li>Stock count sheets will be printed from Promun on the morning of 28 June.</li> </ul> <p>Stock count sheets:</p> <ul style="list-style-type: none"> <li>Pre-numbered (by Promun)</li> <li>Will include the quantities of stock levels as per Promun.</li> <li>Will not include stock with a “nil” value.</li> <li>Detailed stock description, bin, stock number etc.</li> <li>The unit of measurement to count will be detailed on stock count sheets.</li> </ul>                                                                                                                                                                                                                   |

**Table 1: Stock count instructions and Procedures/ Guidelines**

| Key areas |                        | Guidelines stock count instructions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Stock count instructions:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
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|           |                        | quantities from pre-counts or stock records should be included).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|           |                        | Treatment of stock count sheets during the stock count: <ul style="list-style-type: none"> <li>• Distribution of stock count sheets.</li> <li>• Use and control of pre-numbered stock count sheets.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | The stock count team will be given copy of the stock count sheets.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|           |                        | Treatment of stock count sheets after the stock count has been performed: <ul style="list-style-type: none"> <li>• Collection and counting of all stock count sheets.</li> <li>• Accounting for unused stock count sheets.</li> <li>• The safekeeping of the original stock count sheets.</li> <li>• Recording the numbers of all stock count sheets (used and unused).</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | After finalization of the stock count procedures: <ul style="list-style-type: none"> <li>• All stock count sheets will be submitted to the Manager: SCM.</li> <li>• Date: 30 June.</li> <li>• The stock count team will initial and date the stock count sheets.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|           |                        | All members of the stock count team should sign the stock count sheets.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 1.8.      | Stock count procedures | <p>Detailed instructions on how the stock count should be performed:</p> <p>Initial count:</p> <ul style="list-style-type: none"> <li>• The method of counting.</li> <li>• How quantities are to be determined (including the consideration for stock items that need to be measured, weighed and estimated).</li> <li>• Sufficient information should be provided to test the conversion of quantities to be recorded in a different unit of measurement on the final stock list.</li> <li>• The method of marking items that have been counted (to avoid duplication).</li> <li>• The method of checking that all items have been counted (completeness of stock count).</li> <li>• The recording of stock quantities in ink on stock count sheets.</li> <li>• The treatment of blank lines (should be crossed through).</li> <li>• Instances in which there are no stock items in the store (stock items should be crossed through quantity of "0" should be detailed on the stock count sheet.</li> </ul> | <div style="border: 1px solid black; padding: 2px;"><b>Initial count:</b></div> <p>The team will perform the following procedures:</p> <p><b>Existence of stock:</b></p> <ol style="list-style-type: none"> <li>1. Count 100% of the stock.</li> <li>2. Place a colorful sticker on the stock label.</li> <li>3. Write the stock quantities in pen onto the stock count sheets.</li> <li>4. The stock counters will check that there are "no empty spaces" or containers where stock has been stacked in solid formations.</li> </ol> <p><b>Completeness of stock:</b></p> <ol style="list-style-type: none"> <li>5. After all the stock has been counted, the team will go through the store to identify stock which was not counted.</li> <li>6. Document all additional stock items on the stock count sheets.</li> </ol> <p><b>Accuracy of stock:</b></p> <ol style="list-style-type: none"> <li>7. After each team has finished counting the stock, each team will compare the stock counts.</li> <li>8. All discrepancies will be recounted by both teams and the final stock quantities will be agreed by both teams.</li> </ol> |



**Table 1: Stock count instructions and Procedures/ Guidelines**

| Key areas                     |                                        | Guidelines stock count instructions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Stock count instructions:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-------------------------------|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                               |                                        | <ul style="list-style-type: none"> <li>The method of correcting updating stock count sheets (for example, corrections should be initialed by the Supervisor of stock count).</li> <li>Check that there are no empty containers spaces where goods have been stacked in solid formations.</li> </ul>                                                                                                                                                                                                                                                                                                      | <div> <b>Reconciliation of the final stock count sheets to the Promun stock quantities:</b> <ol style="list-style-type: none"> <li>The stock count will be compared to the Promun records.</li> <li>All discrepancies will be recounted by both teams and the final stock quantities will be agreed by both teams.</li> </ol> </div> <div> <b>Finalization of stock count sheets:</b> <ol style="list-style-type: none"> <li>All blank lines will be crossed out.</li> <li>All stock items with no stock will be crossed out or "nil" written.</li> <li>All corrections should be initiated by the supervisor of the stock count team.</li> </ol> </div>                                                                                                                                                                              |
| 1.9.                          | Stock movements during the stock count | <p>Instructions should detail the following with regards to stock movements:</p> <ul style="list-style-type: none"> <li>The cut-off date.</li> <li>Consideration of whether the store will be closed during the count.</li> <li>Controls over the movement of stock between areas within the store.</li> <li>Controls over the issuing and receipts of stock before and after the cut-off date, and the treatment of such items with regards to the stock count.</li> <li>Record cut-off numbers of all stock movement documentation (including stock requisitions and goods received notes).</li> </ul> | <p>The Manager: SCM will issue a Memorandum to all departments noting the following:</p> <ol style="list-style-type: none"> <li>The cut-off date for all stock booked into the store: <ul style="list-style-type: none"> <li>23 June.</li> </ul> </li> <li>The cut-off date for all stock booked out of the store <ul style="list-style-type: none"> <li>23 June.</li> </ul> </li> <li>The store will be closed on 28 to 30 June .</li> <li>All stock movements on 28 to 30 June will be strictly controlled as follows: <ul style="list-style-type: none"> <li>Stock receipts: stock will be stored separately. This stock will be counted during the stock count.</li> <li>Stock issues: stock will be recorded in stock requisitions. All stock requisitions will be reconciled to the final stock records.</li> </ul> </li> </ol> |
| <b>Stock reconciliations:</b> |                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 1.10.                         | Stock count reconciliations            | <p>Instructions should detail the following with regards to the reconciliation process between stock quantities on hand and the stock records:</p> <ul style="list-style-type: none"> <li>The employee responsible to perform the reconciliations.</li> <li>The procedures to reconcile the stock quantities on hand to the stock records.</li> </ul>                                                                                                                                                                                                                                                    | <ol style="list-style-type: none"> <li>All final stock count sheets will be submitted to the Manager SCM on 30 June .</li> <li>A journal will be prepared to correct the stock records: <ul style="list-style-type: none"> <li>The journal will be signed and dated by the person who performed the</li> </ul> </li> </ol>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

**Table 1: Stock count instructions and Procedures/ Guidelines**

| Key areas                           |                             | Guidelines stock count instructions                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Stock count instructions:                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-------------------------------------|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                     |                             | <ul style="list-style-type: none"> <li>The actions to take when further investigation of discrepancies is required.</li> <li>The procedures necessary to correct the stock records.</li> </ul>                                                                                                                                                                                                                                                                                               | <p>calculations and prepared the journal.</p> <ul style="list-style-type: none"> <li>The journal will be reviewed by the Supervisor and will be signed and dated.</li> <li>The journal will be processed by an independent official.</li> <li>Once the journal is processed the Inventory Practitioner will review the final stock records for accuracy. These will be signed and dated by SCM Manager and Approved by the CFO.</li> </ul> |
| Finalisation of stock count records |                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 1.11.                               | Finalisation of stock count | <p>Instructions should include details regarding the procedures necessary to finalize the stock count, and should include consideration of the following:</p> <ul style="list-style-type: none"> <li>Method of compiling final stock sheets summaries.</li> <li>Confirmation that any adjustments to stock counts</li> <li>are authorized and initialized by the count</li> <li>Inventory Practitioner.</li> <li>Maintenance of the audit trail for the full stock count process.</li> </ul> | <ol style="list-style-type: none"> <li>Once all the journals are processed, final stock sheets will be prepared.</li> <li>An audit trail will be maintained by the Manager SCM. <ul style="list-style-type: none"> <li>All stock count sheets will be filed and stored by the Manager SCM.</li> <li>Journal submitted to the CFO.</li> <li>Final stock records</li> </ul> </li> </ol>                                                      |

**Stock Count Procedures:**

| Table 2: Stock Count Procedures |                         |                                                                                                                                                                                                                                                                                                                                                               |              |                       |                                           |
|---------------------------------|-------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-----------------------|-------------------------------------------|
| Key areas                       |                         | Process Flow and guidelines Procedures                                                                                                                                                                                                                                                                                                                        | Manager: SCM | Department management | Inventory Practitioner custodian of stock |
| Preparation for the stock count |                         |                                                                                                                                                                                                                                                                                                                                                               |              |                       |                                           |
| 2.1.                            | Perpetual stock records | <p>Perpetual stock recording systems includes the following:</p> <ul style="list-style-type: none"> <li>Maintenance Store: Promun system.</li> </ul> <p>The perpetual stock records should be up to date before the stock count is performed. This will reduce unnecessary reconciling items between the quantities of stock counted in the store and the</p> |              |                       |                                           |

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|      |                                          | <p>quantities of stock in the stock records.</p> <p>All stock related transactions should be recorded in the perpetual stock records, including the below:</p> <ul style="list-style-type: none"> <li>• All stock issues and stock receipts.</li> <li>• Slow moving, obsolete or damaged stock that should no longer be included in the stock records. (Note: the treatment of these stock items should comply with management approved procedures. All supporting documentation for the audit trail should be maintained).</li> </ul> <p>It is further noted that monthly stock counts should be performed throughout the year which will result in the following advantages:</p> <ul style="list-style-type: none"> <li>• Improved internal controls over the custody of stock during the year.</li> <li>• Reduction in the volume of work at year-end.</li> </ul> |  |  |  |
| 2.2. | Store organization presentation of stock | <p>The store should be neatly organized:</p> <ul style="list-style-type: none"> <li>• Stock should be clearly labelled.</li> <li>• Stock should be grouped together in the store in a logical manner.</li> <li>• Where necessary, loose stock items should be stacked in a way that it can be counted estimated efficiently.</li> <li>• Equipment that is required to measure stock items should be in working order.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                     |  |  |  |
|      |                                          | <p><b>Non-stock items</b> (such as fixed assets):</p> <ul style="list-style-type: none"> <li>• Items should be segregated from stock and not included in the count</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |  |  |  |
|      |                                          | <p><b>Stock not owned by the municipality</b> (for example, contractor stock and donated):</p> <ul style="list-style-type: none"> <li>• All donated items should be segregated from municipal stock and clearly labelled.</li> <li>• Items should not be included in the count and also not stored in the Municipal premises. (Contractor's stock)</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |  |  |  |

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|      |                                                                          | <p><b>Obsolete, damaged and slow-moving</b> stock items:</p> <ul style="list-style-type: none"> <li>• Damaged stock items: should be segregated and clearly labelled.</li> <li>• Obsolete and slow-moving items: should be identified during the stock count and noted on the stock count sheets.</li> </ul> <p>Management should consider the appropriate treatment of obsolete, damaged and slow-moving stock items, which may include the following:</p> <ul style="list-style-type: none"> <li>• The possibility of repairing damaged stock items.</li> <li>• The possibility of returning damaged stock items to the supplier.</li> <li>• Scrapping of stock.</li> <li>• Disposal of stock.</li> <li>• The impairment of stock</li> </ul> |  |  |  |
| 2.3. | Effective communication and collaboration between stores and departments | <p>The stores and departments should communicate and collaborate with regards to the following:</p> <ul style="list-style-type: none"> <li>• The roles and responsibilities of each directorate should be defined. This is critical between Supply Chain Management and the other stores (Emergency Stores) which are under the responsibility of the other directorates such as Technical Services, Planning and Development and Electro-technical Services.</li> <li>• Deadlines for booking stock back into the Maintenance Store (Fechter Street).</li> <li>• Stock stored on the premises of other departments.</li> </ul>                                                                                                                |  |  |  |
| 2.4. | Stock count sheets                                                       | <p>Stock count sheets should be prepared and submitted by each warehouse before the communicated deadline. Stock count sheets should be pre-numbered. Stock count sheets should include the following minimum information:</p> <ul style="list-style-type: none"> <li>• The name of the store.</li> <li>• Stock name description.</li> <li>• Stock number (if applicable).</li> <li>• The unit of measurement that should be counted: units kilograms tons meters litres tons.</li> </ul>                                                                                                                                                                                                                                                      |  |  |  |

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| 2.5.                       | Stock count instructions                                                          | Stock count instructions should be prepared and distributed to the stores and stock counters. For detailed recommendations regarding stock count instructions, please refer Table 1: Stock count instructions                                                                                                                                                                                                                                                                                                                         |  |  |  |
| 2.6.                       | Stock count workshop                                                              | SCM should facilitate a workshop in preparation for the stock count for all stock counters and Inventory Officer. During the workshop the stock count instructions should be discussed. The workshop will facilitate communication between departments and stores.                                                                                                                                                                                                                                                                    |  |  |  |
| Performing the stock count |                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |  |  |  |
| 2.7.                       | Internal Audit should attend the annual stock count.                              | Internal Audit should observe stock count procedures and report on the following:<br>(i) Whether the stock count instructions were followed by the stock counters.<br>(ii) Whether the stock was arranged in an orderly manner to facilitate counting.<br>(iii) Whether the stock count procedures were sufficient to facilitate an efficient and effective stock count, so that the documentation of the physical stock quantities on hand fairly reflects the nature, quantity and condition of the stock on the date of the count. |  |  |  |
|                            |                                                                                   | The attendance of Internal Audit at the annual stock count may facilitate combined assurance between the Auditor-General (AG) and Internal Audit. The AG may place reliance on the stock count performed by Internal Audit.                                                                                                                                                                                                                                                                                                           |  |  |  |
| 2.8.                       | The annual stock count should be performed on the last day of the financial year. | The stock count should be performed on the last day of the financial year, which will result in the following advantages:<br><ul style="list-style-type: none"> <li>The stores will have additional time to focus on capturing all stock related transactions, so that stock records will be up-to-date for the stock count.</li> <li>The store will only need to be closed once as the stock count and test counts can be performed on the same day.</li> <li>The risk of complications arising from stock</li> </ul>                |  |  |  |

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|       |                                     | <p>movements between the date that the stock is counted, and the year-end, is significantly reduced. Due to the fact that the store will be closed on the last day for the stock count, minimum stock movements would be anticipated.</p> <ul style="list-style-type: none"> <li>• The counts, as recorded, will be the final quantities to be used in the stock listing.</li> </ul>                                                                                                                                                                                                                                                                                                                                    |  |  |  |
| 2.9.  | Movement of stock between locations | <p>The following procedures:</p> <ul style="list-style-type: none"> <li>• Stock should be booked into the store by the communicated deadline date, so that it gives the Inventory Officer adequate time to capture the stock transaction in the records.</li> <li>• Stock movements between locations should be suspended during the count.</li> <li>• Stock receipts during the stock count: stock should be kept separate and only counted once the other stock items are counted.</li> <li>• Stock issues (in an emergency) during the stock count: stock requisitions should be kept as supporting audit trail evidence.</li> <li>• Cut-off documentation should be identified and put in the audit file</li> </ul> |  |  |  |
| 2.10. | Stock count teams                   | <p><b><u>Maintenance Store (Fechter Street).</u></b></p> <p>There should be two stock count teams. Each team should include the following:</p> <ul style="list-style-type: none"> <li>(i) An employee who is independent of the custody and recording of stock. This person will be responsible for the accuracy of the stock count.</li> <li>(ii) A Inventory Officer who will assist with identification of the stock items and who can assist with leading teams through the stores.</li> <li>(iii) An Internal Audit representative who will observe the stock counting procedures and will document the quantities</li> </ul>                                                                                      |  |  |  |

|       |                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |  |  |  |
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|       |                       | counted on the stock count sheets.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |  |  |  |
| 2.11. | Stock counting method | <p><b><u>Maintenance Store (Fechter Street):</u></b><br/>Perpetual stock records are maintained in Promun.</p> <p><b>Initial stock count</b><br/>The procedures are:</p> <ul style="list-style-type: none"> <li>(i) Each team should be given a copy of the stock count sheets.</li> <li>(ii) Each team should be given coloured stickers (each team should have different coloured stickers).</li> <li>(iii) The stock count teams should split up – it is recommended that the teams start at different ends of the store for efficiency.</li> <li>(iv) Each team should count all the stock listed on the stock count sheets (count the stock from sheet to floor).</li> <li>(v) A sticker should be applied to each stock label once the stock has been counted.<br/>(Note: this procedure will address the risk that stock is counted twice).</li> <li>(vi) Counters should check for incompletely packed cases and “hollow squares”.</li> <li>(vii) Once the team has counted all the stock in the store, the team should go through the store to make sure that each stock label has a sticker.<br/>(Note: this procedure should address the risk that not all stock is counted).</li> <li>(viii) If any stock items have not yet been counted, and are not in the stock count sheet, the stock item should be written onto the stock count sheet.</li> <li>(ix) During the stock count the stock counters should assess whether there are any indications of damaged, obsolete or slow-moving stock.</li> </ul> <p><b>Validation of stock quantities counted</b></p> |  |  |  |

|       |                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |  |  |  |
|-------|------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|
|       |                                    | <p>Once the stock count teams have finished counting the stock.<br/>The procedures are:</p> <ul style="list-style-type: none"> <li>(i) The stock count teams should compare the results of the stock count.</li> <li>(ii) Discrepancies should be investigated further – both stock count teams should recount the stock and should agree on the final stock quantities.</li> <li>(iii) All changes made to stock count sheets should be initialed by: <ul style="list-style-type: none"> <li>• Internal Audit.</li> <li>• The counter who is independent of the custody of the stock.</li> </ul> </li> </ul> <p><b>Validation of stock quantities per the stock count sheets to the stock records</b></p> <p>Once the stock count teams have agreed the stock quantities on hand.<br/>The following procedures are:</p> <ul style="list-style-type: none"> <li>(i) The Manager SCM or any other delegated official should generate the stock list from Promun which includes details of the stock quantities.</li> <li>(ii) The Manager SCM or any other delegated official should compare the stock quantities per the Promun stock listing to the stock count sheets.</li> <li>(iii) Discrepancies should be investigated further – both stock count teams should recount the stock.</li> <li>(iv) All changes made to stock count sheets should be initialed by: <ul style="list-style-type: none"> <li>• Internal Audit.</li> <li>• The counter who is independent of the custody of stock.</li> </ul> </li> <li>(v) Remaining discrepancies will be investigated further. Refer to 2.13 below.</li> </ul> |  |  |  |
| 2.12. | Finalisation of stock count sheets | <p>The procedures are:</p> <ul style="list-style-type: none"> <li>• Final stock count sheets should be signed by all members of the stock count teams.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |  |  |  |



|                                     |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |  |
|-------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|
|                                     |                                                                                     | <ul style="list-style-type: none"> <li>• Copies should be made and provided to Internal Audit.</li> <li>• Copies should be provided to the necessary Inventory Officer custodians of the stock.</li> <li>• Original stock count sheets should be filed by the Inventory Officer or Manager SCM, who should validate receipt of all the stock count sheets from all the stores.</li> </ul>                                                                                                                                                                                                                                                                                                               |  |  |  |
| Finalisation of stock count process |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |  |
| 2.13.                               | Final reconciliation of stock quantities between Promun and the stock count sheets. | <p><b><u>Maintenance Store (Fechter Street).</u></b></p> <p>Once the stock quantities per the final stock count sheets have been reconciled to the Promun stock list, the discrepancies should be investigated as follows:</p> <ul style="list-style-type: none"> <li>(i) The Inventory Officer should check that all the stock requisitions and stock receipts have been captured.</li> <li>(ii) A journal should be prepared by the Inventory Officer and reviewed by the Manager SCM for approval of the CFO.</li> <li>(iii) Once the journal has been processed, the final stock records should be reviewed for accuracy by Inventory Officer for the consideration of the Manager: SCM.</li> </ul> |  |  |  |
| 2.14.                               | Final stock adjustments for emergency stores                                        | <p><b><u>Emergency stores under the control other directorates</u></b></p> <p>The procedure are:</p> <ul style="list-style-type: none"> <li>(i) The emergency stores' stock count sheets must be checked and verified by the Inventory Officer.</li> <li>(ii) A journal should be prepared by an inventory officer and be submitted to the Financial Services Department to record the stock on hand at year-end.</li> </ul>                                                                                                                                                                                                                                                                            |  |  |  |

## STANDARD OPERATING PROCEDURES:

### 1. Purchasing / ordering inventory.

- An order shall be placed for stock and non-stock items, where valid contract exist order must be placed against the contract and where there is no contract SCM Process must be followed to satisfy the requirement.
  
- Check the reorder report to identify if inventory is necessary to be ordered. (indicates the minimum / maximum stock levels). This should be assessed together with the tender, especially the lead time indicated. At a minimum the  
  
reorder levels should be assessed monthly. (implemented when the stock report is corrected)
- Based on the reorder quantity required, the requisition should be prepared by the Inventory Officer and then checked by another Inventory Officer.
- The requisition is checked for quantities in line with the demand and the values against the tender (RFQ, quote) prices where applicable - Inventory officer
- Requisition is approved per value of the order. The order is approved by Manager SCM or any other delegated official in line with SCM threshold values prescribed by SCM policies and procedures.
- SCM /procurement officials capture (quantity, product description and values as per quote) the purchase order on ProMun.
- The purchase order/s are reviewed and approved by Manager SCM / delegated official.
- The signed purchase orders are sent/mailed to the supplier/s by the relevant inventory official. The signed purchased orders are filed in the A-Z filing system in the stores. (Currently making use of LongJohn Sorter)
- Inventory officer will communicate the delivery location and dates with the appointed service provider and if any delays on deliveries the necessary follow ups are made.
- The inventory officer will ensure that all open orders can be viewed and followed up where necessary with the service provider/s.

## **2. Receiving and Delivery of inventory.**

- All goods must be delivered to a central store.
- The inventory officer must confirm the item detail, description and quantity on the delivery note as per the approved purchase order.
- Approved purchase orders are checked and verified against the delivery note /goods received voucher from the supplier upon delivery.
- The quantity of the items is checked against the delivery note and approved purchased order. The items are verified against any damage goods (if any).
- If damaged, An Inventory Officer must prepare a goods return note of the damaged items (The quantity, description and value).
- The damaged goods will immediately be returned or sent back to the Service Provider, the delivery note, or goods received voucher must be immediately updated accordingly.

- The Credit Note for the damaged goods gets captured by the Inventory Officer on Promun and sent to creditors department for updating of the batches to ensure reconciliation of the received goods.
- Failure of the supplier to replace the damaged goods the tax invoice will be revised in accordance with the delivered goods.
- Supplier emails the invoice to the stores. The invoices are captured in an invoice batch by the Inventory Officer and updates the Bincards immediately. The batch is checked and verified by another Inventory Officer for quantity and value against the invoice received from the supplier.
- Depending on the total of the invoice, the batch is sent to the relevant person for review, approval and update to the system. Contract management reviews the invoices to ensure that the prices are in line with the specific tender cost and rates.
- The invoice batch is sent to creditors for payments. This includes the invoice, delivery note and the purchase order.
- The system don't allow the batch to be updated if the invoice and order amount don't reconcile.
- The received items are then placed in or on their relevant bins/shelves by applying the FIFO method based on their expiration dates.

### **3. Issuing inventory.**

- User departments capture requisitions on ProMun by identifying the stock code, required quantity and the relevant manager approves.
- The stores department gets an email notification when the requisition is approved.
- The relevant stock per the approved requisition is picked from the relevant shelves in warehouse. One Inventory Officer picks and another Inventory Officer checks if the stock picked reconcile with what is on the requisition.
- The approved requisition is captured as an issue batch – before the items can be delivered to the user department. No store items must be delivered to user department if not batched.
- The issue batch should be recorded daily as the inventory is issued from the store.
- The requisition will be signed as follows:
  - o The user department will sign on the authorised requisition/store issue voucher as proof of receiving the inventory.
- The original requisition is kept in the store and the copy is sent to the user department. No stock can leave the store without the necessary approvals, except in the case of an emergency. Please refer to the point regarding the process to be followed in the case of an emergency.
- The issue batch is captured by the Inventory Officer and another Inventory Officer will review and approve the batch. This is updated by the Inventory Officer. The Inventory Officer will check the requisitions processed against the batch quantity and value.
- In cases if no funds are available on the votes the Inventory Officer will communicate to the relevant user departments to ensure availability of funds.

- **Internal Control on Inventory Items:** issuing of items such as brooms, rakes 5 litre containers will only be replenished upon receipt of the broken or empty said items.
- Requisitions on Warehouse 3 and 4 must include street address (building name/ office number) or GPS location on the job card.
- Requisitions on Warehouse 1 will only be issued upon receipt of the relevant department's inventory supervisor (the person responsible for stationary or cleaning materials), inventory control sheet (needs analysis).

#### **4. Emergency stock issues.**

- Poor planning does not constitute an emergency
- What constitutes an emergency stock issue?
- This is when the service delivery (including water, electricity etc.) has been halted and has the potential for the interruption of essential services. The written request must be submitted to the SCM Manager for consideration and approval of the CFO.
- If this applies, the stock can be requested via an issue voucher. The voucher book has to be completed with the relevant information, a description of the emergency. The Inventory Officer and the user department sign the voucher book as proof of the stock issued.
- The issue voucher should be emailed to the user department, and the approved requisition should be submitted to the store within 24 hours for the electronic system to be updated immediately.
- If no response is received from the user department, the relevant Inventory Officer should follow up regarding the approved requisition to the relevant line manager.
- The issue voucher should include the requisition number after receipt thereof.

#### **5. Stock count procedures:**

- All stock belonging to the Knysna Municipality and stored on the premises or at other locations must be counted on a date and time determined by the Municipality in line with regulations, see above stock count procedures and guidelines.

#### **Monthly**

- Spot check: 5 bins per warehouse. If discrepancies are identified, investigated and updated.
- For example if the wrong stock code was used than the Inventory Officer must update the stock code through an adjustment.

- For example variance found: Check if all batches are updated, Store Issue Voucher Book is updated. Ensure no stock was issued because of an emergency.
- If all updates are done and stock not balancing than the SCM Manager must be informed.
  - Increase the sample of spot checks where applicable by applying the “blind” stocktake method to verify if any discrepancies exist. The spot checks should be reconciled to the stock report (isc.072).

### **Quarterly**

- Quarterly 100% stock counts 5 days after the month end procedure updates.
- Any discrepancies should be investigated and reconciled.
- Any damaged or obsolete inventory should be kept aside and counted separately.
- Inventory Officer must prepare a list of damaged, obsolete non-moving items (stock codes, quantity and values) for consideration of the SCM manager and CFO.
- Obsolete/Damaged stock must be reported to the relevant officials for decision making. A disposal process and procedure must be followed to dispose the said items.
- Write offs of inventory approvals must be granted by the CFO and the Municipal Manager.
- After the stock count, the stock sheets should be signed by the count team. (Inventory Officers)
- The stock sheets should be summarised, and a reconciliation should be performed between the count, the bin cards and the stock per the system.
- This reconciliation of the stock count should be reviewed SCM Practitioner and approved by the Manager: SCM.

### **Annually**

- The counting teams should include one person from the stores and one person from internal audit.

All stock not owned by the Knysna Municipality, such as contractor stock:

- The Storeman is responsible to identify this stock.
- Stock should be separated from Knysna Municipality stock.
- Stock should be clearly labelled.
- Stock should not be included in the stock count sheet.
- Stock should not be counted during the stock count.
- Key to note stock belong to contractors must not be stored at Municipal premises

## **6. Reconciliations & month-end processes.**

- Ensuring all issue batches are updated by the 5<sup>th</sup> of every month.
- The stock movement report / stock sub ledger (isc.072) should be reconciled to the bin cards (manual report) after the month's movements have been updated on both sides.
- The stock subledger (isc.072) should be reconciled to the (igl.012.p), monthly after the stock movements have been updated.
- Both reconciliations should be reviewed by the Inventory Practitioner and approved by Manager SCM by the 5<sup>th</sup> of every month.

## **7. Bin card process:**

- This is a backup process for the ProMun system.
- Captured requisitions, this should be updated in real time with all issued and received inventory.
- This should be reviewed monthly with the reconciliation and signed as proof of reconciliation.

## **8. Expired, Slow-moving or Dormant Items**

- Generate a quarterly report of all slow-moving or dormant items as well as the expired items.
- The report must include date expired, batch number, item description and the value. All the expired stock must be removed from the shelves.
- The stock that needs to be written off must be reported to the Waste Department for e-waste procedures, such list must be reported to the SCM Manager for consideration and approval of the CFO.
- All slow-moving items must be identified and reported to the relevant user department for consideration on a bi-annually basis.
- User Department on an ongoing regular basis must inform the Store Department on any items required within 30 days prior to the request being processed.
- The slow-moving items can be disposed (donation or auction) to any other organisations approved by the Municipal manager and reported to Council for noting.

## **9. Safekeeping of Store Items.**

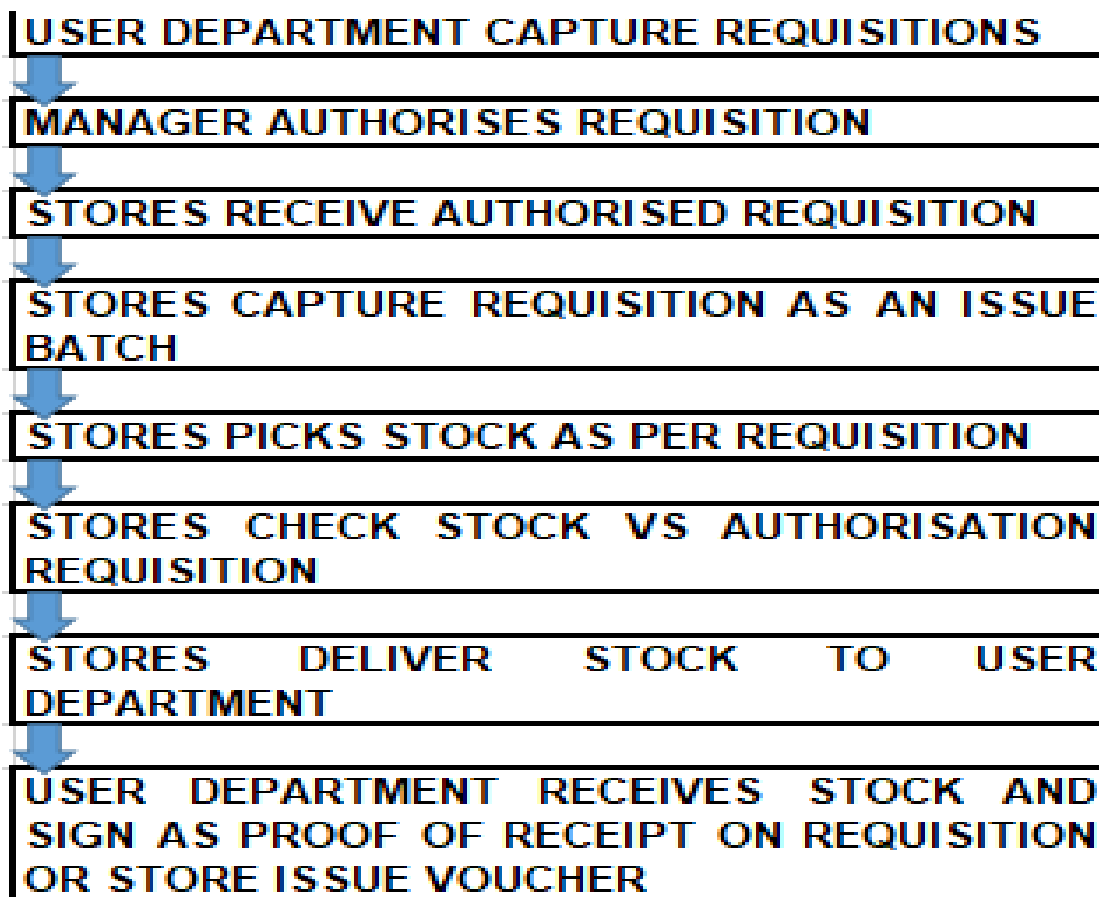
- All store related items must be stored in a lockable facility with restricted access.
- The keys to the facility must be controlled and managed by the responsible Inventory Official or any other delegated official.
- The Store Facility must be equipped with shelves and monitored by CCTV cameras to ensure the safeguarding of the assets and inventory items.
- Flammable Materials must be stored in line with the relevant supplier product safety and material guide sheet from the manufacturer.
- A separate room for example paint must be stored in a separate storage unit with light seal beams to ensure there is low risk of bulb explosion.
-

- Items will be stored as per the Warehouse classification for example Warehouse 1 is General, Warehouse 3 is Electrical and Warehouse 4 is Water Reticulation. The details on the items within these Warehouses can be found under the isc 072 report. Roads and Public Works stock items are found under Warehouse 1.

#### 10. Inventory Loss.

- Identify the causes, implement corrective actions and continuously monitor and improve inventory management practices.
- All inventory losses and surpluses must be investigated immediately and reported to the relevant official.
- Inventory surpluses must be captured "Into Stock" with the relevant stock code by making use of the latest unit cost as per the system.

#### 11.PROCESS FLOW CHART



Date of Approval by Council:.....



inclusive || innovative || inspired

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# **2026/2027 Special Rating Area Policy**

**1 July 2026**

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## 1. DEFINITIONS

1.1 In this Policy words or expressions shall bear the meaning assigned to them and, unless the context otherwise indicates –

- 1.1.1 **"additional rate"** means a rate as contemplated in sections 19(1)(d) and 22(1)(b) of the Municipal Property Rates Act (MPRA) read together with section 11(2) of the Municipality's Special Ratings Area By-law;
- 1.1.2 **"applicant"** means any owner who makes an application for the determination of a special rating area in accordance with Chapter 1 of the By-law, or if a management body is established in terms of section 10 thereof, any reference to **"the Applicant"** means the management body;
- 1.1.3 **"business plan"** means a motivation report, implementation plan and term budget as contemplated in section 5 of the By- law;
- 1.1.4 **"By-law"** means the Knysna Municipality: Special Rating Area By-law;
- 1.1.5 **"CFO"** means the Chief Financial Officer;
- 1.1.6 **"Companies Act"** means the Companies Act, 2008 (Act No 71 of 2008), as amended or replaced;
- 1.1.7 **"Council"** means the Council of the Knysna Municipality;
- 1.1.8 **"IDP"** means the Integrated Development Plan of the Knysna Municipality;
- 1.1.9 **"majority"** means the majority of property owners as contemplated in paragraphs 6.1.5 and 6.1.6 of the Policy;
- 1.1.10 **"management body"** means the management body of a special rating area to be established in accordance with the provisions of section 10 of the By-law;
- 1.1.11 **"owner"** has the meaning assigned to it in section 1 of the Property Rates Act;
- 1.1.12 **"non-profit company"** defined as a non-profit company with members as defined in section 1 of the Companies Act No 71 of 2008;
- 1.1.13 **"Policy"** means the Policy for the determination of special rating areas, or any other policy adopted by the Council in relation to special rating areas, as in force

from time to time;

- 1.1.14 **"Property Rates Act"** means the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004);
- 1.1.15 **"rateable property"** has the meaning assigned to it in section 1 of the Property Rates Act;
- 1.1.16 **"special rating area (SRA)"** means a special rating area approved by the Council in accordance with the provisions of section 22 of the Property Rates Act;
- 1.1.17 **"steering committee"** means the Steering Committee of a special rating area to be established in accordance with the provisions of paragraph 10.1.1 of the Policy; and
- 1.1.18 **"term budget"** means the budget of the management body contemplated in Paragraph 16.2 of the Policy.

## 2. INTRODUCTION

- 2.1 This Policy for the establishment of special rating areas must be read together with the Property Rates Act and the By-Law.
- 2.2 All words and phrases defined in the Property Rates Act and the By-law have the same meaning in this Policy.
- 2.3 In the event of any conflict between the provisions of the By-law and the provisions of this Policy, the By-law prevails.
- 2.4 The Policy should at all times be read together with the Rates Policy of Knysna Municipality.

## 3. AIM OF THE POLICY

- 3.1 This Policy aims to –
  - 3.1.1 Set out Council's position on special rating areas and the factors that will influence Council's decision whether or not to determine a particular special rating area;
  - 3.1.2 Provide guidance to members of the local community and to decision makers within the Knysna Municipality in relation to the establishment of special rating areas; and

- 3.1.3 Strike an appropriate balance between facilitating self-funded community initiatives that aim to improve and/or upgrade neighbourhoods by making use of a non-profit company (**NPC**) structure as contemplated in the Companies Act, which is referred to in the By-law as "the management body"; and ensure commitment to good, fair and transparent governance by the management body as defined in the By-law, by implementing a transparent process when appointing service providers to improve and/or upgrade the special rating area in the public areas and ensuring that these improved and/or upgraded services are not provided for private properties.

#### 4. EXCLUSION

- 4.1 This Policy does not apply to privately-owned property developments.

#### 5. POLICY STATEMENT

- 5.1 The special rating area model is based on international best practice. It is aimed at preventing the degeneration of towns and the consequential urban decay, and facilitating their upliftment, economic growth and sustainable development.
- 5.2 The purpose of a special rating area is to –
- 5.2.1 Enhance and supplement the **municipal services** provided by the Knysna Municipality;
  - 5.2.2 Facilitate investment in the special rating area;
  - 5.2.3 Facilitate a co-operative approach between the Municipality and the private sector in the provision of municipal services;
  - 5.2.4 Halt the degeneration and facilitate the upliftment of distressed business and mixed-use areas; and
  - 5.2.5 Promote economic growth and sustainable development and in this way assist the Council in the fulfilment of its objects and developmental duties as set out in its Integrated Development Plan (**IDP**).
- 5.3 The Knysna Municipality recognises special rating areas as a potential tool for assisting it to fulfil its constitutional and statutory obligations to allow property owners within a geographical area to improve and upgrade their area by means of a property rate in addition to the standard property rate.

- 5.4 The Knysna Municipality does not see its role as advocating or initiating the establishment of special rating areas, but rather facilitating the process with guidance and advice and assisting and helping to capacitate management bodies

## **6. FACTORS CONSIDERED WHEN DETERMINING A SPECIAL RATING AREA**

- 6.1 The Council will consider determining a special rating area where the requirements of section 22 of the Property Rates Act are complied with, including that –
- 6.1.1 The purpose of the special rating area is to allow an additional rate to be levied on property in the defined area to raise funds for improving or upgrading the area;
  - 6.1.2 The special rating area will not be used to reinforce existing inequities in the development of the Knysna's area of jurisdiction;
  - 6.1.3 The determination of the special rating area is consistent with the IDP;
  - 6.1.4 Residential special rating areas mean an area in which more than 40% (forty percent) of the rates base value consists of Residential Property as defined in the Municipalities Rates Policy;
  - 6.1.5 Any residential special rating area must comply fully with the provisions of the By-law, save that, with reference to the majority support, the applicant must provide written proof to the Council that owners of rateable property within the boundary of the special rating area who own not fewer than 50% (fifty percent) plus 1 in number of such properties, approve the formation of the special rating area;
  - 6.1.6 Any non-residential special rating area must comply fully with the provisions of the By-law, save that, with reference to the majority support, the applicant must provide written proof to the Council that owners of rateable property within the boundary of the special rating area who own not fewer than 50% (fifty percent) plus 1 in number of such properties, approve the formation of the special rating area;
  - 6.1.7 The procedural requirements of section 22 of the Property Rates Act as well as the By-law and the Policy, are complied with, including the community consultation requirement, as determined by the CFO;
  - 6.1.8 The proposed improvement or upgrade has been clearly and fully defined;
  - 6.1.9 The proposed improvement or upgrade can be clearly and logically linked to a

geographical area, the boundaries of which can be clearly determined;

- 6.1.10 There is evidence that it will be financially viable to use a special rating area to raise funds for the proposed improvement or upgrade;
- 6.1.11 Council is satisfied with the institutional arrangements proposed in respect of the special rating area; and
- 6.1.12 Ultimately, the decision whether or not to determine a special rating area rests with the Council in its sole discretion.

## **7. APPLICABILITY OF THE KNYSNA MUNICIPALITY'S RATES POLICY AND OTHER POLICIES**

- 7.1 The Knysna Municipality's rates policy applies with the necessary changes to this Policy. In particular, and without limiting the generality of the afore-going, section 17 of the Property Rates Act, the exemptions, rebates and reductions set out in the Rates Policy apply with the necessary changes in relation to the levying of an additional rate for special rating area purposes.
- 7.2 Notwithstanding the provisions of paragraph 7.1 above, when the Municipality grants a partial rebate as set out in the Rates Policy, the relevant property owner will be granted a full (100%) rebate in relation to the additional rate.
- 7.3 Other policies approved by the Council apply with the necessary changes to the collection of additional rates in terms of the Policy, the By-Law and section 22 of the Property Rates Act, including, but not limited to, the Knysna Municipality's Customer Care, Credit Control, Debt Collection, Indigent and Tampering Policy.

## **8. PROCESS**

- 8.1 This Policy sets out –
  - 8.1.1 The institutional arrangements for special rating areas (paragraph 9);
  - 8.1.2 The establishment principles (paragraph 10);
  - 8.1.3 The information to be included in the business plan which needs to be submitted to the Knysna Municipality in order to motivate a request for determination of a special rating area (paragraph 11);
  - 8.1.4 The annual requirements for Special Rating Areas (paragraph 12);

- 8.1.5 The amendment and/or extension of the terms of a special rating area (paragraph 13 and 14);
- 8.1.6 The dissolution requirements which must be followed (paragraph 15); and
- 8.1.7 The financial arrangements (paragraph 16).

## **9. INSTITUTIONAL ARRANGEMENTS**

9.1 Section 22 of the Property Rates Act is not prescriptive as to the structural arrangements which need to be put in place to administer a special rating area. The structural arrangements that will be supported by the Knysna Municipality are the following:

### **9.1.1 Administration by a NPC**

- (a) The ratepayers within the special rating area must establish and participate in an appropriate structure to carry out planning, contracting, financial control and administrative functions within the special rating area, in order to manage and implement the services and upgrades.
- (b) This structural arrangement does not entail ratepayers setting the additional rate, which under law can only be done by the Council.
- (c) Councillors who are actively involved in pursuing and promoting the establishment of a special rating area must recuse themselves when Council considers the application for the establishment of a special rating area.
- (d) Amongst other reasons, because funds collected by government are placed in the hands of the private sector through this structural arrangement, the requirements set out in this Policy must be met.
- (e) The functions of the structure would include:
  - (i) Determining the funding required each year (paragraph 16.2);
  - (ii) Appointing contractors to effect the improvement/s or upgrade/s; and
  - (iii) Receiving the additional rate collected by the Knysna Municipality and expending the funds in accordance with the approved business plan.



### 9.1.2 Structural requirements:

- (a) Before Knysna Municipality will consider allowing ratepayers in a special rating area to carry out administrative and other functions in relation to the area, the Steering Committee must establish a non-profit company (**NPC**) in terms of the Companies Act for that purpose.
- (b) The inaugural memorandum of incorporation (**MOI**) of the NPC must be aligned with the prescribed format determined by the CFO; and any amendments thereto must be approved by the CFO;
- (c) The NPC must be managed in terms of the Companies Act, and must also comply with any other legislation as a result of the financial connection to Council;
- (d) The NPC must have at least 3 (three) directors, each with specific portfolio(s) aligned with the business plan;
- (e) The Executive Mayor will appoint Councillor(s) as Director(s) and alternate Director(s) as representative(s) of the Municipality, who shall attend and participate in, but not vote at meetings of the management body, to the board of the management body in accordance with section 10(4) of the By-law. The director(s) appointed by the Executive Mayor will not have the powers and duties of directors as set out in the Companies Act and the management body's MOI;
- (f) The NPC must give a written notice to all the affected property owners within the special rating area of the intention to hold a members meeting within six months of the establishment of the NPC and thereafter an annual general meeting (**AGM**) (paragraph 12.2) on the date stated in the notice by advertising in one daily newspaper and must also give notice in a community (local) newspaper to accommodate other official languages where applicable; and
- (g) The purpose of the meetings referred to in paragraph 9.1.2(f) will be to, amongst other items on the agenda:
  - (i) Appoint Directors, other than the Director(s) appointed in terms of paragraph 9.1.2(e);
  - (ii) Amend the NPC's MOI if required and with prior written consent of the CFO; and
  - (iv) Approve the following year's budget and implementation plan (paragraph 16.2).

## **10. ESTABLISHMENT PRINCIPLES OF A SPECIAL RATING AREA**

10.1 The process for establishing special rating areas as set out in Chapter 1 of the By-law, must be followed.

### **10.1.1 Initiation Phase**

- (a) The applicant must form a Steering Committee that is representative of property owners within the proposed special rating area.
- (b) The Steering Committee must keep a comprehensive portfolio of evidence of the establishment process.
- (c) The Steering Committee must meet with the CFO before commencing with the establishment process to ensure that the special rating area is the appropriate vehicle.
- (d) All documents relating to the establishment process must be approved by the CFO before circulating them to the public.
- (e) After the Steering Committee confirms in writing that it will engage in the pursuit of establishing a special rating area it must supply the Knysna Municipality with a map depicting the boundaries of the special rating area.
- (f) The Knysna Municipality will extract a property database which the Steering Committee, with the assistance of the Municipality, must verify as correct. Any anomalies must be reported to the Municipality for remedial action.
- (g) All properties except municipal properties predominantly used for municipal purposes or properties exempted from paying property rates or receiving partial rates relief (paragraph 7.1) will form part of the property database of the proposed special rating area.
- (h) After the Knysna Municipality has prepared a total arrears profile of the area and is satisfied with the outcome thereof the Steering Committee may proceed with the establishment process.
- (i) The Steering Committee will be required to conduct an urban management survey (only one survey per property owner) of not less than 20% of properties in the database (proportional split in terms of the usage code is required). In addition, a random sample of people within the area, which is equal in number to not less

than 5% of the properties in the database, is also required. Where a reduction in the number of survey forms is required it may be motivated for consideration by the CFO.

- (j) The Steering Committee must consult with the respective Knysna Municipality Directorate(s) regarding the current service(s) provided and the levels thereof as well as the SRA anticipated service(s) and level thereof.
- (k) The Steering Committee must compile a business plan in accordance with the provisions of paragraph 11 of this Policy.

#### 10.1.2 First Public Meeting

- (a) The public meeting must be conducted in accordance with section 4 of the By-law.

#### 10.1.3 Obtaining Support

- (a) Support may only be obtained after the public meeting and on the consent form provided by the Knysna Municipality.
- (b) All support forms must be filed and cross-referenced to the property database in terms of paragraph 10.1.6 of the Policy to verify the accuracy thereof.
- (c) Any property owner that wants to object to the establishment of a special rating area or to the provisions of the business plan can do so by indicating it on the consent form. The objector will be required to submit an objection letter once an application for the establishment of a special rating area is submitted to Council.

#### 10.1.4 Application

- (a) An application must be submitted in terms of paragraph 11 of this Policy.
- (b) The application must be advertised in terms of paragraph 9.1.2(f) and also set a date for a second public meeting to occur not more than twenty days or less than seven days before the objection period closes.
- (c) Prior to submitting an application, the Steering Committee will be required to set up a website that displays the following:
  - (i) Application letter;

- (ii) Business plan;
  - (iii) Urban management perception report;
  - (v) Public meeting presentations and minutes;
  - (vi) By-law;
  - (vii) Policy;
  - (viii) SRA frequently asked questions;
  - (ix) Notices; and
  - (x) Blank consent / objection form.
- (d) The special rating area application must be submitted by 30 September of the financial year preceding the establishment of the special rating area. The CFO may extend this date if a properly motivated request is received. This will depend on Council's ability to accommodate the late application within the budget process.

#### 10.1.5 Objections

- (a) Consents and objections will be considered only if they are submitted to Council by the last day specified in the application notice.
- (b) Property owners objecting to the establishment of a special rating area in terms of paragraph 10.1.5(a) must do so in writing and include a motivation for their objection.
- (c) The Steering Committee must engage with all the objectors and provide them and Council with minutes of these meetings. The objector/s will be allowed to respond to the minutes.
- (d) Any property owner who wants to make oral representations for submission to Council in terms of section 6(4) of the By-law will be assisted by an official to document this for inclusion in the report to be considered by Council.

#### 10.1.6 Inaugural Phase

- (a) The process and appointment of all service providers must be communicated to

the property owners on the NPC's website and in newsletters.

- (b) The application form to become a member of the NPC must also be available on the website.
- (c) Any special rating area that is approved more than nine months prior to the effective date may:
  - (i) Delay the implementation of the special rating area and commence with year two of the business plan. This will imply that the term is effectively reduced by one year; or
  - (ii) Implement the original business plan.

## **11. BUSINESS PLAN CONTENT**

11.1 The business plan comprises of the following:

- 1.1.1 A motivation report;
- 1.1.2 An implementation plan; and
- 1.1.3 A term budget.

### **11.2 Motivation report**

11.2.1 The motivation report must contain the following:

- (a) Introduction:
  - (i) An executive summary of the improvement or upgrade proposed for the special rating area as set out in the business plan;
  - (ii) An explanation of how the proposed improvement or upgrade is linked to the geographical area of the proposed special rating area;
  - (iii) An explanation of why the proposed special rating area will not reinforce existing inequities in the development of the Knysna Municipality;
  - (iv) An explanation of how the special rating area, if determined, will be consistent with the Knysna Municipality's IDP as per the Service

Departments' business plans; and

- (v) An explanation of the institutional arrangements proposed in relation to the special rating area;
- (b) Vision;
- (c) Mission;
- (d) Goals;
- (e) A diagram clearly indicating the boundaries of the proposed special rating area;
- (f) Proposed management structure:
  - (i) Composition of special rating area board including allocation of portfolios; and
  - (ii) Operational arrangements;
- (g) Services and service providers to be appointed as contemplated in paragraphs 3.1.3 and 10.1.6(a).
- (h) Financial Impact:
  - (i) Provide details regarding the calculation of the additional rate;
  - (ii) Provide details of criteria to qualify for exemption from paying the additional rate as per paragraph 10.1.1(g);
- (i) A list of all rateable properties within the proposed special rating area, contact details of all property owners and the value of each property as set out in the Council's general valuation roll. Differentiation between categories of properties, as provided for in section 8 of the Property Rates Act, must be considered;
- (j) Proof of the consent of the majority of the members of the local community in the proposed special rating area who will be liable for paying the additional rate;
- (k) Proof of the notice of the public meeting or meetings contemplated in the By-law;
- (l) Minutes of the public meeting or meetings; and

- (m) Compilation date.

### 11.3 Implementation plan

11.3.1 The implementation plan is a schedule of goals to implement improvements or upgrades as per the motivation report and must at least address the following:

- (a) Milestones;
- (b) Tasks per milestone;
- (c) Start and finish date per task;
- (d) Assign responsibility per goal, milestone & task; and
- (e) Performance indicators per milestone.

### 11.4 Term budget

11.4.1 The budget for the proposed improvements or upgrades must at least address the following:

- (a) An annual budget per line item commencing on 1 July of the first year and ending on 30 June of the last year of the term; and
- (b) A budget split for the provision of improvements or upgrades between the different categories of properties.

11.4.2 Subject to the provisions of the Property Rates Act, the additional rate in any category of property must not exceed 25% of the municipal property rate. Any deviation must be fully motivated to Council for consideration.

## **12. ANNUAL REQUIREMENTS**

12.1 The NPC must confirm the property data base which the Steering Committee must verify as correct or report anomalies to the Knysna Municipality for remedial action.

12.2 The NPC must hold its AGM before 31 December as per the MOI requirements.

12.3 Within two months of the end of each financial year the NPC must provide the CFO with its

Audited Financial Statements for the immediately preceding year.

- 12.4 Within three months after the AGM the NPC must provide Council with its audited Financial Statements for the immediately preceding year and an Annual Report on its progress in carrying out the provisions of the Business Plan in the preceding year to improve and upgrade the Special Rating Area.
- 12.5 The NPC must submit an annual budget and implementation plan for comment by the CFO before approval at the AGM (paragraph 16.2), and ensure that -
- (a) The quantum of financial reserves is not less than two months of revenue received from the Knysna Municipality in terms of the approved budget per SRA except if these funds have been duly allocated to a project; and
  - (b) The implementation plan is aligned with the proposed budget.
- 12.6 The submission of the annual budget and implementation plan as referred to in paragraph 12.5 will be subject to approval by Council during the Municipality's annual budget process.
- 12.7 The NPC must by 31 January each year provide the CFO with a mid- year performance scorecard based on the activities set out in the implementation plan.
- 12.8 The NPC will within one month after the AGM provide the CFO with draft minutes of the AGM to ensure compliance with the legal requirements.

### **13. AMENDMENT TO THE BUSINESS PLAN**

- 13.1 In the event that a NPC seeks to amend the boundaries of the SRA and/or the business plan content then the procedures set out in section 13 of the By-law must be followed and submitted by 30 September.
- 13.2 The following factors, although not limited to, must be addressed in the motivation:
- 13.2.1 Explanation of impact on costs, budget and implementation plan expectations;
  - 13.2.2 Cross subsidisation by existing members;
  - 13.2.3 Fairness and equity;
  - 13.2.4 Affordability and sustainability of the existing SRA;



- 13.2.5 Intention of the legislation prescribing that all property owners; must be allowed to participate in the formation of a SRA;
- 13.2.6 Priorities of the new area may differ from the existing SRA priorities; and
- 13.2.7 Arrears profile
- 13.3 The boundary changes must not affect the vested rights of existing property owners as per the Business Plan.
- 13.4 Boundary changes are subject to the following criteria:
  - 13.4.1 Obtaining by special resolution the support from existing NPC members at a members meeting before expansion is pursued;
  - 13.4.2 Determining the profile of the new total SRA as it could change from non-residential to residential and vice versa;
  - 13.4.3 Obtaining the required majority support from the property owners in the new area only, based on the determination referred to in paragraph 13.4.2; and
  - 13.4.4 Any geographical boundary changes must be continuous with the existing SRA geographical area.
- 13.5 Property owners in the new area must follow the establishment process as per Chapter 1 of the By-law.

#### **14. EXTENSION OF THE SRA TERM**

- 14.1 In the event that a NPC seeks to extend the term of the special rating area for a further period then the procedures set out in section 14 of the By-law must be followed.

#### **15. DISSOLUTION**

- 15.1 The special rating area may be dissolved by resolution of the Council in terms of section 15 of the By-law. Thereafter the management body may be wound up in terms of the provisions of section 15 of the By-law and the NPC's MOI.

#### **16. FINANCIAL CONTROL**

- 16.1 As stated in the By-law, the amount of any additional rate levied in a special rating area is

determined by Council. The additional rate is imposed by the Council, is a debt owing to the Knysna Municipality and is payable and collected in the same manner as other property rates imposed by the Council.

- 16.2 The NPC must submit an annual budget as approved at an AGM or Special General Meeting (**SGM**) to the Knysna Municipality by 31 January, with appropriate motivation including an implementation plan for the next financial year, and the Council will consider the recommendation during its budgeting process.
- 16.3 Before the Knysna Municipality will pay over any additional rate collected to the NPC, the NPC and the Knysna Municipality must have concluded a written finance agreement regulating, amongst other things:
  - 16.3.1 The mechanisms and manner of payment;
  - 16.3.2 How the additional rate is to be held by the NPC;
  - 16.3.3 Any parameters relating to expenditure; and
  - 16.3.4 Any obligations on the NPC to take out and maintain appropriate insurance.
- 16.4 The CFO may request a forensic audit should he deem it necessary.
- 16.5 The CFO may request a special board meeting.
- 16.6 The CFO may amend the percentage retained as a provision for bad debt for SRA's with high arrears, as contemplated in the Finance Agreement concluded between the Knysna Municipality and each SRA, should he/she deems it necessary.

## **17. COMMENCEMENT AND IMPLEMENTATION**

- 17.1 This Policy will come into effect on **1 July 2026**.
- 17.2 Where the Knysna Municipality is legally empowered to do so, requirements set out in this Policy may be imposed as conditions attached to the determination of a special rating area.
- 17.3 This Policy and its implementation must be reviewed annually.

## **18. COSTS**

- 18.1 Unless otherwise agreed by the Municipal Manager or his/her nominee, the Knysna Municipality shall not be liable for any costs incurred by ratepayers within the relevant proposed special rating area in respect of the implementation of the steps set out in this Policy and in the By-law.

## **19. SHORT TITLE**

- 19.1 This policy will be referred to as the **Special Rating Area Policy of the Knysna Municipality**.



**KNYSNA**  
Municipality Munisipaliteit uMasipala

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**2026/27**

# **CONTRACT MANAGEMENT**

**1 July 2026**

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## 1. PRE-AMBLE

All transactions undertaken by the Knysna Municipality involves a contract whether explicitly agreed in writing, or implicitly implied through actions.

Properly managed contracts by all stakeholders involved, can ensure that services are delivered within specifications as set and agreed by all during the specifications phase and at the agreed cost, (Inclusive of escalation clauses in contracts) time period and qualities of the goods and services procured.

All contracts must be managed throughout the contract Life Cycle, based on the level of management control appropriate for the classification of that contract.

Improperly managed contracts may impact negatively on service delivery. Adverse effects of ineffective contract management include but are not limited to:

- 1.1 goods and services outside of specification;
- 1.2 cost overruns;
- 1.3 poor suppliers, buyer or other stakeholder relations;
- 1.4 negative public perception, and
- 1.5 potentially complete service delivery failures.
- 1.6 irregular expenditure or un-authorized expenditure

Hence, good contract management by all stakeholders involved is essential for good financial management and will contribute greatly to the effectiveness and efficiency of service delivery. In effect it would give strategic direction to all directorates following a centralised strategy of contract management. This policy must be read in coincidence with the SCM, Preferential procurement and Infrastructure SCM policies of the Knysna Municipality.

## 2. DEFINITIONS:

In this Policy, unless the context indicates otherwise-

|                                                                     |                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Accounting Officer</b><br><i>(in relation to a municipality)</i> | means the municipal official referred to in section 60 of the MFMA (2003); and include a person acting as the accounting officer.                                                                                                                                                                                                                  |
| <b>Act or MFMA</b>                                                  | means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);                                                                                                                                                                                                                                                           |
| <b>Circular 62</b>                                                  | means communication from National Treasury by means of a Circular to enhance compliance and accountability to SCM Regulations and the MFMA of 2003.                                                                                                                                                                                                |
| <b>Construction Industry Development Board (CIDB):</b>              | means the Construction Industry Development Board (CIDB), a national body established by an Act of Parliament (Act 38 of 2000) to oversee the sustainability and growth of construction enterprises across the country.                                                                                                                            |
| <b>Contract</b>                                                     | means the agreement that results from the acceptance of a bid by the Municipality (mutual agreement)                                                                                                                                                                                                                                               |
| <b>Contract Alteration</b>                                          | means changing technical writing or input errors to the agreement of the contract without changing the scope of contract.                                                                                                                                                                                                                          |
| <b>Contract Amendment</b>                                           | means changing the scope, nature, duration, purpose or objective of the agreement or contract (In context of Circular 62 and section 116 (3) of the MFMA).                                                                                                                                                                                         |
| <b>Contract Champion</b>                                            | means the official/s within a specific department, responsible for all day-to-day administrative and management activities (including performance management and dispute resolution) during the life cycle of the contract (with delegated powers to perform this function).                                                                       |
| <b>Contract Management</b>                                          | means the holistic term of all role players involved in an agreement (SLA/SDA) or contract and include the; SCM Contract Practitioner, contract director, contract owner, contract champion and supplier.                                                                                                                                          |
| <b>SCM Contract Practitioner</b>                                    | means the SCM official responsible for monitoring, regulating and reporting on all contract related activities as set out in Section 116 of the MFMA.                                                                                                                                                                                              |
| <b>Contract Owner</b>                                               | means the deputy director, senior manager or manager, as the case may be, that is ultimately accountable for all activities during the life cycle of the contract. The Contract Owner can also be seen as the Budget holder.                                                                                                                       |
| <b>Contract Director</b>                                            | Appointment according to sect 56 of the Systems Act                                                                                                                                                                                                                                                                                                |
| <b>Delegation</b><br><i>(in relation to a duty)</i>                 | Includes an instruction or request to perform or to assist in performing the duty.                                                                                                                                                                                                                                                                 |
| <b>Force Majure</b>                                                 | Is the expression used to denote irresistible superior force which might cause damage or prevent the execution of an obligation, therefore suppliers is not liable for damages caused by force majeure or for failure to carry out a contract if prevented (Term and conditions in this regard will be determined by every individual contract/s). |
| <b>Official</b><br><i>(In relation to a municipality)</i>           | means: <ul style="list-style-type: none"> <li>• an employee of a municipality;</li> <li>• a person seconded to a municipality to work as a member of the staff of the municipality; or</li> <li>• a person contracted by a municipality to work as a member of the staff of the municipality otherwise than as an employee.</li> </ul>             |
| <b>Users</b>                                                        | Means all officials as set out in the organogram of the Knysna Municipality involved with contracts.                                                                                                                                                                                                                                               |
| <b>User Department</b>                                              | Refers to the official/s within the relevant department of a directorate, as set                                                                                                                                                                                                                                                                   |

|  |                                                                                       |
|--|---------------------------------------------------------------------------------------|
|  | out in the organogram of the Knysna Municipality responsible for contract management. |
|--|---------------------------------------------------------------------------------------|

### 3. ABBREVIATIONS:

|               |                                                                                        |
|---------------|----------------------------------------------------------------------------------------|
| <b>BEE</b>    | Black economic empowerment                                                             |
| <b>B-BBEE</b> | Broad-Based Black Economic Empowerment                                                 |
| <b>GCC</b>    | means General Conditions of contract.                                                  |
| <b>MSA</b>    | means Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000).              |
| <b>NT</b>     | means National Treasury established by section 5 of the Public Finance Management Act. |
| <b>SCC</b>    | means Special Conditions of Contract.                                                  |
| <b>SCM</b>    | means Supply Chain Management.                                                         |
| <b>SDA</b>    | means Service Delivery Agreement.                                                      |
| <b>SLA</b>    | means Service Level Agreement.                                                         |

### 4. OBJECTIVES:

- 4.1 To give effect to Section 217 of the Constitution of South Africa (1996) that stipulate:
  - 4.1.1 When an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system that is:
    - 4.1.1.1 equitable
    - 4.1.1.2 transparent
    - 4.1.1.3 competitive
    - 4.1.1.4 cost-effective and
    - 4.1.1.5 fair
- 4.2 The effective and efficient control of contracts procured through the SCM system ensuring:
  - 4.2.1 proper recording and enforcement of contracts throughout the contract life cycle (specifications to contract reviews);
  - 4.2.2 support to the demand management framework as set out in Circular 62 of National treasury (August 2012), optimizing proper planning, resulting in effective service delivery;
  - 4.2.3 management of Contract Performance;
  - 4.2.4 compliance with the regulatory framework;
  - 4.2.5 to assist officials in understanding their legal and managerial responsibilities with regards to contract management;
  - 4.2.6 the optimization of efficient and sustainable financial wellbeing of the municipality, resulting in lower cost drivers, and
  - 4.2.7 the continuous development of effective Management Information systems, resulting in strategic support and risk preventions.
- 4.3 To ensure that no contract procurement of goods and services (excluding land sales or rentals of Knysna Municipal Assets, which are managed by Property Management Services), takes place outside of the SCM System.





## 5. STATUTORY AND REGULATORY FRAMEWORK FOR MANAGING CONTRACTS

### 5.1 Application and Framework of the Contract Management Policy

5.1.1 All officials and other role players in the Supply Chain Management system of the Knysna Municipality must implement this Policy in a way that gives effect to:

- 5.1.1.1 Section 217 of the Constitution;
- 5.1.1.2 Section 116 of the MFMA;
- 5.1.1.3 Section 33 of the MFMA;
- 5.1.1.4 SCM Policy;
- 5.1.1.5 SCM Regulations
- 5.1.1.6 any other legislation pertaining to SCM.

5.1.2 This Policy applies when the Municipality:

- 5.1.2.1 procures goods or services;
- 5.1.2.2 disposes of goods no longer needed; and
- 5.1.2.3 selects service providers and suppliers to provide assistance in the provision of municipal services including circumstances where Chapter 8 of the Municipal Systems Act applies.

### 5.2 Adoption, Amendment and Implementation of the Contract Management Policy

5.2.1 The accounting officer must:

- 5.2.1.1 at least annually review the implementation of this Policy; and
- 5.2.1.2 when the accounting officer considers it necessary, submit proposals for the amendment of this Policy to Council;
- 5.2.1.3 in terms of section 62(1) (f) (IV) of the Act, take all reasonable steps to ensure that the Contract Management Policy is implemented.

### 5.3 Conditions of Contract

5.3.1 A contract or agreement procured through the Supply Chain Management System of the Municipality must:

- 5.3.1.1 be in writing;
- 5.3.1.2 stipulate the terms and conditions of the contract or agreement, which must provide for:
  - 5.3.1.2.1 the termination of the contract or agreement in the case of non- or underperformance;
  - 5.3.1.2.2 dispute resolution mechanisms to settle disputes between the parties;
  - 5.3.1.2.3 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
  - 5.3.1.2.4 any other matters that may be prescribed.



#### 5.4 Administrative Capacity

- 5.4.1 The relevant Director, with delegated powers from the Municipal Manager, must establish capacity in his/her directorate to assist the accounting officer in carrying out the duties set out in section 116(2) of the MFMA.

#### 5.5 Management of Contracts

- 5.5.1 The accounting officer and delegated officials must take all reasonable steps to:
  - 5.5.1.1 ensure that a contract or agreement procured through the supply chain management policy of the municipality is properly enforced;
  - 5.5.1.2 monitor on a monthly basis the performance of the contractor under the contract or agreement.
  - 5.5.1.3 administrate the contract with the necessary competencies and delegations, ensuring effective management of contracts.
- 5.5.2 The Contract Owner must ensure that contract champions submit suppliers' performance reports to the SCM Contract Practitioner within 5 business days after the end of each month.
- 5.5.3 The SCM Contract Practitioner submits a consolidated report to the relevant Director and Contract Owner within 10 business days after the end of each month for purposes of Section 116 (2)(b) of the Act.
- 5.5.4 The SCM Contract Practitioner submits a consolidated report on the performance of contracts or agreements for purposes of Section 116 (2) (d), to the Accounting Officer within 15 business days of the end of each quarter.

#### 5.6 Amendment of Contracts

- 5.6.1 A contract or agreement procured through the supply chain management policy of the municipality may be amended by the parties, in exceptional circumstances in order to mitigate abuse, in perception after the fact to prevent financial inefficiencies and influencing financial sustainability.
- 5.6.2 In terms of Section 116(3) of the MFMA, (56 of 2003), amendments (in compliance with SCM procedures), may only be made after:
  - 5.6.2.1 the reasons for the proposed amendment have been tabled in the council; and
  - 5.6.2.2 the local community has been given reasonable notice of the intention to amend the contract or agreement; and
  - 5.6.2.3 has been invited to submit representations to the municipality.
- 5.6.3 Amendments of contracts where the expansion or variation is not more than (NT Circular 62):
  - 5.6.3.1 20% (construction related goods, services and/or infrastructure projects), and
  - 5.6.3.2 15% (all other goods and/or services) of the original value of the contract must be submitted directly to the Contract Management Office for approval and further reference to the SCM committee system for approval.

- 5.6.4 Amendments of contracts where the expansion or variation is more than the threshold prescribed by National Treasury (Circular 62), must be dealt with in terms of the provisions of section 116(3) of the MFMA, and are exempt from this process.
- 5.6.5 Amendments to the contract, without influencing the value or term of the contract, within the scope of the original terms and conditions, may be altered, provided that both parties have consensus on the amendment and the contract amendment is in writing and signed by both parties.
- 5.6.6 No agreement to amend or vary a contract shall be valid and of any force unless such agreement to amend or vary is entered into in writing and signed by the contracting parties.
- 5.6.7 Section 33 of the MFMA will apply when an amendment has budgetary implications for a term longer than the 3 (three) financial years of the current year's budget, (Section 116 (3) of the MFMA will be followed with section 33, when amending an existing contract for longer than 3 years). It remains the responsibility of the user department to give effect to section 33, following due process, as stipulated in Section 33 of the MFMA. The SCM Contract Management office will support the relevant user department in order to ensure that compliance to all SCM legislation is adhered to.

## 6. MAINTENANCE AND CONTRACT ADMINISTRATION

- 6.1 Contract administration includes all administrative duties associated with a contract once it is adjudicated and implemented.
- 6.2 No rights in terms of an awarded contract will accrue before the SCM appeal period and/or appeal has been finalised.
- 6.3 The contract should be signed by all parties concerned (The relevant official should also ensure that the suppliers have the delegated powers to sign and amend the contractual agreement).
- 6.4 The contract will only be enforceable after all the signatures of the relevant parties are documented.
- 6.5 A signed service level agreement (if applicable) must be compiled and signed by the Accounting Officer which will incorporate all the relevant sections of the tender documentation.
- 6.6 All once-off purchases shall have a specified end delivery date.

## 7. ROLES AND RESPONSIBILITIES OF OFFICIALS:

- 7.1 SCM Contract Practitioner.
  - 7.1.1 The SCM Contract Practitioner is the SCM official responsible for system administration, status and SCM performance reporting on all contracts related activities.
  - 7.1.2 For the purposes of **contract management** activities performed by the relevant role players, the SCM Contract Practitioner will monitor and report on the following activities:
    - 7.1.2.1 identification and classification of contracts for management purposes in terms of the SCM processes;
    - 7.1.2.2 recognition, measurement and disclosure;

- 7.1.2.3 oversight of contract management as is provided for in this policy;
- 7.1.2.4 document and information management;
- 7.1.2.5 relationship management;
- 7.1.2.6 performance management;
- 7.1.2.7 compile and maintain a contract register;
- 7.1.2.8 notify the contract owner 6 months before the contract lapse;
- 7.1.2.9 retention management;
- 7.1.2.10 comment and assist with processing of variation orders and contract extensions;
- 7.1.2.11 maintain the retention, variation order and extension registers;
- 7.1.2.12 contract risk management.

## 7.2 Contract Champion.

- 7.2.1 The contract champion is responsible for the following activities:
  - 7.2.2.1 ensuring that all the necessary legal formalities in entering into the contract are adhered to;
  - 7.2.2.2 ensuring that all applicable contract information is maintained in the applicable electronic contract system;
  - 7.2.2.3 ensuring that purchase orders are processed on the financial system in accordance with the pricing schedule and contract period and that invoices are signed off accordingly;
  - 7.2.2.4 maintaining adequate records (paper and/or electronic) in sufficient detail on an appropriate contract file to provide an audit trail;
  - 7.2.2.5 inform the Asset Management section of the Expenditure Department of the location of newly procured assets for asset register and insurance purposes and inform the Stores section if new items are required for maintenance purposes that is not on the stock register;
  - 7.2.2.6 where appropriate, in terms of Council's Delegations, authorise invoices due for payment;
  - 7.2.2.7 to take appropriate action in consultation with the contract owner and the SCM Contract Practitioner, where a contractor is underperforming or is in default or breach of the contract; and
  - 7.2.2.8 ensure performance of suppliers is managed appropriately to the terms and conditions of the contract.

## 7.3 Contract Owner

- 7.3.1 The contract owner is responsible for ensuring that contract champions are assigned to all contracts.
- 7.3.2 The contract owner is ultimately responsible for management of the activities.

## 7.4 Contract Director

7.4.1 The contract director is responsible for signing of contracts with the relevant service provider, in line with the Delegation of Powers and Duties Policy.

7.4.2 The contract director is ultimately accountable for the contract.

## **8. RECORD KEEPING**

- 8.1 Proper records regarding all aspects of the contract must be maintained and kept in accordance with relevant legislation.
- 8.2 All communication related to contracts must be linked to the master document on the electronic system, by the relevant official.
- 8.3 Safe custody of all contract documents must be enforced by all relevant users.
- 8.4 Contract Champions and Contract Owners are responsible for the electronic capturing of the contract information and maintenance thereof on the Contract Management system.
- 8.5 The original signed contract must be sent to the records department (by the contract management office) for safekeeping and storage.
- 8.6 The records department is responsible for the administration of archived contract documentation.

## **9. CONTRACTS HAVING BUDGETARY IMPLICATIONS BEYOND THREE FINANCIAL YEARS**

Knysna Municipality may not enter into any contract that will impose financial obligations beyond the three years covered in the annual budget for that financial year, unless the requirements of Section 33 of the Municipal Finance Management Act have been fully complied with.

## **10. RESOLUTION OF DISPUTES, OBJECTIONS, COMPLAINTS AND QUERIES:**

The accounting officer is responsible to establish a dispute resolution mechanism as per paragraph 5.3.1.2.2 and also as required by section 116(1) of the MFMA and paragraph 50 of the SCM Policy.

## **11. CONTRACT PRICE ESCALATIONS:**

- 11.1 An appropriate contract price adjustment formula or specified terms of escalation must be specified in the bid documents
- 11.2 Escalation notification must be in writing and presented before the implementation date thereof.
- 11.3 User departments are responsible to manage, verify and implement price escalations as per originally agreed terms and conditions set out in the specifications of the contract and keep proof of evidence to the newly agreed escalations on the system for all other relevant stakeholders to access.

## **12. PERFORMANCE ON CONTRACTS:**

- 12.1 In terms of the SCM Policy and the Municipal Systems Act, the accounting officer must 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.

12.1.1 Municipality's Performance:

- 12.1.1.1 The municipality is required to pay creditors within 30 days of receiving all relevant invoice statements.
- 12.1.1.2 The municipality is also required to create a favourable environment to receive services and goods without preventing the supplier to perform their duties.
- 12.1.1.3 All parties involved must perform according to the terms and conditions of the relevant contract, while the contract is alive.

12.2.1 Supplier Performance:

- 12.2.1.1 The supplier of goods and services is required to perform as per terms and conditioned agreed upon and should inform the municipality if circumstances prevent them to perform, with reasons provided, within 5 working days (to be included in all contracts).
- 12.2.1.2 For all relevant deviations from the agreed terms and conditions of any contract, the key performance indicators (KPI's) should be reviewed as well as the alignment with the strategic objectives established in the IDP.
- 12.2.1.3 Suppliers performance will be reviewed by Knysna Officials on a monthly basis (every 25<sup>th</sup> of the month) giving effect to section 116 of the MFMA, 2003
- 12.2.1.4 Prescribed procedures to evaluate service providers must be complied with.

**THE FOLLOWING PROCEDURES NEED TO BE FOLLOWED:**

1. The requirements of this policy must be included in the contract of the service provider.
2. The Contract owner must assess the performance of the service provider under the contract or service level agreement monthly.
3. The assessment must be completed in the contract management system.
4. The Contract owner must complete the Service Provider Assessment on the contract management at the end of each month.
5. The quarterly assessment and reporting must be completed within 15 working days after the end of each quarter.
6. The Contract owner must provide a copy of the assessment to the Service Provider at the end of each quarterly assessment period and on completion or termination of the contract.
7. Supply Chain Management Unit (Contract Management Office) will review the quarterly Service Provider assessments within 20 days after the end of each quarter and submit a summary report to the Accounting Officer.
8. The Accounting Officer need to develop the necessary forms and report structures to be utilised to manage the above processes. The forms and reporting requirements need to be reviewed on a regular basis.
9. In the instance of under-performance:
  - a. The Municipality will facilitate support interventions to service providers in the identified areas of underperformance.



- b. Service providers who have been identified as under-performing in identified areas must be informed of these support interventions.
- c. The Contract owner must monitor the impact of support interventions.
- d. Corrective action should be documented in writing within the contract management system
- e. The records of the support interventions must be documented, signed by both parties and appropriately filed in the contract management system.

### 13. REVIEW OF CONTRACTS

- 13.1 In terms of section 116 (1) of the MFMA, a contract or agreement procured through the Supply Chain Management system must have a periodic review once every three years in the case of a contract or agreement that are longer than three years.
- 13.2 The contract owner or champion must conduct, as appropriate, within 3 months after the expiry of contracts, post contract reviews.

### 14 IMPLEMENTATION AND REVIEW PROCESS

This policy will come into effect on 01 July 2025

This policy will be reviewed at least annually or when required by way of a Council Resolution.

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|----------------------------|-------------------------|
| <b>POLICY SECTION:</b>     | <b>MANAGER: SCM</b>     |
| <b>CURRENT UPDATE</b>      | <b>3</b>                |
| <b>PREVIOUS REVIEW</b>     | <b>01 March 2025</b>    |
| <b>REVIEW DATE</b>         | <b>01 February 2026</b> |
| <b>APPROVAL BY COUNCIL</b> |                         |