

Blouberg Municipality

BUDGET AND TREASURY OFFICE

Budgeting Policy & User Manual

Blouberg Municipality

This documents defines the policies and procedures regarding Blouberg Municipality's Budget Processes

BUDGET POLICY

2021/22

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POLICY DOCUMENT

1. OVERVIEW

Entities and especially Municipalities must ensure that they have a sound financial plan in order to cater for their own needs, and the needs as determined by the community that the Municipality serves in providing services, infrastructure, and housing and poverty relief programs.

One of the most basic, but most important functions in achieving a sound financial plan is to provide the Municipality with an annual budget. The annual budget must guide the Municipality in determining its income and regulate its expenditure (operational and capital) for the financial year.

The annual budget must however not be seen as an individual document, must adhere and conform to rules and regulations as specified in the following acts and plans as determined by Government and the Municipality.

- Municipal Finance Management Act (Act 56 of 2003) (MFMA)
- Generally Recognised Accounting Practice (GRAP)
- The Constitution (Section 215(3))
- Budget Reforms as specified by National Treasury
- The Division of Revenue Act
- The National Budget
- The Provincial Budget
- The District Municipality's Budget
- The Integrated Development Plan of the Municipality (IDP)
- The Municipalities Credit Control Policy
- The Municipalities Indigent Policy
- The Municipalities Rates and Tariff Policies
- The Municipalities Approved Rates and Tariffs
- All other Policies of the Municipality that may have an influence on the Budget.
- Approved rates from third parties e.g. the National Electricity Regulator (NER) or the Water board.

The Municipality will have a sound foundation for financial planning and control if all aspects that can have a direct or indirect influence on the budget as stated above is taken into consideration.

With the introduction of this document Blouberg Municipality will strive to achieve the ultimate goal of the best service delivery under the applicable financial constraints.

2. AIM AND OBJECTIVES OF THIS DOCUMENT

2.2 Aim

This document is intended to set out the principles that the Blouberg Municipality will follow in preparing the annual budget as well as set out the responsibilities of and compilation (where applicable) of:

- The Mayor
- The Councillor responsible for Finance
- The Budget Committee
- The Council
- The Municipal Manager
- The Chief Executive Officer
- Heads of Departments
- Other Officials responsible in the budgeting process

2.2 Objectives

The objectives of this policy is to provide the Blouberg Municipality with the necessary work documentation and procedures (as listed below) to ensure that the Municipality is in a position to compile, implement, control and report on the annual budget of the Municipality as prescribed by the best practise, acts and internal workflows as mentioned in point 1 of this Policy.

Documentation and procedures:

- Budget Time Frame Management Document (Budget & related IDP Processes)
- Budgetary Planning
- Form and Contents of the Budget
- Draft Budget (Format, Processes, Templates and Formats and records to be used in preparation)
- Practical Guide on Budgeting
- Budget Approval
- Budget Submission to National Treasury
- Budget Control
- Budget Amendments (Overspending or Corrections to budget)
- Adjustment Budget
- Budget Reform (Templates and work procedures)
- Reporting Documentation – Internal and External

With the above the Municipality will be able to comply with legislation in preparing, maintaining and controlling the annual budget and budget processes.

3. Policy Authority and Responsibility

Any departures from the approved policies stated in this manual will require the prior written approval from the following authority and persons:

APPROVAL:	Blouberg Municipality: EXCO and Council
MAINTAINED BY:	Financial Division: Chief Financial Officer
IMPLEMENTED BY:	Blouberg Municipality: Finance Department
EXECUTION:	Blouberg Municipality: Budget and Treasury Office
SUPPORTED BY:	Finance Division: Chief Financial Officer

4. Budgeting Principles to be followed

4.1 Preparation Base

- The Annual Budget will be based on the Activity Based Costing Method (ABC)
- Except in so far as capital projects represent a contractual commitment to the Municipality extending over more than one financial year, the annual operational and capital budget shall be prepared from a **zero base** and will only be for one year.
- Necessary variations will be allowed to cater for an Activity Based Costing Method as an Incremental Approach that will enhance the level of service delivery output.

4.2 Approval of the Capital Budget

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

Before approving the capital budget component of the annual or adjustments budget, the Council shall consider the impact on the present and future operating budgets of the Municipality in relation to finance charges to be incurred on external loans, depreciation of fixed assets, maintenance of fixed assets, and any other ordinary operational expenses associated with any item on such capital budget. In addition, the Council shall consider the likely impact of such operation expenses – net of any revenues expected to be generated by such item – on future property rates and service tariffs.

4.3 Establishment of an Asset Financing Reserve

The Council shall establish an asset financing reserve for the purpose of financing capital projects and the acquisition of capital assets. Such reserve shall be established from the following sources of revenue:

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

- Interest on the investments of the asset financing reserve, appropriated in terms of the banking and investments policy;
- Further amounts appropriated as contributions in each annual or adjustments budget; and
- Net gains on the sale of fixed assets in terms of the fixed asset management and accounting policy.

4.4 Budgeting for a Surplus

Each annual and adjustments budget shall reflect realistic excess, however nominal, of current revenues over expenses.

4.5 Unappropriated Surpluses

Any unappropriated surplus from previous financial years, even if fully cash-backed, shall not be used to balance any annual or adjustments budget, but shall be appropriated, as far as it is not required to finance the payment of operating creditors or for other operational purposes, to the Municipality's asset financing reserve.

4.6 Operating Deficits

An impending operating deficit shall be made good in an adjustments budget, but if an operating deficit arises at the end of a financial year, notwithstanding the precautionary measures adopted by the Council, such deficit shall immediately be made good in the annual or adjustments budget for the ensuing financial year, and shall not be offset against any unappropriated surplus carried forward from preceding financial years.

4.7 Provision for Accrued Leave

The Municipality shall establish and maintain a provision for accrued leave entitlements equal to 100% of the accrued leave entitlement of officials as at 30 June of each financial year, and shall budget appropriately for contributions to such provision in each annual and adjustments budget.

4.8 Provision for Bad Debt Reserve

The Municipality shall establish and maintain a provision for bad debts in accordance with its rates and tariffs policies, and shall budget appropriately for contributions to such provision in each annual and adjustments budget.

4.9 Provision for Obsolete Stock

The Municipality shall establish and maintain a provision for the obsolescence and deterioration of stock in accordance with its stores management policy, and shall budget appropriately for contributions to such provision in each annual and adjustments budget.

4.10 Cash Funded Expenses

All expenses, including depreciation expenses, shall be cash-funded. The cash received in respect of depreciation expenses on fixed assets financed from external borrowings shall be transferred to the investments created to redeem such borrowings.

4.11 Finance Charges

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

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

4.12 Interest Allocations

The allocation of interest earned on the Municipality's investments shall be budgeted for in terms of the banking and investment policy.

4.13 Maintenance Provisions

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

4.14 Preparation of the Draft Operating Budget

In the preparation of the draft operating budget component of the annual budget, the allowable budgetary increment shall relate to the total amount provided for each budget vote, and the head of the department, service or function concerned shall have the right to allocate the total budgeted amount to the line-items within such vote, except in so far as the line-item provisions relate to matters determined by the chief financial officer in terms of the Municipality's approved policies and contractual and statutory commitments (for example, depreciation charges, finance charges, insurance costs, contribution to the COID, RSC levies payable, skills development levies payable).

4.15 Preparation of the Draft Operating Budget for Salaries

Notwithstanding the preceding principle, the budget for salaries, allowances and salaries-related benefits shall be separately prepared.

Reporting to Portfolio Committee

The head of the department, service or function to which each budget vote relates shall justify the allocation of the aggregate budget for such vote to the various line-items within the vote to the portfolio committee responsible for the department, service or function concerned. In motivating the allocations made to and within the vote, the head of department, service or function concerned shall provide the relevant portfolio committee with appropriate quarterly performance indicators and service delivery targets pertaining to the budget. Such indicators and targets shall be prepared with the approval of the municipal manager and the mayor.

4.17 Assessment Rates

In preparing its revenue budget, the Municipality shall strive to maintain the aggregate revenues from property rates at not less than 25% of the aggregate revenues budgeted for.

4.18 Budget versus Consumer Price Index

When considering the draft annual budget, the Council shall consider the impact, which the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households in the municipal area. The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts. Because households have no mechanism for passing on such increases to other parties, but must fully absorb the increases concerned, the Council shall ensure that the average additional impact of such increases is not more than the relevant increase in the consumer price index.

4.19 Contents of Annual Budgets and Supporting Documents

According to Section 17 of the Municipal Finance Management Act the Annual Budgets must be in the following format supported with the following documentation:

- The Budget must be in the Prescribed Format, and must be divided into a Capital and Operating Budget;
- The Budget must reflect the realistic expected Revenues by major sources;
- The Expenses reflected must be divided into votes;
- The Budget must set out the indicative revenue per source and projected expenditure for the two Financial Years following the Budget Year
- When the Budget is tabled in terms of Section 16 (2) it must be accompanied by the following documents:
 - (a) Draft resolutions—
 - (i) Approving the budget of the municipality;
 - (ii) Imposing any municipal tax and setting any municipal tariffs as may be required for the budget year; and
 - (iii) Approving any other matter that may be prescribed;

- (b) Measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the municipality's integrated development plan;
 - (c) A projection of cash flow for the budget year by revenue source, broken down per month;
 - (d) Any proposed amendments to the municipality's integrated development plan following the annual review of the integrated development plan in terms section 34 of the Municipal Systems Act;
 - (e) Any proposed amendments to the budget-related policies of the municipality;
 - (f) Particulars of the municipality's investments;
 - (g) Any prescribed budget information on municipal entities under the sole or 20 shared control of the municipality;
 - (h) Particulars of all proposed new municipal entities which the municipality intends to establish or in which the municipality intends to participate;
 - (i) Particulars of any proposed service delivery agreements, including material amendments to existing service delivery agreements;
 - (j) Particulars of any proposed allocations or grants by the municipality to—
 - (i) Other municipalities;
 - (ii) Any municipal entities and other external mechanisms assisting the municipality in the exercise of its functions or powers;
 - (iii) Any other organs of state;
 - (iv) Any organisations or bodies referred to in section 67(1);
 - (k) The proposed cost to the municipality for the budget year of the salary, allowances and benefits of—
 - (i) Each political office-bearer of the municipality;
 - (ii) Councillors of the municipality; and 35
 - (iii) The municipal manager, the chief financial officer, each senior manager of the municipality and any other official of the municipality having remuneration package greater than or equal to that of a senior manager;
 - (l) 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—
 - (i) Each member of the entity's board of directors; and
 - (ii) The chief executive officer and each senior manager of the entity; and
 - (m) Any other supporting documentation as may be prescribed.
- Funding of expenditure.

5. LEGAL REQUIREMENTS

Legal Requirements reflected in this policy document is direct extractions from the Municipal Finance Management Act. (Act No. 56 of 2003)

5.1 Section 15: Appropriation of Funds for Expenditure

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 budget vote.

5.2 Section 16: Annual Budgets

The Council of the Municipality must approve the annual budget before the start of the financial year to which it relates.

The Mayor must table the annual budget at least ninety days before the start of such financial year.

The capital budget may extend over three years, provided that it is separated into annual appropriations for that period.

5.3 Section 17: Contents of Annual Budgets and Supporting Documents

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

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

The expenses reflected in the budget must be divided into votes.

The budget must also contain the foregoing information for the two financial years following the financial year to which the budget relates, as well as the actual revenues and expenses for the year before the current year, and the estimated revenues and expenses for the current year.

The budget must be accompanied by all the following documents:

- Draft resolutions approving the budget and levying property rates, other taxes and tariffs for the financial year concerned;
- Draft resolutions (where applicable) amending the IDP and the budget-related policies;

- Measurable performance objectives for each budget vote, taking into account the Municipality's IDP;
- The projected cash flows for the financial year by revenue sources and expenditure votes;
- Any proposed amendments to the IDP;
- Any proposed amendments to the budget-related policies;
- The cost to the Municipality of the salaries, allowances and other benefits of its political office bearers and other Councillors, the municipal manager, the chief financial officer, and other senior managers;
- 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 NGOs, welfare institutions and so on;
- Particulars of the Municipality's investments; and
- Various information in regard to municipal entities under the shared or sole control of the Municipality.

5.4 Section 18: Funding of Expenditure

The budget may be financed only from:

- Realistically expected revenues, based on current and previous collection levels;
- Cash-backed funds available from previous surpluses where such funds are not required for other purposes; and
- Borrowed funds in respect of the capital budget only.

5.5 Section 19: Capital Projects

A Municipality may spend money on a capital project only if the money for the project (including the cost of any required feasibility studies) has been appropriated in the capital budget.

The total cost of the project must also be approved by the Council.

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

Before approving a capital project, the Council must consider the projected cost of the project over all the ensuing financial years until the project becomes operational, as well as the future operational costs and any revenues which may arise in respect of such project, including the likely future impact on property rates and service tariffs.

5.6 Section 20: Matters to be prescribed

The Minister of Finance must prescribe the form of the annual budget, and may further prescribe a variety of other matters, including the inflation projections which the Municipality must use in compiling its budget.

The Minister may also prescribe uniform norms and standards in regard to the setting of tariffs where a Municipality entity or other external mechanisms is used to perform a municipal service; and may also take appropriate steps to ensure that a Municipality does not, in exceeding its fiscal powers, materially and unreasonably prejudice national economic policies (particularly on inflation, administered pricing and equity), economic activities across municipal boundaries, and the national mobility of goods, services, capital or labour.

5.7 Section 21: Budget Preparation Process

The Mayor of the Municipality must:

- Co-ordinate the processes for preparing the annual budget, and for reviewing the Municipality's IDP and budget-related policies to ensure that the budget, the IDP, and the policies are mutually consistent and credible.
- At least ten months before the start of the ensuing financial year, table in the Council the time schedule with key deadlines for the preparation, tabling and approval of the following year's annual budget, the review of the IDP and budget-related policies, and the consultative processes required in the approval of the budget.
- When preparing the annual budget, take into account the Municipality's IDP, the national budget, provincial budget, the National Government's fiscal and macro-economic policies, and the annual Division of Revenue Act.
- Take all reasonable steps to ensure that the Municipality revises its IDP in line with realistic revenue and expenditure projections for future years.
- Consult the district Municipality (if it is a local Municipality) and all other local municipalities in the district, and all other local municipalities in the district if it is a district Municipality.
- Consult the National Treasury when requested, the Provincial Treasury, and such other provincial and national organs of state as may be prescribed.
- Provide, on request, any budget-related information to the National Treasury, other national and provincial organs of state, and any other Municipality affected by the budget.

5.8 Section 22: Publication of Annual Budgets

Immediately after the annual budget has been tabled, the Municipal Manager must make this budget and other budget-related documentation public, and must invite the local community to submit representations in regard to such budget.

The Municipal Manager must also immediately submit the tabled budget in both printed and electronic formats to the National Treasury, the Provincial Treasury, and in either format to prescribed national and provincial organs of state and other municipalities affected by the budget.

5.9 Section 23: Consultation on Tabled Budgets

After the budget has been tabled, the Council of the Municipality must consider the views of the local community, the National Treasury, the Provincial Treasury, and any provincial or national organs of state or municipalities which have made submissions on the budget.

After considering these views, the Council must give the Mayor the opportunity to respond to the submissions received, and – if necessary – revise the budget and table the relevant amendments for consideration by the Council.

The National Treasury may issue guidelines on the manner in which the Council must process the annual budget, including guidelines on the formation of a committee of the Council to consider the budget and hold public hearings. Such guidelines shall be binding only if they are adopted by the Council.

5.10 Section 24: Approval of Annual Budgets

The Council must consider approval of the budget at least thirty days before the start of the financial year to which such budget relates.

The budget must be approved before the start of such financial year, and the resolutions and performance objectives referred to in Section 17 must simultaneously be adopted.

The Budget must be approved together with the following resolutions if necessary:

- (i) Imposing any Municipal Tax for the Budget Year
- (ii) Setting any Municipal Tariffs for the Budget Year
- (iii) Approving Measurable Performance Objectives for Revenue from each source and for each vote in the budget.
- (iv) Approving any changes to the Municipality's Integrated Development Plan.
- (v) Approving any changes to the Municipality's Budget Related Policies.

The Accounting Officer of the Municipality must submit the approved annual budget to the National Treasury and the Provincial Treasury Offices.

5.11 Section 25: Failure to Approve Budget Before Start of Budget Year

- (1) If a municipal Council fails to approve an annual budget, including revenue raising measures necessary to give effect to the budget, the Council must reconsider the budget and again vote on the budget, or on an amended Version thereof, within seven days of the Council meeting that failed to approve the budget.
- (2) The process provided for in subsection (1) must be repeated until a budget, including revenue-raising measures necessary to give effect to the budget, is approved.
- (3) If a Municipality has not approved an annual budget, including revenue-raising Measures necessary to give effect to the budget, by the first day of the budget year, the Mayor must immediately comply with section 55.

5.12 Section 26: Consequences of Failure to Approve Budget before start of Budget Year

- (1) If by the start of the budget year a municipal Council has not approved an annual budget or any revenue-raising measures necessary to give effect to the budget, the provincial executive of the relevant province must intervene in the Municipality in terms of section 139(4) of the Constitution by taking any appropriate steps to ensure that the budget or those revenue-raising measures are approved, including dissolving the Council and—
 - (a) Appointing an administrator until a newly elected Council has been declared elected; and
 - (b) Approving a temporary budget or revenue-raising measures to provide for the continued functioning of the Municipality.
- (2) Sections 34(3) and (4) and 35 of the Municipal Structures Act apply when a Provincial executive dissolves a municipal Council.
- (3) When approving a temporary budget for a Municipality in terms of subsection (1)(b), the provincial executive is not bound by any provision relating to the budget process applicable to a Municipality in terms of this Act or other

legislation. Such a budget must, after the intervention has ended, be replaced by a budget approved by the newly elected Council, provided that the provisions of this Chapter relating to annual budgets are substantially complied with in line with any revised time frames approved by the MEC for finance in the province.

- (4) Until a budget for the Municipality is approved in terms of subsection (1), funds for the requirements of the Municipality may, with the approval of the MEC for finance in the province, be withdrawn from the Municipality's bank accounts in accordance with subsection (5).
- (5) Funds withdrawn from a Municipality's bank accounts in terms of subsection (4)—
 - (a) May be used only to defray current and capital expenditure in connection with:
 - Votes for which funds were appropriated in the approved budget for the previous financial year; and
 - (b) May not—
 - (i) during any month, exceed eight per cent of the total amount appropriated in that approved budget for current expenditure, which percentage must be scaled down proportionately if revenue flows are not at least at the same level as the previous financial year; and
 - (ii) Exceed the amount actually available.
- (6) The funds provided for in subsection (4) are not additional to funds appropriated for the budget year, and any funds withdrawn in terms of subsection (5) must be regarded as forming part of the funds appropriated in a subsequently approved annual budget for the budget year.

5.13 Section 27: Non-Compliance with provisions of Budget Chapter

- (1) The mayor of a Municipality must, upon becoming aware of any impending Non-compliance by the Municipality of any provisions of this Act or any other legislation pertaining to the tabling or approval of an annual budget or compulsory consultation processes, inform the MEC for finance in the province, in writing, of such impending non-compliance.
- (2) If the impending non-compliance pertains to a time provision, except section 16(1), the MEC for finance may, on application by the mayor and on good cause shown, extend any time limit or deadline contained in that provision, provided that no such extension may compromise compliance with section 16(1). An MEC for finance must—
 - (a) Exercise the power contained in this subsection in accordance with a prescribed framework; and
 - (b) Promptly notify the National Treasury, in writing, of any extensions given in terms of this subsection, together with the name of the Municipality and the reasons.
- (3) The mayor of a Municipality must, upon becoming aware of any actual Non-compliance by the Municipality of a provision of this Chapter, inform the Council, the MEC for finance and the National Treasury, in writing, of—
 - (a) Such non-compliance; and

- (b) Any remedial or corrective measures the Municipality intends to implement to avoid a recurrence.
- (4) Non-compliance by a Municipality with a provision of this Chapter relating to the budget process or a provision in any legislation relating to the approval of a budget-related policy, does not affect the validity of an annual or adjustments budget.
- (5) The provincial executive may intervene in terms of the appropriate provision of section 139 of the Constitution if a Municipality cannot or does not comply with a provision of this Chapter, including a provision relating to process.

5.14 Section 28: Municipal Adjustment Budgets

A Municipality may revise its annual budget by means of an adjustments budget.

However, a Municipality must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent.

A Municipality may appropriate additional revenues which have become available but only to revise or accelerate spending programmes already budgeted for.

A Municipality may in such adjustments budget, and within the prescribed framework, authorise unforeseen and unavoidable expenses on the recommendation of the Mayor.

A Municipality may authorise the utilisation of projected savings on any vote towards spending under another vote.

Municipalities may also authorise the spending of funds unspent at the end of the previous financial year, where such under-spending could not reasonably have been foreseen at the time the annual budget was approved by the Council.

Only the Mayor of the Municipality may table an adjustments budget. Such budget may be tabled whenever necessary, but limitations on the timing and frequency of such tabling may be prescribed.

An adjustments budget must contain all of the following:

- An explanation of how the adjustments affect the approved annual budget;

- Appropriate motivations for material adjustments; and
- An explanation of the impact of any increased spending on the current and future annual budgets.

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

5.15 Section 29: Unforeseen and Unavoidable Expenditure

In regard to unforeseen and unavoidable expenses, the following apply:

- The Mayor may authorise such expenses in an emergency or other exceptional circumstances;
- The Municipality may not exceed a prescribed percentage of the approved annual budget in respect of such unforeseen and unavoidable expenses;
- These expenses must be reported by the Mayor to the next Council meeting;
- The expenses must be appropriated in an adjustments budget; and
- The adjustments budget must be passed within sixty days after the expenses were incurred.

5.16 Section 30: Unspent Funds

The appropriation of funds in an annual or adjustments budget will lapse to the extent that they are unspent by the end of the relevant budget year, but except for the expenses referred to above in Section 16 (3).

5.17 Section 31: Shifting of Funds between Multi-Year Appropriations

If the funds for a capital project have been appropriated for more than one financial year (see Section 16) these expenses may exceed the appropriation for any one financial year, provided:

- The increase is not more than 20% of that financial year's allocation;
- The increase is funded in the next financial year's appropriations;
- The Municipal Manager certifies that actual revenues are expected to exceed budgeted revenues, and that enough funds will be available to finance such increased appropriation without incurring further borrowing beyond the annual budget limit;
- The Mayor gives prior written approval for such increased appropriation; and
- All the above documentation is provided to the Auditor-General and Provincial Treasury.

5.18 Section 32: Unauthorised, Irregular or Fruitless and Wasteful Expenditure

- (1) Without limiting liability in terms of the common law or other legislation—
 - (a) a political office-bearer of a Municipality is liable for unauthorised expenditure if that office-bearer knowingly or after having been advised by the accounting officer of the Municipality that the expenditure is likely to result in unauthorised expenditure, instructed an official of the Municipality to incur the expenditure;
 - (b) The accounting officer is liable for unauthorised expenditure deliberately or negligently incurred by the accounting officer, subject to subsection (3);
 - (c) Any political office-bearer or official of a Municipality who deliberately or negligently committed, made or authorised an irregular expenditure, is liable for that expenditure; or
 - (d) Any political office-bearer or official of a Municipality who deliberately or negligently made or authorised a fruitless and wasteful expenditure is liable for that expenditure.
- (2) A Municipality must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure—
 - (a) In the case of unauthorised expenditure, is—
 - (i) Authorised in an adjustments budget; or
 - (ii) Certified by the municipal Council, after investigation by a Council committee, as irrecoverable and written off by the Council; and
 - (b) In the case of irregular or fruitless and wasteful expenditure, is, after investigation by a Council committee, certified by the Council as irrecoverable and written off by the Council.
- (3) If the accounting officer becomes aware that the Council, the mayor or the executive committee of the Municipality, as the case may be, has taken a decision which, if implemented, is likely to result in unauthorised, irregular or fruitless and wasteful expenditure, the accounting officer is not liable for any ensuing unauthorised, irregular or fruitless and wasteful expenditure provided that the accounting officer has informed the Council, the mayor or

- the executive committee, in writing, that the expenditure is likely to be unauthorised, irregular or fruitless and wasteful expenditure.
- (4) The accounting officer must promptly inform the mayor, the MEC for local government in the province and the Auditor-General, in writing, of—
 - (a) Any unauthorised, irregular or fruitless and wasteful expenditure incurred by the Municipality;
 - (b) Whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and
 - (c) The steps that have been taken—
 - (i) To recover or rectify such expenditure; and
 - (ii) To prevent a recurrence of such expenditure.
 - (5) The writing off in terms of subsection (2) of any unauthorised, irregular or fruitless and wasteful expenditure as irrecoverable, is no excuse in criminal or disciplinary proceedings against a person charged with the commission of an offence or a breach of this Act relating to such unauthorised, irregular or fruitless and wasteful expenditure.
 - (6) The accounting officer must report to the South African Police Service all cases of alleged—
 - (a) Irregular expenditure that constitute a criminal offence; and
 - (b) Theft and fraud that occurred in the Municipality.
 - (7) The Council of a Municipality must take all reasonable steps to ensure that all cases referred to in subsection (6) are reported to the South African Police Service if—
 - (a) The charge is against the accounting officer; or
 - (b) The accounting officer fails to comply with that subsection.
 - (8) The Minister, acting with the concurrence of the Cabinet member responsible for local government, may regulate the application of this section by regulation in terms of section 168.

Unauthorised expenses may be authorised in an adjustments budget.

5.19 Section 33: Contracts having Future Budgetary Implications

Contracts extending beyond one financial year may be entered into by a Municipality, but if such contract extends beyond the three years covered in the annual budget, the Municipality may enter into such contract only if:

- The Municipal Manager, at least sixty days before the Council meeting at which the contract is to be approved, has made the contract public, with an information statement summarising the Municipality's obligations, and inviting the local community and other interested parties to submit comments or make representations.
- The Municipal Manager solicits the views and recommendations of the National Treasury and Provincial Treasury in respect to such contract, as well

as those of the National Department of Provincial and Local Government, and any national department concerned with water, sanitation or electricity, if the contract relates to any of these services.

- The Council has taken into account the projected financial obligations in regard to such contract, the impact on tariffs, and the views and comments received from all the foregoing parties.
- The Council adopts a resolution determining that the Municipality will secure a significant capital investment or derive a significant financial or economic benefit from the contract, and approves the entire contract exactly as it is to be executed.

A contract for purposes of this Section shall exclude any contract relating to the incurring of long-term debt by the Municipality, employment contracts, contracts for categories of goods as may be prescribed, or contracts where the value of the contract is less than a prescribed value or a prescribed percentage of the annual budget.

5.20 Section 42: Price Increase of Bulk Resources for Provision of Municipal Services

National and provincial organs of state which supply water, electricity or any other bulk resources to municipalities or municipal entities for the provision of municipal services may increase the price of such resources only after doing all the following:

- The proposed increase must be submitted to the organ's executive authority and (where legislation so requires) to any regulatory agency for approval.
- At least forty days prior to the above submission the National Treasury and organised local government must be invited to submit written comments on the proposed increase.

- The executive authority, after taking into account the comments received, must table the price increase in Parliament or the provincial legislature, as the case may be, with a full motivation and certain other prescribed explanatory documentation.

Unless the Minister of Finance otherwise directs, a price increase must be tabled on or before 15 March to take effect from 1 July of the same year. If it is tabled after 15 March it may only take effect from 1 July of the following year.

5.21 Section 43: Applicability of Tax and Tariff Capping on Municipalities

If a national or provincial organ of state is legislatively empowered to determine the upper limits of any municipal tax or tariff, such determination takes effect on the date specified in the determination, but provided that, unless the Minister of Finance otherwise directs:

- A determination promulgated on or before 15 March shall not take effect before 1 July of the same year.
- A determination promulgated after 15 March shall not take effect before 1 July of the following year.
- A determination shall not be allowed to impair a Municipality's ability to meet any annual or periodic escalations in the payments it must make in respect of any contract legally entered into by a Municipality.

5.22 Section 53: Budget Process and Related Matters

The Mayor of the Municipality must:

- Provide general political guidance over the annual budget process and the priorities that guide the preparation of each budget.

- Co-ordinate the annual revision of the IDP, as well as the preparation of the annual budget, and determine how the IDP is to be taken into account or is to be revised for purposes of such budget.
- Take all reasonable steps to ensure that the Council approves the annual budget before the start of the financial year to which it relates, and that the Municipality's service delivery and budget implementation plan is approved within twenty-eight days after the approval of the budget.
- Ensure that the annual performance agreements for the Municipal Manager and the senior managers of the Municipality are linked to measurable performance objectives which are approved with the budget and the service delivery and budget implementation plan.

The Mayor must promptly report to the Council and the MEC for Local Government any delay in tabling the annual budget, approving the service delivery and budget implementation plan or signing the annual performance agreements.

The Mayor must further ensure that the service delivery targets and quarterly performance indicators, and the monthly projections of revenues and expenses in the service delivery and budget implementation plan, are made public not later than fourteen days after these matters have been approved; and that the performance agreements of the Municipal Manager and other senior officials are similarly made public not later than fourteen days after their approval.

5.23 Section 68: Budget Preparation

The Municipal Manager must assist the Mayor in performing the assigned budgetary functions and must provide the Mayor with administrative support, operational resources and the information necessary to perform these functions.

5.24 Section 69: Budget Implementation

The Municipal Manager is responsible for implementing the budget, and must take reasonable steps to ensure that:

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

The Municipal Manager must prepare any adjustments budget when such budget is necessary and submit it to the Mayor for consideration and tabling in Council.

The Municipal Manager must submit a draft service delivery and budget implementation plan to the Mayor fourteen days after the annual budget has been approved, and must also within the same period submit drafts of the annual performance agreements to the Mayor.

5.25 Section 70: Impending Shortfalls, Overspending and Overdrafts

The Municipal Manager must report in writing to the Council any impending shortfalls in the annual revenue budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.

The Municipal Manager must report to National Treasury in writing all bank accounts that is overdrawn for a period exceeding three months in the prescribed format that is:

- The amount by which the bank account(s) are overdrawn.
- The reason why it is overdrawn.
- Steps taken to correct the overdrawn accounts.

5.26 Section 71: Monthly Budget Statements

The Municipal Manager must, not later than ten working days after the end of each calendar month, submit to the Mayor and Provincial Treasury a report in the prescribed format on the state of the Municipality's budget for such calendar

month, as well as on the state of the budget cumulatively for the financial year to date.

This report must reflect the following:

- Actual revenues per source, compared with budgeted revenues;
- Actual expenses per vote, compared with budgeted expenses;
- Actual capital expenditure per vote, compared with budgeted expenses;
- Actual borrowings, compared with the borrowings envisaged to fund the capital budget;
- The amount of allocations received, compared with the budgeted amount;
- Actual expenses against allocations, but excluding expenses in respect of the equitable share;
- Explanations of any material variances between the actual revenues and expenses as indicated above and the projected revenues by source and expenses by vote as set out in the service delivery and budget implementation plan;
- The remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and
- Projections of the revenues and expenses for the remainder of the financial year, together with an indication of how and where the original projections have been revised.

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

5.27 Section 54: Budgetary Control and Early Identification of Financial Problems

On receipt of the report from the Municipal Manager, the Mayor must:

- Consider the report;
- Check whether the budget has been implemented in accordance with the service delivery and budget implementation plan;

- Issue appropriate instructions to the Municipal Manager to ensure that the budget is implemented in accordance with this plan, and that the spending of funds and the collection of revenues proceed in accordance with the approved budget;
- Identify any financial problems facing the Municipality, as well as any emerging or impending financial problems; and
- Submit to the 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.

If the Municipality faces any serious financial problems, the Mayor must:

- Promptly respond to and initiate the remedial or corrective steps proposed by the Municipal Manager, and
- Alert the MEC for Local Government and the Council of the Municipality to the problems concerned.

The Mayor may revise the details of the service delivery and budget implementation plan, but any revisions to the service delivery targets and quarterly performance indicators must be approved by the Council, and be supported by an adjustments budget. Any changes made to the projections of revenues and expenses as set out in the plan must promptly be made public.

5.28 Section 55: Report to Provincial Executive if Conditions for Provincial Intervention Exists

If the Council has not approved its annual budget by the first day of the financial year to which it relates, or if the Municipality encounters serious financial problems, the Mayor must immediately report this matter to the MEC for Local Government and may recommend a provincial intervention.

5.29 Section 72: Mid-Year Budget and Performance Assessment

The Municipal Manager must assess the budgetary performance of the Municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the service delivery performance of the Municipality as against the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan, and the past financial year's annual report and the progress made in resolving problems identified in such report.

The Municipal Manager must then submit a report on such assessment to the Mayor, the National Treasury and the Provincial Treasury.

The Municipal Manager may in such report make recommendations for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan.

In terms of Section 54(1) (f) the Mayor must promptly submit this assessment report to the Council of the Municipality.

5.30 Section 73: Reports on Failure to Adopt or Implement Budget-Related and Other Policies

The Municipal Manager must inform the Provincial Treasury, in writing, of any failure by the Council to adopt or implement any budget-related policy or a supply chain management policy, and of any non-compliance by an office bearer or political structure with such policy.

5.31 Section 75: Information to be placed on Websites of Municipalities

The Municipal Manager must place on the Municipality's official website (inter alia) the following:

- The annual and adjustments budgets and all budget-related documents;
- All budget-related policies;
- The annual report;
- All performance agreements;
- All service delivery agreements;
- All long-term borrowing contracts;
- All quarterly reports submitted to the Council on the implementation of the budget and the financial state of affairs of the Municipality.

5.32 Section 80: Establishment (of a Municipal Budget and Treasury Office)

Every Municipality must have a budget and treasury office comprising of

- a Chief Financial Officer
- supported by appointed officials
- And contracted staff.

5.33 Section 81: Role of the Chief Financial Officer

The Chief Financial Officer is administratively in charge of the budget and treasury office and must, inter alia,

- Assist the Municipal Manager in preparing and implementing the budget;
- Perform such budgeting, financial reporting and financial management and review duties as are delegated by the Municipal Manager;
- Account to the Municipal Manager for the performance of all the foregoing responsibilities.

5.34 Section 83: Competency Levels of Professional Financial Officials

The Municipal Manager, senior managers, the Chief Financial Officer and the other financial officials in a Municipality must all meet prescribed financial management competency levels.

6. RESPONSIBILITIES OF THE MAYOR, COUNCIL, MUNICIPAL MANAGER, CHIEF FINANCIAL OFFICER, DEPARTMENTAL HEADS AND OTHER STAKEHOLDERS IN THE BUDGETING PROCESS

This portion of the policy will handle the major responsibilities, as stated in the Municipal Finance Management Act, of the Officials and Political Contingent as stated above, but will be discussed in more detail in the Budget Manual.

6.1 Responsibility of the Mayor

Section 21: Budget Preparation Process

The Mayor must: -

- **Co-ordinate** the **processes** for preparing the annual budget, and for reviewing the Municipality's IDP and budget-related policies to ensure that the budget, the IDP, and the policies are mutually consistent and credible.
- At least ten months before the start of the ensuing financial year, **table** in the Council the **time schedule** with key deadlines for the preparation, tabling and approval of the following year's annual budget, the review of the IDP and budget-related policies, and the consultative processes required in the approval of the budget.
- When preparing the annual budget, **take into account** the Municipality's IDP, the national budget, provincial budget, the National Government's fiscal and macro-economic policies, and the annual Division of Revenue Act.
- **Take** all **reasonable steps** to ensure that the Municipality revises its IDP in line with realistic revenue and expenditure projections for future years.
- **Consult** the district Municipality (if it is a local Municipality) and all other local municipalities in the district, and all other local municipalities in the district if it is a district Municipality.
- **Consult** the National Treasury when requested, the Provincial Treasury, and such other provincial and national organs of state as may be prescribed.
- **Provide**, on request, any budget-related **information** to the National Treasury, other national and provincial organs of state, and any other Municipality affected by the budget.

Section 53: Budget Process and Related Matters

The Mayor of the Municipality must:

- **Provide general political guidance** over the annual budget process and the priorities that guide the preparation of each budget.
- **Co-ordinate the annual revision** of the IDP, **as well as the preparation** of the annual budget, and determine how the IDP is to be taken into account or is to be revised for purposes of such budget.
- **Take** all reasonable **steps to ensure that the Council approves the annual budget before the start of the financial year** to which it relates, and that the Municipality's service delivery and budget implementation plan is approved within twenty-eight days after the approval of the budget.
- **Ensure that the annual performance agreements for the Municipal Manager and the senior managers of the Municipality are linked to measurable performance objectives which are approved with the budget** and the service delivery and budget implementation plan.
- **Report** to the Council and the MEC for Local Government **any delay in tabling the annual budget**, approving the service delivery and budget implementation plan or signing the annual performance agreements.
- **Ensure that the service delivery targets and quarterly performance indicators, and the monthly projections of revenues and expenses in the service delivery and budget implementation plan, are made public not later than fourteen days after these matters have been approved;** and that the performance agreements of the Municipal Manager and other senior officials are similarly made public not later than fourteen days after their approval.

Section 16: Annual Budgets

The Mayor must

- **Table the annual Budget** at least ninety days before the start of a new financial year.

Section 23: Consultation on Tabled Budgets

The Mayor must

- Have the opportunity to respond to submissions received from the Local Community, National Treasury, Provincial Treasury and other National or Provincial Organs on the tabled budgets – and **table the relevant amendments** for consideration by Council if necessary.

Section 25: Failure to Approve Budget before start of Budget Year

The Mayor must

- Immediately **comply with section 55 of the MFMA** if Council fails to approve the annual Budget before the start of the new Budget Year.

Section 55: Report to Provincial Executive if Conditions for Provincial Intervention Exists

The Mayor must

- Immediately **report to the MEC for Local Government if the Council failed to approve the annual Budget** by the first day of the new financial year.
-

Section 27: Non-Compliance with provisions of Budget Chapter

The Mayor must

- Upon becoming aware of any actual non-compliance of a provision of this chapter, **inform the Council, MEC for Finance and National Treasury in writing of-**
 - (a) Such non-compliance; and
 - (b) Any remedial or corrective measures the Municipality intends to implement and avoid a recurrence.
-

Section 28: Municipal Adjustment Budgets

The Mayor must

- **Table and Adjustment Budget**
-

Section 29: Unforeseen and Unavoidable Expenditure

The Mayor:

- **May authorise** unforeseen and unavoidable expenditure **in an emergency or exceptional circumstances.**
 - Must report any unforeseen or unavoidable expenses to Council.
-

Section 31: Shifting of Funds between Multi-Year Appropriations

The Mayor must

- Give prior written approval for any increases or deviances in appropriations.
-

Section 54: Budget Control and Early Identification of Financial Problems

On receiving the Monthly Budget Report the Mayor must:

- Consider the report;
- **Check** whether the budget has been implemented in accordance with the **service delivery and budget implementation plan;**
- **Issue appropriate instructions to the Municipal Manager** to ensure that the budget is implemented in accordance with this plan, and that the spending of funds and the collection of revenues proceed in accordance with the approved budget;
- **Identify any financial problems** facing the Municipality, as well as any emerging or impending financial problems; and
- **Submit to the 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.**

If the Municipality faces any serious financial problems, the Mayor must:

- **Promptly respond to and initiate the remedial or corrective steps** proposed by the Municipal Manager, and

- **Alert the MEC for Local Government and the Council** of the Municipality **to the problems concerned.**
- **May revise the details of the service delivery and budget implementation plan**, but any revisions to the service delivery targets and quarterly performance indicators must be approved by the Council, and be supported by an adjustments budget. Any changes made to the projections of revenues and expenses as set out in the plan must promptly be made public.

6.2 Responsibility of the Council of the Municipality

Section 16: Annual Budgets

The Council of the Municipality Must:

- Approve the Annual Budget before the start of the New Financial Year.
-

Section 23: Consultation on Tabled Budgets

The Council of the Municipality Must:

- Consider the views of the Local Community, National Treasury, provincial Treasury and any other National or Provincial Organs that made submissions on the tabled Budgets before the Budgets are approved.
-

Section 24: Approval of Annual Budgets

The Council of the Municipality Must:

- Consider the Approval of the Annual Budget at least thirty (30) days before the start of the New Financial Year.
 - Approve the Budget before the start of the New Financial Year (Before 30 June)
 - Approve the following Resolutions if Necessary
 - (i) Imposing any Municipal Tax for the Budget Year
 - (ii) Setting any Municipal Tariffs for the Budget Year
 - (iii) Approving Measurable Performance Objectives for Revenue for each source and vote in the Budget
 - (iv) Any changes to the Integrated Development Plan (IDP)
 - (v) Any changes to the Budget Related Policies
-

Section 19: Capital Projects

The Council of the Municipality Must:

- Approve all Capital Projects after being satisfied of the following:-
 - (i) That the Funding is available
 - (ii) That the funding has not been committed for other purposes
 - (iii) Considering the projected cost of the project(s) over all the ensuing financial years
 - (iv) Considering the future operational costs
 - (v) Considering any revenue that may arise from such projects, including the impact on property rates and service tariffs

Section 25: Failure to Approve Budget before the start of the New Financial Year

The Council of the Municipality Must:

- Within seven (7) days of the Council meeting that failed to approve the Budget, reconsider the Budget or a amended version thereof
 - Repeat this step until the Budget or an amended version thereof is approved, before the first day of the New Financial Year.
-

Section 28: Municipal Adjustment Budgets

The Council of the Municipality:

- Must Approve the Municipality's Adjustment Budgets
 - May Authorise the spending of funds unspent at the end of the previous Financial Year, where such under spending could not reasonably have been foreseen at the time of approval by the Council
-

Section 29: Unforeseen and Unavoidable Expenditure

The Council of the Municipality must:

- Within sixty (60) days after the unforeseen or unavoidable expenditure occurred that was authorised by the Mayor approve such expenditure.
-

Section 32: Unauthorised, Irregular or Fruitless and Wasteful Expenditure

The Council of the Municipality must:

- Ensure that all cases of irregular expenses that constitutes a criminal offence or fraud and theft are reported to the South African Police Services (SAPS) if-
 - (i) The charge is against the Municipal Manager
 - (ii) The Municipal Manager fails to report any of the offences mentioned above to the South African Police Services (SAPS)
-

Section 33: Contracts having Future Budgeting Implications

The Council of the Municipality must:

- Adopt a resolution to approve a contract, for contracts that extend beyond one Financial Year, after considering the following:-
 - (i) The Projected Financial Obligations
 - (ii) The Impact on Tariffs
 - (iii) Views and Comments received from Foregoing Parties
-

6.3 Responsibility of the Municipal Manager

The Municipal Manager is according to legislation the **Accounting Officer** of the Municipality and is there for included in most of the functions and responsibilities prescribed by the Municipal Finance Management Act on Budgeting.

He/She can however delegate some of the responsibilities for the preparation, implementation, monitoring and reporting of the Budget to other Officials in the Municipality, but remains accountable for the Budgeting Function as a whole.

Section 68: Budget Preparation

The Municipal Manager Must:

- Assist the Mayor in performing the assigned Budgetary Functions and provide the Mayor with:
 - (i) Administrative Support;
 - (ii) Operational Resources; and
 - (iii) The necessary Information to perform the Budgetary Functions.
-

Section 33: Contracts having Future Budgetary Implications

The Municipal Manager Must:

- Make any contract that the Municipality wants to enter into and that will extend beyond the three years covered in the annual budget, that will have future effect on the Municipalities Budgets, public at least sixty (60) days before the Council Meeting at which the contract will be approved with a information statement that summarises the Municipality's obligations; and
- Invite the Local Community and other Interested Parties to submit comments or make representation on the contract that the Municipality wants to enter into;

- Solicit the views and recommendations of National- and Provincial Treasury and the Department of Local Government in respect of such contracts.
-

Section 22: Publication of Annual Budgets

The Municipal Manager Must:

- Make the Budget and Budget- Related Documents Public directly after the Annual Budget has been tabled;
 - Invite the Local Community to submit representations in regard to such Budgets;
 - Submit the tabled budgets in both electronic and printed formats to National Treasury, Provincial Treasury and to prescribed National and Provincial Organs,
-

Section 24: Approval of Annual Budgets

The Municipal Manager Must:

- Submit the Approve Annual Budget to National and Provincial Treasury
-

Section 73: Reports on failure to adopt or implement Budget Related or other Policies

The Municipal Manager Must:

- Inform the Provincial Treasury in writing of any failure by Council to adopt or implement any budget related policies, the supply chain management policy and any other non compliance by Office Bearers or Political Structure of the approval or implementation of these policies.
-

Section 31: Shifting of Funds between Multi-Year Appropriations

The Municipal Manager Must:

- Certify that the actual revenues are expected to exceed the budgeted revenues, and that enough funds will be available to finance an increase in appropriation for more than one year without incurring further borrowings beyond the budget limit

Section 69: Budget Implementation

The Municipal Manager Must:

- Implement the Budget
 - 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
 - Prepare an Adjustment Budget if necessary and submit it to the Mayor for consideration and tabling in Council;
 - Submit a draft Service Delivery and Budget Implementation Plan to the Mayor fourteen (14) Days after the Annual Budget has been Approved
 - Submit within fourteen (14) days after approval of the Annual Budget draft Performance Agreements to the Mayor.
-

Section 71: Monthly Budget Statement

The Municipal Manager Must:

- Submit a monthly budget report to the Mayor and Provincial Treasury in the prescribed format no later than ten (10) working days after the end of each calendar month.
-

Section 72: Mid-Year Budget and performance Assistance

The Municipal Manager Must:

- Assess the budgetary performance of the Municipality for the first half of the Financial Year using the monthly budget report and service delivery of the Municipality and measuring it against the service delivery targets and budget implementation plan.
- Submit an assessment report to the Mayor, National and Provincial Treasury.
- Make recommendations for the adjustment of the annual budgets and for the revision on the projections of revenues and expenses as set out in the service delivery and budget implementation plan.

Section 70: Impending Shortfalls, Overspending and Overdrafts

The Municipal Manager Must:

- Report in writing to the Council any impending shortfalls in the annual revenue budget, as well as any impending overspending as well as steps taken to rectify these shortfalls.

- Report to National Treasury in writing of all bank accounts that is overdrawn for a period exceeding three (3) months as well as explanations on the reasons and steps taken to rectify the overdrawn accounts.
-

Section 75: Information that must be placed on Websites of Municipalities

The Municipal Manager Must:

- Place on the Municipality's Official Website (inter alia) the following:
 - (1) Annual- and Adjustment Budgets and Budget Related documentation;
 - (2) All Budget Related Policies;
 - (3) All Performance Agreements;
 - (4) All Service Delivery Agreements;
 - (5) All Long-Term Borrowing Contracts;
 - (6) All Quarterly Reports submitted to Council on the implementation of the Budget and the Financial State of Affairs of the Municipality.
-

Section 32: Unauthorised, Irregular or Fruitless and Wasteful Expenditure

The Municipal Manager Must:

- Inform the Council, Mayor or Executive Committee of the Municipality in writing of any decisions that the relevant decision makers had made or are going to make that is likely to result in an unauthorised, irregular, fruitless or wasteful expenditure;
 - Inform the Mayor, MEC for Local Government and the Auditor General of any unauthorised, irregular, fruitless or wasteful expenditure that was incurred by the Municipality as well as information on the extent of these expenses and the steps that have been taken to recover or rectify such expenditure as well as the steps instituted to prevent a recurrence of such expenditure.
-

6.4 Responsibility of the Chief Financial Officer

The Chief Financial Officer is responsible for the overall Financial Functions of the Municipality.

The Budget Process is however according to the Municipal Finance Management Act the responsibility of the Mayor and Municipal Manager, but the Blouberg Municipal Manager and Mayor will delegate some of their responsibilities to the Councillor Responsible for Financial Matters and the Chief Financial Officer as stated in point 7 of this document.

Section 81: Role of the Chief Financial Officer

The Chief Financial Officer must:

- Assist the Municipal Manager in preparing and implementing the Budget
 - Perform such Budgeting, Financial Reporting and Financial Management and Review Duties as are delegated to him/her by the Municipal Manager
 - Report to the Municipal Manager on all foregoing responsibilities.
-

6.5 Responsibility of the Councillor for Finance Matters

The Councillor Responsible for Finance matters must:

- The councillor for financial matters must ensure that the municipality prepares an annual budget in accordance with the process plan approved by Council before the start of the financial year to which the budget relates
 - The councillor for financial matters must delegate part or all the budgetary responsibilities contemplated in 3 above to members of the portfolio committee on finance
 - The councillor for financial matters assumes [final and ultimate] responsibility for the submission of an annual budget to Council for approval at least one month before the start of the financial year
-

7. DELEGATION OF DUTIES ON THE BUDGETING PROCESS

7.1 Responsibility of the Mayor Delegated to the Councillor responsible for Financial Matters

The Mayor of the Blouberg Municipality will delegate the following responsibilities to the Councillor responsible for Financial Matters, but will retain the ultimate and overall legal responsibility of the Budgeting Process as per the Municipal Finance Management Act.

Functions and responsibilities delegated by the Mayor to the Councillor responsible for Financial Matters on the Budgeting Process:

- The co-ordination of the Budgeting Process;
-

- Revision of Budgeting Policies;
 - The compilation of a Budget Plan with key performance indicators and time frames for Mayors approval;
 - To consult and gather information from National-, Provincial Treasury, Department of Local Government and District Municipalities on Budget related issues;
 - Prepare the Budgets of the Municipality;
 - Provide Budget Related Information to National-, Provincial Treasury, Department of Local Government and other State Organs as required.
 - Prepare Adjustment Budgets with recommendations;
 - Report on Unforeseen or Unavoidable Expenditure;
-

7.2 Responsibility of the Municipal Manager Delegated to the Chief Financial Officer

The Municipal Manager of the Blouberg Municipality will delegate the following responsibilities to the Chief Financial Officer but will retain the ultimate overall legal responsibility as Accounting Officer of the Blouberg Municipality.

Functions and responsibilities delegated by the Municipal Manager to the Chief Financial Officer on the Budgeting Process:

- The preparation of preparing the draft annual Capital and Operational Budgets as well as any components for future financial years;
- Preparation of projected Revenues and Expenses for Service Delivery and Budget Implementation Plan;
- Determine the Votes and Line Items to be used, in line with National Treasury Requirements;
- Determination of Depreciation Charges and Finance Charges to be budgeted for;
- Determination of Provisions to Reserves;
- Determination of contributions to the Asset Financing Reserve;
- Determination of Aggregate Growth Factors for various votes, as per National Treasury Requirements;
- Determination of the Basis of allocation for overhead costs;
- Ensuring that the cost of Indigency is properly reflected in the Budget as per the Indigency Policy;
- Ensuring that the allocations from other State Departments is properly Reflected in the Budget;
- Consultation with Heads of Departments on their Departmental Budgets;
- Preparation of a Cash Management Plan;
- Provide the Mayor with Technical and Administrative Support in the Preparation and Approval of the Annual and Adjustment Budgets;
- Ensuring that the annual and adjustment Budgets comply with National Treasury Requirements, is in line with the IDP and as per budget priorities as determined by the Mayor and comply with Budget- and other relevant Policies of the Municipality;

- Make recommendations on the financing of the draft capital budget for future financial years, indicating the impact of variable implications of variable alternative financing scenarios on future expenditure;
- Compile Monthly Budget Reports, with recommendations, comparing actual results with budgeted projections;
- Be in responsible for the Budget and Finance Office;
- Make recommendations on Budget Amendments;
- Be Responsible for Budget Control;

8. BUDGET PLAN AND BUDGET TIMEFRAMES

8.1 Budget Main Activities

The Main Activities in the Budgeting Process will be divided into two sections namely the compilation of the annual Budget and the Budget Control Function. The responsible Official will be indicated by the following Abbreviations:

Mayor	=	Mayor
Municipal Manager	=	MM
Chief Financial Officer	=	CFO
Heads of Departments	=	HOD
Budget and Treasury Office	=	BTO

The Budget Compilation Function consists out of the following:

PROCEDURE	RESPONSIBILITY
Draft Budgeting Timetable	CFO; MM; Mayor
Review Past Performances, Financial and Non-Financial	CFO; MM; Mayor
Review Budget and other Policies	CFO; MM; Mayor; HOD
Review IDP / Fiscal and other Long Term Plans	CFO; MM; Mayor ;HOD
Review and Update Long Term Plans (no costing)	CFO; MM; Mayor; HOD
Initial Tariff / Revenue Modelling	CFO
Investigate and Review Macro Economic Indicators, National Treasury Guidelines and Rate Increases allowed by National Price Regulators to determine potential Revenue	CFO

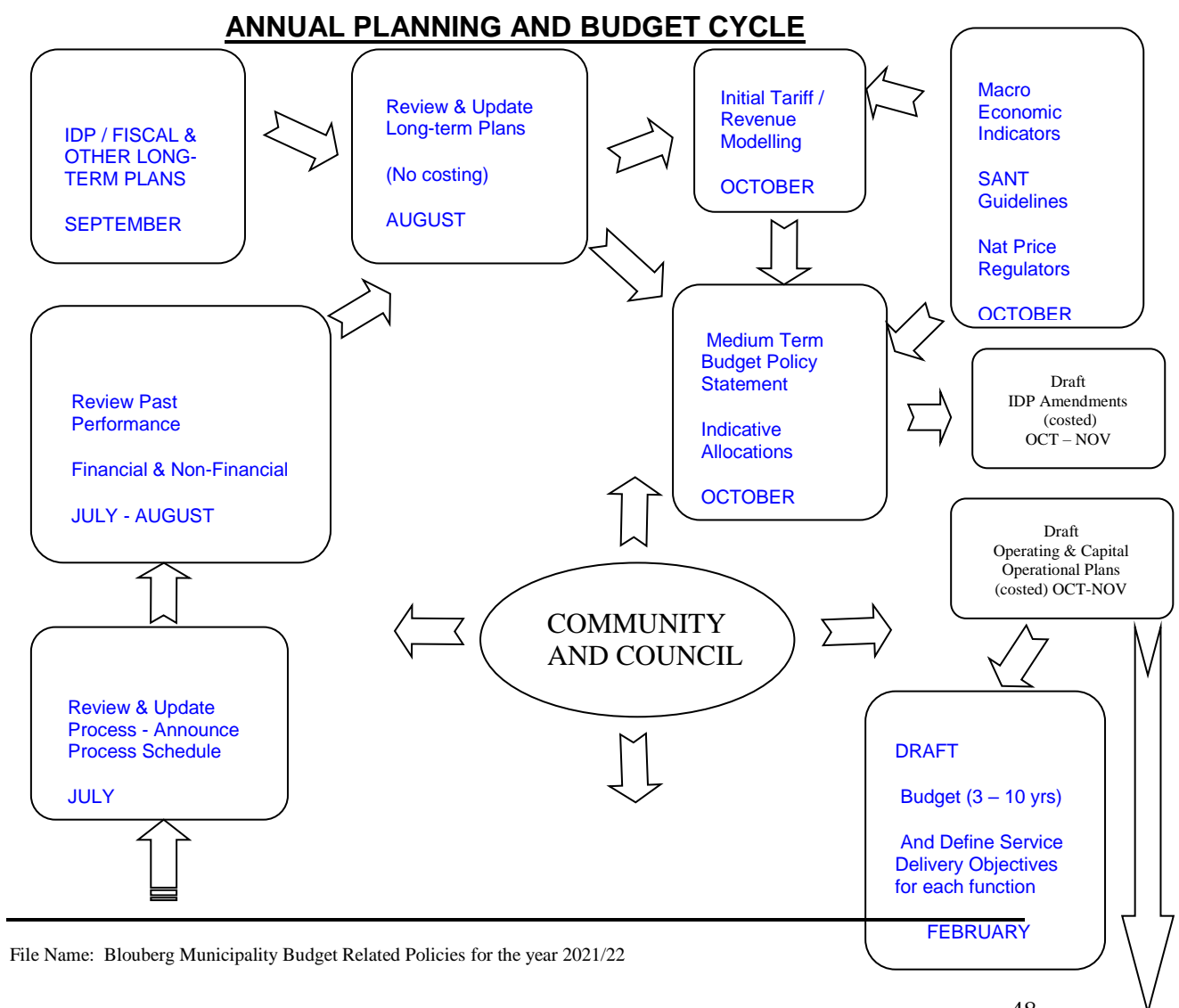
Prepare Medium Term Budget Policy Statement with Indicative Allocations	CFO; MM
Draft IDP Amendments with costing indicators	CFO; MM; Mayor; HOD
Draft Operational and Capital Budgets	CFO; MM; Mayor; HOD
Draft Medium and Long Term Budgets (3-10 Years) and define Service Delivery Objectives for each Function	CFO; MM; Mayor; HOD
Allocate Budgeted Figures to Budget Votes	CFO
Table Budget in Council and send copy to National Treasury	Mayor; CFO
Consult with Public and National- Provincial Treasury and other State Organs on Budget	Mayor
Approve Annual Budget, Budget Policies and other Policies	Mayor; Council

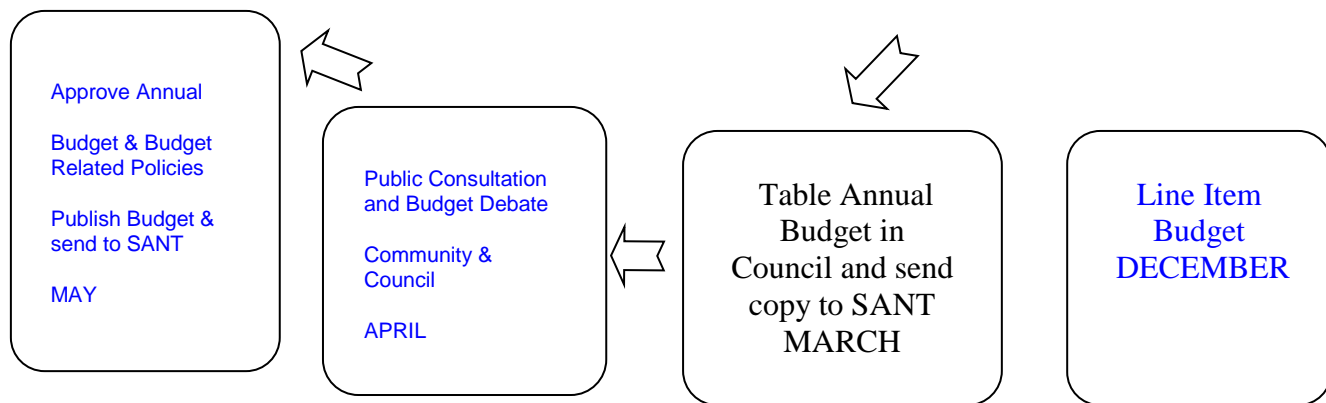
The Budget Control Function consists out of the following:

PROCEDURES	RESPONSIBILITY
Monitoring and Reporting on actual versus Budgeted Figures of Revenue and Expenditure	CFO
Internal Budget Status Reports	CFO,HOD
Recommendation on re-allocation of Budgeted Amounts	CFO
Reporting on Unauthorised, Irregular or Fruitless and Wasteful Expenditure	Mayor; MM; CFO
Reporting on Overspending, Shortfalls and Overdrafts	CFO
Reporting on Identification of Financial Problems	Mayor; MM,CFO
Mid-Year Budget and Performance Assessment	CFO; MM; Mayor; HOD

Reporting on Unforeseen and Unavoidable Expenditure	Mayor;MM, CFO
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8.2 Planning and Budget Cycle Flow Chart





8.3 Explanation Notes and Time Table for Cycle Flow Chart

Budgeting is a process that must be managed like a project where objectives have to be defined, a plan drawn up, approval, implementation, revision, correction and closure at the end of the financial year is the basic elements.

Officials in the Municipality can not function in a vacuum and it is therefore important to involve the **Community and Council** in the whole budget process.

The development of the Budget takes place through a process of planning and a Budget Cycle.

The processes with time tables as shown schematically in point 8.2 above are as follows:

8.3.1 Review and Update Budget Processes of Previous Financial Year

- The Municipality must Review the Budget Processes of the previous financial year in order to rectify timeframes and processes that was incorrect in the previous financial year.
- The Budget Processes needs to change from year to year in order to achieve the ultimate work way and processes that can be applied by the Municipality in preparing and controlling the budget.
- These corrections in the budget processes must be updated and form part of this document for future use.

Due Date: On or before the 31st of July each year

8.3.2 Compile a Process Schedule for the Budget Process

- After amending the budget processes the Chief Financial Officer or his delegate must provide all roll players with a new process schedule in order to ensure that every roll player knows what is his/her responsibility and the timeframe of commencement and completion.

- The outcome of this process will be a broad time schedule of Budget Activities for the Financial Year, supported by Quarterly Schedules of the exact timing of Activities to be announced for the year preceding the one to which the Budget relates.

Due Date: On or before the 31st of July each year

8.3.3 Integrated Development- Fiscal- and other Long Term Plans

The second step in the budgeting process will be to know exactly what the Municipality wants to achieve in the next financial year.

- In order to do this the Municipality will set objectives for the next financial year by reviewing and amending its Integrated Development Plan and Fiscal Plan to make provision for changes that has an influence on the outcome of these plans in the next financial year.
- The Integrated Development Plan (IDP) and other Long Term Plans must be reviewed by comparing the Planned Objectives against the Actual Outcome achieved with a focus on linking back the performance targets set out in the IDP to Budget and performance contracts and plans.
- The reviewing and amendments of these plans must be done before the end of October of each year.
- All relevant information will be available for this period because the Financial Statements of the Municipality has to be submitted before or on the 30th of September each year.

Date: On or before the 31st of October each year

8.3.4 Review Past Performances (Financial and Non-Financial)

On completion of the Financial Statements the Municipality will be in a position to review and evaluate the past performances of the Municipality. Historical Data will form an integral part when compiling the Draft Budget for the next financial year as the budget of the previous financial year can be measured against the actual expenditure of the previous financial year.

It must however be noted that the information obtained from the past performances of the Municipality is two years old and will have to be investigated for the future financial year.

The Municipality can however (even if a zero based method is used) use the past financial performances as a base to ensure that all relevant income and expenditure is provided for in the new budget.

All Non Financial past performances e.g. personnel, changes in policies and legislation etc. must also be investigated to ensure that the new budget is in line to the changing environment.

Date: On or before the 31st of October each year

8.3.5 Review and Update Long Term Plans (no costing)

Long term Visions and Missions that forms part of the five year Integrated Development Plan will be manifested into Long Term Plans for the Municipality.

The High Level Strategic Planning will determine the broad Vision of the Municipality and set out long term performance targets in terms of outcomes as well as anticipated future service delivery and general tariff policies.

These Long Term Plans will have to be taken into account when the Municipality commits its funds in a medium and short term budget and will consider:

- Service Level Requirements
- Demographics
- Backlogs

A schedule of these Long Term Plans should also be included as an annexure in the annual budget as the initial budget plans and will be incorporated into the amended IDP and Functional Business Plans.

8.3.6 Initial Tariff and Revenue Modelling

The most important aspect in budgeting for any organisation and specifically in Municipalities is to establish the income.

Without income or money the Municipality will not be able to achieve its short term-, medium term- or long term goals or be able to pay for its determined obligations or commitments.

SERVICE DEBTORS

The expected revenue from service debtors must be calculated for each service and tax that can be charged to the consumer or property owner on current approved rates.

Calculations of refuse and sewerage charges will be calculated by multiplying the number of known consumers on the database with the approved rate for these services.

Calculations for water and electricity sales will be based on the average consumption for the year multiplied by the approved rates.

Calculations of Property Tax will be based on the total amount of stands as per approved evaluation list less the amount of stands that is exempted from paying property tax e.g. churches and property owned by the Municipality multiplied by the approved rate.

It is important to compare the calculations of the potential income from services and taxes to debtors outstanding for more than 60 days in order to get a realistic amount of what the Municipality will receive as income.

GRANTS AND DONATIONS

Information on Grants and Donation allocation from National- and Provincial Government and District Municipalities will not be available at this stage, but enquiries is necessary to enquire from the State Departments and the District Council on the potential Income that will be available to the Municipality for operating and capital expenditure.

OTHER AND SUNDRY INCOME

Information supplied from the annual asset verification and stock take can be used to estimate the potential income on the sale of redundant assets and obsolete stock,

All other potential sundry income can be estimated from the income received in the previous financial year for e.g. rent income, income from fines, interest etc.

Date: On or before the 31st of October each year

8.3.7 Macro Economic Indicators, National Treasury Guidelines and National Price Regulators Approvals

The increase in budgeted income and expenditure is dependant on external factors that must be taken into consideration when compiling the annual budget. The Initial Tariff Model must be changed to conform to these guidelines and approved tariffs when this documentation is received.

MACRO ECONOMIC INDICATORS

Macro Economic Indicators for example currency rates, global economic trends etcetera must be taken into consideration especially when planning to import assets or goods from other countries.

Foreign currencies can have a major effect on the budgeting effect and proper provision must be made in order to cater for changes in currency rates when compiling the budget.

The Municipal Budget will be prepared in the context of the National Governments Macroeconomic and Fiscal Framework to ensure that the National priorities are taken into account.

NATIONAL TREASURY GUIDELINES

The Municipality will be guided by National Treasury's annual Medium Term Budget Policy Statement (MTBPS)

The National Treasury annual Medium Term Budget Policy will guide the Municipality on the following:

- The Funding Envelope;
- Broad Spending;
- Tariff Levels;
- Service Delivery Targets; etc.

The outcome of this process will include initial revenue scenarios, tariff levels, service delivery target and National aligned Economic Indicators.

These Guidelines must be followed to ensure that the new budget can be approved by National Treasury.

All Guidelines must be applied to the current budget that is in use.

Percentages must be applied to the total budgeted amount of the current budget and the Municipality can shift expenditure as per Municipality requirements as long as the changes do not exceed the total amount of the previous budget plus the percentage increase that is approved by National Treasury.

If the circumstances of the Municipality changes in such a way that the expenditure will exceed the approved percentage increase, the Municipality will send a letter of motivation of the changes to National Treasury to acquire approval for these changes.

NATIONAL PRICE REGULATORS APPROVAL

Approval from National Regulators for example the National Electricity Regulator (NER) on increases in Electricity Rates must be obtained to ensure that the budgeted amounts are in accordance with the approved rates as determined by these National Price Regulators.

Date: On or before the 31st of October each year

8.3.8 Medium Term Budget Policy Statement

The Municipality will at this stage have a good idea what the income potential and expenditure obligations for the new financial year will be.

A medium term budget policy statement will be compiled from the information obtained in the previous steps to ensure that the Municipalities requirements for the next three financial years are addressed.

This Medium Term Budget Policy Statement will be aligned to the National Medium Term Budget Plan and will include potential amendments of the IDP and Service Delivery Plans.

Date: On or before the 31st of October each year

8.3.9 Draft IDP Amendments (Costing)

Amendments to the Integrated Development Plan must be quantified in monetary value in order to evaluate the impact that these changes will have on the budget and Functional Operational Plans.

The costing of IDP- and Functional Operational Plan Changes must include capital outlays, Increases or Decreases in Operating Expenditure and Future Revenue Streams.

These Amendments to the Integrated Development plan must be included as budgetary items in the budget documentation and it must be clearly defined from which source of income these changes will be funded.

Date: October and November each year

8.3.10 Draft Operating and Capital Operational Plans

From the Medium Term Budget Policy and IDP Document operational plans for operating and capital programs must be setup.

These documents must be strategy documents that specify the income sources, operational expenditure needs and capital needs of the Municipality for the next financial year and have an allocation of priorities connected to each requirement.

A Detailed analysis of the cash flow requirements of the Municipality on a monthly basis must also form part of the operational plans that will be used as base when compiling the annual budget.

Date: October and November each year

8.3.11 Line Item Budgets

From the Draft Operating and Capital Operational Plans an operational- and capital budget will be drawn up and committed to line items in the vote structure.

The budgeted votes must be in accordance to the structure as prescribed by National Treasury and Generally Recognised Accounting Practice.

Heads of Departments will prepare their Operational Plans (ensuring that strategies, outcomes and output objectives are considered) and use that as a basis for the compilation of a line item Budget per Department.

The High Level Budget Summary Approved by Council and any changes must be recorded in the detailed Line Item Budget (Capital and Operational) and submitted to the Heads of Departments to utilise and control income and expenditure as required by the Municipal Finance management Act.

Date: December each year

8.3.12 Draft Budget (3-10 Years) and Define Service Delivery Objectives

Medium and Long Term Budgets for the previous financial years must be evaluated to establish which goals and visions of the Municipality was achieved and to assist the Municipality in determining the expenditure and income that will no realise.

From this information and the Integrated Development Plan a new Medium and Long Term Budget must be compiled that will reflect the operational- and capital needs of the Municipality as well as the commitments and infrastructure needs of the community in future financial years.

Capital and Infrastructure Needs must be prioritised, quantified in the potential timeframe of commencement and finalisation, and stated with the source of potential income that will fund it.

Service Delivery Objectives must be quantified for the Medium and Long Term Service Delivery goals of the Municipality with an indication of potential revenue that can be derived if the service is delivered.

A draft Operating and Capital Budget will derive from this process and enable the Chief Financial Officer through the Budget and Treasury office to compile a high level Executive Summary of the budget for submission to Council.

Date: February each year

8.3.13 Table Annual Budgets in Council & send Copy to National Treasury

The High Level Executive Summary of the draft annual budget will be tabled by the Mayor in a Council Meeting for Approval and a copy of this Budget will be send to National Treasury for Approval.

The Council will approve only the High Level Executive Summary that will include both the Operational and Capital budget for the next Financial Year, and take note of the Medium and Long Term Budgets.

The Operational and Capital Budget of the Municipality will also be submitted to National Treasury in the format as determined by National Treasury with explanations and motivations for deviances from the guidelines issued by National Treasury through the Medium Term Budget Policy Statement and other relevant documentation.

Date: March each year

8.3.14 Public Consultation and Budget Debate

The Mayor and Council will table the Annual Financial Budget in Public. Public are welcome to attend this meeting in which the Budget will be debated.

The Municipal Council will engage in a Public Debate and Consultation with the Community, National- and Provincial Treasury and other Stakeholders to analyse Budget Variables and policy decisions within the limited resources of the Municipal Budget.

In this process the Budget is adjusted where necessary to incorporate recommendations and queries from the Public, National- and Provincial Treasury and other Stakeholders.

This process will also ensure that tariffs and tariff policies are reviewed and that inputs for various service functions are varied to enable the Municipality to provide a balanced Budget that consists of the optimal mix of service delivery outputs and outcomes as stated in the IDP and Long Term Plans of the Municipality.

Date: April each year

8.3.15 Approve Annual Budgets and Budget Related Policies, Publish Budget and send copy to National Treasury

The Annual Budget and Budget related Policies must be approved by the Municipal Council no later than the 31st of May each year.

The Approved Annual Budget must be published in at least one local newspaper.

A Copy of the Approved Annual Budget Must be sent to National Treasury no later than the 31st of May each year.

Date: May each year

9. BUDGET STEERING COMMITTEE

9.1 Composition of the Budget Steering Committee

The Budget Steering Committee will consist out of the following Members:

	<u>Designation</u>
Municipal Manager	Chair Person
Chief Financial Officer	Chief Co-ordinator
Heads of Departments (or his/her delegate)	Co-ordinating Officers
Budget Control Officer	
Any other Official requested by Chair Person	

The Budget Forum will consist out of the following Members:

The Mayor
Exco
Municipal Manager
Chief Financial Officer
Heads of Departments
Budget Manager
The Relevant Stakeholders

9.2 Functions of the Budget Steering Committee

A distinction will be made between the actions that has to be performed in the preparation of budgets and those actions relating to the implementation, monitoring and control of the budget for the Budget Steering Committee and the Budget Forum.

9.2.1 Duties relating to the Budget Preparation Process

Budget Forum

9.2.1.1. The chairperson of the Finance Portfolio will chair the forum

9.2.1.2. Stakeholders will be requested to submit their inputs three days before the sitting of the forum

9.2.1.3. Heads of portfolios shall play an oversight role and answer clarity seeking questions from stakeholders.

Budget Steering Committee

9.2.1.1 Duties of the Municipal Manager – Chair Person

It is the duty and responsibility of the Municipal Manager to:

- Ensure that the Municipality implement and maintain a Budget and Treasury Office (BTO) under the control of the Chief Financial Officer
- Allocate specific responsibilities for the budget preparation processes for the entire entity to the Chief Financial Officer and Heads of Departments.
- Ensure that Municipal Budgets are submitted to the Councillor for Financial Matters and the Mayor in order for the Mayor to table it in a Council Meeting for Approval by Council.
- Ensure that the Approve Budget is effectively communicated to Heads of Departments and other Municipal Officials
- Delegate all or part of the responsibilities of the Chairperson as outlined in this part of the Budget Policy to the Chief Financial Officer and Heads of Departments.
- Assumes the final responsibility for the preparation of all Municipal Budgets.

9.2.1.2 Duties of the Chief Financial Officer – Chief Budget Co-ordinator

It is the duty and responsibility of the Chief Financial Officer to:

- Perform functions related to the preparation of Budgets as allocated or delegated by the Municipal Manager.

- Allocate specific responsibilities for the co-ordination and operationalisation of the Budget Preparation to the Budget and Treasury Office (BTO).
- Provide Heads of Departments and other Officials involved in the budget preparation process with the relevant information and technical assistance in order to enable them to prepare Departmental Budgets.
- Ensure Budget congruence and synchronisation by clarifying conflicting goals, budget overlaps (multiple budgeting).
- Ensure that all anticipated Revenue and Expenditure is correctly allocated to cost centres and that it is clearly and properly motivated.
- Supply Officials with revised Budget Policies and Manuals
- Supply Officials with the annual budget plan including the budget cycle with prescribed time frames.
- Consolidate Departmental Budgets into the Master Budget of the Municipality.
- Delegate all or part of the duties and responsibilities of the Chief Budget Co-ordinator to the Budget and Finance office (BTO).

9.2.1.3 Duties of the Heads of Departments – Budget Co-ordinating Officers

It is the duty and responsibility of the Heads of Departments to:

- Allocate specific functions in preparing the Budgets of Cost Centres that forms part of the Departmental Budget to the Cost Centre Managers.
- Provide Officials involved in the budget preparation process with information and technical assistance in order for the Officials to prepare the budgets of the cost centres in the Department.
- Meet and Consult the Budget and Finance Office to ensure that the budgeted amounts are in accordance with the main goals set out on the Budget Master Plan.
- Meet and Consult with the Chief Financial Officer to motivate budget allocations and additional finance needed in his/her Department.
- Delegate to the Cost Centre Managers all or part of their duties and responsibilities that was allocated to them by the Budget Co-ordinating Officer.
- Assume the final responsibility for the preparation of a consolidated Departmental Budget that must be submitted to the Budget Co-ordinating Officer.

9.2.1.4 Duties of the Cost Centre Managers

It is the duty and responsibility of the Cost Centre Managers to:

- Allocate to officials in their cost centres specific responsibilities for the preparation of the cost centre budgets.
- Meet and consult their Departmental Head for required assistance in compiling the budget of the cost centre.
- Supply officials in the cost centre that is involved in the budgeting process with information and technical support.

- Delegate some of the responsibilities for the compilation of the cost centre budget to officials in the cost centre.
- Assume the final responsibility for the preparation of the cost centre budget.

9.2.2 Duties Relating to Implementing and Controlling the Budget

9.2.2.1 Duties of the Municipal Manager – Chair Person

It is the duty and responsibility of the Municipal Manager to:

- Allocate specific responsibilities and functions on the overall control and monitoring of revenue collection, expenditure and cash flow forecasting to the Chief Financial Officer and Heads of Departments
- Prescribe the format of reporting information on actual revenue and expenditure in comparison with budget estimates for the month and year to date that must be used by the Heads of Departments when reporting on a monthly basis.
- Obtain, where actual revenue and expenditure figures are outside acceptable percentile ranges, explanations of variances and summary of corrective actions to ensure that actual figures are brought within the budget
- Take effective and appropriate steps to ensure that revenue collection and spending is in accordance with the municipal budgets
- Take effective and appropriate steps to ensure that spending is reduced as necessary when revenue is anticipated to be less than projected in the budget
- Take effective and appropriate steps to ensure that any impending under-collection of budgeted revenue; over-spending of the municipal budget; and any appropriate steps taken or to be taken are reported to the councillor for financial matters
- Subject to item 39 below, delegate part or all of the responsibilities for the control of revenue collection, spending and cash forecasting to the chief finance officer
- Assume (ultimate and final responsibility) for overall control and monitoring of revenue collection, spending and cash forecasting for the municipality

9.2.2.2 Duties of the Chief Financial Officer – Chief Budget Co-ordinator

It is the duty and responsibility of the Chief Financial Officer to:

- Allocate specific responsibilities for the control of revenue collection, spending and cash forecasting to the BTO
- In accordance with the prescribed format, provide senior managers with financial management information on actual revenue and expenditure in comparison with budget estimates for the month and year to date
- Support managers in monitoring and evaluating expenditure in relation to budgets and objectives
- Respond to operational challenges faced by managers regarding financial results and trends requiring interpretative professional advice
- Ensure comparison of budget with actual results and investigation of variances to elicit possible explanations
- Undertake ongoing reviews to continuously assess the budgetary planning process in order to improve control and monitoring
- Subject to item 48 below, delegate to the BTO part or all of the responsibilities of the chief budget co-ordinator
- Assume (ultimate and final) responsibility for the control and monitoring of revenue collection, spending and cash forecasting in accordance with any allocated or delegated duties and responsibilities of the Chief budget co-ordinator

9.2.2.3 Duties of the Heads of Departments – Budget Co-ordinating Officers

It is the duty and responsibility of the Heads of Departments to:

- Allocate specific responsibilities for the control of revenue collection and spending to their cost centre managers
- Respond with appropriate action to financial information on their revenues and expenditure as compared to the budget estimates
- Consult with chief finance officer and the BTO in monitoring and evaluating revenues and expenditure in relation to budget estimates and objectives

- Consult with the chief finance officer in resolving challenges they face regarding financial results and trends requiring interpretative professional advice
- Investigate and report to the municipal manager material deviations from the budgets and corrective actions taken or to be taken
- Delegate to competent cost centre managers part or all of the duties and responsibilities of the budget co-ordinating officer
- Assume (ultimate and final) responsibility for the control and monitoring of the consolidated budget for their departments in accordance with any allocated or delegated duties and responsibilities of the budget co-ordinating officer outlined in this manual

9.2.2.4 Duties of the Cost Centre Managers

It is the duty and responsibility of the Cost Centre Managers to:

- Allocate specific responsibilities for the control of revenue collection and spending to personnel in their cost centres
- In accordance with the responsibilities specifically allocated or delegated to them, assist in:
 - a) Responding with appropriate action to financial information on their revenues and expenditure as compared to the budget estimates
 - b) Investigating and reporting to their senior managers material deviations from the budgets and implement any recommended corrective actions

- Subject to item 60 below, delegate to competent personnel in their cost centres part or all of their responsibilities
- Assume (ultimate and final) responsibility for control and monitoring of revenue collection and spending for their cost centres in accordance with any allocated or delegated duties and responsibilities outlined in this manual

10. BUDGET AND TREASURY OFFICE (BTO)

A Budget and Treasury Office must be established according to the Municipal Finance Management Act Section 80

10.1 Compilation of the Budget and Treasury Office

The Budget and Treasury Office will consist of:

- A Chief Financial Officer designated by the Accounting Officer of the Municipality;
- Officials of the Municipality allocated by the Accounting Officer to the Chief Financial Officer; and
- Any other person Contracted by the Municipality for the work of the Budget and Treasury Office.

10.2 Functions of the Budget and Treasury Office

The Officials and Contracted Personnel in the Budget and Treasury Office will be responsible for the following Functions:

- Prepare Budget Plans with Timeframes;
- Make recommendations on the revision of the IDP and Budget Policies;

- Assist the Mayor, Municipal Manager and Heads of Departments with technical and financial support on Budget related issues;
- Make recommendations on the financing of the draft capital Budget for the ensuing and future financial years, indicating the impact of viable alternative financing scenarios on future expenses;
- Decide in co-elaboration with the Municipal Manager and the Mayor on the following essential parts of the Budget as well as the calculation thereof:
 - (i) The Depreciation Charges;
 - (ii) Repairs and maintenance expenses;
 - (iii) Interest payable on external borrowings;
 - (iv) Other operating Expenses;
 - (v) Contribution to Funds and Reserves;
 - (vi) Contribution to the Asset Financing Reserve;
 - (vii) Operational revenue with source indicators;
 - (viii) Grants and Donations with source indicators and restrictions;
 - (ix) Determine the basis that overheads will be charged that is not directly chargeable to votes;
- Ensure that the cost of Indigency relief is separately reflected in the appropriate votes;
- Ensure that the allocations from other organs of State is properly reflected in the annual and adjustment Budgets;
- Determine with the Approval of the Mayor and Municipal Manager the Aggregate Growth Factor according to which budgets for various votes shall be drafted;
- Prepare the Draft annual Capital and Operational Budgets taking into account :
 - (i) The Format of the Budget as prescribed by National Treasury;
 - (ii) Priorities as reflected in the IDP and service delivery plans;
 - (iii) The rates-, credit control-, indigent-, and any other Policy of the Municipality that can affect the Budget;
- Assist Heads of Departments with the compilation of their Departmental Budgets;
- Ensure that the Departmental Budgets and therefore the overall Budget is based on the Activity Based Costing Method on a zero base platform to enhance measurable growth for the Municipality;
- Ensure that the Draft Budget is linked to the relevant IDP processes;
- Determine the number and type of votes that will be used and the line items that will be shown under each vote as prescribed by National Treasury;
- After recommendation by Council compile a Final Budget with a High Level Executive Summary for approval by Council;
- Distribute approved budget to a line item budget on the financial system;
- Submit copies of the Approved Budget to the Relevant Heads of Departments;
- Submit Copies of the Approved Budget to National Treasury, as well as Budget Forms as prescribed by National Treasury;
- Compile monthly Budget Reports, with recommendations, comparing actual versus budgeted projections and submit it to the Mayor, Finance Committee and Heads of Departments no later than 10 days after the month it is reporting on;

- Provide Technical and Administrative Support to the Mayor on adjustment Budgets;
- Ensure that the line items are updated with the approved adjustment budget figures;
- Report to the Mayor and Municipal Manager on possible overspending and where the projected Revenue is less than the anticipated revenue;
- Report to the Mayor and Municipal Manager on any Fruitless or unauthorised expenditure;
- Assist Heads of Departments in the control of their Departmental Budgets by indicating possible overspending, and recommending adjustments.

11. ACTIVITY BASED COSTING MODEL – A BRIEF OUTLINE

National Treasury recommends the usage of the Activity Based Costing Model in the process of budgeting in a quest to better the reporting and measuring of the service delivery of Municipalities.

11.1 Definition

Activity based costing (“ABC”) may be defined as a methodology that identifies the activities in organisations that are responsible for generating costs; these activities contribute to the production of outputs in the form of products and services.

11.2 Advantages of using Activity Based Costing

The value of ABC lies in its potential to contribute to improved decision-making. Potential benefits accruing to municipalities from the adoption of ABC include:

- improved financial reporting
- more efficient resource allocation
- facilitating the assessment of performance and benchmarking
- facilitating the evaluation of alternative mechanisms for delivery of services (in that there is now an effective basis for comparison) and providing a more reliable basis for reviewing opportunities for cost savings
- providing an improved base for determining levels of cost recovery for rate-funded services

- facilitating organisational restructuring by providing the basis for a leaner management structure and a reduction in supervisory levels
- promoting strategic management by assisting with the alignment of functions to municipal mission statements and strategic planning activity

11.3 **Elements of Activity Based Costing**

Using ABC, costs (including overhead costs) are traced to products and services by identifying the resources used by activities, and the respective activity quantities and costs incurred to produce product or service output.

A unit of output (a driver) is first used to calculate the cost of each activity. The cost of each product or service is subsequently determined from the level of consumption of particular activities by products and services during any given period of time. The cost calculation is effected through the application of cost drivers to specific activities.

The ABC methodology provides an approach for allocating **all** the costs incurred by organisations in the production of goods and/or services

The major elements of an ABC model are:

- **Resources:** these are consumed by activities
- **Activities:** their consumption of resources creates cost centres. Costs accumulated in corporate overhead cost centres must be allocated to functions that are not corporate overhead activities. Direct costs incurred in the production of products and services may be allocated directly to the respective product and service.
- **Cost drivers:** these are the measures that represent the amount of effort incurred in undertaking particular activities. They are used by manufacturing and service organisations to allocate overhead costs to specific products and services
- **Cost objects:** these are the products and services that consume the identified activities

11.4 Activity Based Costing Guidelines for Heads of Departments

The following guidelines should assist managers in preparing their budgets:

- Heads of Departments must prepare the operational plans of the Department before attempting to perform activity based costing to ensure that the incremental budgeting is in line with the set service delivery objectives of the Department.
- The Heads of Departments must obtain all baseline information e.g. policies, methods to be used, costs of personnel and material, estimated costs of other Departments etc. before commencing to Activity Based Costing.

Key phases of the process of successfully implementing an Activity Base Costing System are:-

(Each of these phases will be discussed for clarification purposes)

- Establish an Implementation Process;
- Build the ABC Model;
- Determine the Extend of the integration of the ACB model with existing Accounting Systems;
- Maintain the Model.

The process of changing Operational Plans into Activity Base Costing Operational Plans will be as follows:-

11.4.1 **Establish an Implementing Process**

The implementation of an ABC system is a significant standalone project. The following factors should be considered when planning the implementation of an ABC system:

- Manage the implementation process as a project: define and assign tasks to be undertaken, prepare a timetable and identify project deliverables;
- Ensure that the project team has a multi-disciplinary membership;
- Inform all the parties likely to be involved in the process as to the objectives, benefits and details of the proposed process at the commencement of the project; provide regular newsletters, formal briefings and training where necessary; and
- Deal with objections to ensure the implementation process is supported.

11.4.2 **Building the ABC Model**

The key steps in constructing an ABC model in a local authority context are:

- **Determining service delivery functions to be reported on;**
E.g. Water Distribution, Health Services etc.
- **Determining the activities performed in support of the service delivery functions and their respective costs;**
Identify activities linked to internal requirements (process activities, measures etc) as well as those linked directly to service delivery outputs (contracting, consulting, service agreements, etc): One of the benefits here is that managers are forced to think in terms of activities without regard to functional lines, hence automatic integration.
E.g. for Environmental the activities identified can be Sewerage or Refuse Collection etc.
- **Determining the cost drivers to be used to allocate support activity costs to service delivery functions;**
 - ✓ **Gather Cost Estimates**

This stage involves that costs estimates be gathered for those activities that have been identified, such as the cost of salaries, computers, workshops, consulting fees etc. Some costs will be traceable to other budgets within the municipality.

It is essential to take all direct and indirect overhead costs into consideration when collecting the cost implication of an activity.

Cost implications of other departments that will have an effect on the overall costs of the Activity e.g. costs from Finance for printing accounts for the sale of water.

✓ **Trace Costs to activities**

Analysed activities and gathered costs are brought together to determine total input costs for each activity. Some activities will be traceable to other functional quotas within the municipality.

✓ **Establish activity unit costs**

The activity output quantity should first be determined, e.g. supply of water to a block of 100 household units

The total input cost is divided by the activity output quantity to arrive at the activity unit cost

The activity unit cost becomes baseline information for costing and cost rationalisation exercises

✓ **Analyse costs**

- A cost analysis should enable the cost centre to respond to resource constraints and aid decision on the implementation of efficient strategies, varying the input mix for certain outputs and where necessary eliminate redundant activities to optimise the use of limited resources
- In trimming the budget to available resources, it is vital to prioritise activities on the basis of alignment with the strategic direction of the of the municipality, taking into account comments from the public consultation process

➤ **Quantifying the distribution of support costs across service delivery functions;**

Indirect costs or Corporate Overhead cost must be spread across all of the significant activities that utilise the functions or assets that have a cost implication.

e.g. where Finance and Corporate services share a building that is rented from an external party, and Finance have three(3) significant activities and Corporate services has Five (5) significant activities the

rent must be split into Eight with each activity receiving an eighth of the overhead costs.

- **Allocating support costs across service delivery functions. Direct costs incurred in the delivery of services should be allocated directly to the respective service delivery functions;**

Direct Cost that will be incurred by a significant activity will be recorded against the significant activity and will not be split up amongst all the activities.

E.g. Labour and material costs incurred by the cost centre to deliver a particular service.

- **Recording the details of the ABC model.**
Details of the ABC model must be recorded in order for the relevant Departmental Head to measure the results of the ABC model to actual results.

Other matters to be considered when planning the construction of the ABC model include:

- **Building the model in stages**
- **Using existing data where relevant; start with the general ledger and information generated in previous organisational studies**
- **Determining the degree of complexity to be applied in the cost assignment processes. Cost effectiveness considerations should be the major criteria in the construction process as trade-offs are made between the accuracy of costing information provided and the costs and difficulties of operating a more complex costing system.**
- **Ensuring the data given to the project team by staff members about activities undertaken and possible cost allocation drivers is reviewed by the project team to check that the data derived is realistic**

11.4.3 Integrating the ABC System with existing Accounting System

Initially, the ABC model should be run separate from the main accounting system. For smaller municipalities, there may be little net advantage in fully integrating the ABC model with the main accounting system.

11.4.4 Maintaining the ABC Model

It is vital that the ABC model is reviewed annually. The annual review should address the functions and cost drivers employed in the model and also the distribution of costs across functions.

11.4.5 Most Important Rules when using the ABC Model

- Identify the Service or portion of service delivery function that must be costed;
- Determine the overhead- and direct cost components that will form part of a specific activity;
- Establish activity unit costs;
- Analyse costs and prepare cost base to activity base according to budgeted figures;
- Review and measure actual performances on service delivery to the budgeted Activity Base Costing Model and make corrections to the ABC.

12. FORM AND CONTENT OF BUDGETS - SUMMARY

- The municipality shall prepare its annual budget document (i.e. the version submitted to NT) in accordance with formats prescribed by National Treasury (see annexure A1 => A10)
- The Budget Steering Committee should also adopt standard budget input forms to be used for recording detailed line item budgets of cost centres: This will ensure uniformity across cost centres, and, ease of comparison and consolidation of individual budgets into the master budget of the municipality
- Once the Budget Steering Committee has adopted the input forms, all budget estimates should be collapsed to be in accordance with the list of accounts reflected in the forms: Items not specifically provided for in the standard budget input forms should be included with line items denoting budget estimates of compatible nature
- The BTO shall analyse and regroup all budget data recorded using internal input forms (to be) in accordance with formats prescribed by National Treasury (Annexure A1 => A10)

- The content of the Municipality's budget is dictated by internal formats adopted by management as well as NT formats and should at least contain -
 - a) Revenue and expenditure for the financial year
 - b) Interest and principal repayments for the financial year
 - c) Capital investment plan including projected revenues and expenditures for at least 3 years
 - d) Borrowing plans for at least 3 years
 - e) Prior year comparatives: projected and actual for a) – d) above

13. METHODOLOGY - SUMMARY

- Municipal budgets shall be prepared using the Activity Based Costing (ABC) methodology (see section 11)
- Necessary variations should be allowed without compromising the principles of activity based costing; e.g. (*one*), the development of a new policy requires the use of a zero-based approach and, (*two*), increasing the level of an existing service delivery output which will require an incremental approach
- The golden rule is that service delivery outputs and outcomes should be traced back to activities while activities should further link back to costs
- Where operating costs relating to two or more functions are accounted for in one cost centre a suitable absorption basis should be determined, taking into account cost drivers for activity outputs in each function: Costs uniquely identifiable with specific activities should first be allocated to determine resource consumption ratios per function, which will be further weighted as necessary to arrive at the final cost absorption rates

14. OTHER BUDGETARY CONSIDERATIONS - SUMMARY

- Senior managers should ensure that data in support of budget estimates as reflected in the line item budget input form is included with their formal computations: Such data will include price and quantity quotes, assumptions, professional's estimates, a baseline of historical data and trends etc

- Budget estimates should reflect simple rules of arithmetic and logic in co-relation with the motivations for budget estimates, e.g. 2 pens @ R1 each cannot be allotted a budget of R4.
- The BTO personnel should assist managers in the costing of the IDP and functional operational plans using the ABC approach
- The Budget steering committee shall, at least once in a year, issue summarised budgeting guidelines which should include revised growth parameters in line with NT's annual budget circular and other key assumptions which should be used in preparing the budgets: Assumptions will be financial (e.g. inflation rates), non-financial (e.g. new households) and economic (e.g. local economic activity trends)

15. BUDGETARY CONTROL – SUMMARY ON PROCEDURES

- Budget implementation monitoring and control will involve regular in-year reporting, investigations and remedial actions to ensure municipal revenues and expenditure are in accordance with the votes of departments or cost centres within the departments
- Once approved, budgets are passed back to the appropriate managers to allow them to manage: Budgets are a management tool

15.1 Internal Budget Status Reports

- The BTO should, in accordance with reporting formats adopted by management, prepare reports on the state of budgets and pass them to managers to allow them to manage
- In addition to any information prescribed for management reporting, monthly budget reports should specify, for the reporting period and the financial year to date, the actual revenue received, actual expenditure incurred and borrowings raised in comparison with the corresponding budgeted amounts
- The chief finance officer is responsible to the municipal manager for ensuring budget reports are prepared monthly and distributed to all managers to allow them to take appropriate action

15.2 Reports to National Treasury and Transferring Departments

- The chief finance officer should ensure that grants and transfers received from national or provincial government are spent in accordance with the budgets for the capital programmes or operating plans for which the funds were granted as included in the overall municipal budgets
- The BTO, under supervision of the chief finance officer, will prepare reports on a monthly basis regarding the spending of funds from provincial or national government to the relevant transferring departments and NT
- Reports to external recipients as contemplated above should be prepared according to formats prescribed by NT (see annexure B) and any specific formats prescribed by the transferring departments, reflecting information as specified in the conditions of the grant or transfer which should include funds received and spending for the reporting period and financial year to date as well as the extent of compliance with the conditions of the grant or transfer
- While it is the duty of the chief finance officer to ensure the timely preparation of reports to external recipients, it will be the responsibility of Internal audit to review and certify the figures and comparisons included in the reports
- The municipal manager is responsible to the transferring department for any spending which is not in line with the conditions of the grant or transfer and the budget allocation approved by the transferring department

15.3 Material Deviation from Budgets

- Any revenue or expenditure amounts which are 10 percent above or in excess of the corresponding budgeted amounts constitute material deviations from the budget and should be investigated and reported on, and appropriate corrective action should be taken by the manager concerned
- Cost centre managers should account in writing (as part of their management reports and upon request) to senior managers with regards to any material deviations relating to their budget components, while senior managers should account in the same way to the municipal manager with regards to their departmental budgets

15.4 Budget transfers or virement

15.4.1. DELEGATION ON TRANSFERS

15.4.2. Transfers between Votes

- A “Vote” in terms of National guidelines is determined as one of the main segments into which a budget of a municipality is divided for the appropriation of funds for different departments or functional areas. This specifies the total amount that is appropriate for the purpose of the department or functional area. Council therefore decides on the total amount that is allocated to that specific function and classifies it as a vote. Because council approves the “vote” only the shifting of funds within the “vote” can be delegated to the Mayor, the Accounting Officer, the Chief Financial Officer or any other Senior Manager.

15.4.3. Transfers between Functional Centres

- Budget transfers within the same department shall be recommended by the Heads of departments in accordance with delegated authority and approved by the Chief Financial Officer.
- No budget transfers or virement shall be made to or from salaries except with the recommended by the Director Corporate and prior approval of the Chief Financial Officer.
- Savings on allocations earmarked for specific capital projects may not be used for any other purposes except with the approval of Council.

Savings in an amount appropriated for capital expenditure may not be used to defray operational expenditure. Savings realised within a capital programme (e.g. MIG funded etc) can only be transferred to other project

budgets in accordance with the funding conditions and with the approval of the funding source or Council.

Any transfer of funds between votes by the Heads of Department must be informed in writing with reasons to the Accounting Officer or the Chief Financial Officer. The amount of transfer by the Heads of Department and the Accounting Officer (Municipal Manager) is limited by the Delegation of Authority; and this amount is revised from time to time in line with the revision of delegations.

15.4. 4.Transfers within Departments

➤ The transfer of budgeted amount within departments is delegated to the Accounting Officer and can only be considered on advice of Chief Financial Officer in writing. The Accounting Officer can delegate his authority to the Chief Financial Officer. The maximum amount that can be transferred in term of this delegation is R800, 000.00 per vote. Anything above that amount must be referred to the Mayor for approval under his/her limitation of R1000,000.00 per vote. Anything above R1000,000.00 must be referred to Council for approval.

15.4.5 Transfer from Operation to Capital Budget

➤ Transfer from operation to capital budget can only be approved by the Mayor with recommendation from the Accounting Officer, advice by Chief financial office. The amount to be transferred is limited to an amount of R400, 000.00. The virement should be made within the approved budget.

15.4.6 GENERAL

➤ The purpose of this Virement is to improve the pace at which service delivery is done and to make functionaries more accountable for their actions.

➤ In terms of Mscoa virement can be done within the vote.

15.5 Budget Enquiries

- Enquiries relating to the preparation of budgets should be sent to the chief budget co-ordinator
- The chief budget co-ordinator may delegate part or all of the responsibilities relating to the handling budget queries to any competent official in the BTO or serving under the direct supervision of the chief finance office.

15.6 Budget Variance or Unauthorized

The municipality's material variance is considered when there is a 7% deviation from the budget per vote and regard it as unauthorized. The explanation for material variance between budget and actual must be provided in the annexure of comparison of budget and actual.

15.7 Commencement / Reviewed date

This Policy will take effect on the **01st July 2020**

Signature:	
Initials and Surname:	Pheedi M
Designation:	Mayor
Council Resolution Number:	
Council Date:	29 May 2020

16. ANNEXURES

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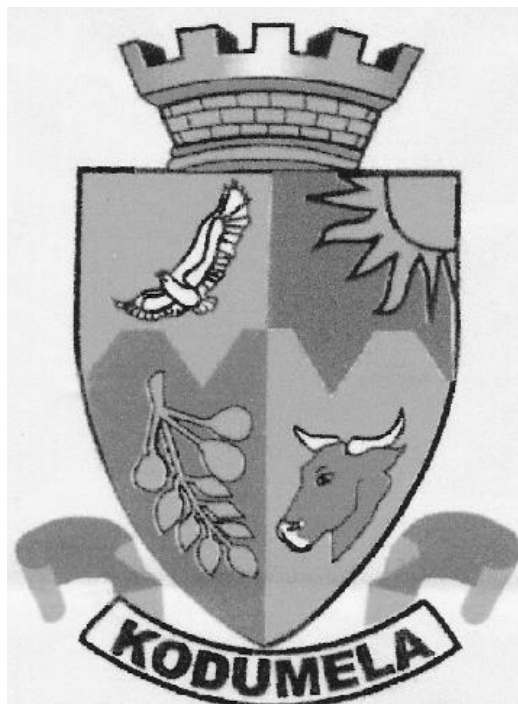
Annexure	B	-	Budget Analysis (Forms)
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DRAFT

ASSETS MANAGEMENT POLICY

1



BLOUBERG MUNICIPALITY

ASSET MANAGEMENT POLICY

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ASSET MANAGEMENT POLICY DOCUMENT

1. Aim of this document

This document on the Blouberg Municipality Assets Management Policy is provided to assist Management and Officials of Blouberg Municipality on Asset related issues and to ensure consistent, effective and efficient asset management principles.

The objective of this document is aimed at:

- To safeguard the assets of Blouberg Municipality and to ensure the effective use of existing resources
- To emphasise a culture of accountability over Blouberg Municipality's assets
- To ensure that effective controls are communicated to management and staff through clear and comprehensive written documentation
- To provide a formal set of financial procedures that can be implemented to ensure Blouberg Municipality financial asset policies are achieved and are in compliance with the Generally Recognised Accounting Practice (GRAP) and Municipal Finance Management Act (MFMA).
- To establish the criteria that must be met before capital expenditure can be capitalised as an asset in the Statement of Financial Position.
- To classify the different categories of assets according to the asset's nature, use and location.
- To set up rules to determine the value of assets that will be brought into the books and records of the Blouberg Municipality.
- To set rules for establishing the useful life of the category of assets.
- To set specific rules for the calculation of depreciation per asset category.
- To set criteria for the future revaluation of assets.
- To set procedures for the scraping and sale of assets.
- To set procedures for the management and control of assets.
- To establish procedures for the annual physical verification of assets
- To set procedures on the treatment of assets held under finance leases
- To set procedures on the handling of inventory assets.

This policy replaces or supersedes all asset management policy instructions that have previously been issued.

Failure to comply with the prescribed policies will result in the institution of disciplinary procedures in terms of the stipulated conditions of employment of Blouberg Municipality.

Policy Authority and Responsibility

Any departures from the approved policies stated in this manual will require the prior written approval from the following authority and persons:

APPROVAL:	EXCO and Council
MAINTAINED BY:	Financial Division: Asset Management Unit
IMPLEMENTED BY:	Departmental Heads.
EXECUTION:	Departmental Heads and Officials.
SUPPORTED BY:	Finance Division: Asset Management Unit

2. Definitions

Definitions

Consistent definitions are essential for good asset management and reporting. These definitions were taken from the General Recognised Accounting Practice guidelines regarding assets:

Asset - An asset is a resource controlled by the municipality as a result of past events and from which future economic benefits or service potential will flow.

Carrying Amount - The amount at which an asset is included in the statement of financial position after deducting any accumulated depreciation, accumulated amortization and any accumulated impairment losses thereon.

Class of assets - means a grouping of assets of a similar nature or function in an entity's operations, that is shown as a single item for the purpose of disclosure in the financial statements.

Community assets - are defined as assets that contribute to the community's well-being. Examples are parks, libraries, taxi ranks

Cost of an asset - The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.

Depreciation - This is the systematic allocation of the depreciable amount of an asset over its useful life.

Depreciable amount - The cost of an asset, or other amount substituted for cost in the financial statements, less its residual value.

Development - Is the application of research findings or other knowledge to a plan or design for the production of new substantially improved materials, devices, products, processes or services prior to the commencement of commercial production or use. Development will only constitute a capital expense if it can be linked to an asset.

Fair Value - The amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

Finance Lease – is a lease which in effect transfers substantially all the risks and rewards associated with ownership of an asset. Title may or may not eventually be transferred.

Impairment - An asset is impaired when the carrying amount exceeds its recoverable amount (recoverable service amount in the case of non-cash generating asset).

Infrastructure assets - are defined as assets that are part of a network of similar assets. These assets usually display some or all of the following characteristics:

- They are part of a system or network
- They are specialised in nature and do not have alternative uses
- They are immovable
- They may be subject to constraints on disposal.

Investment Properties - are properties acquired for economic and capital gains. Examples are office parks and undeveloped land acquired for resale in future years.

Heritage Assets are cultural significant resources. Examples are works of art, historical buildings and statutes.

Other assets - are defined as assets utilised in normal operations. Examples are plant and equipment, motor vehicles, computer equipment and furniture and fittings

Property Plant and Equipment - These are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one reporting period. Property, plant and equipment is classified into different broad categories i.e. infrastructure, community, land, buildings, other assets and assets under construction.

Residual value - The estimated amount that the municipality would currently obtain from disposal of the asset after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Recoverable amount - The estimated amount which the municipality expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal. Recoverable amount is the higher of a cash or non-cash -generating asset's net selling price and its value in use.

Research - Is an original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

Useful life - Useful life is either the period over which an asset is expected to be available for use by the municipality, or the number of production or similar units expected to be obtained from the asset by the municipality.

Value in use - The present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

3. Legal framework

This policy must comply with all relevant legislative requirements including:

- The Constitution of the Republic of South Africa, 1996
- Municipal Structures Act, 1998
- Municipal Systems Act, 2000
- Municipal Finance Management Act No 56 of 2003
- Local Government: Municipal Asset Transfer Regulations, 2008

4. Scope

This policy must comply with the standards specified by the Accounting Standards Board. The relevant currently recognized accounting standards include:

- GRAP 1 Presentation of financial statements
- GRAP 12 Inventory
- GRAP 13 Leases
- GRAP 16 Investment property
- GRAP 17 Property, plant or equipment
- GRAP 21 Impairment of non cash generating assets
- GRAP 26 Impairment of cash generating assets
- GRAP 27 Agriculture
- GRAP 31 Intangible assets
- GRAP 103 Heritage assets

5. Accounting Treatment

5.1 Recognition

5.1.1 Property, plant and equipment

An asset shall be recognised as an item of property, plant and equipment if, and only if:

- It meets the definition of property, plant and equipment;
- It is probable that future economic benefits or service potential associated with the item will flow to the municipality, and
- The cost or fair value of the item can be measured reliably.

Only assets that meet the definitions of asset and property, plant and equipment as defined by Grap1 and Grap17 respectively shall be capitalised and recorded in the Asset register and depreciated according to their useful lives. However where there are assets of small value Chief Financial Officer and Asset Management Unit may agree to expense on acquisition in the statement of financial performance.

5.1.2 Intangible assets

An asset shall be recognised as an item of intangible asset if, and only if:

- It meets the definition of intangible asset;
- It is probable that future economic benefits or service potential associated with the item will flow to the municipality, and
- The cost or fair value of the item can be measured reliably.

5.1.3 Leased assets

An asset shall be recognised as a leased asset if it meets the definition of a finance lease. All other leases will be accounted for as expenditure in the Statement of Financial Performance.

5.1.4 Heritage assets

An asset shall be recognised as an item of heritage asset if, and only if:

- It meets the definition of heritage asset;
- It is probable that future economic benefits or service potential associated with the item will flow to the municipality, and
- The cost or fair value of the item can be measured reliably.

5.1.5 Investment property

An asset shall be recognised as an item of an investment property if, and only if:

- It meets the definition of investment property;
- It is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality; and
- The cost or fair value of the investment property can be measured reliably.

5.1.6 Biological assets and agricultural produce

An asset shall be recognised as an item of biological asset or agricultural produce if, and only if:

- The municipality controls the asset as a result of past events;
- It is probable that future economic benefits or service potential associated with the asset will flow to the entity; and
- The fair value or cost of the asset can be measured reliably.

5.2 Initial measurement

5.2.1 Property plant and equipment

An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost. Where an asset is acquired through a non-exchange transaction (e.g. donation), its cost shall be measured at its fair value as at the date of acquisition.

The cost of an item of property, plant and equipment comprises:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognized as interest over the period of credit unless such interest is recognised in the carrying amount of the item in accordance with the allowed alternative treatment in the Standard of GRAP on Borrowing Costs.

The municipality shall allocate the cost of an item of property, plant and equipment initially recognised in respect of an item of property, plant and equipment to its significant parts.

Subsequent costs incurred to improve a specific asset (i.e. the improvement will increase capacity or extend the useful life of the asset) shall be capitalised against the asset affected, and written off over the remaining life of the asset.

Where repairs and maintenance expenses are incurred to repair or service a specific asset and it does not extend the lifespan of the asset, the cost thereof must be written off to repairs and maintenance in the income statement.

5.2.2 Intangible assets

An intangible asset shall be measured at its cost at initial recognition. Where an asset is acquired through a non-exchange transaction (e.g. donation), its cost shall be measured at its fair value as at the date of acquisition.

The cost of an intangible asset comprises:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

Expenditure on research (or on the research phase of an internal project) shall be recognised as an expense when it is incurred.

5.2.3 Leased assets

At the commencement of the lease term, municipality shall recognise assets acquired under finance leases as assets and the associated lease obligations as liabilities in their statement of financial position. The assets and liabilities shall be recognised at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the municipality's incremental borrowing rate shall be used. Any initial direct costs of the municipality are added to the amount recognised as an asset.

5.2.4 Heritage assets

A heritage asset that qualifies for recognition as an asset shall be measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

The cost of a heritage asset comprises:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

5.2.5 Investment property

An investment property shall be measured initially at its cost (transaction costs shall be included in this initial measurement). Where an investment property is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes and other transaction costs.

5.2.6 Biological assets and agricultural produce

A biological asset shall be measured on initial recognition and at each reporting date at its fair value less costs to sell, except for the case where the fair value cannot be measured reliably. Where an entity acquires a biological asset through a non-exchange transaction, the biological asset is measured on initial recognition and at each reporting date at fair value.

Agricultural produce harvested from the municipality's biological assets shall be measured at its fair value less costs to sell at the point of harvest.

5.2.7 Acquisition as part of a transfer of functions

In accordance with the Standard of GRAP on *Transfer of Functions Between Entities Not Under Common Control*, if the municipality acquires an asset in a transfer of

functions between entities not under common control, the cost of that asset is its fair value at the acquisition date.

5.3 Subsequent measurement

5.3.1 Property plant and equipment

After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

5.3.2 Intangible asset

After recognition as an asset, an intangible asset shall be carried at its cost less any accumulated amortization and accumulated impairment losses.

5.3.3 Leased asset

After recognition as an asset, leased asset shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

5.3.4 Heritage assets

After recognition as an asset, a class of heritage assets shall be carried at its cost less any accumulated impairment losses.

5.3.5 Investment property

After initial recognition, municipality shall measure all of its investment property in accordance with the Standard of GRAP on Property, Plant and Equipment, i.e., at cost less any accumulated depreciation and any accumulated impairment losses.

5.4 Depreciation and amortisation

5.4.1 Depreciation - Property plant and equipment

The municipality shall with the exception of land, allocate the depreciable amount (cost less residual value) of an asset on a straight line basis over its useful life. Municipal land has an unlimited useful life and therefore is not depreciated. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

Depreciation charge shall be zero if the residual value of an asset increase to an amount equal to or greater than the asset's carrying amount. The depreciation charge for each period shall be recognised in surplus or deficit unless it is included in the carrying amount of another asset.

5.4.2 Amortisation – intangible asset

The depreciable amount of an intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life. Amortisation shall begin when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation shall cease at the date that the asset is derecognized.

5.4.3 Leased asset

A finance lease gives rise to a depreciation expense for depreciable assets for each accounting period. The depreciation policy for depreciable leased assets shall be consistent with that for depreciable assets that are owned, and the depreciation recognised shall be calculated in accordance with the Standard of GRAP on Property, Plant and Equipment. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

5.4.4 Heritage assets

A heritage asset shall not be depreciated but an the municipality shall assess at each reporting date whether there is an indication that it may be impaired.

5.5 Review of useful lives, residual values and depreciation and amortization methods

Municipality shall assess at each reporting date whether there is any indication that the municipality's expectations about the residual value, depreciation and amortization methods and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity shall revise the expected useful life and/or residual value accordingly. The change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

5.6 Impairment

To determine whether an asset is impaired, municipality applies the Standards of GRAP on *Impairment of Cash-generating Assets* or *Impairment of Non-cash-generating Assets*, as appropriate.

When the carrying amount of an Asset has declined below the carrying amount of the asset the accounting procedures will be as follows:

- The carrying amount of the asset will be reduced to the recoverable amount of the asset.
- The amount in reduction will be recognised as an expense in the Statement of Financial Performance.

It can happen that the recoverable amount of an asset recovers in such a way that it exceeds the carrying value of an asset that was previously written down by means of impairment.

This asset's carrying amount will only be written back to its original value if:

- The circumstances or events that led to the write down of the value of the asset cease to exist.
-

- There is evidence that the new circumstances and events will persist for the foreseeable future.
-
- The Asset's original carrying amount has never been influenced by impairment or a write-up of the carrying value.

The amount of write-up must be recorded as an income in the Statement of Financial performance.

5.7 Transfers

5.7.1 Heritage assets

Transfers from heritage assets shall be made when, and only when, the particular asset no longer meets the definition of a heritage asset. Transfers to heritage assets shall be made when, and only when, the asset meets the definition of a heritage asset.

5.7.2 Investment property

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

- commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- commencement of development with a view to sale, for a transfer from investment property to inventories;
- end of owner-occupation, for a transfer from owner-occupied property to investment property; or
- commencement of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property.

5.8 Derecognition

The carrying amount of an asset shall be derecognised:

- on disposal (including disposal through a non-exchange transaction); or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss (difference between the net disposal proceeds, if any, and the carrying amount of the item) arising from derecognition of an asset shall be included in surplus or deficit when the item is derecognized.

5.9 Disclosure

The disclosure of an asset in the financial statement shall be as per relevant standard of GRAP.

6. Asset management procedures

6.1 Overview of the asset life cycle

For the purpose of efficient asset management, the municipality's asset life-cycle shall include the following phases:

- Planning;
- Acquisition;
- Operation and Maintenance; and
- Disposal

The four key stages of the asset lifecycle which are described below:

6.1.1 Planning

Planning is the first stage of the asset life cycle. This stage establishes and verifies asset requirements. Establishment of asset requirements is based on evaluation of the existing assets and their potential to meet service delivery needs.

Planning for assets is linked to the broader strategic planning, capital budgets, operating budgets and asset management plans of the municipality, all of which shall in turn inform the Integrated Development Plan (IDP) processes.

6.1.2 Acquisition

All assets to be acquired for a Financial Year must be included in the Blouberg Municipality's Integrated Development Plan as per the annual capital budget.

The Blouberg Municipality Council must approve any asset that did not form part of the original annual capital budget.

Tender and quotations must be obtained as prescribed by the Blouberg Municipality's Procurement Policy and all other work procedures must be followed when an asset is acquired.

Capital items not purchased in the financial year as approved on the IDP and capital budget of the Municipality may only be rolled over to the next financial year if it is approved by the Executive Committee and Council. These approved transfers must be included as carry-over amounts in the capital budget for the new financial year.

All assets acquired shall be assigned useful lives as per Annexure 1 of this policy unless a more appropriate useful life can be motivated by the Department that acquires

the asset, and the change in the useful life of the Asset as motivated by the Department is approved by the Chief Financial Officer.

If the useful life of an asset cannot be determined from the useful life schedule and it is impossible to estimate the useful life of the asset, the asset shall annual be assessed for impairment.

6.1.3 Operation and maintenance

The operation and maintenance stage indicates the application and management of an asset, including maintenance, with the aim of delivering services. The plan of asset management should have a high focus on asset maintenance issues. Long lived assets, in the majority of public sector assets, especially roads and buildings require particular maintenance during their life cycle.

Throughout this time, the asset should be focus to appropriate maintenance, monitoring and potential improvement to overpass any adjustment in operational requirement.

Asset Control Officer shall review the residual value and useful lives of assets on an annual basis.

6.1.3.1 Accountability

Accounting Officer

In accordance with MFMA section 63(1a), the accounting officer is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets

Senior Managers and other official of the municipality

In accordance with MFMA section 78(1e), each senior manager and each official exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure that the assets of the municipality are managed effectively and that assets are safeguarded and maintained to the extent necessary. The Departmental head is responsible and accountable for the asset in his/her department. The Head of the Department is also responsible to communicate any asset that must be scraped through to the Finance department for approval.

Asset Management

6.1.3.2 Usage

- Municipal assets shall be utilised for the purpose for which they were acquired by the municipality.
- All private assets entering municipal premises will be registered with security officers and a register will be kept.

6.1.3.3 Custody and safeguarding of assets

All municipal assets will be clearly marked for identification purposes when the assets are received and shall be kept in a safe and secured place. Assets will be individually bar-coded where it is physically possible and cost effective. Where it is not physically possible to mark an asset with a bar-coded strip, the asset will be marked and numbered by way of a permanent marking pen or paint. Due to the difficulty of marking movable assets in the halls with barcodes, the following procedures must be put in place to ensure the safekeeping and control over these assets.

- Stackable chairs, tables and other movable assets must be counted before and after every event that takes place in the hall to ensure that all assets are accounted for after the event.
- When assets are moved from the halls an official from the Blouberg Municipality must sign the assets removed from the halls out and ensure that all assets are accounted for by signing it in when the assets are returned.
- All discrepancies must be reported to the Asset Control Officer as a matter of urgency.
- The Asset Control Officer will claim the replacement value of any discrepancies from the responsible person who rented the hall or used the assets outside the hall, via an invoice.

The asset will be captured on the asset register as well as on an asset sheet that must be fitted behind the door of each office or at a place as specified by the asset control officer. The Head of the Department or as delegated by him/her will sign the asset list to take responsibility of the assets in his/her department

No asset may be moved from its original location without the written approval of the Asset control Officer. The procedures required to move an asset will be as follows:

- The Head of the Department requesting the move of an asset must submit an approved Asset Move Request Form (available from the Asset Control Officer) to the Asset Control Officer before any asset is moved.
- Notebook PCs shall be checked out and checked in with security at entrance gates. Gate security shall record the make, model and barcode numbers in a register.
- Upon departure from service in the municipality, a notebook PC must be returned to the relevant divisional Manager. It is the employee's responsibility to obtain an acknowledgement of receipt. The supervisor of an employee shall be held personally liable for any loss incurred by the Department for a notebook that has not been deposited with Information Management Services upon departure.
- If an asset or any of its accessories is lost due to outright negligence, a staff member shall make good the loss financially. The current method of recovering the lost to the equipment utilized by Procurement division will be used. Currently the straight line method is in used whereby an official will be required to pay a depreciated value of the notebook.

Verification

All assets will be identified with a unique bar coded asset number and recorded on an asset sheet and asset register. Management should ensure that all Blouberg Municipality employees keep an updated copy of the asset inventory sheet.

Management should ensure that all assets recorded on the Asset Register are physically verified at least once a year by means of an asset audit.

Any differences must be investigated and must be adjusted in the Asset Register, if agreed and authorised by the responsible Managers and Council. A written explanation of the differences must be supplied by the relevant Head of Department.

Managers have to ensure that proper documentation is maintained for all their physical verification procedures performed.

The Asset Control Officer will from time to time do spot checks to ensure that the assets in a specific location agree to the assets listed on the asset sheet of the location. (Both capitalised and minor Assets will be checked.)

The Head of the Department must be informed of damaged or obsolete assets when they are identified by means of the asset verification process. The Head of the Department must follow the disposal procedures as prescribed in point 7.1.4 below to have the asset scrapped.

If there are assets which are not identifiable after the officials have tried by all means the council may write them off from Asset Register with recommendations from Accounting Officer together with CFO.

6.1.3.4 Maintenance

Every senior manager shall be directly responsible for ensuring that all assets under their responsibility are properly maintained and in a manner which will ensure that such assets attain their useful lives.

6.1.3.5 Reporting

All assets which meet the definition of asset as per GRAP 1 and 17 will be recorded on the Asset Register, and the asset will remain on the register until such time it is disposed of.

All the assets will be captured on the Asset financial system or excel and will be balanced back to the Asset Control Votes on the Venus Financial System.

Assets shall be recorded as separate items in the register. Land and buildings shall be recorded as separate assets in the register. Each part of an item of property, plant and equipment with a cost or useful life that is significant in relation to the total cost or total useful life of the item shall be depreciated separately. The following information will be recorded on the asset register

- Asset Number or deed number in respect of property

- Date of Purchase
- Description
- Category
- Cost Centre
- Location
- Purchase or valued cost
- Depreciation Rate
- Depreciation for the current year
- Accumulated Depreciation
- Residual Value
- Impairment for the year
- Accumulated Impairment
- Book Value of the asset
- Source of finance
- Lifespan of the asset
- Replacement Value if applicable

The Asset Register will be updated on a monthly basis with disposals, scrapings and additions before the depreciation run is performed.

The Asset Control Officer will balance the asset register to the assets as stated on the general ledger on a monthly basis and follow up any discrepancies.

Discrepancies will be communicated to the Asset Manager on a monthly basis.

The Asset Control Officer will report on all additions, scrapings, disposals and loss due to theft or other uncontrollable circumstances on a monthly basis.

6.1.4 Disposal

In terms of MFMA section 14(1), Blouberg Municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of a capital asset needed to provide the minimum level of basic municipal services.

The municipality may transfer ownership or otherwise dispose of a capital asset other than one contemplated above, but only after the municipal council, in a meeting open to the public-

- Has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and
- has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

Municipal council may delegate to the accounting officer of the municipality its power to make the determinations referred to in subsection (2)(a) and (b) in respect of movable capital assets below a value determined by the council.

Any transfer of ownership of a capital asset must be fair, equitable, transparent, competitive and consistent with the supply chain management policy which the municipality must have and maintain in terms of section 111.

This section does not apply to the transfer of a capital asset to another municipality or to a municipal entity or to a national or provincial organ of state in circumstances and in respect of categories of assets approved by the National Treasury, provided that such transfers are in accordance with a prescribed framework.

Assets that are disposed of can be sold in one of the following ways, after the reserve price was established for each asset sold:

- By way of Public Auction which notice has been advertised for at least two weeks.
- Through the invitation of tenders with a lead time of at least two weeks.
- Sold to the public at a price fixed by law or by resolution of the Municipality.
- Trade in
- Transfer or Donate to public institution
- Destruction or scrapping

The Blouberg Municipality can at any time refuse the disposal of an asset if the reserve price is not met, or it is apparent that it will not benefit the Municipality to sell the asset.

When we dispose our assets, employees and councillors who are using a council lap tops will be given a first preference to buy lap ²tops (after useful life or redundant) they are in possession of. This will encourage the effective, efficient use and safeguarding of municipal assets.

Blouberg Municipality should after disposing of any assets disclose the details of the transactions on their website.

6.1.4.1 Process for the disposal of assets (including minor assets)

Assets that become redundant, obsolete or unserviceable must be treated in the following way to ensure that all financial regulation are met with effective procedures for the proper treatment of these assets.

- The Head of the Department that requests to dispose of an asset must submit an approved "Request to scrap an Asset Form" see annexure A that can be obtained from the Asset Control Officer.
- The Asset Control Officer will investigate the reason for damage where necessary.
- The Asset Control officer will include recommend for write off to the Chief Financial Officer.
- The Financial Manager will evaluate the proposed write offs and reasons for write off and refer the approved recommendations to the Asset Control Officer.

The Municipal Manager will recommend the disposal or scrapping of the assets to Executive Committee and Council to approve the disposal of assets.

7. Minor Assets

Assets with a value which is not material will be classified as Minor Assets and will be written off in the Income Statement when it is purchased.

A Minor List will be maintained by the Asset Control Officer for all Minor Assets. These Minor Assets will be numbered by barcode for easy reconciliation and verification where possible.

Where it is not possible or cost effective it will be numbered with a permanent marker to ensure that it is accounted for with the yearly asset verification.

Minor Assets will be budgeted for under the General Expenditure section of the operational budget and will therefore have an effect on the surplus or deficit of Blouberg Municipality.

8. Risk Management

All the risks, for losses arising from the damage, destruction or theft of the assets or any liabilities that can arise from the operations of BLOUBERG MUNICIPALITY, must be evaluated annually in conjunction with reputable risk management advisers to establish a level of risk that of acceptable to the management of BLOUBERG MUNICIPALITY.

Assets will be insured at their replacement value, which will be revised annually. The replacement value of motor vehicles is the average of the retail and trade value published in the Auto Dealers' Guide as at the end of the financial year.

The replacement value of all other assets will be their actual market value.

9. Commencement

This Policy will take effect on the **01st July 2021**

Signature:	
Initials and Surname:	Pheedi M
Designation:	Mayor
Council Resolution Number:	N/A
Council Date:	May 2021

END

ANNEXURE A

Useful lives - Estimated useful lives per category of asset are as follows:

1. Infrastructure Assets

Category	Useful Life
Electricity	Range 5 - 50 Years
Roads	Range 5 – 50 Years
Water	Range 5 – 50 Years
Sewerage	Range 10 – 50 Years

2. Community Assets

Category	Useful Life
Buildings	Range 5 – 50 Years
Recreational Assets	Range 5 – 50 Years
Security Measures	Range 5 – 50 Years
Taxi Ranks	Range 5 – 50 Years

3. Other Assets

Category	Useful Life
Office Equipment	Range 5 – 10 Years
Furniture and Fittings	Range 5 – 7 Years
Emergency Equipment	Range 5 – 10 Years
Motor Vehicles	Range 5 - 15 Years
Plant and Equipment	Range 5 – 10 Years
Finance Lease	Lesser of useful life for owned asset and lease term
Bins and Containers	Range 10 – 20 Years

ASSET CONTROL SHEET

REQUEST FOR THE SCRAPPING OF AN ASSET

SECTION 1 – CONTACT DETAILS	
Date:	
Office Number:	
Building:	
Department	
Cost Centre	
Full Name & Surname	
Telephone Number	
SECTION 2 – ASSET DETAIL	
Asset Number	
Asset Bar-code Number	
Description Of Asset	
Room Number	
Room Bar-code Number	
Serial Number	
Model Number	
SECTION 3 – REASON FOR SCRAPPING	
Please Supply a reason for the scrapping of this asset	
SECTION 3 – APPROVAL	
Direct Supervisor:	
Full Name and Surname	
Signature	
Date	
Head of Department:	
Full Name and Surname	
Signature	
Date	



DRAFT COST CONTAINMENT POLICY

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1. DEFINITIONS

“*consultant*” means a professional person, individual partnership, corporation, or a company appointed to provide technical and specialist advice or to assist with a design and implementation of projects or to assist the municipality to achieve its objectives of local government in terms of section 152 of the Constitution.

“*cost containment*” the measures implemented to curtail spending in terms of this policy.

“*municipality*” refers to **Blouberg Local Municipality**

“*political-office bearers*” mean the Major and the Speaker of the Municipal Council.

“*credit card*” means a card issued by a financial service provider registered in terms of SA Banking Act,

2. PURPOSE

The purpose of the policy is to regulate spending and to implement cost containment measures for the current financial year.

3. THE OBJECT OF THE POLICY

The objectives of this policy are to:

- 3.1 To ensure that the resources of **Blouberg Local Municipality** are used effectively, efficiently and economically by implementing cost containment measures.

4. SCOPE OF THE POLICY

This policy will apply to all:

4.1 Councillors’; and

4.2 Municipal employees.

5. LEGISLATIVE FRAMEWORK

This policy must be read in conjunction with the following:

5.1 The Municipal Finance Management Act, 2003

5.2 Municipal Cost Containment Regulation, 2019;

5.3 Travelling and Subsistence Policy;

5.4 Supply Chain Management Policy.

6. POLICY PRINCIPLES

6.1 This policy will apply to the procurement of the following goods and/or services:

- i. Use of consultants;
- ii. Vehicles used for political office-bearers;
- iii. Travel and subsistence;
- iv. Domestic accommodation;
- v. Credit cards;
- vi. Sponsorships, events and catering;
- vii. Communication;
- viii. Conferences, meetings and study tours, and
- ix. Any other related expenditure items.

7. USE OF CONSULTANTS

7.1 **Blouberg Local Municipality** may only appoint consultants after an assessment of the needs and requirements have been made to support the need to use of such consultants.

7.2 The assessment referred to in 7.1 must confirm that the municipality does not have requisite skills, time and human resources in its full time employ to perform the function that the consultant will carry out.

- 7.3 When consultants are appointed the following should be included in the Service Level Agreements:
- i. Consultants should be appointed on a time and cost basis that has specific start and end dates;
 - ii. Consultants should be appointed on an output-specific, specifying deliverables and the associated remuneration;
 - iii. Ensure that cost ceilings are included to specify the contract price as well as travel and subsistence disbursements and whether the contract price is inclusive or exclusive of travel and subsistence; and
 - iv. All engagements with consultants should be undertaken in accordance with the municipality's supply chain management policy.
- 7.4 Consultancy reduction plans should be developed.
- 7.5 All contracts with consultants must include a retention fee or a penalty clause for poor performance.
- 7.6 The specifications and performance of the service provider must be used as a monitoring tool for the work that is to be undertaken and performance must be appropriately recorded and monitored.

8. VEHICLES USED FOR POLITICAL OFFICE-BEARERS

- 8.1 The threshold limit for vehicle purchases relating to official use by political office-bearers may not exceed seven hundred thousand rand (R700 000) or 70% (VAT INCLUSIVE) of the total annual remuneration package for the different grades, whichever is greater.
- 8.2 The vehicles for political-office bearers may only be replaced after 120 000 km has been reached.
- 8.3 Notwithstanding 8.2, vehicle for official use by political office bearers may be replaced before completion of 120 000km only in instances where the vehicle has serious mechanical problem and it is not suitable for use.
- 8.2 The procurement of vehicles must be undertaken using the national government transversal mechanism.
- 8.3 Before deciding on another procurement process as in 8.1, the Chief Financial Officer must provide the council with information relating to the following criteria that must be considered:
- (i) Status of current vehicles
 - (ii) Affordability
 - (iii) Extent of service delivery

- (iv) Terrain for effective usage of vehicle
- (v) Any other policy of council

9. TRAVEL & SUBSISTENCE

9.1 An accounting officer:

- i. May only approve the purchase of economy class tickets for officials where the flying time for a flight is five (5) hours or less; and
- ii. For flights that exceed five (5) hours of flying time, may purchase business class tickets *only* for accounting officers, and persons reporting directly to accounting officers.

9.2 Notwithstanding 9.1, an accounting officer may approve the purchase business class tickets for officials with disabilities.

9.3 International travel to meetings or events will only be approved if it is considered critical to attend the meeting or event, and only the officials that are directly involved with the subject matter will be allowed to attend the meeting or event.

9.4 Officials of the municipality must:

- i. Utilize the municipal fleet, where viable, before incurring costs to hire vehicles;
- ii. Make use of a shuttle service if the cost of such a service provider is lower than:
 - the cost of hiring a vehicle;
 - the cost of kilometres claimable by the employee; and
 - the cost of parking.

iii. Not hire vehicles from a category higher than Group B; and

(iv) Where a different class of vehicle is required for a particular terrain or to cater for the special needs of an official, seek the written approval of the accounting officer before hiring the vehicle.

9.5 The municipality must use the negotiated rates for flights and accommodation as communicated by National Treasury, from time to time, or any other cheaper flight or accommodation that is available.

10. DOMESTIC ACCOMMODATION

10.1 An accounting officer must ensure that costs incurred for domestic accommodation and meals are in accordance with the maximum allowable rates for domestic accommodation and meals, as

communicated by National Treasury, from time to time, and the travel and subsistence policy of the municipality.

11. CREDIT CARDS

- 11.1 An accounting officer must ensure that no credit card or debit card linked to a bank account of the municipality is issued to any official or public office-bearer.
- 11.2 Where officials or public office bearers incur expenditure in relation to official municipal activities, such officials and public office bearers must use their personal credit cards or cash, and will request reimbursement from the municipality in terms of the travel and subsistence policy and petty cash policy.

12. SPONSORSHIPS, EVENTS & CATERING

- 12.1 The municipality may not incur catering expenses for meetings that are only attended by persons in the employ of the municipality, unless prior written approval is obtained from the accounting officer.
- 12.2 Catering expenses may be incurred by the accounting officer for the following, if they exceed five (5) hours:
- i. Hosting of meetings;
 - ii. Conferences;
 - iii. Workshops;
 - iv. Courses;
 - v. Forums;
 - vi. Recruitment interviews; and
 - vii. Council proceedings
- 12.3 Entertainment allowances of officials may not exceed two thousand rand (R2 000, 00) per person per financial year, unless otherwise approved by the accounting officer.
- 12.4 Expenses may not be incurred on alcoholic beverages.
- 12.5 Social functions, team building exercises, year-end functions, sporting events, budget speech dinners and other functions that have a social element must not be financed from the municipal budget or by any supplier or sponsor such as but not limited to:
- staff year-end functions

- staff wellness functions
 - attendance of sporting events by municipal officials
- 12.6 Expenditure may not be incurred on corporate branded items like clothing or goods for personal use of officials, other than uniforms, office supplies and tools of trade, unless the costs thereto are recovered from the affected officials.
- 12.7 Expenditure may be incurred to host farewell functions in recognition of officials who retire after serving the municipality for ten (10) or more years, or retire on grounds of ill health, the expenditure should not exceed the limits of the petty cash usage as per the petty cash policy of the municipality.

13. COMMUNICATION

- 13.1 All municipal related events, including posts, must, as far as possible, be advertised on the municipal website, instead of advertising in magazines or newspapers.
- 13.2 Publications such as internal newsletters must be designed internally and be published quarterly in an electronic media format and on the municipal website/intranet.
- 13.3 Newspapers and other related publications for the use of officials must be discontinued on the expiry of existing contracts or supply orders.
- 13.4 The acquisition of mobile communication services must be done by using the transversal term contracts that have been arranged by the National Treasury.
- 13.5 Allowances for officials for private calls is limited to R50.00 per official.
- 13.6 Provision of diaries be limited to secretaries and electronic diaries be kept by directorates.

14. CONFERENCES, MEETINGS & STUDY TOURS

- 14.1 Appropriate benchmark costs must be considered prior to granting approval for an official to attend a conference or event within and outside the borders of South Africa.
- 14.2 The benchmark costs may not exceed an amount determined by National Treasury.
- 14.3 When considering applications from officials to conferences or events within and outside the borders of South Africa, the accounting officer must take the following into account:
- (i) The officials role and responsibilities and the anticipated benefits of the conference or event;
 - (ii) Whether the conference or event will address the relevant concerns of the municipality;

- (iii) The appropriate number of officials to attend the conference or event, not exceeding three officials; and
- (iv) The availability of funds to meet expenses related to the conference or event.
- 14.4 The amount referred to in 14.2 above excludes costs related to travel, accommodation and related expenses, but includes:
 - (i) Conference or event registration expenses; and
 - (ii) Any other expense incurred in relation to the conference or event.
- 14.5 When considering the cost for conferences or events the following items must be excluded, laptops, tablets and other similar tokens that are built into the price of such conferences or events.
- 14.6 Attendance of conferences will be limited to one (1) per annum with a maximum of two (2) delegates.
- 14.7 Meetings and planning sessions that entail the use of municipal funds must, as far as practically possible, be held in-house.
- 14.8 Municipal offices and facilities must be utilized for conferences, meetings and strategic planning sessions where an appropriate venue exists within the municipal jurisdiction.
- 14.9 The municipality must take advantage of early registration discounts by granting the required approvals to attend the conference, event or study tour, in advance.
- 14.10 An accounting office must grant an approval for all officials and in case of political-office bearers and the accounting office, the major, as contemplated by 14.3.

15. OTHER RELATED EXPENDITURE ITEMS

- 15.1 All commodities, services and products covered by a transversal contract by the National Treasury must be procured through that transversal contract before approaching the market, in order to benefit from savings and lower prices or rates that have already been negotiated.
- 15.2 Municipal resources may not be used to fund elections, campaign activities, including the provision of food, clothing and other inducements as part of, or during the election periods.

16. ENFORCEMENT PROCEDURES

- 16.1 Failure to implement or comply with this policy may result in any official of the municipality or political office bearer that has authorized or incurred any expenditure contrary to those stipulated herein being held liable for financial misconduct as set out in Chapter 15 of the MFMA.

17. DISCLOSURES OF COST CONTAINMENT MEASURES

- 17.1 Cost containment measures applied by the municipality must be included in the municipal in-year budget report and annual cost savings must be disclosed in the annual report.
- 17.2 The measures implemented and aggregate amounts saved per quarter, together with the regular reports on reprioritization of cost savings, on the implementation of the cost containment measures must be submitted to the municipal council for review and resolution. The municipal council can refer such reports to an appropriate council committee for further recommendations and actions.
- 17.3 Such reports must be copied to the National Treasury and relevant provincial treasuries within seven calendar days after the report is submitted to municipal council.

18. IMPLEMENTATION & REVIEW PROCESS

- 18.1 This policy will be reviewed at least annually or when required by way of a council resolution, or when an update is issued by National Treasury.

19. CONSEQUENCES FOR NON-ADHERENCE TO THE COST CONTAINMENT MEASURES

- 19.1 If the accounting officer determines the allegations are founded, a full investigation must be conducted by the disciplinary board.
- 19.4 After completion of a full investigation, the disciplinary board must compile a report on the investigations and submit a report to the accounting officer on:
- Findings and recommendations; and/or
 - Whether disciplinary steps should be taken against the alleged transgressor.
- 19.5 The accounting officer must table the report with recommendations to the municipal council.
- 19.6 Subject to the outcome of the council decision the accounting officer must implement the recommendations.

20. SHORT TITLE

20.1 This policy shall be called the Cost Containment Policy of the ***Blouberg Local Municipality***.



DRAFT

CREDIT CONTROL, DEBT COLLECTION AND CUSTOMER CARE

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1. INTRODUCTION

- 1.1 The Debt Collection and Credit Control By – Laws have been gazetted in March 2008, Gazette No. 1454. The By – Laws were not implemented since the inception of the municipality resulting in a huge amount of outstanding consumer debt that council has to recover from consumers of services.
- 1.2 The continuous provision of municipal services to residents and communities also poses a risk of poor collection if there are no credit control and debt collection policies to assist council to execute its constitutional obligations in terms of Chapter 7 of the Constitution of the Republic of South Africa.
- 1.3 The policy will enable Council to collect all money that is due and payable to as set it is out in Municipal Systems Act , No. 32 of 2000.
- 1.4 The policy seeks to bring relief to consumers who have huge outstanding debts and have no income or are registered as indigents and are currently unable to pay for the outstanding debts

2. LEGAL FRAMEWORK

- 2.1 This policy has been compiled in accordance with the Local Government- Municipal Systems Amendment Act (MSA), 2003, Act No 44 of 2003. The Council of

the municipality, in adopting this policy on Credit Control and Debt Collection, recognizes its constitutional obligations as set out in Chapter 7 of the Constitution and Chapter 9 of the Municipal Systems Act, No 44 of 2003, to develop the local economy and to provide acceptable services to its residents.

2.2 Provision of Services

- 2.2.1 The Municipal Council must give priority to the basic needs of the community, promote the social and economical development of the community and ensure that all residents and communities in the

municipality have access to at least the minimum level of basic municipal services in terms of section 152 (1) (b) and 153 (a) of the Constitution.

2.2.2 In terms of the MSA the municipal services provided to residents and communities in the Municipality must:-

- ☐ be within the municipality's financial and administrative capacity;
- ☐ be provided in a manner that –
 - is fair and equitable to all its residents and communities;
 - ensures the highest quality service at the lowest cost and the most economical use and allocation of available resources; and
 - is financially and environmentally sustainable; and
- ☐ regularly be reviewed with a view to upgrading, extension and improvement.

2.2.3 According to the MSA the phrase “financial sustainable”, in relation to the performance of a municipal service, means the performance of a municipal service in a matter that:-

- is likely to ensure that revenues from that service are sufficient to cover the cost of operating the service; and
- maintaining, repairing and replacing the physical assets used in the performance of service;
- ☐ is likely to ensure –
 - a reasonable surplus in the case of a service performed by the Municipality itself;
 - a reasonable profit, in the case of a service performed by a service provider, other than the Municipality itself;
- ☐ is likely to enable the Municipality or other service provider to obtain sufficient capital requirements for the performance of the service; and
- ☐ takes account of the current and anticipated future –
 - level and quality of that service;

- demand for the service; and
- ability and willingness of residents to pay for the service.

2.3 Credit Control and Debt Collection

2.3.1 The Municipal Council must ensure that all money that is due and payable to the Municipality is collected, subject to the provisions of the MSA.

2.3.2 For this purpose the Municipal Council must adopt, maintain and implement a credit control and debt collection policy consistent with its rates and tariff policies and complying with the provisions of the MSA.

2.3.3 The credit control and debt collection policy may differentiate between different categories of ratepayers, users of services, debtors, taxes, services, service standards and other matters as long as the differentiation does not amount to unfair discrimination.

2.3.4 The Municipal Council must adopt by-laws to give effect to its credit control and debt collection policy, its implementation and enforcement.

3. PURPOSE

2.3 The purpose of this policy is to ensure that credit control forms part of the financial management system of the Blouberg Municipality and ensure that the same procedures be followed for each individual case.

4. OBJECTIVES

- 2.4 Provide a framework within which the municipality can exercise its legislative authority with regard to credit control and debt collection.
- 2.5 Ensure that all monies due and payable to the municipality are collected and used to deliver municipal services in the best interest of the community and in a financially sustainable manner.
- 2.6 Set realistic targets for debt collection.
- 2.7 Outline credit control and debt collection policy procedures and mechanisms.
- 2.8 Provide a framework to link the municipal budget to Indigents Policy, Tariff Policy and the Writing off of Irrecoverable debt policy.

5. PRINCIPLES

2.9 The council is responsible for policy making, while it is the responsibility of the implementing authority to execute these policies.

2.10 All customers must complete service agreements forms formally requesting the municipality to connect them to service supply lines.

2.11 A copy of the municipal credit control, debt collection and customer care policy and by – laws must be handed to every customer on request.

2.12 Billing is to be accurate, timeous and understandable.

2.13 The customer is entitled to an efficient, effective and reasonable respond to queries, and should suffer no disadvantage during the processing of a reasonable query.

2.14 Enforcement of payment must be prompt, consistent and effective.

2.15 Fraud or criminality will lead to heavy penalties.

2.16 All costs incurred by the Council relating to the Credit Control and debt collection process shall be recovered from the customer

2.17 New applications for services will be subject to prescribed credit information and outstanding amounts may be transferred to a new account.

2.18 Interest may be charged on overdue accounts at the rate determined by council from time to time.

2.19 Customers can make arrangements with the council to repay overdue amounts.

2.20 Indigents will be identified and supported.

2.21 The policy must be implemented with equity, fairness and consistency.

6. RESPONSIBILITY FOR CREDIT CONTROL

6.1 Supervisory Authority

6.1.1 In terms of the MSA section 91, the Executive Committee must:-

Oversee and monitor-

- the implementation and enforcement of the Municipality credit control and debt collection policy and any by-laws enacted; and

When necessary evaluate, review or adapt the policy and any by-laws, or the implementation of the policy and any by-laws, in order to improve efficiency of its credit control and debt collection mechanisms, processes and procedures. Report to every scheduled meeting of the Council.

6.2 Implementing Authority

6.2.1 In terms of the MSA the Municipal Manager must:-

- implement and enforce the Municipality's credit control and debt collection policy and any by-laws enacted in terms of the Municipal Systems Act;

In accordance with the credit control and debt collection policy and any such by-laws establish effective administrative mechanisms, processes and procedures to collect money that is due and payable to the Municipality, and

Report the prescribed particulars monthly to a meeting of the supervising authority.

6.3 Unsatisfactory Levels of Indebtedness

The responsibility of Councillors is also determined in the MSA as set out below.

6.3.1 If the level of indebtedness in a particular ward or part of the Municipality exceeds the level of the acceptable norm as determined in the Municipality's budget guidelines, the supervisory authority (Executive Committee) must, without delay, advise the Councillor for that ward.

6.3.2 The level of indebtedness shall be determined by Council from time to time in the Annual Budget resolutions.

6.3.3 The Councillor concerned:-

Must, within a month, after having realised that the level of indebtedness has exceeded the acceptable norm, convene a community meeting and report the matter to the meeting for discussion and advice; and may make any appropriate recommendations to the supervisory authority.

7. FINANCIAL MATTERS

7.1 Service Agreement

7.1.1 Before supplying of a service, a consumer must enter into a contract of agreement and such contract should provide for a deposit to be paid as security.

- Such contract shall set out the conditions on which services are provided and shall require the consumer to note the contents of the municipality's credit control and debt collection policy, (A copy of the policy will be provided to such consumer upon request.) The consumer shall note the provision of the Municipal Systems Act in regards to the municipality right of access to property.
- When the consumer is not the owner of the property to which the services are to be provided, a properly executed letter from the owner, or authorised agent, indicating that the consumer is the lawful occupant of the property shall be attached to the service contract.

7.1.2 Individuals and businesses with lease agreements to lease properties from the municipality and Government departments will be allowed to open an account in the name of the lessee of the property.

7.1.3 The registered owner of an immovable property in respect of which application for the provision of municipal services has been made shall, at least ten days prior to the date on which the services are required to be connected, enter into a written agreement with the Municipality in accordance with the prescribed form.

7.1.4 The municipality may, upon the written request of the registered owner of an immovable property, enter into a written agreement with both the registered owner and occupier of the immovable property in respect of which application for the provision of municipal services has been made. The agreement shall be in accordance with the prescribed form.

7.2 Liability for Payment

7.2.1 The owner will, subject to par 4.2. below, be liable for payment of the municipal account for the provision of municipal services entered into in terms of the written agreement mentioned in par 4.1 above.

7.2.2 The occupier, if a person other than the owner, will be liable for payment of the municipal account for the provision of municipal services entered into in terms of the written agreement mentioned in par 4.5 above.

7.2.3 The occupier will remain liable for payment in terms of par 4.2. above, up to and including the date which the occupier terminates the Service Agreement as indicate in the Notice of Termination of Services, whether the occupier was in actual occupation of the property or premises during the currency of the Service Agreement or otherwise.

7.2.4 Nothing contained in this policy will prohibit the Council to collect payment of any amount from the owner or any other person, in terms of applicable legislation.

7.2.5 The Municipal Manager may consolidate separate municipal accounts, or portions thereof, of persons liable for payment to the Council.

7.2.6 An increase in a consumer deposit in terms of par 4.3 and 4.6 below, becomes payable within twenty one (21) days from the date on which the consumer is notified thereof or should the consumer appeal against such increase, then within twenty one (21) days from the date on which the consumer is informed of the decision of the Municipal Manager, if the appeal is not upheld.

7.2.7 A copy of the identity document, marriage certificate and drivers license must be submitted with the Service Agreement.

7.3 Juristic Person

7.3.1 Should the occupier be a juristic person, the following will apply:-

- (a) If the occupier is a Company registered in term of the Companies Act, 1973, Act no 61 of 1973, the Directors of such Company shall agree to be jointly and severally liable for payment in terms of the Service Agreement, if the Company fails to make such payment.
- (b) If the occupier is a Closed Corporation registered in terms of the Closed Corporation Act, 1984, Act no 69 of 1984, the Members shall agree to be jointly and severally liable for payment in terms of the Service Agreement, if the Closed Corporation fails to make such payment.
- (c) If the occupier is an Association with legal persona, the Members of the Association shall agree to be jointly and severally liable for payment in terms of the Service Agreement, if the Association fails to make such payment.

7.3.2 Any Service Agreement signed by a person on behalf of a legal person in par 7.3.1 above must be accompanied by a resolution authorising such person to sign on behalf of the legal person.

7.4 Control over Deposits of Security

7.4.1 The consumer deposit to be paid must be an amount, as stated in the tariff structure and such shall be determined by Council from time to time. The amount as approved by Council shall be charged to new property owners and or properties registered in the names of new owners.

7.4.2 The Chief Financial Officer may before entering into a Service Agreement with a customer, or at any time thereafter, if deemed necessary, make such credit rating enquiries with other municipalities and/ or a credit bureau.

7.4.3 Should the Chief Financial Officer determine that the customer poses a payment risk to the Council, the Chief Financial Officer may determine a consumer deposit reflecting such payment risk.

- 7.4.4 Should the customer wish to appeal against a decision of the Chief Financial Officer in terms of par 7.4.3 above, the customer may submit an appeal and reasons in writing to the Municipal Manager, within twenty one (21) days from the date on which the customer is notified of the determination of the Chief Financial Officer meant in par 7.4.3 above.
- 7.4.5 The Municipal Manager must consider the appeal within six weeks from the date of the appeal and must notify the customer of his/ her decision within a reasonable time thereafter.
- 7.4.6 After the disconnection of services by the Municipality, an increased deposit of a sum equal to two month's service levies may automatically be required in addition to a reconnection fee.
- 7.4.7 Where the services are not readily available and the Municipality must incur additional costs to provide such services, the Municipality may require bank guarantees for the provision of municipal services.
- 7.4.8 Deposits received must be reviewed annually and a register should be maintained. The total sum of deposits received shall constitute a short-term liability in the books of the Municipality. No interest shall accrue in favour of the depositors thereof upon termination of the debtor's agreement with the Municipality. The deposit will first be offset against any outstanding balance (if any) and then be refunded without interest to the customer.

7.5 Rendering of Accounts

7.5.1 Although the Municipality must render an account for the amount due by a debtor, failure thereof shall not relieve a debtor of the obligation to pay the amount.

7.5.2 Accounts will be delivered to all consumer/ratepayers on or before the 15th of each month.

7.5.3 Due date of payment seven day after delivering/posting of accounts.

7.5.4 Accounts to ratepayers and users of municipal services must contain at least the following particulars:-

- The name of the Municipality.
- The name of the ratepayer/ user of the service.
- The service levies or rates in question.
- The period allowed for the payment of services and rates.
- The land and address in respect of which the payment is required.
- Any discount for early or prompt payment (if applicable).

7.5.5 The Municipal Account shall reflect amounts due for the following:-

- Basic Water Charge.
- Water / Electricity consumption
- Refuse Removal.
- Sewerage Service
- Property Rates.
- Other charges, levies and taxes.
- Any Arrear Amount Due.

- Interest on Arrear Amounts.
- Collection Charges or Legal Costs.
- The Amount of any Increase in a Consumer Deposit.
- Unit price and number of units consumed in relation to water consumption
- The total amount payable
- The date on or before which payment must be made.

7.6 Actions to Secure Payment

7.6.1 The Municipality and service providers may, in addition to the normal civil legal procedures to secure payment of accounts that are in arrears, take the following action to secure payment for municipal rates and services:-

- Restriction of the provisions of water services in accordance with the relevant legislation.

7.7 Dishonoured Payments

- 7.7.1 Where the bank later dishonours any payments made to the Municipality, the Municipality may levy such costs and administration fees against an account of the defaulting debtor in terms of the Municipality's tariff provisions.
- 7.7.2 Any dishonoured payment in par 4.7.1 above due to insufficient funds with the financial institution on which it is drawn, will be sufficient grounds for a review of the credit rating of the customer in terms of par 7.4.2 and 7.4.3 above.
- 4.7.3 The Chief Financial Officer may determine not to accept a cheque or other negotiable instrument as payment from a customer, other than a cheque or negotiable instrument on which payment is guaranteed by the financial institution on which it is drawn, should a payment or previous payment by the customer has been dishonoured as meant in par 7.7.1 above.

7.8 Cost to Remind Debtors of Arrears

- 7.8.1 For any action taken in demanding payment from the debtor or reminding the debtor, by means of telephone, fax, email, letter or otherwise, that his/her payments are due, a penalty fee will be levied against the account of the debtor in terms of the municipality's tariff provisions.

7.9 Disconnection Fees

- 7.9.1 Where any service is disconnected as a result of non-compliance with these regulations by the customer, the Municipality shall be entitled to levy and recover the disconnection fee as determined by the Municipality from time to time from the user of the services.

7.9 Legal Fees

- 7.9.1 All legal costs, including attorney-and-own-client costs incurred in the recovery of amounts in arrears shall be levied against the arrears account of the debtor.

7.9.2 The Council may levy and recover such collection charges not included in par 7.8.1 above.

7.10 Interest Charges

7.10.1 Interest will be charged on any amount due and in arrears in accordance with the relevant legislation.

7.10.2 The above will apply in all material times except when clients fail to pay due to actions of the municipality.

7.12 Payment of Accounts

7.12.1 The Municipality may:-

- Consolidate any separate accounts of persons liable for payments to the Municipality;
- Credit any payment by such a person against any account of that person; and
- Implement any of the debt collection and credit control measures provided for in these regulations in relation to any arrears on any of the accounts of such a person.

7.12.2 When payment is received from a debtor, the principle of current account first will be followed and consumer accounts credited as such. Credits will be allocated as follow:-

- Water Basic Charge
- Water Consumption
- Sewerage Services
- Refuse
- Property Rates
- Sundry (VAT)
- Arrears
- Interest
- Electricity.

7.13 Power to Restrict or Disconnect Supply of Services

7.13.1 The Municipality may restrict the supply of water or discontinue any other service to any premises whenever a user of any service:-

- Fails to make full payment on the due date or fails to make acceptable arrangements for the repayment of any amount for services, rates or taxes;
- Fails to comply with a condition of supply imposed by the municipality;
- Obstructs the efficient supply of water or electricity or any other municipal services to another customer;
- Bypasses or tampers with or attempts to bypass or tamper with any metering equipment of the municipality;
- Supplies such municipal service to a customer who is not entitled thereto or permits such service to continue;
- Causes a situation which in the opinion of the municipality is dangerous or a contravention of relevant legislation;
- Is placed under provisional sequestration, liquidation or judicial management, or commits an act of insolvency in terms of the Insolvency Act no 24 of 1936; and
- If an administration order is granted in terms of section 74 of the Magistrates Court Act, 1944 (Act 32 of 1944) in respect of such user.

7.13.2 Water services of defaulters will be restricted within five (5) working days after the monthly due date.

7.13.3 Notices will only be distributed with the discontinuation of services.

7.13.4 Notices will be distributed to National and Provincial Departments, who will be given twenty one (21) days to settle accounts in arrear, failing which services will be discontinued without any further notice.

7.13.5 The Municipality shall reconnect and or restore full levels of supply of any of the restricted or discontinued services only after the full amount outstanding and due, including the costs of such disconnection and reconnection, if any, have been paid in full or any other condition or conditions of this Credit Control Policy as it may deem fit have been complied with.

7.13.6 The right to restrict, disconnect or terminate service due to non-payment shall be in respect of any service rendered by the Municipality and shall prevail notwithstanding the fact that payment has been made in respect of any specific service and shall prevail notwithstanding the fact that the person who entered into agreement for supply of services with the municipality and the owner are different entities or persons, as the case may be.

7.14 Disputes and Payments during Disputes

7.14.1 A dispute must be submitted in writing to the Municipal Manager prior to the final due date for payment of the contested amount. Such dispute must contain details of the specific item(s) on the account, which are subject to dispute with full reasons.

7.14.2 Should any dispute arise as to the amount owing by an owner in respect of municipal services the owner shall, notwithstanding such dispute, proceed to make regular minimum payments based on the calculation of the average municipal debits for the preceding three months prior to the arising of the dispute and taking into account interest as well as the annual amendments of tariffs of the Municipality.

7.15 Full and Final Settlement of an Amount

7.15.1 Where the exact amount due and payable to the Municipality has not been paid in full, any lesser amount tendered to and accepted by a municipal employee, except the Municipal Manager and/or his/her fully authorised delegate, shall not be deemed to be in final settlement of such an amount.

7.15.3 The provisions above shall prevail notwithstanding the fact that such lesser payment was tendered and/or accepted in full settlement.

7.15.4 The Chief Financial Officer and/or his/her delegate shall consent to the acceptance of such a lesser amount in writing.

7.16 Arrangements to Pay Outstanding and Due Amount in Consecutive Installments

7.16.1 One of the key objectives of debt collection is to encourage debtors to start paying their monthly accounts in full. In addition it is also necessary to ensure that arrear debt is addressed. The current average balances on consumer accounts necessitates that innovative ideas be implemented to encourage consumers to pay off their arrears. At the same time it is also of utmost importance that regular payers not be discouraged through the implementation of any possible incentives.

7.16.2 The main aim of an agreement will be to promote full payment of the current account and to address the arrears on a consistent basis. A debtor may enter into a written agreement with the Municipality to repay any outstanding and due amount to the Municipality under the following conditions:-

- The outstanding balance, costs and any interest thereon shall be paid in regular and consecutive monthly instalments;
- The current monthly amount must be paid in full; and
- The written agreement has to be signed on behalf of the Municipality by a duly authorised officer.

7.16.3 In order to determine monthly instalments, a comprehensive statement of assets and liabilities of the debtor must be compiled by a treasury official. To ensure the continuous payment of such arrangement the amount determined must be affordable to the consumer, taking into account that payment of the monthly current account is a prerequisite for concluding an arrangement.

7.16 Interest on Arrears

7.16.1 Implementation of the following principles (**as a once off initiative**) could also enhance the success of debt collection to a great extent:-

- Levying of interest on arrear accounts should be immediately suspended upon completion of a debt agreement. This will allow debtors to see progress on their accounts, as continued payments will reflect a decrease on the balance.
- As long as the agreement is honoured no further interest will be added. However, in case of defaulting the suspended amount will be reversed and interest will again be levied from date of default.
- Where a debtor pays 50% or more on his arrear account or settles the arrear account in full through a once off payment, all interest on arrear amounts will be written off immediately.
- Where arrangements are made to pay off the arrear amount in instalments, such instalments should be determined on the outstanding amount excluding arrear interest. Such an arrangement should be honoured for at least a six-month consecutive period where after interest on arrear amounts will be written off on a monthly basis. This arrangement will imply that upon payment of the final instalment all interest on arrear amounts will have been written off.
- Where debtors fail to honour their arrangements without prior consultation interest will be reinstated and added to the original debt amount.

7.17 Reconnection of Services

7.17.1 The Municipal Manager or his delegate shall authorise the reconnection of services or reinstatement of service delivery only after satisfactory payment or arrangement for payment has been made according to the Municipality's Credit Control Policy.

7.18 Deductions from Salaries and Allowances

7.18.1 It is the policy of Council that Councillors and officials will set an example to the community. In this regard, Councillors must sign a debit order against their allowances and officials against their salaries for the monthly payment of consumer accounts.

BLOUBERG LOCAL MUNICIPALITY

2021/22



FUND RESERVE POLICY

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1. Definitions

“Accounting officer” The municipal manager of a municipality is the accounting officer of the municipality in terms of section 60 of the MFMA;

“Approved budget” means an annual budget approved by a municipal council;

“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;

“Chief financial officer” means a person designated in terms of the MFMA who performs such budgeting, and other duties as may in terms of section 81 of the MFMA be delegated by the accounting officer to the chief financial officer;

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

“Financial year” means a 12-month year ending 30 June;

“Line Item” an appropriation that is itemized on a separate line in a budget adopted with the idea of greater control over expenditures **[See appendix “B” for current item structure]**;

“Municipal budget and reporting regulation” its main aim is to secure sound and sustainable management of the budgeting & reporting practices of municipalities;

“Operating Budget” it is financial plan which outlines proposed expenditures for the financial year and estimates of revenues that finance them;

“Service delivery and budget implementation plan” means a detailed plan approved by the Mayor of a municipality in terms of section 53(1) (c) (ii) of the MFMA, for implementing the municipality's delivery of municipal services and its annual budget;

“Virement” is the process of transferring an approved budget allocation from one operating line item or capital project to another, with the approval of the relevant Manager. To enable budget 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. **[See appendix “A” for current Vote structure]**;

“Vote holder” means any manager with authorised financial delegations.

2. List of abbreviations

AO – Accounting Officer

BLM- Blouberg Local Municipality

CFO – Chief Financial Officer

CRR –Capital Replacement Reserve

IDP- Integrated Development Plan

MFMA – Municipal Finance Management Act No. 56 of 2003

SDBIP - Service delivery and budget implementation plan

MBRR – Municipal budget and reporting regulations

Policy- Means the Funding & Reserves Policy

3. Preamble

The MFMA states that each municipality needs to develop a strategy to fund infrastructure (both new and replacement) that takes into account internally generated funds, borrowing, development charges, transfers and any other relevant source of capital funding. A municipality's capital replacement reserve must reflect the accumulated provision of internally generated funds designated to replace aging assets – it must therefore be fully cash-backed.

Therefore Blouberg Local Municipality adopts the funding and reserves policy as set out in this document.

4. Purpose

- 4.1. The aim is to ensure that the municipality has sufficient and cost-effective funding in order to achieve its objectives through the implementation of its operating and capital budgets.
- 4.2. Council shall establish a CRR for the purpose of financing capital projects and the acquisition of assets.

5. Objectives

The objectives of the policy are to:

- 5.1. To ensure that the operating and capital Budget of Blouberg Local Municipality is appropriately funded.
- 5.2. Ensure that cash resources and reserves are maintained at the required levels to avoid future year unfunded liabilities in future financial year.
- 5.3. To achieve financial sustainability with acceptable levels of service delivery to the community.
- 5.4. To comply with the Legislative requirements.

6. Legislative Framework

The following pieces of legislation further inform the backbone of the policy:

- 6.1. According to the MBRR, each Municipality must have funding and reserves Policy which set out the assumptions and methodology for estimating:
 - (a) projected billings, collection and all directed revenue;
 - (b) The provision for revenue that will not be collected;
 - (c) The funds the Municipality can expect to receive from investments;
 - (d) The proceeds the Municipality can expect to receive from the transfer or disposal of assets;
 - (e) The Municipality's borrowing requirements; and
 - (f) Funds to be set aside in reserves.
- 6.2. Municipal Finance Management Act, Act 56 of 2003
- 6.3. MFMA Circular No.67 – Municipal Budget Circular for 2013/14
MTREF

7. Funding and Reserves Policy

7.1. Background

The operating and Capital Budgets are prepared on an annual basis for a three-year period, based on the IDP. The expenditure as proposed in these budgets must be funded from the available

revenue streams, without placing an undue financial burden on consumers and ratepayers.

The impact on the Municipality's financial position is also taken into account, when considering the balancing of the budget i.e. ensuring that the revenues are sufficient to meet the proposed expenditure.

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

7.2. Operating and Capital Budget Principles

The operating budget allocates funding to Directorates over MTREF. The preparation of the operating budget is underpinned by the following principles:

- A balanced budget is prepared;
- Property rates are levied in accordance with Municipal Property Rtes Act, based on land and improvements. The budget is compiled using the latest valuation roll taking in to account the anticipated growth in the property market. Property rates and Rebates Tariffs are determined annually as part of the rating policy review process.
- Projected billings for metered services, such as Electricity -the actual consumption patterns for the previous financial years are used as a basis, which is then adjusted with the anticipated growth and/or contraction in consumption patterns.
- The needs to enhance the Municipality's revenue base.
- The capital budget allocates funding to projects over the MTREF. The amounts provided for in the capital budget will be limited to

the available internal and external sources of funding, taking in to account the financial affordability considerations in to account.

- Budget allocations to Directorates are based on the key service delivery priorities as reflected in the IDP.

7.3. RESERVES

7.3.1. Capital Replacement Reserve

- (a) Municipal capital replacement reserve must reflect the accumulated provision of internally generated funds designated to replace aging assets – it must therefore be fully cash-backed.
- (b) This reserve once fully established will enable the municipality to provide internal funding for its capital replacement and renewal programme.

8. Funding of Annual Budget

An annual budget may only be funded from:

- (a) Cash backed accumulated funds from previous years surpluses and reserves not committed for any other purpose; and/or
- (b) Borrowed funds but only for capital expenditure
- (c) Capital expediting may only incur on a capital project if:
- (d) The funding for the project has been appropriated in the capital budget
- (e) The total cost for the project has been approved by Council
- (f) the future budgetary implications and projected cost covering all financial years until the project is operational has been considered

7.3.2. Capital Replacement Reserve Procedure

- (a) Priority should be given to providing cash-backing for the replacement of assets used to provide basic services and revenue earning assets;
- (b) Where assets were financed by borrowing, the level of cash-backing must take into consideration the likely funding strategy to replace the assets;
- (c) Cash-backing should also be provided for assets that were originally financed by conditional grants (it must be assumed that national government *will not fund the replacement of such assets in the future*);
- (d) The overall level of cash-backing should take into consideration the increasing cost of replacing assets;
- (e) The overall level of cash-backing should also take into account the opportunity cost of holding cash investments relative to the demand for new infrastructure and the cost of borrowing; and
- (f) The municipality shall conduct a functional assessment of infrastructure assets in order to determine the appropriate level of cash-backed capital replacement reserve funding required
- (g) The actual amount allocated for interest on investments is contributed to the capital replacement reserve.
- (h) Future Vat reclaimed from conditional grants will be directed towards capital replacement reserve fund from the beginning of 2012/13 financial year

9 Financial Responsibilities

Budget and Treasury office must be responsive for capital replacement reserve fund in order for its budget fully cash backed.

10 Replacement Reserve Restrictions

All capital projects have an effect on future operating budget therefore the following cost factors should not be funded from capital replacement reserve fund:

- (a) Additional personnel cost to staff new facilities once operational;
- (b) Additional contracted services, that is, security, cleaning etc.

- (c) Additional general expenditure, that is, services cost, stationery, telephones, material etc.
- (d) Additional other capital requirements to the operate facility, that is, vehicles, plant and equipment, furniture and office equipment etc.
- (e) Additional costs to maintain the assets;
- (f) Additional interest and redemption in the case of borrowings;
- (g) Additional depreciation charges;

11.1. Additional revenue generation from new capital projects. The impact of additional expenditure items must be offset by additional revenue generated from own income.

9. Implementation & Monitoring

- This Policy shall be implemented as at 1 July 2016 and shall be reviewed on an annual basis to ensure that it is in line with the municipality's strategic objectives and with legislation.
- The implementation of this policy will be done by all relevant officials within BLM and monitoring will be done by Budget & Treasury Office.
- The availability of cash is one of the most important requirements for financial sustainability and must be closely monitored.
- Surplus cash not immediately required for operational purposes is invested in terms of the municipality's investment policy to maximize the return on cash.

10. BORROWING REQUIREMENTS

The borrowing requirements will be based on the backlogs of the infrastructure needs taking into consideration the operational impact of any loans.

Sources of the Policy

Definition of CRR

Municipal Finance Management Act No. 56 Of 2003

MFMA Circular No.58 – Municipal Budget Circular for 2012/13 MTREF

8. PERSONNEL AND FINANCIAL IMPLICATIONS

- 8.1 Where a credit control and debt collection function does not exist, this implies that a dedicated structure be established with a credit control officer in charge. In view of the fact that credit control and debt collection must always be able to operate in isolation to any customer management service, it is imperative that a staff establishment for this function be implemented.
- 8.2 The establishment of a credit control and debt collection division will have to be financed from the operating budget, which will have an incremental impact on the budget. However, this will be offset by improved cash inflow as a result of an efficient collection system.

9. FRAUD, TAMPERING AND OTHER CRIMINAL ACTIVITY

- 8.3 Any person, who undertakes or allow or causes any other person to undertake an illegal connection, will be guilty of an offence.
- 8.4 A customer who becomes aware of an illegal connection of the water and electricity supply to a property or premises owned by or occupied by such or another customer, must immediately notify the Council thereof his/her identity will be protected, a compensation of R250 will be offered upon verification of the claim by the Manager Technical Service.
- 8.5 The Council will immediately disconnect any illegal connection and remove any wiring, piping or other equipment or installation relating to an illegal connection.
- 8.6 The Municipality may not interfere where criminal activity is evident. The legal penalties and criminal justice system may not be subject to conflicting resolutions by the municipality. All such cases must be prosecuted to the fullest extent of the law.

- 8.7 The Municipality may not supply water or electricity to a customer who is found guilty of/ or if it is admitted that fraud, theft or any other criminal action involving the use of these services existed, until the total costs, penalties, other fees and tariffs and rates due to the municipality have been paid in full.

10. AGENTS, ATTORNEYS AND OTHER COLLECTION AGENTS

- 8.8 All external agents acting on behalf of the Municipality are to be named, together with their details and contact information. Likewise, all agents are to be supplied with a copy of the credit control measures.
- 8.9 Clear instructions to agents and other arrangements must be explained for the customers' benefit. Under no circumstances may agents negotiate terms, extend payment periods or accept cash on behalf of municipality, unless specifically instructed in writing to do so. The agent, on request by consumers, must produce this instruction.
- 8.10 The costs to the Municipality and to the debtor must be detailed for each stage of the credit control measures and for all possible actions. The liability for the costs of legal action and other credit control actions must as far as is legally possible be for the account of the debtor.

11. CREDIT CONTROL POLICY TO BE APPLIED FOR INDIGENT HOUSEHOLDS

8.11 Introduction

11.1.1 The key purpose of an indigent subsidy policy is to ensure that households with no or lower income are not denied a reasonable service, and on the contrary the local authority is not financially burdened with non-payment of services.

11.1.2 Provided that grants are received and funds are available, the indigent subsidy policy should remain intact.

11.1.3 To achieve the purpose it is important to set a fair threshold level, and then to provide a fair subsidy of tariffs. The consumer, in order to qualify for indigency, needs to complete the necessary documentation as required.

11.2 Aims of the Policy

11.2.1 The credit control policy aims to achieve the following:-

- To distinguish between those who can and cannot genuinely pay for services;
- To get those who cannot pay to register with the municipality so that they could be given subsidies;
- To enable the municipality to determine and identify defaulters to ensure appropriate credit control procedures;
- To establish an indigent register of all persons who cannot afford to pay for services.

11.3 Obligation to Pay

11.3.1 It is important to note that the subsidy received may not cover the full account. In such event the consumer is still responsible for the balance between the full account and the subsidy received. Where applicable, credit control must still be applied for these outstanding amounts.

12.DEBT COLLECTION

12.1 Abandonment of Claims

The Municipal Manager must ensure that all avenues are utilised to collect the municipality's debt.

There are certain circumstances that allow for the valid termination of debt collection procedures as contemplated in section 109(2) of the Systems Act, such as:-

- The insolvency of the debtor, whose estate has insufficient funds.
- A balance being too small to recover, for economic reasons considering the cost of recovery.

Where Council deems that a customer or groups of customers are unable to pay for services rendered.

The municipality will maintain audit trails in such an instance, and document the reasons for the abandonment of the action or claim in respect of the debt.

12.2 Writing off Bad Debt

12.2.1 Council must appoint a committee in terms of its delegations to review and recommend to Council to approve all bad debt write off cases.

12.3 PROVISION AND CALCULATION OF BAD DEBTS.

The municipality has to make provision for the debts that are identified as being irrecoverable. However, the municipality must ensure that all the means applicable to recover the debts as outlined in the Credit Control and Debt Collection policy are utilized. Calculations of the bad debts will be done in line with the applicable standard.

12 IMPLEMENTATION AND REVIEW OF THIS POLICY

12.1 This policy shall be implemented once approved by Council. All future credit control and debt collection measures must be taken in accordance with this policy.

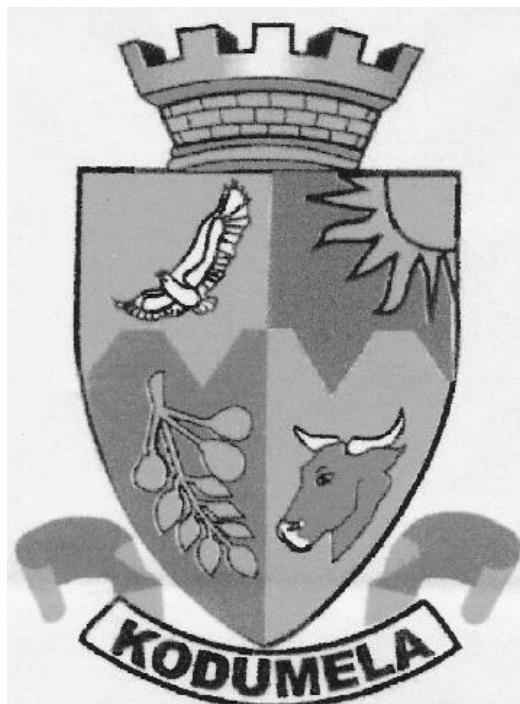
12.2 In terms of section 17(1) (e) of the MFMA this policy must be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process.

... END ...

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INDIGENTS POLICY

2021/ 2022



BLOUBERG MUNICIPALIT

1. **Preamble**

Blouberg Municipality is committed to providing basic services to all its citizens including those who cannot afford to pay for services they receive from the Municipality.

2. **Definitions.**

Indigents- shall mean individuals resident in Blouberg who cannot afford to pay for services they receive from the Municipality and or The category of people being unemployed, disabled and pensioners who are unable to, pay the full costs of the average Municipal accounts.

Lack of affordability – shall refer to income levels below an amount as shall be determined by the Municipality from time to time.

Qualifying Grant- shall mean a rebate amount towards the provision of service as shall be determined by the Municipality from time to time.

Municipal Service costs- shall mean all services such as provision of water services, provision of electricity, provision of sewerage services etc by the Municipality to all residence of the Municipality.

Income from Joint Households- shall mean the combined incomes all income earners cohabiting in the same property or dwelling places.

3. **Purpose.**

Blouberg indigent policy aims to assist those households who cannot pay for their basic services due to lack of resources.

4. **Assistance**

Assistance shall come in the form of a qualifying grant valued as shall be determined by the Council from time to time. This amount shall not be less than hundred and Eighty Rand (R180-00, including VAT), which may only be applied to apply for all or portion(s) of the qualifying household's.

5. **Conditions for Qualification**

An indigent's grant to be provided to qualifying indigents is available only to the following households:

- Households earning a joint income of NOT more than R 3,560 per month (proof of pay slips/copy of recent bond statements):
- Residents of Blouberg Municipal Local Council,
- Residents in possession of a valid South African identity document, and

- In the absence of the salary advise or proof of monthly stipend, verification on the status of the beneficiaries to be done by Ward Councilors and or Local Headmen.

6. Procedure

Identification in terms of the relevant form shall involve the following:

- Screening;
- Interviews based on the questionnaires; and
- Selection based on the criteria for approval.

7. Basic Services Provided

7.1. Free Basic Water

In terms of this policy which is in line with; DPLG Guidelines and the water regulations. The recommended services in respect of water are:

- A minimum of portable water of 25 litres per person per day, or 6 kilotres per household per month at a minimum flow rate not less than 10 litres per minute.
- Located within 200 meters of a household; and
- With effectiveness such that no consumer is without a supply for more than seven full days in any year.

7.2 EBSST

The requirements for the provision of the services are:

- 50kwh per month is the minimum that must be allocated to each household.

7.3. Basic Refuse Removal

- Basic Refuse Removal – an indigent household be provided with a dump waste in mass containers at a communal site plus a disposal site.
- The removal of refuse from the communal site and disposal to a land fill site; or the removal of refuse from each property located within the municipal radius of collection and disposal of this waste in a land fill site.
- Refuse removal and disposal shall be done weekly free of charge.

8. The need for education and training.

The main objective in this would be:

- To develop entrepreneurial skills for people enabling them to provide for themselves.
- To educate indigents on the economical use of water and electricity.
- To encourage indigents to pay-off any debts.

9. Intervention by Social Development.

In the process during evaluation:

- Emphasis must be taken of the ages of the members of the families in order to determine who are physically fit.;
- Skills and abilities of each of these members must be written down in order to group together people with the same interest as skills;
- If skills are not suitably developed special training courses should be given to assist in capacity building; and
- Once these skills are adequately developed specific programmes should be developed to make people self-sufficient-e.g. shoe making, gardening, painting, catering etc.

10. Monitoring.

A screening and monitoring committee consists of;

- One representative from the Directorate Financial Services;
- An area social worker from the Directorate Community Services;
- One representative from the Provincial department of Social Welfare be established to:
 1. Evaluate the assessed forms;
 2. Monitor whether circumstances have improved in a particular family';
 3. Ensure that the council is not abused.

11. Reporting

Quarterly reports to be submitted to the council on:

- Progress made;
- Families assisted;
- Amount spent on the project to date;
- Any other matter, which the council should know.

12. Qualifying amount.

Voucher equivalent to R 180-00 per month per household for as long as the household qualifies.

13. Payment for services exceeding

The indigents shall be held responsible for any consumption or liability to Council in excess of the subsidized amount of R 180-00 per month.

14 Credit Control Measures.

The Municipality undertakes to exercise credit control measures in recovering costs above the determined levels and failure to pay for such consumption. This shall include, in the event of non-payment, the discontinuation of such services.

Standard rates and tariffs will be applicable to indigents if the monthly consumption exceeds the free allocation. Indigent should be prohibited from carrying over free basic service allocations or any portion thereof from one month to the next unless the supply is metered.

15. Indigent Debtors

The Municipality has the legal obligation to take effective address arrears owing to the Municipality accordingly; indigent should be:

- Liable for any amounts due as a result of consumption in excess of the indigent support.

16. Withdrawal of the support.

The Municipality shall be entitled to withdraw any approval and or indigent support provided should the indigent:

- Failure to comply and or contravene the provision of the municipal policy or any other laws, regulations, by –laws
- Fail to comply with any conditions imposed by the municipality.
- Provide the municipality with false and incorrect information.
- If the indigent sells his property in which event the support shall however be transferred to the new property.
- If the indigent fails to pay the excess consumption of subsidized service support, without submitting written valid reasons to the municipality.
- If the indigent's household income exceeds the amount as determined by the policy.

17. Commencement date

This Policy will take effect on the **01st July 2021**

Signature:	
Initials and Surname:	Pheedi M
Designation:	Mayor
Council Resolution Number:	
Council Date:	29 May 2021



DRAFT

**SUPPLY CHAIN MANAGEMENT POLICY FOR INFRASTRUCTURE
PROCUREMENT AND DELIVERY MANAGEMENT**

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Scope

This policy establishes the Blouberg Local Municipality's policy for infrastructure procurement and delivery management in accordance with the provisions of the regulatory frameworks for procurement and supply chain management. It includes the procurement of goods and services necessary for a new facility to be occupied and used as a functional entity but excludes:

- a) the storage of goods and equipment following their delivery to Blouberg Local Municipality which are stored and issued to contractors or to employees;
- b) the disposal or letting of land;
- c) the conclusion of any form of land availability agreement;
- d) the leasing or rental of moveable assets; and
- e) public private partnerships.

Terms, definitions and abbreviations

2.1 Terms and definitions

For the purposes of this document, the definitions and terms given in the standard and the following apply:

Agent: person or organization that is not an employee of Blouberg Local Municipality that acts on the Blouberg Local Municipality's behalf in the application of this document.

Authorised person: the municipal manager or chief executive or the appropriately delegated authority to award, cancel, amend, extend or transfer a contract or order.

Conflict of interest: any situation in which:

- a) someone in a position of trust has competing professional or personal interests which make it difficult for him to fulfil his duties impartially,
- b) an individual or organization is in a position to exploit a professional or official capacity in some way for his personal or for corporate benefit, or
- c) incompatibility or contradictory interests exist between an employee and the organization which employs that employee

Contract manager: person responsible for administering a package on behalf of the employer and performing duties relating to the overall management of such contract from the implementer's point of view

family member: a person's spouse, whether in a marriage or in a customary union according to indigenous law, domestic partner in a civil union, or child, parent, brother, sister, whether such a relationship results from birth, marriage or adoption

Framework agreement: an agreement between an organ of state and one or more contractors, the purpose of which is to establish the terms governing orders to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged

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

Gateway review: an independent review of the available information at a gate upon which a decision to proceed or not to the next process is based

Gratification: an inducement to perform an improper act

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

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

Maintenance: the combination of all technical and associated administrative actions during an item's service life to retain it in a state in which it can satisfactorily perform its required function

Operation: combination of all technical, administrative and managerial actions, other than maintenance actions, that results in the item being in use

Order: an instruction to provide goods, services or any combination thereof under a framework agreement

Organ of state: an organ of state as defined in section 239 of the Constitution of the Republic of South Africa

Procurement document: documentation used to initiate or conclude (or both) a contract or the issuing of an order

principal: a natural person who is a partner in a partnership, a sole proprietor, a director a company established in terms of the Companies Act of 2008 (Act No. 71 of 2008) or a member of a close corporation registered in terms of the Close Corporation Act, 1984, (Act No. 69 of 1984)

Standard: the latest edition of the Standard for Infrastructure Procurement and Delivery Management as published by National Treasury

Working day: any day of a week on which is not a Sunday, Saturday or public holiday

2.2 Abbreviations

For the purposes of this document, the following abbreviations apply

CIDB: Construction Industry Development Board

SARS: South African Revenue Services

General requirements

3.1 Delegations

3.1.1 The Council of Blouberg Local Municipality hereby delegates all powers and duties to the Municipal Manager which are necessary to enable the Municipal Manager to:

- a) discharge the supply chain management responsibilities conferred on accounting officers in terms of Chapter 8 or 10 of the Local Government Municipal Finance Management Act of 2003 and this document;
- b) maximise administrative and operational efficiency in the implementation of this document;
- c) enforce reasonable cost-effective measures for the prevention of fraud, corruption, favoritism and unfair and irregular practices in the implementation of this document; and 3 October 2015
- d) comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Local Government Municipal Finance Management Act of 2003 Act.

3.1.2 No departure shall be made from the provisions of this policy without the approval of the Municipal Manager of Blouberg Local Municipality

3.1.3 The Municipal Manager shall for oversight purposes:

- a) within 30 days of the end of each financial year, submit a report on the implementation of this policy to the council of the Blouberg Local Municipality.
- b) whenever there are serious and material problems in the implementation of this policy, immediately submit a report to the Council, who must then submit the report to the municipal manager of Blouberg Local Municipality for submission to the council;
- c) within 10 days of the end of each quarter, submit a report on the implementation of the policy to the Mayor; and
- d) make the reports public in accordance with section 21A of the Municipal Systems Act of 2000.

3.2 Implementation of the Standard for Infrastructure Procurement and Delivery Management

3.2.1 Infrastructure procurement and delivery management shall be undertaken in accordance with the all applicable legislation and the relevant requirements of the latest edition of the National Treasury Standard for Infrastructure Procurement and Delivery Management.

3.3 Supervision of the infrastructure delivery management unit

The Infrastructure Delivery Management Unit shall be directly supervised by the chief financial officer.

3.4 Objections and complaints

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

3.5 Resolution of disputes, objections, complaints and queries

3.5.1 The Municipal Manager shall appoint an independent and impartial person, not directly involved in the infrastructure delivery management processes to assist in the resolution of disputes between the Blouberg Local Municipality and other persons regarding:

- a) any decisions or actions taken in the implementation of the supply chain management system;
- b) any matter arising from a contract awarded within the Blouberg Local Municipality's infrastructure delivery management system; or
- c) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

3.5.2 The relevant department (end-user) shall assist the person appointed in terms of 3.5.1 to perform his or her functions effectively.

3.5.3 The person appointed in terms of 3.5.1 shall:

- a) strive to resolve promptly all disputes, objections, complaints or queries received; and
- b) submit monthly reports to the Municipal Manager on all disputes, objections, complaints or queries received, attended to or resolved.

3.5.4 A dispute, objection, complaint or query may be referred to the Provincial treasury if:

- a) the dispute, objection, complaint or query is not resolved within 60 days; or
- b) no response is forthcoming within 60 days.

3.5.5 If the Provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.

Control framework for infrastructure delivery management

4.1 Assignment of responsibilities for approving or accepting end of stage deliverables

The responsibilities for approving or accepting end of stage deliverables shall be as stated in Table 1.

4.2 Additional gates

The following additional gates shall apply:

4.2.1 PMU representative and Store clerk should receive and accept the material for internal development construction

4.3 Additional requirements

The following additional requirements apply:

4.3.1 A representative from PMU should be a municipal official with relevant know what of the product expected

4.4 Gateway reviews

4.4.1 Gateway reviews for major capital projects above a threshold

4.4.1.1 The Accounting Officer shall appoint a gateway review team in accordance with the provisions of clause

4.1.13.1.2 of the standard to undertake gateway reviews for major capital projects.

4.4.1.2 The requirements for a gateway review in addition to those contained in section 4.1.13 of the standard are as follows:

4.4.2 Elective gateway reviews

Gateway reviews shall be undertaken by the review team

Table 1: Responsibilities for approving or accepting end of stage deliverables in the control framework for the management of infrastructure delivery

Stage		Person assigned the responsibility for approving or accepting end of stage deliverables	
No	Name		
0	Project initiation	Accounting Officer accepts the initiation report	
1	Infrastructure planning	Technical Manager approves the infrastructure plan	
2	Strategic resourcing	Relevant Director approves the delivery and / or procurement strategy	
3	Pre-feasibility	Accounting officer accepts the pre-feasibility report	
	Preparation and briefing	Relevant Director accepts the strategic brief	
4	Feasibility	Relevant Director accepts the feasibility report	
	Concept and viability	Accounting officer accepts the concept report	
5	Design development	Relevant Director accepts the design development report	
6	Design documentation	6A Production information	End user accepts the parts of the production information which are identified when the design development report is accepted as requiring acceptance
		6B Manufacture, fabrication and construction information	The contract manager accepts the manufacture, fabrication and construction information
7	Works	The contract manager certifies completion of the works or the delivery of goods and associated services	
8	Handover	The owner or end user accepts liability for the works	
9	Package completion	The contract manager or supervising agent certifies the defects certificate in accordance with the provisions of the contract The contract manager certifies final completion in accordance with the provisions of the contract <i>[Designated person]</i> accepts the close out report	

5 Control framework for infrastructure procurement

5.1 The responsibilities for taking the key actions associated with the formation and conclusion of contracts including framework agreements above the quotation threshold shall be as stated in Table 2.

5.2 The responsibilities for taking the key actions associated with the quotation procedure and the negotiation procedure where the value of the contract is less than the threshold set for the quotation procedure shall be as follows:

- a) Accounting Officer shall grant approval for the issuing of the procurement documents, based on the contents of a documentation review report developed in accordance with the provisions of the standard;
- b) the authorised person may award the contract if satisfied with the recommendations contained in the evaluation report prepared in accordance with the provisions of the standard.

5.3 The responsibilities for taking the key actions associated with the issuing of an order in terms of a framework agreement shall be as stated in Table 3.

6 Infrastructure delivery management requirements

6.1 Institutional arrangements

6.1.1 Committee system for procurement

6.1.1.1 General

6.1.1.1.1 A committee system comprising the documentation committee, evaluation committee and tender committee shall be applied to all procurement procedures where the estimated value of the procurement exceeds the financial threshold for quotations and to the putting in place of framework agreements.

6.1.1.1.2 The evaluation committee shall, where competition for the issuing of an order amongst framework contractors takes place and the value of the order exceeds the financial threshold for quotations, evaluate the quotations received.

6.1.1.1.3 The persons appoint in writing as technical advisors and subject matter experts may attend any committee meeting. Such advisers and experts shall not participate in the decisions making proceedings of such meetings.

6.1.1.1.4 No person who is a political officer bearer, a public office bearer, a political advisor or a person appointed in terms of section 12A of the Public Service Act of 1994 or who has a conflict of interest shall be appointed to a procurement documentation, evaluation or tender committee.

6.1.1.1.5 Committee decisions shall as far as possible be based on the consensus principle i.e. the general agreement characterized by the lack of sustained opposition to substantial issues. Committees shall record their decisions in writing. Such decisions shall be kept in a secured environment for a period of not less than five years after the completion or cancellation of the contract unless otherwise determined in terms of the National Archives and Record Services Act of 1996.

6.1.1.1.6 Committees may make decisions at meetings or, subject to the committee chairperson's approval, on the basis of responses to documents circulated to committee members provided that not less than sixty percent of the members are present or respond to the request for responses. Where the

committee chairperson is absent from the meeting, the members of the committee who are present shall elect a chairperson from one of them to preside at the meeting. 6 August 2015

Table 2: Procurement activities and gates associated with the formation and conclusion of contracts above the quotation threshold

Activity		Sub-Activity (see Table 3 of the standard)		Key action	Person assigned responsibility to perform key action
1	Establish what is to be procured	1.3 PG1	Obtain permission to start with the procurement process	Make a decision to proceed / not to proceed with the procurement based on the broad scope of work and the financial estimates.	(designated person e.g. project director or programme manager)
2	Decided procurement strategy	2.5 PG2	Obtain approval for procurement strategies that are to be adopted including specific approvals to approach a confined market or the use of the negotiation procedure	Confirm selection of strategies so that tender offers can be solicited	(designated person e.g. project director)
3	Solicit tender offers	3.2 PG3	Obtain approval for procurement documents	Grant approval for the issuing of the procurement documents	Procurement document committee
		3.3 PG3	Confirm that budgets are in place	Confirm that finance is available for the procurement to take place	(designated person e.g. programme or financial manager)
4	Evaluation tender offers	4.2 PG5	Obtain authorisation to proceed with next phase of tender process in the qualified, proposal or competitive negotiations procedure	Review evaluation report, ratify recommendations and authorise progression to the next stage of the tender process	(designated person)
		4.7 PG6	Confirm recommendations contained in the tender evaluation report	Review recommendations of the evaluation committee and refer back to evaluation committee for reconsideration or make recommendation	Tender committee (or bid adjudication committee)

				for award	
5	Award contract	5.3 PG7	Award contract	Formally accept the tender offer in writing and issue the contractor with a signed copy of the contract	(authorized person)
		5.5 GF1	Upload data in financial management and payment system	Verify data and upload contractor's particulars and data associated with the contract or order	(designated person)
6	Administer contracts and confirm compliance with requirements	6.4 PG8A	Obtain approval to waiver of penalties or low performance damages	Approval waiver of penalties or low performance damages	(designated person)
		6.5 PG8B	Obtain approval to notify and refer a dispute to an adjudicator	Grant permission for the referral of a dispute to an adjudicator or for final settlement to an arbitrator or court of law	(designated person)
		6.6 PG8C	Obtain approval to increase the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at the award of a contract or the issuing of an order up to a specified percentage	Approve amount of time and cost overruns up to the threshold	(designated person or designated person)
		6.7 PG8D	Obtain approval to exceed the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at award of a contract or the issuing of an order by more than 20% and 30%, respectively	Approve amount of time and cost overruns up to the threshold	(municipal manager or chief executive or, depending upon the value, a delegated authority)
		6.8 PG8E	Obtain approval to cancel or terminate a contract	Approve amount	(authorized person)
		6.9 PG8F	Obtain approval to amend a contract	Approve proposed amendment to contract	(authorized person)

Table 3: Procurement activities and gates associated with the issuing of an order above the quotation threshold in terms of a framework agreement

Activity		Key action	Person assigned responsibility to perform key action
1 FG1	Confirm justifiable reasons for selecting a framework contactor where there is more than one framework agreement covering the same scope of work	Confirm reasons submitted for not requiring competition amongst framework contractors or instruct that quotations be invited	<i>[designated person]</i>
3 FG2	Obtain approval for procurement documents	Grant approval for the issuing of the procurement documents	<i>[designated person]</i>
4 FG3	Confirm that budgets are in place	Confirm that finance is available so that the order may be issued	<i>[designated person e.g. programme manager or financial director]</i>
6 FG4	Authorise the issuing of the order	If applicable, review evaluation report and confirm or reject recommendations. Formally accept the offer in writing and issue the contractor with a signed copy of the order	<i>[authorised person]</i>

6.1.1.2 Procurement documentation committee

6.1.1.2.1 The Municipal Manager shall appoint in writing on a procurement by procurement basis:

a) the persons to review the procurement documents and to develop a procurement documentation review report in accordance with clause 4.2.2.1 of the standard; and

b) the members of the procurement documentation committee.

6.1.1.2.2 The procurement documentation committee shall comprise one or more persons. The chairperson shall be an employee of Blouberg Local Municipality with requisite skills. Other members shall, where relevant, include a representative of the end user or the institution requiring infrastructure delivery.

6.1.1.2.3 No member of, or technical adviser or subject matter expert who participates in the work of the any of the procurement committees or a family member or associate of such a member, may tender for any work associated with the tender which is considered by these committees.

6.1.1.3 Evaluation committee

6.1.1.3.1 The Municipal Manager shall appoint on a procurement by procurement basis in writing:

a) the persons to prepare the evaluation and, where applicable, the quality evaluations, in accordance with clauses 4.2.3.2 and 4.2.3.4 of the standard, respectively; and

b) the members of the evaluation committee.

6.1.1.3.2 The evaluation committee shall comprise not less than three people. The chairperson shall be an employee of Blouberg Local Municipality with requisite skills. Other members shall, where relevant, include a representative of the end user or the institution requiring infrastructure delivery.

6.1.1.3.3 The evaluation committee shall review the evaluation reports prepared in accordance with sub clause 4.2.3 of the standard and as a minimum verify the following in respect of the recommended tenderer:

a) the capability and capacity of a tenderer to perform the contract;

b) the tenderer's tax compliance status;

c) the Compulsory Declaration has been completed; and

d) the tenderer is not listed in the National Treasury's Register for Tender Defaulters or the List of Restricted Suppliers.

6.1.1.3.4 No tender submitted by a member of, or technical adviser or subject matter expert who participates in the work of the procurement documentation committee or a family member or associate of such a member, may be considered by the evaluation committee.

6.1.1.3.5 The chairperson of the evaluation committee shall promptly notify the Municipal Manager of any respondent or tenderer who is disqualified for having engaged in fraudulent or corrupt practices during the tender process.

6.1.1.4 Tender committee

6.1.1.4.1 The tender committee shall comprise the following persons or their mandated delegate:

a) Chief Financial Officer, who shall be the chairperson:

b) Director – Corporate Services

c) Director - Community Services

d) Director – Technical Department

e) Director – Local Economic Development

f) Senior Official – Supply Chain Management

6.1.1.4.2 No member of the evaluation committee may serve on the tender committee. A member of an evaluation committee may, however, participate in the deliberations of a tender committee as a technical advisor or a subject matter expert.

6.1.1.4.3 The tender committee shall:

- a) consider the report and recommendations of the evaluation committee and:
 - 1) verify that the procurement process which was followed complies with the provisions of this document;
 - 2) confirm that the report is complete and addresses all considerations necessary to make a recommendation;
 - 3) confirm the validity and reasonableness of reasons provided for the elimination of tenderers; and
 - 4) consider commercial risks and identify any risks that have been overlooked or fall outside of the scope of the report which warrant investigation prior to taking a final decision; and
- b) refer the report back to the evaluation committee for their reconsideration or make a recommendation to the authorised person on the award of a tender, with or without conditions, together with reasons for such recommendation.

6.1.1.4.4 The tender committee shall consider proposals regarding the cancellation, amendment, extension or transfer of contracts that have been awarded and make a recommendation to the authorised person on the course of action which should be taken.

6.1.1.4.5 The tender committee shall consider the merits of an unsolicited offer and make a recommendation to the [accounting officer / accounting authority].

6.1.1.4.6 The tender committee shall report to the *[designation of person]*¹⁹ any recommendation made to award a contract to a tenderer other than the tenderer recommended by the evaluation committee, giving reasons for making such a recommendation.

6.1.1.4.7 The tender committee shall not make a recommendation for an award of a contract or order if the recommended tenderer or framework contractor has:

- a) made a misrepresentation or submitted false documents in competing for the contract or order; or
- b) been convicted of a corrupt or fraudulent act in competing for any contract during the past five years.

6.1.1.4.8 The tender committee may on justifiable grounds and after following due process, disregard the submission of any tenderer if that tenderer or any of its directors, members or trustees or partners has abused the delivery management system or has committed fraud, corruption or any other improper conduct in relation to such system. The National Treasury or Provincial Treasury shall be informed where such tenderers are disregarded.

6.1.2 Actions of an authorised person relating to the award of a contract or an order

6.1.2.1 Award of a contract

6.1.2.1 The authorised person shall, if the value of the contract inclusive of VAT, is within his or her delegation, consider the report(s) and recommendations of the tender committee, or in the case of the awards for contracts below the quotation threshold, the recommendation of the bid committee, and either:

- a) award the contract after confirming that the report is complete and addresses all considerations necessary to make a recommendation and budgetary provisions are in place; or

- b) decide not to proceed or to start afresh with the process.

6.1.2.2 Issuing of an order

The authorised person shall, if the value of an order issued in terms of a framework contract, is within his or her delegation, consider the recommendation of the evaluation committee as relevant, and either:

- a) authorise the issuing of an order in accordance with the provisions of clause 4.25 of the standard;
or
- b) decide not to proceed or to start afresh with the process.

6.1.3 Conduct of those engaged in infrastructure delivery

6.1.3.1 General requirements

6.1.3.1.1 All personnel and agents of MLM shall comply with the requirements of the CIDB Code of Conduct for all Parties engaged in Construction Procurement. They shall:

- a) behave equitably, honestly and transparently;
- b) discharge duties and obligations timeously and with integrity;
- c) comply with all applicable legislation and associated regulations;
- d) satisfy all relevant requirements established in procurement documents;
- e) avoid conflicts of interest; and
- f) not maliciously or recklessly injure or attempt to injure the reputation of another party.

6.1.3.1.2 All personnel and agents engaged in Blouberg Local Municipality's infrastructure delivery management system shall:

- a) not perform any duties to unlawfully gain any form of compensation, payment or gratification from any person for themselves or a family member or an associate;
- b) perform their duties efficiently, effectively and with integrity and may not use their position for private gain or to improperly benefit another person;
- c) strive to be familiar with and abide by all statutory and other instructions applicable to their duties;
- d) furnish information in the course of their duties that is complete, true and fair and not intended to mislead;
- e) ensure that resources are administered responsibly;
- f) be fair and impartial in the performance of their functions;

- g) at no time afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual;
- h) not abuse the power vested in them;
- i) not place themselves under any financial or other obligation to external individuals or firms that might seek to influence them in the performance of their duties;
- j) assist Blouberg Local Municipality in combating corruption and fraud within the infrastructure procurement and delivery management system;
- k) not disclose information obtained in connection with a project except when necessary to carry out assigned duties;
- l) not make false or misleading entries in reports or accounting systems; and
- m) keep matters of a confidential nature in their possession confidential unless legislation, the performance of duty or the provision of the law require otherwise.

6.1.3.1.2 An employee or agent may not amend or tamper with any submission, tender or contract in any manner whatsoever.

6.1.3.2 Conflicts of interest

6.1.3.2.1 The employees and agents of Blouberg Local Municipality who are connected in any way to procurement and delivery management activities which are subject to this policy, shall:

- a) disclose in writing to the employee of the Blouberg Local Municipality to whom they report, or to the person responsible for managing their contract, if they have, or a family member or associate has, any conflicts of interest; and
- b) not participate in any activities that might lead to the disclosure of Blouberg Local Municipality proprietary information.

6.1.3.2.2 The employees and agents of Blouberg Local Municipality shall declare and address any perceived or known conflict of interest, indicating the nature of such conflict to whoever is responsible for overseeing the procurement process at the start of any deliberations relating to a procurement process or as soon as they become aware of such conflict, and abstain from any decisions where such conflict exists or recuse themselves from the procurement process, as appropriate.

6.1.3.2.3 Agents who prepare a part of a procurement document may in exceptional circumstances, where it is in Blouberg Local Municipality 's interest to do so, submit a tender for work associated with such documents provided that:

- a) Blouberg Local Municipality states in the tender data that such an agent is a potential tenderer;
- b) all the information which was made available to, and the advice provided by that agent which is relevant to the tender, is equally made available to all potential tenderers upon request, if not already included in the scope of work; and

c) the procurement documentation committee is satisfied that the procurement document is objective and unbiased having regard to the role and recommendations of that agent.

6.1.3.3 Evaluation of submissions received from respondents and tenderers

6.1.3.3.1 The confidentiality of the outcome of the processes associated with the calling for expressions of interest, quotations or tenders shall be preserved. Those engaged in the evaluation process shall:

- a) not have any conflict between their duties as an employee or an agent and their private interest;
- b) may not be influenced by a gift or consideration (including acceptance of hospitality) to show favour or disfavour to any person;
- c) deal with respondents and tenderers in an equitable and even-handed manner at all times; and
- d) not use any confidential information obtained for personal gain and may not discuss with, or disclose to outsiders, prices which have been quoted or charged to Blouberg Local Municipality.

6.1.3.3.2 The evaluation process shall be free of conflicts of interest and any perception of bias. Any connections between the employees and agents of Blouberg Local Municipality and a tenderer or respondent shall be disclosed and recorded in the tender evaluation report.

6.1.3.3.3 Blouberg Local Municipality personnel and their agents shall immediately withdraw from participating in any manner whatsoever in a procurement process in which they, or any close family member, partner or associate, has any private or business interest.

6.1.3.4 Non-disclosure agreements

Confidentiality agreements in the form of non-disclosure agreements shall, where appropriate, be entered into with agents and potential contractors to protect Blouberg Local Municipality's confidential information and interests.

6.1.3.5 Gratifications, hospitality and gifts

6.1.3.5.1 The employees and agents of Blouberg Local Municipality shall not, directly or indirectly, accept or agree or offer to accept any gratification from any other person including a commission, whether for the benefit of themselves or for the benefit of another person, as an inducement to improperly influence in any way a procurement process, procedure or decision.

6.1.3.5.2 The employees and agents of Blouberg Local Municipality as well as their family members or associates shall not receive any of the following from any tenderer, respondent or contractor or any potential contractor:

- a) money, loans, equity, personal favours, benefits or services;
- b) overseas trips; or
- c) any gifts or hospitality irrespective of value from tenderers or respondents prior to the conclusion of the processes associated with a call for an expression of interest or a tender.

6.1.3.5.3 The employees and agents of Blouberg Local Municipality shall not purchase any items at artificially low prices from any tenderer, respondent or contractor or any potential contractor at artificially low prices which are not available to the public.

6.1.3.5.4 All employees and agents of Blouberg Local Municipality may for the purpose of fostering inter-personal business relations accept the following:

- a) meals and entertainment, but excluding the cost of transport and accommodation;
- b) promotional material of small intrinsic value such as pens, paper-knives, diaries, calendars, etc;
- c) incidental business hospitality such as business lunches or dinners, which the employee is prepared to reciprocate;
- d) complimentary tickets to sports meetings and other public events, but excluding the cost of transport and accommodation, provided that such tickets are not of a recurrent nature; and
- e) gifts in kind other than those listed in a) to d) which have an intrinsic value not more than **R750** unless they have declared them to the Accounting Officer.

6.1.3.5.5 Under no circumstances shall gifts be accepted from prospective contractors during the evaluation of calls for expressions of interest, quotations or tenders that could be perceived as undue and improper influence of such processes.

6.1.3.5.6 Employees and agents of Blouberg Local Municipality shall without delay report to the Municipal Manager any incidences of a respondent, tenderer or contractor who directly or indirectly offers a gratification to them or any other person to improperly influence in any way a procurement process, procedure or decision.

6.1.3.6 Reporting of breaches

Employees and agents of Blouberg Local Municipality shall promptly report to the Municipal Manager any alleged improper conduct which they may become aware of, including any alleged fraud or corruption.

6.1.4 Measures to prevent abuse of the infrastructure delivery system

The Municipal Manager shall investigate all allegations of corruption, improper conduct or failure to comply with the requirements of this policy against an employee or an agent, a contractor or other role player and, where justified:

- a) take steps against an employee or role player and inform the Provincial Treasury of those steps;
- b) report to the South African Police Service any conduct that may constitute a criminal offence;
- c) lodge complaints with the Construction Industry Development Board or any other relevant statutory council where a breach of such council's code of conduct or rules of conduct are considered to have been breached;
- d) cancel a contract if:

- 1) it comes to light that the contractor has made a misrepresentation, submitted falsified documents or has been convicted of a corrupt or fraudulent act in competing for a particular contract or during the execution of that contract; or
- 2) an employee or other role player committed any corrupt or fraudulent act during the tender process or during the execution of that contract.

6.1.5 Involvement of employees of departments in tenders

Any submissions made by a respondent or tenderer who declares in the Compulsory Declaration that a principal is an employee of a national or provincial department and does not have the written permission of the executive of that department as required in terms of Section 30(1) of the Public Service Act of 1994 shall be rejected.

6.1.6 Collusive tendering

Any submissions made by a respondent or tenderer who fails to declare in the Compulsory Declaration that the tendering entity:

- a) is not associated, linked or involved with any other tendering entity submitting tender offers; or
- b) has not engaged in any prohibited restrictive horizontal practices including consultation, communication, agreement, or arrangement with any competing or potential tendering entity regarding prices, geographical areas in which goods and services will be rendered, approaches to determining prices or pricing parameters, intentions to submit a tender or not, the content of the submission (specification, timing, conditions of contract etc.) or intention to not win a tender shall be rejected.

6.1.7 Placing of contractors under restrictions

6.1.7.1 If any tenderer which has submitted a tender offer or a contractor which has concluded a contract has, as relevant:

- a) withdrawn such tender or quotation after the advertised closing date and time for the receipt of submissions;
- b) after having been notified of the acceptance of his tender, failed or refused to commence the contract;
- c) had their contract terminated for reasons within their control without reasonable cause;
- d) offered, promised or given a bribe in relation to the obtaining or the execution of such contract;
- e) acted in a fraudulent, collusive or anti-competitive or improper manner or in bad faith towards Blouberg Local Municipality or
- f) made any incorrect statement in any affidavit or declaration with regard to a preference claimed and is unable to prove to the satisfaction of Blouberg Local Municipality that the statement was made in good faith or reasonable steps were taken to confirm the correctness of the statements, a *[designated person]* shall prepare a report on the matter and make a recommendation to the Municipal Manager for placing the

contractor or any of its principals under restrictions from doing business with the Blouberg Local Municipality.

6.1.7.2 The Municipal Manager may, as appropriate, upon the receipt of a recommendation made in terms of 6.1.7.1 and after notifying the contractor of such intention in writing and giving written reasons for such action, suspend a contractor or any principal of that contractor from submitting a tender offer to Blouberg Local Municipality for a period of time.

6.1.7.3 The SCM Unit shall:

- a) record the names of those placed under restrictions in an internal register which shall be accessible to employees and agents of Blouberg Local Municipality who are engaged in procurement processes; and
- b) notify the National Treasury or the provincial treasury, as applicable] and , if relevant, the Construction Industry Development Board, of such decision and provide them with the details associated therewith.

6.1.8 Complaints

6.1.8.1 All complaints regarding the Blouberg Local Municipality's infrastructure delivery management system shall be addressed to the Technical department. Such complaints shall be in writing.

6.1.8.2 The Technical department shall investigate all complaints regarding the infrastructure procurement and delivery management system and report on actions taken to the accounting officer who will decide on what action to take.

6.2 Acquisition management

6.2.1 Unsolicited proposal

6.2.1.1 The Blouberg Local Municipality is not obliged to consider unsolicited offers received outside a normal procurement process but may consider such an offer only if:

- a) the goods, services or any combination thereof that is offered is a demonstrably or proven unique innovative concept;
- b) proof of ownership of design, manufacturing, intellectual property, copyright or any other proprietary right of ownership or entitlement is vested in the person who made the offer;
- c) the offer presents a value proposition which demonstrates a clear, measurable and foreseeable benefit for Blouberg Local Municipality;
- d) the offer is in writing and clearly sets out the proposed cost;
- e) the person who made the offer is the sole provider of the goods or service; and
- f) the Accounting Officer finds the reasons for not going through a normal tender processes to be sound.

6.2.1.2 The Accounting Officer may only accept an unsolicited offer and enter into a contract after considering the recommendations of the tender committee if:

- a) the offer relates to known institutional requirements that cannot, within reasonable and practical limits, be acquired through a competitive or competitive negotiation procedure as provided for in SANS 10845-1;
- b) the goods, service or any combination thereof is used for or relates to a matter that falls within the Blouberg Local Municipality's mandate or functions; and
- c) the person who made the offer satisfies all other requirements which are conditional upon the award of a contract.

6.2.2 Tax compliance

6.2.2.1 No contract may be awarded or order issued unless a tenderer or contractor is in possession of an original valid Tax Clearance Certificate issued by SARS provided that the tenderer is not domiciled in the Republic of South Africa and the SARS has confirmed that such a tenderer is not required to prove their tax compliance status.

6.2.2.2 In the case of a partnership, each partner shall comply with the requirements of 6.2.2.1. 17

6.2.2.3 No payment shall be made to a contractor who does not satisfy the requirements of 6.2.2.2. An employee of Blouberg Local Municipality shall upon detecting that a tenderer or contractor is not tax compliant, immediately notify such person of such status.

6.2.2.4 Notwithstanding the requirements of 6.2.2.1 and 6.2.2.3 the following shall apply, unless a person who is not tax compliant indicates to Blouberg Local Municipality that it intends challenging its tax compliance status with SARS,

- a) a contract may be awarded to a non-compliant tenderer if such a tenderer is able to remedy its tax compliance status within a period not exceeding 10 working days after being duly notified of its non-compliant status;
- b) an order may be awarded to a non-compliant contractor if such a contractor is able to remedy its tax compliance status within a period not exceeding 10 working days after being duly notified of its non-compliant status;
- c) a non-compliant contractor shall be issued with a first warning that payments in future amounts due in terms of the contract may be withheld, before the authorising of any payment due to such contractor;
- d) before authorising a further payment due to a non-compliant contractor who has failed to remedy its tax compliance status after receiving a first warning, a second and final warning shall be issued to such contractor;
- e) no payments may be released for any amounts due in terms of the contract due to a non-compliant contractor if, after a period of 30 calendar days have lapsed since the second warning was issued, the non-compliant contractor has failed to remedy its tax compliance status.

6.2.2.5 The Blouberg Local Municipality may cancel a contract with a non-compliant contractor if such a contractor fails to remedy its tax compliance status after a period of 30 calendar days have lapsed since the second warning was issued in terms of 6.2.2.4e).

6.2.3 Declarations of interest

Tenders and respondents making submissions in response to an invitation to submit a tender or a call for an expression of interest, respectively shall declare in the Compulsory Declaration whether or not any of the principals:

- a) are an employee of the Blouberg Local Municipality or in the employ of the state; or
- b) have a family member or a business relation with a person who is in the employ of the state.

6.2.4 Invitations to submit expressions of interest or tender offers

6.2.4.1 All invitations to submit tenders where the estimated value of the contract exceeds R200 000 including VAT, except where a confined tender process is followed, and expressions of interest shall be advertised on the Blouberg Local Municipality's website. Advertisements shall be placed by SCM Unit

6.2.4.2 Advertisements relating to construction works which are subject to the Construction Industry Development Regulations issued in terms of the Construction Industry Development Act of 2000 shall in addition to the requirements of 6.2.4.1 be advertised on the CIDB website. Advertisements shall be placed by SCM Unit.

6.2.4.3 Where deemed appropriate by the SCM Unit an invitation to tender and a call for an expression of interest shall be advertised in suitable local and national newspapers as directed by such person. Advertisements shall be placed by SCM Unit.

6.2.4.4 Invitations to submit tenders above the threshold for quotations and calls for expressions of interest shall in addition to the requirements of 6.2.4.1 to 6.2.4.3 also be published in the Government Tender Bulletin. Such advertisements shall be advertised for a period of at least 21 days before closure, except in urgent cases when the advertisement period may be shortened as determined by the accounting officer.

6.2.4.5 Invitations to submit expressions of interest or tender offers shall be issued not less than 10 working days before the closing date for tenders and at least 5 working days before any compulsory clarification meeting. Procurement documents shall be made available not less than 7 days before the closing time for submissions.

6.2.5 Publication of submissions received and the award of contracts

6.2.5.1 The SCM Unit shall publish within 10 working days of the closure of any advertised call for an expression of interest or an invitation to tender where the estimated value of the contract exceeds R200 000 including VAT on the institution's website, the names of all tenderers that made submissions to that advertisement, and if practical or applicable, the total of the prices and the preferences claimed. Such information shall remain on the website for at least 30 days.

6.2.5.2 The [designated person] shall publish within 7 working days of the award of a contract the following on the Blouberg Local Municipality's website

- a) the contract number;
- b) contract title;

- c) brief description of the goods, services or works;
- d) the total of the prices, if practical;
- e) the names of successful tenderers and their B-BBEE status level of contribution;
- f) duration of the contract; and
- g) brand names, if applicable.

6.2.5.3 The SCM Unit shall submit within 7 working days of the award of a contract the information required by National Treasury on the National Treasury eTender Publication Portal regarding the successful and unsuccessful tenders. Submissions shall be made by SCM Unit.

6.2.5.4 The award of contracts relating to construction works which are subject to the Construction Industry Development Regulations issued in terms of the Construction Industry Development Act of 2000 shall in addition to the requirements of 6.2.5.3 be notified on the CIDB website. The notification shall be made by placed by SCM Unit.

6.2.4.5 The award of the contract shall in addition to the requirements of 6.2.4.1 to 6.2.4.3 also be published in the Government Tender Bulletin.

6.2.6 Disposal committee

6.2.6.1 The Accounting Officer shall appoint on a disposal by disposal basis in writing the members of the disposal committee to decide on how best to undertake disposals in accordance with the provisions of clause 10 of the standard.

6.2.6.2 The disposal panel shall comprise not less than three people. The chairperson shall be an employee of Blouberg Local Municipality.

6.2.6.3 The disposal committee shall make recommendations to the accounting officer who shall approve the recommendations, refer the disposal strategy back to the disposal committee for their reconsideration, decide not to proceed or to start afresh with the process.

6.3 Reporting of infrastructure delivery management information

Accounting officer shall submit any reports required in terms of the standard to the National Treasury.

7 Infrastructure procurement

7.1 Procurement documents

7.1.1 The forms of contract that may be used are as follows:

Form of contract	Code	Usage

7.1.2 The Blouberg Local Municipality preapproved templates for Part C1 (Agreements and contract data) of procurement documents shall be utilized to obviate the need for legal review prior to the awarding of a

contract. All modifications to the standard templates shall be approved by the accounting officer prior to being issued for tender purposes.

7.2 Developmental procurement policy

The following specific goals shall be proposed:

7.2.1 the goal of this Policy is to provide a framework to ensure a sound and accountable system of supply chain management within the Blouberg Local Municipality, whilst promoting the following five pillars of procurement, value for money, open and effective competition, ethics and fair dealing, accounting and reporting and equity

7.2.2 to give effect to section 217 of the Constitution of the Republic of South Africa by implementing a system that is fair, equitable, transparent, competitive and cost effective;

7.2.3 to comply with all applicable provisions of the Municipal Finance Management Act including the Municipal Supply Chain Management Regulations published under GN868 in Government Gazette 27636 30 May 2005 and any National Treasury Guidelines issued in terms of the MFMA

7.4 Payment of contractors

The Blouberg Local Municipality shall settle all accounts in accordance with the terms of the contract.

7.5 Approval to utilise specific procurement procedures

7.5.1 Prior approval shall be obtained for the following procurement procedures from the following persons, unless such a procedure is already provided for in the approved procurement strategy:

a) accounting officer shall authorise the use of the negotiated procedure above the thresholds provided in the standard.

b) accounting officer shall authorise the approaching of a confined market except where a rapid response is required in the presence of, or the imminent risk of, an extreme or emergency situation arising from the conditions set out in the standard and which can be dealt with or the risks relating thereto arrested within 48 hours; and

c) the proposal procedure using the two-envelope system, the proposal procedure using the two-stage system or the competitive negotiations procedure³⁶.

7.5.2 The person authorised to pursue a negotiated procedure in an emergency is accounting officer.

7.6 Receipt and safeguarding of submissions

7.6.1 A dedicated and clearly marked tender box shall be made available to receive all submissions made.³⁸

7.6.2 The tender box shall be fitted with two locks and the keys kept separately by two municipal officials. Such personnel shall be present when the box is opened on the stipulated closing date for submissions.

7.7 Opening of submissions

7.7.1 Submissions shall be opened by an opening panel comprising two people nominated by the chief financial officer who have declared their interest or confirmed that they have no interest in the submissions that are to be opened.

7.7.2 The opening panel shall open the tender box at the stipulated closing time and:

a) sort through the submissions and return those submissions to the box that are not yet due to be opened including those whose closing date has been extended;

b) return submissions unopened and suitably annotated where:

1) submissions are received late, unless otherwise permitted in terms of the submission data;

2) submissions were submitted by a method other than the stated method,

3) submissions were withdrawn in accordance with the procedures contained in SANS 10845-3; and.

4) only one tender submission is received and it is decided not to open it and to call for fresh tender submissions;

c) record in the register submissions that were returned unopened; 21

d) open submissions if received in sealed envelopes and annotated with the required particulars and read out the name of and record in the register the name of the tenderer or respondent and, if relevant, the total of prices including VAT where this is possible;

e) record in the register the name of any submissions that is returned with the reasons for doing so;

f) record the names of the tenderer's representatives that attend the public opening;

g) sign the entries into the register; and

h) stamp each returnable document in each tender submission.

7.7.3 Each member of the opening panel shall initial the front cover of the submission and all pages that are stamped in accordance with the requirements of 7.7.3h).

7.7.4 Respondents and tenderers whose submissions are to be returned shall be afforded the opportunity to collect their submissions.

7.7.5 Submissions shall be safeguarded from the time of receipt until the conclusion of the procurement process.

7.8 Use of another organ of state's framework agreement

The Blouberg Local Municipality may make use of another organ of state's framework contract which has been put in place by means of a competitive tender process and there are demonstrable benefits for doing so. The Accounting Officer shall make the necessary application to that organ of state to do so.

7.9 Use of a framework agreement by another organ of state

7.9.1 An organ of state may request in writing to make use of one or more of Blouberg Local Municipality's framework contracts. Such a request signed by the accounting officer or accounting authority of that organ of state, shall:

- a) outline the scope and anticipated quantum of work associated with the work that is required;
- b) provide a motivation for the use of the framework agreement; and
- c) detail the benefit for the state to be derived from making use of the framework agreement.

7.9.2 The Accounting Officer may approve a request made in terms of 7.9.1 to make use of the Blouberg Local Municipality's framework contract, conditionally or unconditionally, if:

- a) the framework agreement was put in place following a competitive tender process;
- b) confirmation is obtained that the framework contract is suitable for the intended use and the required goods, services and works fall within the scope of such contract;
- c) the framework contractor agrees in writing to accept an order from that organ of state; and
- d) the organ of state undertakes to pay the contractor in accordance with the terms and conditions of the agreement; and
- f) the term of the framework agreement does not expire before the issuing of the required orders.

7.10 Insurances

7.10.1 Contractors shall be required to take out all insurances required in terms of the contract.⁴²

7.10.2 The insurance cover in engineering and construction contracts for loss of or damage to property (except the works, Plant and Materials and Equipment) and liability for bodily injury to or death of a person (not an employee of the Contractor) caused by activity in connection with a contract shall in general not be less than the value stated in Table 4, unless otherwise directed by accounting officer.

7.10.3 Lateral earth support insurance in addition to such insurance shall be take out on a case by case basis.

Table 4: Minimum insurance cover

Type of insurance	Value
Engineering and construction contracts - loss of or damage to property (except the works, Plant and Materials and Equipment) and liability for bodily injury to or death of a person (not an employee of the Contractor) caused by activity in connection with a contract	Not less than R20 million
Professional services and service contracts - death of or bodily injury to employees of the Contractor arising out of and in the course of their employment in connection with a contract or damage to property	Not less than R10 million
Professional indemnity insurance	geotechnical, civil and structural engineering: R5,0 million electrical, mechanical and engineering: R3,0 million

	architectural: R5,0 million other R3,0 million
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7.10.4 The insurance cover in professional services and service contracts for damage to property or death of or bodily injury to employees of the Contractor arising out of and in the course of their employment in connection with a contract shall not be less than the value stated in Table 4 for any one event unless otherwise directed by the accounting officer.

7.10.5 SASRIA Special Risk Insurance in respect of riot and associated risk of damage to the works, Plant and Materials shall be taken out on all engineering and construction works.

7.10.5 Professional service appointments shall as a general rule be subject to proof of current professional indemnity insurance being submitted by the contractor in an amount not less than the value stated in Table 4 in respect of each claim, without limit to the number of claims, unless otherwise directed by the accounting officer in relation to the nature of the service that they provide.

7.10.6 Blouberg Local Municipality shall take out professional indemnity insurance cover where it is deemed necessary to have such insurance at a level higher than the levels of insurance commonly carried by contractors.

7.10.7 Where payment is to be made in multiple currencies, either the contractor or Blouberg Local Municipality should be required to take out forward cover. Alternatively, the prices for the imported content should be fixed as soon as possible after the starting date for the contract.

7.11 Written reasons for actions taken

7.11.1 Written reasons for actions taken shall be provided by a relevant director.

7.11.2 The written reasons for actions taken shall be as brief as possible and shall as far as is possible, and where relevant, be framed around the clauses in the:

- a) ISO 10845-3, *Construction procurement - Part 3: Standard conditions of tender*, and, giving rise to the reason why a respondent was not short listed, prequalified or admitted to a data base; or
- b) ISO 10845-4, *Construction procurement - Part 4: Standard conditions for the calling for expressions of interest*;
as to why a tenderer was not considered for the award of a contract or not awarded a contract.

7.11.3 Requests for written reasons for actions taken need to be brief and to the point and may not divulge information which is not in the public interest or any information which is considered to prejudice the legitimate commercial interests of others or might prejudice fair competition between tenderers.

7.12 Request for access to information

7.12.1 Should an application be received in terms of Promotion of Access to Information Act of 2000 (Act 2 of 2000), the "requestor" should be referred to the Blouberg Local Municipality's Information Manual which establishes the procedures to be followed and the criteria that have to be met for the "requester" to request access to records in the possession or under the control of Blouberg Local Municipality's.

7.12.2 Access to technical and commercial information such as a comprehensive programme which links resources and prices to such programme should be refused as such information provides the order and timing of operations, provisions for time risk allowances and statements as to how the contractor plans to do the work which identifies principal equipment and other resources which he plans to use. Access to a bill of quantities and rates should be provided in terms of the Act.

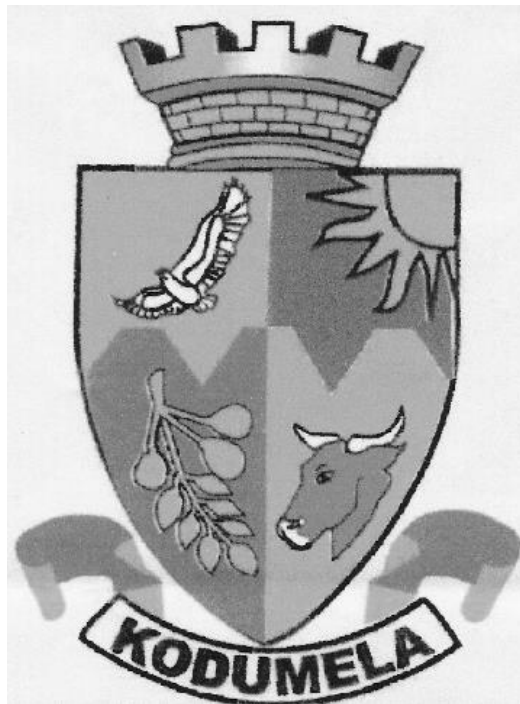
8. Council resolves in terms of Sec 111 of the Local Government Municipal Finance Management Act (Act No. 56 of 2003), to adopt the following proposal as the Supply Chain Management Policy for Infrastructure Procurement and Delivery Management of Blouberg Local Municipality as per council resolution number _____

9. This Policy will take effect on the **01st July 2021**

Signature:	
Initials and Surname:	Pheedi M
Designation:	Mayor
Council Resolution Number:	N/A
Council Date:	May 2021

...END...

BLOUBERG MUNICIPALITY
POLICY:
INVESTMENT MANAGEMENT
2021/22



Investment Policy

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1. INTRODUCTION

The purpose of this policy is to ensure the maximum return on all surplus funds of the municipality. Therefore all surplus funds of the municipality will be subject to the investment policy of the council.

Funds invested by the municipality will only be invested with financial institutions with an A rating, and through acceptable investment instruments, which will pose minimum risks and the highest possible interest returns for the Blouberg municipality.

Investment instruments have to be assessed based on liquidity requirements, therefore any monies not necessary for the current operating expenditure of the municipality will be subject to this investment policy of the Blouberg municipality.

All counter parties have to be selected through a credit risk analysis.

2. STATUTORY GUIDELINES

The Minister for COGHSTA, with the concurrence of the Minister of Finance, may by notice in the Gazette determine instruments of investment other than those referred to below in which Municipality may invest

- a. Deposits with banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990);
- b. Securities issued by the National Government; and
- c. Bankers, acceptance certificates or negotiable certificates of deposits of banks.

3. INVESTMENT GUIDELINES

- 3.1 All investments will be made in line with statutory regulations in terms of the Municipal Finance Management Act and GAMAP.
- 3.2 Surplus funds must be reviewed monthly by the CFO, and where such surpluses are not necessary for current operational or capital expenditure, invested as per this policy.
- 3.3 Cash flow forecasts will be prepared to determine whether surplus funds are available and should be invested long term or short term.
- 3.4 Prior to approving any investment the CFO should review counter-party credit risk based on credit ratings and submit recommendations to the municipal manager.
- 3.5 The municipal manager and the CFO should select all counter parties through credit risk analysis, and then a list has to be prepared of all prospective counter parties.
- 3.6 Any employee that has an interest in any of the above investment institutions should disclose his/her interest and be prevented from making a decision in respect of that entity.
- 3.7 From the list of counter parties, the CFO has to select at least 3 institutions in order of credit risk analysis.
- 3.8 Requests for proposal should be issued to these 3 institutions requesting them to provide quotations for all details of the investments (i.e. interest rates offered, time frames, maturity values, confirmed values etc.)
- 3.9 When an investment needs to be encased or re-invested, the CFO must submit a recommendation to the municipal manager.

- 3.10 The municipal manager after consultation with the CFO will then authorise the institution, instrument, and the amount to be withdrawn or invested by signing the transfer approval, and submitting it to the CFO for processing.
- 3.11 The CFO will sign the transfer approval and make the transfer to or from the municipality's bank account.
- 3.12 The CFO **must** obtain confirmation of the transfers, from the investment institutions and the bank.
- 3.13 The CFO **must** prepare investment register between the bank statement, the confirmations received, and he/she should sign the register as correct monthly.
- 3.14 Investments withdrawn and made should only be posted to the general ledger by the CFO or delegated person.
- 3.15 The accountant should reconcile the investments in the general ledger to statements, and investment register.
- 3.16 Interest earned on investment should be recalculated and agreed to the confirmations.
- 3.17 The reconciliation/investment register has to be approved by the CFO, and he/she has to sign it as correct.
- 3.18 The CFO must monitor the limits of investments weekly, and bring any major abnormalities to the attention of the municipal manager and the investment committee immediately.
- 3.19 An investment report on the performance of investments **must** be compiled monthly by the CFO, and submitted to the municipal manager.

- 3.20 The municipal manager must compile a monthly report on investments and its performance to the council.

4 INVESTMENT REGISTER

- 4.1 An investment register should be kept of all investments made. The following facts must be indicated:

4.1.1 Name of institution;

4.1.2 Capital invested;

4.1.3 Date invested;

4.1.4 Interest rate; and

4.1.5 Maturation date.

- 4.2 The investment register and accounting records must be reconciled on an annual basis.

- 4.3 The investment register must be examined on a fortnightly basis to identify investments falling due within the next two weeks. It must then be established as what to do with the funds bearing in mind the cash flow requirements.

- 4.4 Interest, correctly calculated, must be received timeously, together with any distributable capital. The Chief Financial Officer or his/her Delegate must check that the interest is calculated correctly.

- 4.5 Investment documents and certificates must be safeguarded ,

The following documents must be safeguarded:

4.5.1 Fixed deposit letter or investment certificate;

- 4.5.2 Receipt for capital invested;
- 4.5.3 Copy of electronic transfer or cheque requisition;
- 4.5.4 Excel schedule of comparative investment figures;
- 4.5.5 Commission certificate indicating no commission was paid on the investment; and
- 4.5.6 Interest rate quoted.

4.6 The Chief Financial Officer or his/her Delegate is responsible for ensuring that the invested funds are secure and, should there be a measure of risk, that such risk be rated realistically.

5 INVESTMENT ETHICS

- 5.1 The following ethics must apply when dealing with financial institutions and other interested parties (IMFO Handbook For Municipal Financial Officers May 1993, paragraph 4.1).
- 5.2 The Municipal Manager and Chief Financial Officer will be responsible for the investment of funds, and he/she has to steer clear of outside interference, regardless of whether such interference comes from individual Councilors, agents or any other institution.
- 5.3 Under no circumstances may he/she be forced or bribed into making an investment. No member of staff may accept any gift unless that gift can be deemed so small that it would not have an influence on his/her work or was not intended to do so, and can merely be seen as goodwill. A certificate in respect of the gift should be furnished to the Council. The gift should not be in lieu of a commission.
- 5.4 The Chief Financial Officer or his/her Delegate must act according to their discretion and must report any serious cases of payment in kind

or gifts, to the Council. Excessive gifts and hospitality should however be avoided.

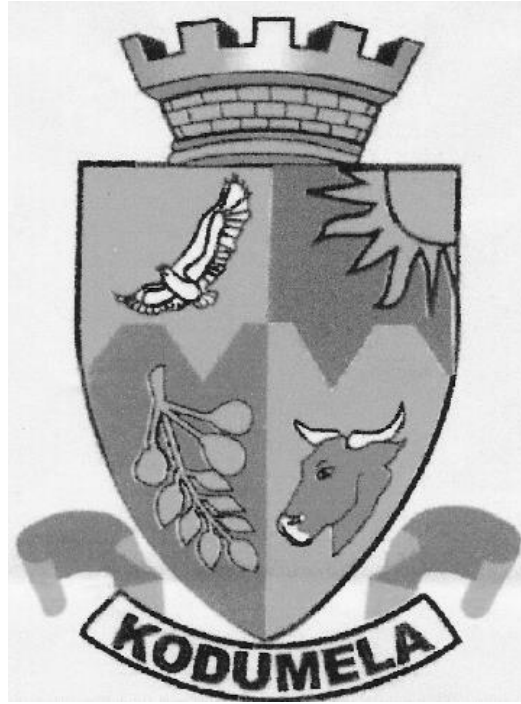
5.5 Interest rates offered should never be divulged to another institution.

5.6 The overall responsibility of investments lies on the Municipal Manager. However the day to day handling of investments is the Chief Financial Officer's or his/hers delegate's responsibility.

...END...

BLOUBERG MUNICIPALITY

PROPOSED TARIFF STRUCTURE



2021 AND 2022

A. FOREWORD

In terms of Section 62(1) of the Municipal Finance Management Act (MFMA) the Accounting Officer of a Municipality is responsible for the financial administration of the municipality; and in terms of S62 (1) (f), must for this purpose take all reasonable steps to ensure- "that the municipality has and implements a tariff structure referred to in Section 74 of MSA. In giving effect to S74 (1) of MSA, the municipality adopts the following as the framework policy within which the municipal council must adopt various policies.

B. Classification and Pricing Strategies of Services.

There are basically different categories of municipal services (i.e. trading, rate and general services) which were discussed in the various municipal policies. These services are defined as services whereby the consumption of the service is measurable and can be accurately apportioned to an individual consumer.

The tariffs for these services are budgeted for in such a way that at least a breakeven situation for the municipality will be realized. Examples of these services include amongst others electricity and property rate tariffs. The council's pricing strategy for these services is to recover the full cost of rendering the service to the communities.

C. Keeping Tariffs Affordable.

The Council is keenly aware of the financial situation of most residents within the municipal area. Therefore, the Council undertakes to keep tariffs at affordable levels. The tariff for a service must therefore be sufficient to cover the cost of the initial capital expenditure required and replacing the physical assets used in its provision.

However sustainability does not only mean that the price of the service must include all the relevant cost elements, it also means that charges to be levied must be collected.

APPENDIX B: PROPOSED TARIFFS STRUCTURE 2021 AND 2022

1. BUILDING PLANS

- Residential buildings R 5.50/M2 with a minimum of R 318.00 (Whichever is the highest)
- Business buildings R 6.50/M2 with a minimum of R 370.00 (Whichever is the highest)

The building plans tariff will be increased by 6% from July 2019

2. ELECTRICITY

It is recommended that all costs related to installation of pre-paid electricity measuring system by the Council be borne by the registered owner of the property. This is to constitute of the cost of any measuring unit, costs related to the general maintenance thereof and any other costs that may be incurred by Council in relation thereto, be for the sole account of the registered owner and never the consumer (unless the consumer is the registered owner).

It is further recommended that the tariff for the supply of Electricity, in terms of Section 20 of MFMA of 2003, and with the approval of the National Electricity Regulator, be increased as follows with effect from July 2016

On behalf of all Consumers:

New connections

- Triple phase meter convention (Electricity cord to the maximum 20 meters) R 4,532.00
- Prepaid meter connection (60 Amps): R 6,137.50
- Removal of meter from existing building to a new building: R 731.50
- Post connection (20amps):R 1,314.50
- Upgrading pre-paid meter from (20 to 60 Amps) : R 4,823.00
- Changing from conventional to prepaid meter: R1,314.50
- Temporary builders' connection (consumption excluded): R 575.00 plus a deposit of R 4,166.00
- LV upgrading :R 10,250.00
-

- Contribution and connection of transformers:

Description	Total Costs
TRANSFORMER 50 KVA	R 9,523.00
TRANSFORMER 25KVA	R 8,4933.00
TRANSFORMER 16KVA	R 8,567.50
TRANSFORMER 32KVA	R 9,129.50
TRANSFORMER 100KVA	R 32,619.00

- Infrastructure contribution upgrading transformers: R 6,890.00 transport cost plus the following:

Description	Unit price	Revised price	Transport Costs	Revised price	Total Costs
TRANSFORMER 50 KVA	R 36,732.00	R 38,936.00	R 6,890.00	R 7,303.50	R 46,239.50
TRANSFORMER 25KVA	R 27,877.00	R 29,550.00	R 6,890.00	R 7,303.50	R 36,535.00
TRANSFORMER 16KVA	R 19,022.00	R 20,163.50	R 6,890.00	R 7,303.50	R 27,467.00
TRANSFORMER 32KVA	R 34,729.00	R 36,813.00	R 6,890.00	R 7,303.50	R 44,116.50
TRANSFORMER 100KVA	R 58,495.00	R 62,005.00	R 6,890.00	R 7,303.50	R 69,308.50

Tampering with supply or provision of electricity

Unlawful/illegal connection of services: R 8,840.50.00.00 plus a deposit of R 742.00

Testing of meter on request of consumer where it is found that the meter doesn't show error of more than 6% either way; cost be R 148.50 Deposits

Bulk consumers and business sites (Bank guaranteed cheque or cash deposit equal to two months electricity payment)

Residential Sites: R 281.00

Basic Charges : **R 281.00**

- Bulk consumers
- Business and other small consumers
- Household consumers
- Vacant stands(Council property included)

As per the attached proposal

Private calls

Where the fault is found not to be on the side of the Council during normal hours: be increased from R 282.50.00 to R 286.50

Where the fault found to be on the side of the Council outside normal working hours: be increased from R 595.00 to R 620.50

3. ASSESSMENT RATES

The Blouberg Municipality will levy from 1 July 2019 the following assessment rates in respect of the different categories of *rateable* property.

CATEGORY	CURRENT TARIFF	PROPOSED TARIFF (CENT IN A RAND)
Residential	0.0063	0.0067
Residential property consent use	0.010	0.0106
Residential impermissible or illegal use	0.013	0.0138
Residential vacant land	0.0088	0.0093
Farms	0.0019	0.0020
State owned properties	0.0350	0.0371
Businesses\ commercial	0.0088	0.0093

Property rates tariffs are levied taking into account reductions, rebates, discounts and exemptions provided for in the rates policy and by-law

4. NB: ALL WATER RELATED TARIFFS ARE SUBJECT TO APPROVAL BY CAPRICORN DISTRICT MUNICIPALITY

5. Refuse Removal

Refuse Removal & processing fee (monthly)	CURRENT	Revised
Residential Refuse (per month) for one removal per week	R 40.00	R42.50
Business refuse (big businesses)	R 1,690.00	R 1,791.50
Bulky refuse (building refuse excluded)	R 848.00	R 899.00

refuse that cannot be stored in or taken out scribed plastic bag due to its mass or size per load or a portion thereof per month		
Bulky refuse. Daily collection of industrial bins supplied by the municipality.	R 190.00 per industrial bin.	R 201.50
Removal of rubble. (per load as prescribed or to be billed with water & lights accounts end of month)	R 1,060.00	R 1,124.00
Bona fide sport clubs for one removal per week	R 132.50	R 140.50
Refuse dumping per week	R 588.00	R 623.50
Garden refuse removal arising from normal gardening activities e.g. moving of lawns, sweeping- on request, after prepayment of amount for a load	R 465.00	R 493.00
Garden refuse removal arising from normal gardening activities e.g. moving of lawns, sweeping- refuse stickers per bag	R 93.00	R 99.00
Clearing of erven is as a tender price tendered plus 15% admin cost, on request, payable to the owner of the site	R 638.00	R 676.50
Refuse removal(Government) Businesses (medium)i.e. Surgeries	R 1,690.00	R 1,91.50
Survivalist Businesses (Small) sewing, welding, salons.	R 848.00	R 899.00
Refuse removal in Schools	R 350.00	R 371.00
	R 848.00	R 899.00

All refuse removals will be increased by 6% in July 2019. The escalation is due to the economic conditions.

6. Sewerage

Sewerage tariffs (monthly tariffs)		Revised
Residential sites used only for residential purposes		R
Churches, church halls, welfare / charitable organization, public schools, school hotels (where the sites are used for said purposes alone)-per cistern		R
Churches, church halls, welfare / charitable organization, public schools, school hostels (where the sites are used for said purposes alone)-per urinal		R
Business, office, lodging-house, guest house, organization, shop restaurant and factory sites-per cistern		R
Business, office, lodging-house, guest house, organization, shop restaurant and factory sites-per urinal		
Sewer connection		
Bona fide sport clubs-per cistern		
Bona fide sport clubs-per urinal		
Sewerage services (per load or portion of during normal office hours)		
Sewerage services (per load or portion of after normal office hours) plus kilometres travelled calculated @		
Erf up to 300 square meters		
Erf from 301 to 1000 square meters		
Erf from 1001 to 2000 square meters		
Erf greater than 2001 square meters		

Flats		
NB		
Water domestic		

All sewer tariffs will be increased by 6% from July 2021

7. Space & Place Holding / Occupying Tariffs

	Period	Deposit VAT EXCL.	Number of Posters	Non-Profit	Profit	Total VAT EXCL.
Bills Boards						
Fixed-permanent	Annually	R1, 794.00	0.	-	-	R 1,794.00
1,2 x 2m and above		R 1,269.00	0.			R 1,269.00
0,6x1,2m		R1,209.00	0.			R 1,209.00
0,48x0,6m		R 1,088.00	0.			R 1,088.00
Floating-temporary	1-26	R 89.00	1x poster	R 94.50	R1,808.00	
Floating-temporary	29	R 188.50	1x poster	25.00	R 43.00	
Banners						
Suspended / Hanging per Banner	1-26	R38.50	1x poster	R 5.50	R19.00	
Suspended / Hanging per Banner	32.50	38.50	1x poster	R 9.50	R 38.50	

Posters						
Hanging per poster	1-26	17.00	1x poster	R 2.00	R 5.00	
Hanging per poster	1-26	18.00	1x poster	R 4.00	R 9.00	
Pasted per poster	1-26	18.00	1x poster	R 4.00	R 9.00	
Pasted per poster	25.00	18.00	1x poster	R 8.00	R 19.00	
Antennas / Masts						
Erected permanent	Annually	R1,775.00	R 168,00 per poster	-	-	R 2,023.50
Erected temporary	On Application	R 98850		R 2.00	R 377.00	
Taxi / Bus Ranks						
Fixed / Temporary per taxi	Annually	R 533.00		-	-	R 608.00
Adverts and display of items within municipal open spaces/Pre-paid	Per week					
Other promotions	Per week					
Street traders	Per month					
Hawkers stalls	Per month	R 130.00				

All advertisements will be increased by 6% from July 2019

8. HIRING OF COMMUNITY HALLS.

. Type of Service Suggested Tariff

Hiring of Halls & Amenities (Situational)	CURRENT	REVISED
Dances, receptions, marriages & exhibitions, auctions, conferences etc.(people living in the Blouberg municipality)	R 620.00	R 657.50
Dances, receptions, marriages, & exhibitions ,auctions etc(people not living in the Blouberg municipality area)	R 1,028.00	R 1,090.00
Concerts, educational exhibition, conferences, meetings & non political meetings- local	R 620.00	R 657.50
Concerts, educational exhibition, conferences, meetings & non political meetings- local (people not living in the Blouberg municipality area)	R 1,028.00	R 1,090.00
Public political meetings	R 925.00	R 980.50
Meetings of non-profit –seeking organizations(educational, welfare, charity, sports organizations-locals	R 560.00 R 765.00	R 594.00 R 811.00
Meetings of non-profit –seeking organizations(educational, welfare, charity, sports organizations-other peoples	R 308.00	R 326.50
Committee meetings	R 135.00	R 143,50
Churches services	R 696.00 R 840.00	R 738.00 R 890.50
Deposits for damages & is repayable if there are no damages-public political meetings	R 925.00	R 980.50
Deposits for damages & is repayable if there are no damages-other renting of premises	R 515.00	R 546.00
Storage of repossessed, confiscated and derelicts	R 345.00	R 366.00

Goods or and properties		
09. Traffic Services		
Escorting of Funerals	395.00	R 419.00
10. Hiring of Machinery		
<ul style="list-style-type: none"> Grader, Excavator, Tipper Truck / honey sucker and or plus kilometers travelled @ R 4.50.00 per kilometre Compressor Water tanker – 8000l 	R 1,115.00 R 575.00 R 1,115.00	R 1,182.00 R 609.50 R 1,182.00

Type of Services

11. Cemetery	Suggested	Revised
Single grave site per single grave / extra deep grave: Child	R 330.00	R 350.00
Single grave site per single grave / extra deep grave:Adult	R 390.00	R 413.50
Single grave site not dug by Municipality: Child	R 240.00	R 254.50
Single grave site not dug by Municipality: Adult	R 315.00	R 334.00
Double grave site	R 685.00	R 726.50
Memorial wall-per memorial plate (cremation)	R 250.00	R 265.00
Double grave dug by Municipality	R 720.00	R 763.50
Double grave not dug by Municipality	R 355.00	R 376.50
Pauper Burial (Adult)	R 525.00	R 556.50
Pauper Burial (child)	R 525.00	R 556.50
Development fund	R 30.00	R 30.00

Issuing of proof of residence	R 10.00	R 10.00
12. Library Service		
Library affiliations per year	R 40.00	R 42.50
Library fines-lost membership bags / cards		
Fine for books, records & artwork videos & films per week or portion thereof	R 5.00	R 5.50
Reservation of library materials per item	R 5.00	R 5.50
Temporary loaners(visitors) deposit per book	R 70.00	R 74.50
Library halls per event or occasion	R 100.00	R 106.00
13.. Services		
Valuation certificate	R 45.00	R 48.00
Clearance certificate	R 240.00	R 254.50
Address list for estate agents	R 270.00	R 286.50
Tender documents	R 350.00	R 371.00
Database registration-non refundable fee	R 115.00	R 122.00
Database registration-non refundable for contractors	R 235.00	R 250.00
Photocopies per A4 pages	R 2.00	R 2.20
Photocopies per A3 pages	R 4.00	R 4.30
Faxes per A4-pages	R 10.00	R 11.00
Supplying of information regarding index, book, register, account & for perusal of any deed, document, plan ,drawing or any other	R 40.00	R 42.00
Small work permit (internal changes)	R 185.00	R 196.00
Sewerage per Re-inspection	R 276.00	R 293.00
Re-instatement due to non compliance with	R 268.00	R 284.00

legislation & requirements		
Penalty fee in cases where the building took place without approved building plans	R 10,285.00	R 10,902.00
Damages deposits	R 980.00	R 1,039.00

14. Building Plan Copies		
Photostat / Plan copy A0	R 50.00	R 53.00
Photostat / Plan copy A1	R 22.00	R 132.00
Photostat / Plan copy A2	R 11.00	R 12.00
Photostat / Plan copy A3	R 5.00	R 5.50
Photostat / Plan copy A4	R 10.00	R 11.00

Type of Service

15. Application of Services	Suggested Tariff	Revised
Application for consent use	R 638.00	R 676.00
Special consent: EVAP (Every additional property).	R 738 + 72.00	R 782.00 + 76.00
Temporary consent: EVAP	R 145.00 + 72.00	R 154.00 + 76.00
Rezoning in terms of Ord.15 & 20/86	R 1,072.00 292.00	R 1,136.00 + 310.00
Township establishment (For every additional 100 sites)	R 145.00 + 72.00	R 154.00 + 76.00
Application for subdivision/consolidation Ordinance 15/86 and any other app.law		
Subdivision	R 430.00 + 42	R 456.00 + 45.00

Consolidation	188.00 + 42	R 199.00 + 45.00
App. Municipal Council's reason	R 276.00	R 293.00
Building line relaxation	R 190.00	R 201.00
Application for site plan	R 36.00	R 38.00
Sale of sites : Senwabarwna , Alldays and all other villages within Blouberg	Determined by Council Resolution	
Site inspection fee	R 696.00	R 738.00
Application for PTO	R 208.00	R 220.00
Application for zoning certificate	R 48.00	R 51.00
APPLICATION FOR RELAXATION OF COVERAGE		
Between 50% and 60%	R 310.00	R 329.00
Between 60% and 70%	R 458.00	R 485.00
Between 70% and 80%	R 615.00	R 652.00
Between 80% and 90%	R 763.00	R 809.00
Between 90% and 100%	R 919.00	R 974.00
Erection of an advertising sign	R 248.00	R 263.00
Fencing permit	R 205.00	R 217.00

16. Deviation as per Article (15(1) (a) (i)

Deviation of building (Article(15(1) (a)(i)- erven smaller than 500 square meter	R 144.00	R 153.00
Deviation of building (Article(15(1) (a)(i)- erven more than 500 but less than 750 square meter	R 205.00	R 217.00
Deviation of building (Article(15(1) (a)(i)- erven more than 750 square meter	R 41.00	R 44.00

Subdivision: up to 20 even per subdivision	R 144.00	R153.00
Subdivision: for each additional erf above 20 erven per subdivision	R 12.00	R 13.00
	R 144.00	R 153.00
Sundry fees		
Vehicle entrance (per single entrance)	R 1,027.00	R 1,089.00

All services will be increased by 6% from July 2019

17. Animal Pounds

	POUNDING						REVISED TOTAL
	CURRENT	REVISED	TENDING	REVISED	PER DAY	REVISED	
Cattle	197.00	209	131.00	139	131.00	139	487.00
Horses	197.00	209	131.00	139	131.00	139	487.00
Mules	197.00	209	131.00	139	131.00	139	487.00
Donkeys	197.00	209	131.00	139	131.00	139	487.00
Goats	111.50	119	98.50	105	65.50	69	293.00
Sheep	111.50	119	98.50	105	65.50	69	293.00
Pigs	171.00	119	144.00	153	171.00	181.00	453.00

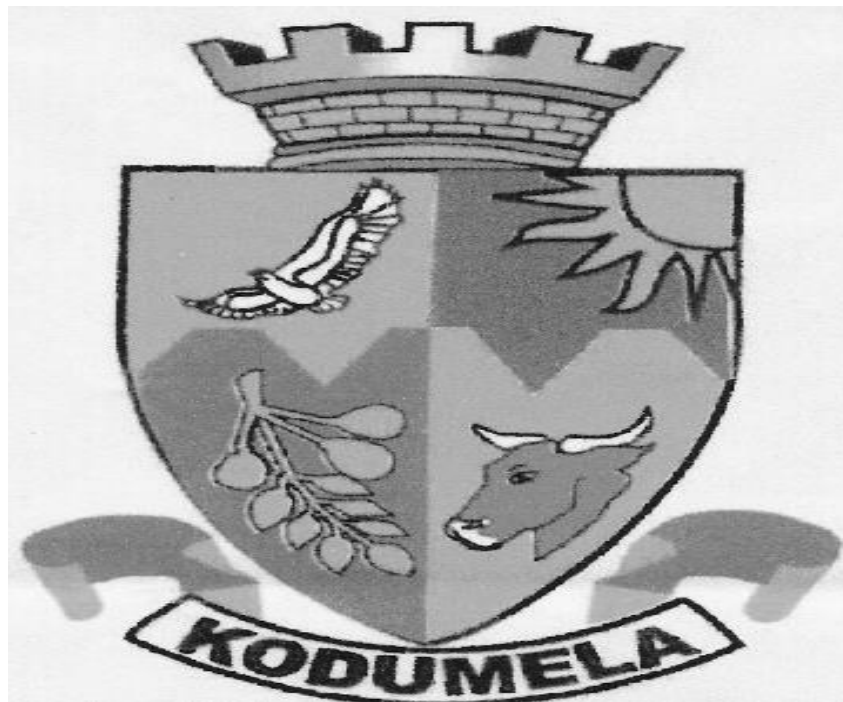
NO	NATURE OF SERVICES	DESCRIPTION OF THE SERVICE	APPROVED 2018/2019 F/Y TARRIFFS	PROPOSED 2019/2020 F/Y TARRIFFS
18.	ENVIRONMENTAL AND HEALTH ISSUES	Illegal Dumping	R 2,066.00	R 2,190.00
		Minor illegal Dumping	R 281.00	R 298.00
		Littering	R 137.00	R 145.00
		Hair salon non compliance	R 348.00	R 369.00
		Public indecency	R 281.00	R 298.00
		Deforestation	R 488.00	R 517.00
		Sand mining	R 1,394.00	R 1,478.00
		Building rubbles per load	R 560.00	R 594.00
			R 2,066.00	R 2,190.00

19.	COMMUNITY HALLS ,BOARDROOM AND COUNCIL CHAMBER RENTALS	Activities	R 281.00	R 298.00
		Boardroom, Council Chamber and School Activities Farewell .	R 130.00	R 138.00
		Boardroom	R 130.00	R 138.00
		Council chamber may also be used for smaller meetings, but not private events.	R 256.00	R 271.00
		Community halls is covered in item 8.		
		Church Activities	R 696.00	R 738.00
		Government Department	R 834.00	R 884.00
		Funeral Activities	R 696.00	R 738.00
		Weddings/Reception/Parties	R 976.00	R 1,035.00
		Graduations	R 130.00	R 138.00
	Use of Facilities on monthly basis(Land and Office space)	Rental of office space and community(situational): lease contract must be signed and renewed as agreed period	Based on lease agreement	
20.	SPORT CENTRE	Soccer (Non-Profit)	R 1,393.00	R 1,477.00
		Soccer (Profit making)		
		Festivals(Profit making) p/d	R 1,393.00 + 15%	R 1,477.00 +15%
		Deposit None/ refundable if no broken items reported	R 1,393.00 + 20%	R 1,477.00 + 20%
		Festivals(Non-Profit)		
		Cultural Activities with no gate takings	R 696.00	R 738.00
		Cultural Activities with gate takings	R 1,393.00	R 1,477.00
		Church activity	R 1,393.00	R 1,477.00
		Funeral activity	R 1,393.00	R 1,477.00
		Government departments	R 1,393.00	R 1,477.00
		Where the municipality has partnered with another sector, we should go 50/50. E.g. athletics, schools sports, etc.	R 1,393.00	R 1,477.00
			R 1,393.00	R 1,477.00
			R 1,393.00	R 1,477.00

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POLICY

SUPPLY CHAIN MANAGEMENT



CHAPTER 1

1. INTRODUCTION

A Green Paper on Public Sector Procurement Reform in South Africa was published in April 1997. The Green Paper recognized that public sector procurement could be used by government as a mechanism to also achieve certain broader policy objectives such as black economic empowerment, local economic development spin-offs for small and medium sized business, skills transfer and job creation. To achieve this, institutional and economic reform was necessary within two broad themes, namely, to establish principles of good governance in the area of supply chain management and to introduce a preference system to achieve certain Socio-economic policy objectives.

This document is to serve as a both a policy guideline and as a general user manual for the personnel of the BLM in which the policy and directives with regard to supply chain management are made known. This policy therefore addresses the following as required by the Local Government: Municipal Finance Act, 2003 and the Preferential Procurement Regulations of 2004, the Broad-Based Black Economic Empowerment Act (Act 53 of 2003) and the Draft Supply Chain Management Regulations from National Treasury (3 May 2005):

Procurement of goods and services;

Disposal of goods no longer needed;

Selection of contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Systems Act applies; and Selection of external mechanisms referred to in section 80(1)(b) of the Systems Act.

This policy does not apply if the municipality contracts with another organ of state for- Provision of goods or services to the municipality;

The provision of a municipal service or assistance in the provision of a municipal service; or the procurement of goods and services under a contract secured by that other organ of state, provided that the relevant supplier has agreed to such procurement.

2. ABBREVIATIONS

BEE Black Economic Empowerment

BBEEA Broad-Based Black Economic Empowerment Act (Act 53 of 2003)

MFMA Municipal Finance Management Act, 2003 (Act 56 of 2003)

BLM Blouberg local municipality established i.t.o. Act No 117 of 1998

CEO Chief Executive Officer

CFO Chief Financial Officer

CBC Central Bid Committee

HDI Historically Disadvantaged Individual

HOD Head of Department

MM Municipal Manager

PPPFA Preferential Procurement Policy Framework Act, (Act no 5 of 2000)

RDP Reconstruction and Development Programme

RFI Request for Information

RFP Request for Proposal

SCM Supply Chain Management

SFEC Standing Financial Expenditure Committee

SMME Small Medium and Micro Enterprise

TOR Terms of Reference

3. DEFINITIONS

In this Policy, unless a written context otherwise indicates, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, and:

“Bid” means a written offer submitted in a prescribed or stipulated form, in response to an invitation by the Blouberg Municipality for a procurement as part of a competitive bidding process;

“Competitive bid” means a bid in terms of competitive bidding process;

“Final award” means the final decision on which bid or quote to accept;

“In the service of state” means to be:

- (a) a member of
 - (i) any municipal council;
 - (ii) any provincial legislature;
 - (iii) the National Assembly or National Council of provinces;

- (b) a member of the board of directors of any municipal entity;
- (c) an official of any municipality or municipal entity;
- d) an employee of any national or provincial department, national or provincial entity or constitutional institution within the meaning of Public Finance

Management Act, 1999(Act No. 1 of 1999)

- (d) a member of the accounting authority of any national or provincial public entity; or

- (e) an employee of parliament or a provincial legislature;

“Long term contracts” means a contract with a duration period exceeding one Year;

“Other applicable legislation” means any other legislation applicable to municipal Supply chain management, including:

- (a) The Preferential Procurement Policy Framework Act, 2000(Act No.5 of 2000)
- (b) The Broad Based Black economic Empowerment Act, 2003 (Act No.53 of 2003)
- (c) The Construction Industry Development Board Act. 2000 (Act No.38 of 2000)

“Municipality” means Blouberg Municipality;

“Historically Disadvantaged Individual” means a South African citizen:

- (a) Who had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act no 110 of 1983) or the Constitution of the Republic of South Africa, 1993 (Act no 200 of 1993) (“the Interim Constitution”); and/or
- (b) Who is a female; and/or
- (c) Who has a disability;
- (d) Provided that a person who obtained South African citizenship on or after the coming into effect of the Interim Constitution, is deemed not to be an HDI.

“Small Medium and Micro Enterprise” SMME is as defined in the National Small Business Act, 102 of 1996. Employing a maximum of 100 employees in any sector except manufacturing or construction where the maximum is 200 employees.

“Council” means Blouberg Municipal council referred to in Sec 157(1) of the constitution;

“Delegation” means the issuing of a written authorization by delegating authority to a delegated body to act in his stead;

“Physically disabled” shall mean suffering from an impairment of a physical, intellectual or sensory function, resulting in a restriction or lack of ability to perform an activity in a manner or within a range considered normal.

“Head of department” shall mean a senior manager as referred to in Section 56 of the Municipal Systems Act.

“the Act” means Local Government: Municipal Finance Management Act, 2003

(Act No. 56 of 2003)

“the Regulation” means the Local Government: Municipal Finance Management Act, 2003, Municipal Supply Chain Management Regulations Gazetted in Gazette Number 865 of 2005;

“youth” means any person who is thirty-five years old and below;

“Municipal Finance Management Act” shall mean the Municipal Finance Management Act no 56 of 2003

“Municipal manager” shall mean the person appointed in terms of Section 82 of the Municipal Structures Act.

“Municipal Structures Act” shall mean the Local Government: Municipal Structures Act No. 117 of 1998.

“Municipal Systems Act” shall mean the Local Government: Municipal Systems Act No. 32 of 2000.

“Supply chain management policy” shall mean the policy referred to in Section 111 of the Municipal Finance Management Act.

“Budget and treasury office” shall mean the office established in terms of Section 80 of the Municipal Finance Management Act”

“Chief financial officer” shall mean the person designated as such in terms of Section 80(2)(a) of the Municipal Finance Management Act No. 56 of 2003.

“Councilor” shall mean a member of the municipal council.

4. LEGISLATIVE ENVIRONMENT & REGULATORY FRAMEWORK

4.1 THE CONSTITUTION

In establishing a supply chain management policy document, the Blouberg local municipality must produce a document that complies with section 217 of the Constitution of the Republic of South Africa, 1996 Act 208 of 1996) which reads as follows:

(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 and services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.

(2) Subsection (1) does not prevent the Organs of State or institutions referred to in that subsection from implementing a procurement policy providing for-

(a) categories of preference in the allocation of contracts; and (b) the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.

(3) National legislation must prescribe a framework within which the policy referred to in subsection (2) must be implemented.

4.2 THE MUNICIPAL SYSTEMS ACT

The "Municipal Systems Act 2000 (Act 32 of 2000) requires that municipalities assess, according to specific criteria and processes, whether to provide municipal services internally or externally by way of service delivery agreements. This Act stipulates the requirements for service delivery agreements through competitive bidding selection and pre-qualification processes which-

- Are competitive, fair, transparent, equitable and cost-effective,
- Allow all prospective service providers to have equal and simultaneous access to information relevant to the bidding process;
- Minimise the possibility of fraud and corruption; and
- Make the municipality accountable to communities, residents and role-players about progress with selecting a service provider and the reasons for any decision in this regard; and
- Take into account the need to promote the empowerment of small and emerging enterprises.

4.3 THE PREFERENTIAL PROCUREMENT POLICY FRAMEWORK ACT

The Preferential Procurement Policy Framework Act, (Act No. 5 of 2000) and its regulations are applicable to local government. It provides that BLM shall implement a preference system in the allocation of contracts for categories of service providers to advance the interest of persons disadvantaged by unfair

discrimination. However, it must be applied without compromising or limiting the quality, coverage, cost and developmental impact of the services.

4.4 THE LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003 (ACT 56 OF 2003)

This Act and Chapter 11 in particular deals with supply chain management in detail and it is essential that it is strictly adhered to by the municipality in order to achieve the objectives as set out in this document. It is compulsory for a municipality to have a supply chain management policy to give effect to the relevant provisions of the Act.

The Municipal Finance Management Act, 2003 (Act 56 of 2003) provides that the municipal supply chain management shall comply with a regulatory framework that must cover at least the following:

- The range of supply chain management processes that will be used including tenders, quotations, auctions and other types of competitive bidding.
- When a particular type of process must be used.
- Procedures and mechanisms for each type of process.
- Procedures and mechanisms for more flexible processes where the value of a contract is below a prescribed amount.
- Open and transparent pre-qualification processes for tenders or other bids.
- Competitive bidding processes in which only pre-qualified persons may participate.
- Bid documentation, advertising of and invitations for contracts.
- Procedures and mechanisms for-
- The opening, registering and recording of bids in the presence of interested persons;
- The evaluation of bids to ensure best value for money;
- Negotiating of final terms of contracts; and
- The approval of bids.
- Screening processes and security clearances for prospective Contractors on tenders or other bids above a prescribed value.
- Compulsory disclosure of any conflicts of interests prospective contractors may have in specific tenders and the exclusion of such prospective contractors from those tenders or bids.

- Participation in the supply chain management system of persons who are not officials of the municipality
- The barring of persons from participating in tendering or other bidding processes, including persons who were convicted for fraud or corruption during the past five years;
- Who wilfully neglected, reneged on or failed to comply with a government contract during the past five years; or -Whose tax matters are not cleared by SARS.
- Measures for:
 - Combating fraud, corruption, favouritism and unfair and irregular practices in municipal supply chain management; and
 - Promoting ethics of officials and other role players involved in municipal supply chain management.
- The invalidation of recommendations or decisions that were unlawfully or improperly made, taken or influenced, including recommendations or decisions that were made, taken or in any way influenced by –
- Councillors in contravention of item 5 or 6 of their Code of Conduct;
- Municipal officials in contravention of items 4 or 5 of their Code of Conduct.
- The procurement of goods and services by municipalities through contracts procured by other organs of state.
- Contract management and dispute settling procedures.
- Delegation of municipal supply chain management powers and duties.

5. VISION AND OBJECTIVES

BLM is a municipality that undertakes to ensure equitable distribution of resources and act as a catalyst for development and service delivery in a co-ordinated, inclusive and sustainable manner.

BLM intends to use the new acquisition policy as a tool to achieve the following objectives:

- stimulate economic growth
- stimulate socio- economic development
- enhance quality of services
- enhance delivery of services

- promote fairness, transparency, competitiveness and cost-effectiveness

This supply chain management policy is intended to be in line with the prescribed national procurement policy and will also take into consideration the following key principles:

- Creating opportunities for SMME's; ensuring that value for money is obtained; to eliminate and counter any form of corruption, favoritism and irregular practices;
- Implementation of systems of control and accountability; and standardisation in procedures of bid evaluations, documentation and contracts;
- Effective monitoring and support
- Total quality management

6. DELEGATION OF SUPPLY CHAIN MANAGEMENT POWERS.

(1) The council of the municipality delegate powers and duties to the accounting officer so as to enable the accounting officer to:

Discharge the supply chain management responsibilities conferred on accounting officers in terms of chapter 8 or 10 of the Act.

(a) to maximize administrative and operational efficiency in the implementation of the scm policy

(C) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favoritism and unfair and irregular practices in the implementation of supply chain management policy; and

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

(2) The council may not delegate any supply chain powers or duties to a person who is not official of municipality or to a committee which is not exclusively composed of officials of the municipality

(3) No decision-making in terms of any supply chain management powers and duties may be delegated to an advisor or consultant.

CHAPTER 2

Supply chain Management System

Municipality shall use the following system of Supply Chain Management:

(a) demand management;

- (b) acquisition management;
- (c) logistics management;
- (d) risk management;
- (e) performance management;

1. DEMAND MANAGEMENT

1.1 SYSTEM OF DEMAND MANAGEMENT

(a) Accounting Officer must establish and implement an effective demand Management system in order to ensure that the resources required to support the strategic and operational commitments of the municipality are delivered at correct time, at the right price and at a right locations as outlined in the Integrated Development Plan of municipality.

(b) Every Head of department shall during preparation of budget for the year:

- i. determine which function it must perform;
- ii. determine goods and services to be procured in the performance of those functions;
- iii. determine quantity and specifications for the required goods;

(c) the SCM Unit shall after consultation with Heads of departments compile a schedule of procurements for capital projects and any other requirements for each financial year;

2. ACQUISITION MANAGEMENT

2.1 SYSTEM OF ACQUISITION MANAGEMENT

(a) the accounting officer must implement the system of acquisition management as set out in this section in order to ensure:

(i) that goods and services are procured by municipality in accordance with authorized processes only;

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

(ii) (iii) that the threshold values for the procurement for the different

procurement processes are complied with;

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

(v) that any treasury guidelines on acquisition management are properly taken into account.

(b) this policy does not apply in respect of procuring goods and services contemplated in section 110(2) of the Act, including:

- (i) water from department of water affairs or a public entity, another municipality or municipal entity; and
 - (ii) electricity from Eskom or another public entity, another municipality or municipal entity.
- (c) Accounting officer must, when procuring goods or services contemplated in section 110(2) of the Act make public the fact that it procures such goods or services otherwise than through its Supply Chain Management system, including: (i) the kind of goods or services; and (ii) the name of supplier.

2.2 RANGE OF PROCUREMENT PROCESSES

(a) Goods may only be procured by way of:

- (i) petty cash purchases, up to a transaction value of R 500(VAT Included);
- (ii) One quotation for procurement of transaction value of over R 500 up to R 2000 (VAT included)
- (iii) formal written quotations for procurements of transaction value over R 2000 up to R 200 000 (VAT included); and
- (iv) Competitive bidding process for procurement above R30000.00R and long term contracts.

(b) Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of this policy.

(c) When determining transaction values, a requirement for goods or services consisting of different parts or items must as far possible be treated and dealt with as a single transaction.

2.3 GENERAL PRECONDITIONS FOR CONSIDERATION OF WRITTEN QUOTATIONS OR BIDS

A written quotation or bid may not be considered unless the provider who submitted quotation or bid (a) has furnished the following:

- (i) full name
 - (ii) identification number or company or other registration number;
 - (iii) tax reference number and VAT registration number, if any;
- (b) has authorized the municipality to obtain a tax clearance from South African Revenue Service that the Provider's tax matters are in order.
- (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 natural person, whether any of its directors, managers, principal shareholders or shareholder is in

the service of state, or has been in the service of state in the previous twelve months

; or

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

2.4 CENTRAL SUPPLIERS DATABASE

(a) The Blouberg Local Municipality must only do a business with Suppliers from Treasury's Central Supplier's Database.

(b) The CSD 's report should include the following:

- Confirmation and status of Business Registration Documents
- Proof of Bank Account Registration
- Tax compliance status
- Employee in the service of state as defined in the Municipal SCM Regulations with information only available in the PERSAL system at this time, namely National and Provincial officials
- Identity Documentation
- Tender defaulters and restrictions status

2.5 PETTY CASH PURCHASES

The following petty cash procurement process shall apply:

(a) Procurement of goods to a maximum amount of R 500 per transaction may be made by means of petty cash purchases;

(b) Maximum amount of petty cash on hand shall be R 5000 per month;

(c) Only Supply Chain Manager can give a department a go ahead to request petty cash after taking into account the nature of expenditure and satisfying himself that procurement can be done via petty cash and that petty cash system is not abused.

(d) Each department must compile monthly reconciliation reports to the Chief Financial Officer, including:

- (i) The total amount of petty cash for that amount; and
- (ii) Receipts and appropriate documents for each purchase.

2.6 WRITTEN OR VERBAL QUOTATIONS.

(a) Written or Verbal quotation must be obtained from at least three different suppliers from, but not limited to, suppliers whose names appear on the suppliers database of the municipality, provided that if quotations are obtained from suppliers who are not listed, such suppliers must meet the listing criteria required by this policy.

- (b) To the extent feasible Suppliers must be requested to submit such quotations in writing.
- (c) if it is not possible to obtain three quotations, the reasons must be approved by Chief Financial Officer, recorded and reported quarterly to accounting officer;
- (d) Accounting officer must record names of potential providers requested to provide quotations as referred in (c) above and their quoted price;
- (d) If quotation was submitted verbally, the may be placed against written confirmation by selected supplier.

2.6 FORMAL WRITTEN QUOTATIONS

- (a) Quotations must be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the municipality, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria required by this policy.
- (b) if it is not possible to obtain three quotations, the reasons must be approved by Chief Financial Officer, recorded and reported quarterly to accounting officer;

2.7 PROCEDURES FOR PROCUREMENT VIA WRITTEN QUOTATIONS

- (a) all requirements in excess of R 30 000(VAT included) must be advertised for at least for at least seven days on the website of municipality or local notice boards.
- (b) Rotation system where possible must be used when procuring from suppliers on the list of accredited suppliers.
- (C) Accounting officer via SCM unit must take all reasonable steps to ensure that procurement of goods or service via quotations is not abused.
- (d) SCM unit must on a monthly basis notify in writing of all written quotations accepted by it.
- (e) where quotations have been invited via local notice boards and municipal website, no additional quotations are needed should the number of received quotations be less than three.

2.8 COMPETITIVE BIDS

(a) goods and services above a transaction value of more than R 200 000 (VAT included) and long term contracts may be procured by municipality via competitive bidding process.

2.9 PROCESS FOR COMPETITIVE BIDS

Procedures for competitive bidding process will be as follows:

- (i) Compilation of bid documents
- (ii) Public Invitation of bids;
- (iii) Site meetings or briefing sessions, if applicable;
- (iv) Handling of bids submitted in response to public invitation;
- (v) The evaluation of bids
- (vi) Award of contracts
- (vii) Administration of contracts
- (viii) Proper record keeping

2.9.1 BID DOCUMENTATION FOR COMPETITIVE BIDS

Municipal Bid documents must comply with following requirements:

- (a) take into account :
 - (i) the general conditions of contract;
 - (ii) treasury guidelines on bid documentation and
 - (iii) the requirements of the construction Industry Development board, in respect of bids relating to construction, upgrading or refurbishment of buildings or infrastructure;
- (b) Stipulate the preference point system which will be applied in evaluation and adjudication of contracts;
- (c) Compel bidders to make declaration of interest and fill declaration of interest form;
- (d) if the transaction value is estimated to exceed R 10 million(VAT included), require bidders to furnish the followings:
 - (i) the audited financial statements(if bidder is required by law to prepare financial statements) for the past three years or since establishment if entity is established within or during the past three years;
 - (ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;
 - (iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;
 - (iv) a statement indicating whether any portion of the goods or services are expected to be sourced from outside Republic, and, if so, what portion and whether any portion of

payment from municipality is expected to be transferred out of the Republic;

(e) Stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.

2.9.2 PUBLIC INVITATION OF BIDS

(a) Accounting officer of BLM is required to advertise all bids on the eTender Publication Portal as provided below.

All bids advertised on the eTender Publication Administrator must at least contain the following information:

- Bid description;
- Bid number;
- Name of Municipality or Entity;
- The physical location where the goods, services or works specified in the bid are required; □ The closing date and time of the bid;
- Municipality or entity's contact details (postal and physical address, telephone number, email address, etc.);
- The physical location where hard copies of bids can be collected;
- The physical location where bids should be delivered; and
- The bid documents (MBDs, Terms of Reference, GCC and any other relevant document).

(b) The minimum period of time, which may be allowed between the publication date of bid invitations and closing time for bids, must be stipulated and should be sufficient for bidders to reply to the specific requirement. This period may not be less than 14 days for bid which does not exceed R 10 million and 30 days for bid of transaction value equal or exceeding R 10 million. When determining a closing date, sufficient time must be allowed for prospective bidders to prepare and submit their bids. The necessary information regarding the date and time of closure must appear in the bid document and shall be collected from the BLM offices during working hours. It is essential that a definite cut-off time for submitting bids should be set and it should be strictly observed. Late bids, bids by telephone, fax or email are not considered.

(c) Accounting officer may determine closure of bids which is less than 30 or 14 days requirements only on grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow official procurement process;

(d) The bid advertisement must clearly indicate that it is the municipality's

prerogative not to award the bid or any part thereof to the lowest or any bidder.

(e) Bids advertisement must contain statement that bids may only be submitted on the bid documentation provided by municipality.

(f) Bids submitted to municipality must be sealed.

2.9.3 SITE INSPECTION/BRIEFING OR INFORMATION SESSION

(a) The necessary information regarding a site inspection/information session must appear in the bid document, if applicable. A fully explanatory site inspection may be conducted before the close of bids to ensure that the bidders understand the scope of the project and that they can comply with the conditions and requirements.

(b) Should it be a condition that prospective bidders attend a site inspection, nonattendance of this site inspection may invalidate a bid.

(c) The following information shall be necessary:

(i) Particulars of the place and time of the site inspection, indicated in the advertisement as well as in the bid document

(ii) Proper minutes to be taken on all information disclosed during the site inspection

(iii) Copies of these minutes must be made available to all interested parties that attend the meeting

(iv) The same copies must also be made to all other prospective bidders (v) Bidders should be requested in the Bid documents to certify that the site inspection was attended and that they are fully aware of the extent of the task

(d) Bidders should certify that the site inspection meeting was attended and that they are fully aware of what is reasonably expected from them

(e) Bidders should state on a form (to be included in the Bid document)

(f) The name of the person who represented the company/firm;

(g) Particulars of the company/firm;

(h) Date and place of inspection; and

(i) Any other information that is required by the BLM

2.9.4 PROCEDURE FOR HANDLING, OPENING AND RECORDING OF BIDS

(a) The following procedure shall be followed when opening bids:

(i) SCM unit shall open the bids in public.

(ii) The opening of bids must be at the same time as soon as possible after the closing time.

- (iii) Names of bidders and their bidding price must be read out to public.
- (iv) All bids received must be recorded in the register for that purpose
- (v) Register will be available to public; and
- (vi) Entries in the bid register and bid results shall be published on the website of the municipality.

2.10. NEGOTIATIONS WITH PREFERRED BIDDERS

- (a) Accounting officer can negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiations
 - (i) does not allow any preferred bidder to a second or unfair opportunity;
 - (ii) is not to the detriment of other bidder; and
 - (iii) does not lead to a higher price than the bid as submitted
- (b) Minutes of such negotiations must be kept for record purpose.

2.11. TWO STAGE BIDDING PROCESS

- (a) two stage process is allowed only for:
 - (i) large complex projects
 - (ii) projects where it may be undesirable to prepare complete detailed (iii) long term projects with a duration period exceeding three years.
- (b) In the first stage technical proposals on conceptual design or performance specification should be invited, subject to technical as well as commercial clarifications and adjustments.

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2.12.1 BID SPECIFICATION COMMITTEE

- (a) a bid specification committee must compile the specifications for each procurement of goods or services by the municipality.
- (b) Specifications:
 - (i) must be in an unbiased manner to allow all potential suppliers to offer their goods or services;
 - (ii) must take into account standards such as those issued by the Standards South Africa, the International Standards Organization, or an authority accredited by or recognized by the South African National Accreditation System with which the equipment or material or workmanship should comply;
 - (iii) where possible described, be described in terms of performance required rather than in terms of descriptive characteristics for design;
 - (iv) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labeling of conformity certification;
 - (v) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no

other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the words “equivalent”.

(vi) Must indicate each specific goal for which points may be awarded in terms of the points system set out in this policy;

(vii) Must be approved by the accounting officer or delegated sec 57 Senior Manager preferably CFO prior to publication of the invitation to bid.

(c) a bid specification committee must be composed of one or more officials of municipality from the End-User department and must include manager responsible for function involved.

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

2.12.2 BID EVALUATION COMMITTEE

(1) Bid evaluation committee must

(a) Evaluate bids in accordance with:

(i) the specifications for specific procurement; and (ii) the points system as set out in this policy.

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

(c) Check in respect of the recommended bidder whether municipal rates and taxes and service charges are not in arrears.; and

(d) Via Supply Chain Unit submit the evaluation report to Bid adjudication committee;

(i) make final award or a recommendation to Accounting Officer to make the final award; or

(ii) make another recommendation to accounting officer how to proceed with the relevant procurement

(b) the accounting officer must appoint the chairperson of the committee; and if he chairperson is absent the present members must elect one of them to preside at the meeting.

(c) a bid adjudication committee must consist of at least four Senior Managers which must include:

(i) the chief financial officer

- (ii) at least one senior supply chain practitioner
- (d) Neither a member of bid evaluation committee, nor advisor or person assisting the evaluation committee, may be a member of bid adjudication committee.
- (e) If bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee must prior to awarding of contract check in respect of the preferred bidder's municipal rates and service charges are not in arrears and notify the accounting officer of its intention.
- (f) the accounting officer may after due consideration of the reasons for adjudication committee to deviate from evaluation committee recommendations, approve or reject the decision and if the decision is rejected refer the matter back to adjudication committee for reconsideration.
- (g) If accounting officer approves the decision of the bid adjudication committee to deviate from bid evaluation committee recommendation he or she must comply with section 114 of the Act within 10 working days.

2.13 PROCUREMENT OF BANKING SERVICES

- (a) A contract for provision of banking services to a municipality:
 - (i) must be procured through competitive bids;
 - (ii) must be consistent with sections 7 and 85 of the Act; and
 - (iii) may not be for a period of more than five years at a time.
- (b) The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.
- (c) The Closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper. Bids must be restricted to banks registered in terms of the banks Act, 1990(Act No. 94 of 1990).

2.14 PROCUREMENT OF IT RELATED GOODS OR SERVICES

- (a) Accounting Officer may request State Information Technology Agency(SITA) to assist the municipality with acquisition of IT related goods or services through competitive bidding process.
- (b) The parties must enter into a written agreement to regulate the services rendered by, and payments to be made to, SITA.
- (c) The Accounting Officer must notify SITA together with a motivation of the IT needs of the municipality if:
 - (i) the transaction value of IT related goods or services required by the municipality in any financial year will exceed R 50 million(VAT included); or

(ii) the transaction value of a contract to be procured by the municipality whether for a one year or more years exceeds R50 million (VAT Included).

(d) If SITA comments on the submission and municipality disagrees with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to council, the National Treasury, the relevant provincial treasury and Auditor General.

2.15 PROUREMENT OF GOODS AND SERVICES UNDER CONTRACTS SECURED BY OTHER ORGANS OF STATE

(a) Accounting Officer may procure goods or services for the municipality under a contract secured by another organ of state, but only if:

- (i) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state; (ii) the municipality has no reason to believe that such contract was not validly procured;
- (iii) there are demonstrable discounts or benefits for the municipality to do so;
- (iv) that other organ of state and the provider have consented to such procurement in writing.

2.16 PROCUREMENT OF GOODS NECESSITATING SPECIAL SAFETY ARRANGEMENTS

(a) The policy restricts the acquisition and storage of goods in bulk (other than water) which necessitate special safety arrangements, including gasses and fuel.

(b) Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership and cost advantages for the municipality.

2.17 PROUDLY SOUTH AFRICAN CAMPAIGNS

(a) Blouberg Municipality will support Proudly SA Campaign aimed at promoting locally manufactured/produced products.

2.18 APPOINTMENT OF CONSULTANT

(a) Accounting officer can appoint consulting services provided that any treasury guidelines in respect of consulting services are taken into account when such procurement are made.

(b) A contract to appoint consultants must be procured via competitive bids if : (i) the value of the contract exceeds R 200 000(VAT included) or (ii) the duration period of contract exceed one year.

(c) in addition to requirements prescribed by this policy for competitive bids, bidders must furnish particulars of all and similar consultancy services provided to organ of state in the last five years.

(d) Accounting officer must ensure that the copyright in any document produced, and the patent rights or ownership in any plant, machinery or process designed or devised by consultant in the course of the consultancy service is vested in the municipality.

2.19 DEVIATION FROM AND RATIFICATION OF MINOR BREACHES OF, PROCUREMENT PROCESS.

(a) Accounting Officer may dispense with the official procurement processes established by this policy and procure any required item via any convenient process, which may include direct negotiations, but only

(i) In an emergency;

(ii) If such goods or services are available from single supplier only; (iii) For the acquisition of special works of art or historical objects where specification are difficult to compile; (iv) Acquisition of animals for zoo; or

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

(b) Accounting Officer may ratify any breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of technical nature.

(C) Accounting Officer must record the reasons for any deviations and report them to the next meeting of the council and include as a note to the annual financial statements.

2.20 UNSOLICITED BIDS

(a) The Municipality in terms of section 113 of the Act is not obliged to consider unsolicited bids received outside a normal bidding process.

(b) If Municipality decides in terms of section 113(2) of the Act to consider an unsolicited bid, it may do so only if :

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

(ii) The product or service will be exceptionally beneficial to, or have exceptional cost advantages for, the municipality;

(iii) The person who made the bid is the sole provider of product or service; (iv) The reason for not going through the normal bidding process are found to be sound by the Accounting Officer.

(c) If a municipality decides to consider an unsolicited bid that complies with paragraph (b), the municipality must make its decision public in accordance with section 21A of the Municipal Systems Act, together with:

- (i) Its reasons as to why the bid should not be open to other competitors; (ii) An explanation of the potential benefits for the municipality were it to accept the unsolicited bid;
 - (iii) An invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.
- (d) Once the municipality has received written comments pursuant to paragraph
- (c), it must submit such comments, including any responses from the unsolicited bidder, to the National Treasury and relevant provincial treasury for comment.
- (e) The adjudication committee must consider the unsolicited bid and may award the bid or recommend to the accounting officer, depending on its delegations. (f) A meeting of adjudication committee to consider unsolicited bid must be open to public.
- (g) When considering the matter, the adjudication committee must take into account –
- (i) Any comments submitted by the public; and
 - (ii) Any written comments and recommendations of the National Treasury and relevant provincial treasury.
- (h) If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the accounting officer must submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.
- (l) 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.

2.21 COMBATING OF ABUSE OF SUPPLY CHAIN MANAGEMENT SYSTEM

- (a) Accounting Officer must take all reasonable steps to prevent abuse of the supply chain management system.
- (b) Accounting Officer must investigate any allegation against any official or other role player of fraud, corruption, favoritism, unfair or irregular practices or failure to comply with the supply chain management policy, and when justified- (i) Take appropriate steps against such official or other role player; or (ii) Report any alleged criminal conduct to the South African Police Service.
- (c) Accounting Office must 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 public sector'

- (d) Accounting Officer can 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 unsatisfactorily;
- (e) Accounting Officer can reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;
- (f) Accounting Officer can cancel a contract awarded to a person if-
- (i) The person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or
 - (ii) An official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and
- (g) Accounting Officer can reject the bid of any bidder if that bidder or any of its directors-
- (i) Has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system; (ii) Has been convicted for fraud or corruption during the past five years; (iii) Has willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
 - (iv) Has been listed in the Register for Tender Defaulters in terms section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).
- (h) The Accounting Officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of sub regulation (1) (b) (ii), (e) or (f).

2.22 ACQUISITIONING EVALUATION PROCESS

2.22.1 EVALUATION CRITERIA

- (a) The decision of awarding a contract to a prospective provider must be based on a determination of which bidder has the best likelihood of successfully completing the contract at the best value to the BLM. Proposal evaluation is the process of evaluating both the proposal and the bidder to determine whether the bidder by means of that proposal can successfully accomplish the contract. It forms the basis of choosing between competing offers.

- (b) Evaluation factors (criteria) are those aspects of a proposal that will be ☐ Local business should receive preference ☐ Technical requirements of personnel.
- Perceived ability to render the services required.
 - Flexibility (to adapt to client requirements).
 - Availability to meet deadlines.

2.22.2 PREFERENCE POINT SYSTEM AND BROAD-BASED BLACK ECONOMIC EMPOWERMENT

(a) In the acquisition of local goods and services this policy will provide for categories of preference in terms of Section 5 of the Preferential Procurement Policy Framework Act 2000 (Act No.5 of 2000) and applicable Preferential Procurement Regulations and Schedules published in the Government Gazette (Notice 2174 of 2004).

(b) The preference point system as detailed below will be followed. No system will be applied in respect of bids/acquisition with a Rand value of less than R30 000 per legislation.

2.22.3 THE 80/20 PREFERENCE POINT SYSTEM FOR ACQUISITION OF GOODS AND/OR SERVICES UP TO A RAND VALUE OF R 50 000 000.00

PREFERENCE POINTS CLAIM FORM IN TERMS OF THE PREFERENTIAL PROCUREMENT REGULATIONS 2017

(a) The following formula must be used to calculate the points for price in respect of competitive bids/price quotations with a Rand value equal to, or above R30 000 and up to a Rand value of R50 000 000.

$$Ps = 80 \left\{ \frac{1 - Pt - Pmin}{Pmin} \right\}$$

Where

Ps = Points scored for comparative price bid / offer under consideration

Pt = Comparative price of bid / offer under consideration

Pmin = Comparative price of lowest acceptable bid / offer.

(b) The balanced scorecard measuring Broad-Based Black Economic Empowerment prescribed by the National Treasury must form part of the evaluation criteria of all bids. **(See Annexure SCM 1 and Annexure SCM 2)**

(c) A maximum of 20 points may be awarded to a bidder for achieving governments procurement related socio-economic objectives. The total percentage scored for Broad-Based Black Economic Empowerment will be converted to a point out of a maximum of 20 points. No points will be awarded for achieving Governments Broad-Based Black Economic

Empowerment objectives if the total percentage scored for Broad-Based Black Economic Empowerment is less than the prescribed minimum.

(d) The points scored by a bidder in respect of the objectives above on Broad-Based Black Economic Empowerment must be added to the points scored for price.

(e) Only the bid with the highest number of points scored may be selected.

2.22.4 THE 90/10 PREFERENCE POINT SYSTEM FOR ACQUISITIONING OF GOODS AND/OR SERVICES WITH A RAND VALUE ABOVE R 50 000 000.00

PREFERENCE POINTS CLAIM FORM IN TERMS OF THE PREFERENTIAL PROCUREMENT REGULATIONS 2017

(a) The following formula must be used to calculate the points for price in respect of competitive bids with a Rand value above R 50 000 000.

$$P_s = 90 \left\{ 1 - \frac{P_t - P_{min}}{P_{min}} \right\}$$

Where

P_s = Points scored for comparative price of bid under consideration

P_t = Comparative price of bid under consideration

P_{min} = Comparative price of lowest acceptable bid.

(b) The balanced scorecard measuring Broad-Based Black Economic Empowerment prescribed by the National Treasury must form part of the evaluation criteria of all bids. Where the Minister of Trade and industry, in terms of section 9 of the Broad Based Black Economic Empowerment Act, No 53 of 2003, gazetted a code of good practice for a particular sector, the scorecard contained in the gazetted code of good practice must be utilised in the evaluation process. In the absence of such code of good practice for a particular sector, the balanced scorecard prescribed by National Treasury must form part of the evaluation criteria.

(See Annexure SCM 1 and Annexure SCM 2)

(c) A maximum of 10 points may be awarded to a bidder for achieving Governments procurement related socio-economic objectives. The total percentage scored for Broad-Based Black Economic Empowerment will be converted to a point out of a maximum of 10 points. This will be calculated by multiplying the total percentage scored by 10. No points will be awarded for achieving Governments Broad-Based Black Economic Empowerment objectives if

the total percentage scored for Broad-Based Black Economic Empowerment is less than the prescribed minimum.

(d) The points scored by a bidder in respect of the objectives above on Broad- Based Black Economic Empowerment must be added to the points scored for price.

(e) Only the bid with the highest number of points scored may be selected.

2.22.5 THE 80/20 PREFERENCE POINT SYSTEM FOR THE SALE AND LETTING OF ASSETS UP TO A RAND VALUE OF R 50 000 000

(a) The following formula must be used to calculate the points for price in respect of competitive bids / price quotations with a Rand value equal to, or above R30 000 and up to a Rand value of R 50 000 000 and which relate to the sale and letting of assets.

$$Ps = 80 \left\{ \frac{1 + Pt - Ph}{1} \right\} Ph$$

Ps = Points scored for price of bid / offer under consideration

Pt = Price of bid / offer under consideration

Ph = Price of highest acceptable offer

(b) The balanced scorecard measuring Broad-Based Black Economic Empowerment prescribed by the National Treasury must form part of the evaluation criteria of all bids. **(See Annexure SCM 1 and Annexure SCM 2)**

(c) A maximum of 20 points may be awarded to a bidder for achieving Governments procurement related socio-economic objectives. The total percentage scored for Broad-Based Black Economic Empowerment will be converted to a point out of a maximum of 20 points. No points will be awarded for achieving Governments Broad-Based Black Economic Empowerment objectives if the total percentage scored for Broad-Based Black Economic Empowerment is less than the prescribed minimum.

(d) The points scored by a bidder in respect of the objectives above on Broad- Based Black Economic Empowerment must be added to the points scored for price.

(e) Only the bid with the highest number of points scored may be selected.

2.22.6 THE 90/10 PREFERENCE POINT SYSTEM FOR SALE AND LETTING OF ASSETS WITH A RAND VALUE ABOVE R 50 000 000.

(a) The following formula must be used to calculate the points for price in respect of bids with a Rand value above R 50 000 000 and which relate to the sale and letting of assets.

$$P_s = 90 \left\{ \frac{1 + P_t - P_h}{P_h} \right\}$$

P_s = Points scored for price of bid under consideration

P_t = Price of bid under consideration

P_h = Price of highest acceptable bid

(b) The balanced scorecard measuring Broad-Based Black Economic Empowerment prescribed by the National Treasury must form part of the evaluation criteria of all bids. **(See Annexure SCM 1 and Annexure SCM 2)**

(c) A maximum of 10 points may be awarded to a bidder for achieving Governments procurement related socio-economic objectives. The total percentage scored for Broad-Based Black Economic Empowerment will be converted to a point out of a maximum of 10 points. This will be calculated by multiplying the total percentage scored by 10. No points will be awarded for achieving Governments Broad-Based Black Economic Empowerment objectives if the total percentage scored for Broad-Based Black Economic Empowerment is less than the prescribed minimum.

(d) The points scored by a bidder in respect of the objectives above on Broad- Based Black Economic Empowerment must be added to the points scored for price.

(e) Only the bid with the highest number of points scored may be selected.

2.22.7 EVALUATION OF CONSULTANTS OR OTHER PROFESSIONAL SERVICES ON FUNCTIONALITY.

(a) the following formula shall be used to evaluate consultants based on Functionality

$$P_s = \frac{SO \times AP}{MS}$$

P_s = Points scored for functionality

SO = points awarded by a panel member

MS = Maximum weight

AP = Percentage points for functionality

(b) the following formula shall be used to evaluate points scored for price for Consultants

Ps =

$\frac{P_{min} \times$

$\frac{AP}{P_t}$

Ps = points scored for price

Pmin= lowest acceptable bid price

Pt = bid price under consideration

AP = Total score for functionality

2.22.8 80/20 POINT SYSTEM FOR EVALUATION OF CONSULTANTS

(a) the following formula shall be used to determine the points scored by bidders through 80/20 system

$Ps = 80 \left(\frac{1 + HS}{RS} \right)$

RS

Ps = Points scored

HS = Highest acceptable points for sum of points for price and Functionality.

RS = sum of points scored for price and functionality for bid under Consideration

2.22.9 STIPULATION OF PREFERENCE POINT SYSTEM TO BE USED

(a) The Blouberg Municipality must, in the bid documents, stipulate the preference point system which will be applied in the adjudication of bids.

2.22.10 EVALUATION OF BIDS ON FUNCTIONALITY (QUALITY) AND PRICE, INCLUDING WHEN CONSULTANTS ARE APPOINTED

(a) The municipality must, in bid documents, indicate if, in respect of a particular bid invitation, bids will be evaluated on functionality and price.

(b) The total combined points allowed for functionality and price may, in respect of bids / offers with an estimated Rand value equal to or below, R 50 000 000, not exceed 80 points.

(c) The total combined points allowed for functionality and price may, in respect of bids / offers with an estimated Rand value above, R50 000 000, not exceed 90 points.

(d) When evaluating the bids contemplated in this item, the points for functionality must be calculated for each individual bidder,

(e) The conditions of bid may stipulate that a bidder must score a specified number of points for functionality to qualify for further adjudication

(f) The points for price, in respect of a bid which has scored the specified minimum number of points contemplated above must, subject to the application of the evaluation system for functionality and price, be

established separately and be calculated in accordance with the other provisions in this section 9.4

(g) The number of points scored for achieving Governments Broad-Based Black Economic Empowerment objectives must be calculated separately and must be added to the points scored for functionality and price.

(h) Only the bid with the highest number of points scored may be selected.

2.22.11 AWARD OF CONTRACT TO BIDS NOT SCORING THE HIGHEST NUMBER OF POINTS

(a) Despite the above regulations, a contract may, on reasonable and justifiable grounds, be awarded to a bidder that did not score the highest points. Preference calculations or decisions, made during proposal / bid evaluations or candidate selection through interviews, shall be clear and documented. The specific goals must be measurable and quantifiable and must be monitored in the execution of the contract.

2.22.12 CANCELLATION AND RE-INVITATION OF BIDS

(a) In the event that, in the application of the 80/20 preference point system, as stipulated in the bid documents, all bids received exceed the estimated Rand value of R 50 000 000, the bid invitation must be cancelled.

(b) In the event that, in the application of the 90/10 preference point system, as stipulated in the bid documents, all bids received are equal to, or below R 50 000 000, the bid invitation must be cancelled.

(c) The municipality must, if the bid invitation has been cancelled in terms of the above, re-invite bids and must, in the bid documents, stipulate the correct preference point system to be applied.

(d) The Blouberg Municipality may, prior to the award of a bid, cancel the bid if;

- (i) Due to changed circumstances there is no longer a need for the goods, works or services offered, or
- (ii) Funds are no longer available to cover the total envisaged expenditure; or
- (iii) No acceptable bids are received.

2.22.13 THE SPECIFIC ACTIVITIES, WHICH MAY BE STIPULATED TOWARDS ACHIEVING SPECIFIC GOALS AS PER SECTION 17 OF THE REGULATIONS, ARE AS FOLLOWS:

- (a)
 - (i) The promotion of South African owned enterprises;
 - (ii) The promotion of export orientated production to create jobs;
 - (iii) The promotion of SMMEs;
 - (iv) The creation of new jobs or the intensification of labour absorption.
- (b) Enterprises located within blouberg municipality include:
 - (i) Suppliers who have offices within blouberg municipality;
 - (ii) In case of emerging suppliers with no offices their address of registered office must be within blouberg municipality and the individual owners of entity must be the residents of blouberg municipality.

2.22.16 INTERVIEW SELECTION CRITERIA

- (a) If the selection is going to be made through interview, the selection criteria should be known beforehand (it could be in the form of evaluation criteria and weights). During the interview the members of the interview panel should assign a score to each criteria, and these scores are then added to arrive at a total score.
This total score is then used to assist in making the selection decision.

2.23 OTHER FACTORS IN THE ACQUISITIONING PROCESS

2.23.1 TAX CLEARANCE CERTIFICATE

- (a) It is a specific requisite that on all projects, a Tax Clearance Certificate, issued by the SA Revenue Services for the bidding company/entity is to be submitted as part of the bid documentation.
- (b) No contract may be awarded to a person who has failed to submit an original Tax Clearance Certificate from the South African Revenue Service ("SARS") certifying that the taxes of that person to be in order or that suitable arrangements have been made with SARS.

2.23.2 ACCESS TO BIDDING INFORMATION

- (a) To ensure complete transparency in the bidding process, bid documents should provide details of adjudication criteria. This will be especially important in bids where price will no longer be the only criteria in awarding bids.
- (b) The BLM will assist with the compilation and dissemination of bidding and related information in a simplified and uncomplicated format.

(c) Bid results and awards must be made available to bidders when requested. This process, which will ensure transparency, will also enable bidders to evaluate their performance and competitiveness for future bids.

(d) BLM will be required to display both the bids and awards in the offices on for example bid notice boards. This place of display should be accessible to the public even after normal working hours. This will enable the information to reach the local community as effectively as possible. Local councillors are responsible to further disseminate information to their constituencies.

2.23.3 UNIFORMITY IN BID PROCEDURES, POLICIES AND CONTROL MEASURES

(a) Uniformity in bid procedures and control measures should be enhanced to ensure efficiency and effectiveness in procurement/acquisition management. This can be accomplished through:

(b) The implementation of a uniform acquisition policy that must address at least the following:

- (i) The range of processes to be used for example tender (local/national), quotation (formal/informal) auction etcetera
- (ii) Procedures and mechanisms for each type of process
- (iii) When a particular type of process must be used
- (iv) Categorisation of processes relating to value of transactions (financial thresholds)
- (v) Open and transparent pre-qualification processes
- (vi) Ensuring that bid procedures are easy to interpret, clear, cost-effective, inexpensive, quick, transparent and free of corruption;
- (vii) A system of supply chain management, which is uniformly applied by all organs of State
- (viii) Proper rules pertaining to unsolicited bids (sect. 113 of the MFMA)

2.23.4 GENERAL ACQUISITIONING PRINCIPLES

(a) Irrespective of who will be responsible for the acquisition process, the general principles of being fair, equitable, transparent, competitive and cost-effective will apply to, and will be the guiding principles for all stakeholders during all activities in the process.

(b) This entails a proper definition of what is required, adherence to the prescribed selection and evaluation process, as well as proper implementation, monitoring and evaluation.

2.23.5 LETTERS OF ACCEPTANCE

(a) Letters of acceptance shall be issued by the Head of Procurement once a tender has been approved by a person/structure in accordance with the delegated authority. Such letters may also be signed by the relevant delegated authority.

(b) Letters of acceptance must be accurate, unambiguous, complete and contain detail of discounts that the BLM may qualify for and must

reflect the approval accurately. Such letters are to be handed to the tenderer against signature or sent by registered post as soon as possible after it has been approved and before the validity period expires. A copy must also be made available to the Finance division in order that this commitment can be captured in their records. The Corporate/Admin. Department, who is responsible for the management of the administration of contracts, must also be furnished with a copy.

(c) A formal contract may also be concluded and must display the same principles than those contained in a letter of acceptance.

(d) New conditions that did not form part of the original tender documentation, may not be included in a letter of acceptance/contract.

2.23.6 PUBLISHING RESULTS

(a) As the letter of acceptance/contract concludes the process of competing for the business, it is important that the final results also be publicized.

(b) Bid results must at least be displayed in the offices of the BLM on for example bid notice boards.

2.23.7 REPORTING

(a) The Accounting Officer should report, in the prescribed formats and frequencies prescribed by the relevant Treasury, management information to the executive authorities and the National and relevant treasuries.

2.24 POWERS OF ACQUISITIONING STRUCTURES/ INDIVIDUALS

2.24.1 POWERS OF THE COUNCIL

The Council has the power to:

- Priorities expenditure
- Receive for the purpose of maintaining oversight over the implementation of the municipality's supply chain management policy, a report within 30 days of the end of each financial year, from the MM regarding the implementation of the supply chain management policy and spending patterns on the budget. □ Monitor the activities of the BLM.

The Council and the Accounting Officer may not delegate any supply chain management power or duties to:

- A person who is not an official of the municipality; or
- To a committee which is not exclusively composed of officials of the Blouberg municipality.
- To a single person or single member of any bid committee. The power to make final awards in a competitive bidding process has been delegated to the committee and therefore the committee system must be used.

2.24.2 POWERS OF THE BID ADJUDICATION COMMITTEE

The Bid Adjudication Committee has the power to:

- (a) amend or cancel concluded agreements if delivered goods and services do not conform to specifications
- (b) approve bids over the amount of R 200 000.

©To invalidate bids on the grounds mentioned in section 112(1)(n)

MFMA

(d) The Bid Adjudication Committee must within 5 days of the end of each month submit to the Municipal Manager through the Chief Financial Officer, a written report containing particulars of each final award made by this committee during that month, including –

- (i) the amount of the award;
- (ii) the name of the person/business to whom the award was made
- (iii) the reason why the award was made to that person/business.

3. LOGISTICS MANAGEMENT

(a) Accounting officer must establish and implement an effective system of logistics management, which include;

- (i) the day to day management of stores and warhorse.
- (ii) determining the range and nature of items that will be carried in the store facility
- (iii) Setting inventory level
- (iv) Timely placement of orders when stock levels are low
- (v) Receiving and distribution of goods; and
- (vi) Expediting orders'
- (vii) Transport Management
- (viii) Vendor Performance
- (ix) Maintenance and contract administration

4. DISPOSAL MANAGEMENT

(a) This policy provide for an effective system of disposal management for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to sections 14 and 90 of the Act.

(b) Assets may be disposed in this way:

- (i) Transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;
- (ii) Transferring the asset to another organ of state at market related value or, when appropriate free of charge;
- (iii) Selling the asset; or
- (iv) Destroying the asset;

(c) The SCM policy stipulate that-

(i) Immovable property may be sold only at market related prices except when the public interest or the plight of the poor demands otherwise; (ii) Movable assets may be sold either by way of written price quotations, a competitive bidding process, auction or at market related price, whichever is the most advantageous to the municipality;

(iii) In the case of the free disposal of computer equipment, the provincial department of education must first be approached to indicate within 30 days whether any of the local schools are interested in the equipment; and

(iv) In the case of the disposal of firearms, the National Conventional Arms Control Committee has approved any sale or donation of firearms to any person or institution within or outside the Republic.

(d) The policy provide that –

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

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

(iii) That where assets are traded in for other assets, the highest possible trade-in price is negotiated.

5. RISK MANAGEMENT

5.1 GENERAL

(a) It is imperative to take cognisance of potential risks during the supply chain management and specifically the acquisitioning process. Due consideration should ideally be given to the following:

(i) Identification of acquisitioning risks on a case-by-case basis;

(ii) Allocation of risks to the party best equipped to manage such;

(iii) The Municipality bearing the cost of risks where the cost of transferring them is greater than that of retaining them;

(iv) The exercising of risk management in a proactive manner and providing

adequately for the cover of residual risks;

(v) Contract documentation clearly and unambiguously assigning relative risks to the contracting parties.

(vi) Development and implementation of appropriate processes. (vii)

Development and implementation of procedures and mechanisms to minimise risk such as screening processes and security clearances. (viii) Development and implementation of adequate administrative procedures relating to the advertising, invitation, opening, registering and recording of bids.

(ix) Disqualification of bidders who are inherent risks such as those who were found guilty of fraud or who failed to comply with previous government contracts.

(x) Elimination of prospective contractors who have conflict of interests in specific tenders by implementing a system in terms whereof

bidders are obliged to disclose any form of conflict they possibly may have.

(xi) Risk management should therefore form part of the business plan for the acquisition of all goods and services.

5.2 INSURANCE

(a) Any of the following, or a combination thereof, should be applied to protect the interests of the municipality in the procurement process:

- (i) That insurance is taken out in deserving cases.
- (ii) That risk management programmes are established.

(iii) That liquidated damage clauses be included in contracts where applicable.

(b) Suitable arrangements should also be made to ensure that insurance related excesses do not cause the failure of emerging small and micro enterprises.

5.3 GUARANTEES

(a) Performance guarantees should be commensurate with the degree of contractual risk to which BLM are exposed.

(b) In cases of large and complex contracts, it is advisable to call for bid guarantees to circumvent the submission of irresponsible bids.

(c) Performance guarantees should spread the cost of the risk of failure between the contracting parties and should be set at such a level that all BLM costs relating to such failure are likely to be recovered.

(d) It would be prudent to make adequate provision in all engineering and construction works contracts to ensure that monies are available to rectify defects.

(e) Performance bonds in engineering and construction works contracts should be waived in low value, low risk contracts or where a third party carries the risk of failure in an acceptable manner.

5.4 CONTRACT MANAGEMENT

(a) The basic requirements as stipulated in the MFMA (section 116) should be adhered to namely: writing, dispute resolution mechanisms, termination, periodic review of contracts and the duties of the Accounting Officer such as enforcement of contracts, monthly monitoring, regular reporting to council, amendment of contracts etc.

5.5 SURETIES

- (a) Though the BLM is sensitive to the plight of Emerging Contractors, all projects considered being of high risk due to the nature and scope of work should be subject to high sureties.
- (b) In terms of the risk management approach, all constraints are subjected to risk analysis from which alternative strategies are developed to avoid, reduce or control the associated risk for the Contractor as well as the BLM.
- (c) It is suggested that the following sureties shall be applicable:
 Micro projects(0 - R200 000) Nil
 Small projects (R200 000 – R500 000) 2.5%
 40
 Medium Projects (R500 000 – R1 000 000) 5%
 Large projects (R1 000 000 >) 10%
- (d) When classified as a contract that does not require a surety, then such status will apply even if the bid exceeds the maximum amount to prevent bidders preparing a bid under the perception that no surety will be required, but only discover later the surety requirements changed.
- (e) In the case of small and medium projects, the sureties have been reduced and a cash surety may be deducted in equal percentages from the progress payments for the duration of the contract. In the case of large projects not exceeding R2,0 million a cash deduction from the first three progress payments covering the full surety percentage will be allowed. In case of large projects over R2,0 million only bank bonds will be allowed.

5.6 RETENTION

- (a) The BLM shall retain the following percentages of the project cost from the Contractor during the construction as a guard against defects that might be noticed after practical completion- Micro 5%
 Small 5%
 Medium
 10%
 Large
 10%
 The retention will be released as follows:
Micro- 2.5% released at completion of the Project and the balance after 3 months
Small - 2.5% released at completion of the Project and balance after 6 months
Medium - 5% released at completion of the Project and the balance after 12 months
Large - 5% released at completion of the Project and the balance after 12 months

5.7 TECHNICAL AND OTHER PROFESSIONAL CONSULTANTS

- (a) BLM has accepted as a fact the appointment of consultants where the in-house skills are in short supply. In order to do work on contract, it is necessary that the planning, contract documentation and site supervision be done in an absolute professional manner, maintaining a very high standard and completed in a minimum time and within budget.
- (b) The consultants are to be appointed by applying these guidelines on a rotating roster system and will be grouped together in the different disciplines.

5.8 PROFESSIONAL REGISTRATION AND INDEMNITY INSURANCE

- (a) In order to maintain such a high standard of work and keeping in mind the possible risk Council is exposed to, as well as the relevant legislation regarding the professions; it is of utmost importance that only firms registered with their relevant professional bodies be allowed to be appointed by BLM. Furthermore, all such firms must have a valid and current Professional Indemnity insurance policy in place. The purpose of such a policy is to provide protection for any loss, damage, death liability or take-over of a third party or a loss sustained by the BLM, related to an oversight, omission or negligence pertaining to the non-adherence of professional duties for which the consultant is responsible.
- (b) In keeping with the principles of the RDP as well as procurement and delivery reform, it is essential that a certain margin of preference should be applied, targeting historically disadvantaged consultants.

5.9 UNSATISFACTORY PERFORMANCE

5.9.1 GENERAL

- (a) Where unsatisfactory performance of a contractor occurs, it should be brought to his/her attention in writing, preferably by registered mail. If it is not corrected in an acceptable time (which is agreed upon by the BLM and the contractor), the contractor could be informed that the BLM would withdraw from its contractual obligations if a suitable response were not forthcoming. If this persists, legal counsel should be consulted to unilaterally withdraw from the contract in a manner recommended by such counsel. All other costs (over and above the contract price), should also be recovered from the contractor who did not perform should it be necessary to procure emergency goods/services at a higher price. The agreement entered into should form the basis of such action.

5.9.2. PENALTIES

- (a) All contracts awarded to contractors will be subject to a fair penalty clause. The penalty clause is necessary to encourage contractors to complete their assignments within the contract time. However, due care should be taken so that

penalties imposed should not harm emerging contractors to such an extent that the empowerment of HDIs cannot be realised. (a) The following penalties should be applicable

Micro projects 0.02 % of contract amount per day

Small projects 0.04 % of contract amount per day

Medium projects 0.06 % of contract amount per day

Large projects 0.08 % of contract amount per day

(c) A penalty clause does not and cannot ensure that a contract will be completed on time and therefore the enforcement of penalties will become a reality. Penalties should at least cover any loss incurred by the BLM.

5.10 CONTRACT AMENDMENTS

(a) To enhance the flexibility of the procurement process, it is proposed that the BLM be allowed to extend the quantities of an approved quotation or tender by not more than 20 percent provided that the budget accommodates the additional 20 percent and the requirement is approved. This may be approved by the BLM at the delegated level, provided that the provider agrees to such extension and the additional goods are supplied at the same (or lower) price originally agreed to.

5.11 PAYMENT FACILITATION

(a) For the sustainability of contractors generally, early payments should be made as soon as all certifications and verifications have been completed. Late payments are detrimental to emerging and small contractors' continuity in business. The BLM undertakes to effect processing invoices as soon as possible but within the time stipulated in the tender document but not exceeding 30 days.

(b) It is therefore the responsibility of the relevant functionary in the BLM to certify/assess invoices as soon as they are presented to determine whether the invoices actually mirrors the services rendered/goods delivered and that services/goods are of the required quality.

5.12 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

(a) The requirements of section 33 of the MFMA must be adhered to in regard to contracts which impose financial implications for three years or more (current financial year excluded).

6. PERFORMANCE SYSTEM

(a) Accounting Officer must establish an effective internal monitoring system in order to determine, on the basis of retrospective analysis, whether the authorized To a maximum of

5% of

43

supply chain management processes were followed and whether the desired objectives were achieved.

7. OTHER MATTERS.

7.1 PROHIBITION ON AWARDS TO PERSONS WHOSE TAX MATTERS ARE NOT IN ORDER.

(a) Municipality may not make any award above R 15 000 to a person whose tax matters have not been declared by the South African Revenue Service to be in order.

(b) Before making an award to a person, a municipality must first check with SARS whether that person's tax matters are in order.

(c) If SARS does not respond within seven days such person's tax matters may for purpose of sub regulation (a) be presumed to be in order.

7.2 PROHIBITION ON AWARDS TO PERSONS IN THE SERVICE OF THE STATE.

(a) Irrespective of procurement processes followed the Municipality may not make award to a person –

(i) Who is the service of state;

(ii) If that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or

(iii) Who is an advisor or consultant contracted with the municipality.

7.3 AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE.

(a) The notes to annual financial statements of a municipality must disclose particulars of any award of more than R2 000 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 –

(i) The name of the person;

(ii) The capacity in which that person is in the service of the state; and (iii) The amount of the award.

7.4 COMBATING CORRUPTION AND ETHICS

(a) In supply chain management and more specifically procurement/acquisition management, all parties are required to comply with the highest ethical standards to promote:

(i) mutual trust and respect; and

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

(b) The Municipal Manager (Accounting Officer) must take all reasonable steps to ensure that proper mechanisms and separation of duties in the system are in place

to minimise the likelihood of fraud, corruption, favouritism and unfair and irregular practices.

(c) All members of the bid/evaluation committees as well as the secretaries to these committees must declare interest with each activity performed.

(d) An official / employee who is involved in the decision-making process must, if a conflict of interest is prevalent:

- (i) Declare the interest;
- (ii) Excuse himself/herself from such decision-making processes
- (iii) Refrain from discussion in any matter related to such process.
- (iv) Refrain from exerting any form of pressure on decision makers.
- (v) Prior to the award of any contract, the BLM must ensure that neither the recommended bidder nor any of the directors are listed as companies/directors/persons restricted to do business with the Public Sector.

(e) The BLM must:

- (i) Reject a proposal for award if it is determined that the bidder recommended for award has engaged in corrupt or fraudulent practices in competing for the contract in question
- (ii) Reject a proposal for award if it is determined that the bidder or contracting party were convicted of fraud or corruption during the past five years
- (iii) Reject a proposal if it is determined that the contracting party willfully neglected, reneged on or failed to comply with a government contract during the past five years
- (iv) Ignore any bid from a bidder whose name appears on the national list of restricted bidders/providers/persons; and
- (v) Cancel the contract allocated to a bidder for goods, services or works if it is at any time determined that corrupt or fraudulent practices were engaged in by representatives of the department and/or the provider during the acquisition or the execution of that contract.
- (vi) Address any interference in the process. (sect. 118 of the MFMA)

(f) To address public complaints, different pieces of legislation were passed in recent years relating to transparency and anti-corruption measures and may the public complain in the first instance at the Municipal Manager. If not satisfied, the person may refer the complaint to the Public Protector or the Courts.

(g) Legislation that are aimed at addressing complaints and therefore preventing corruption are:

- Public Protector Act of 1998
- Corruption Act of 1994
- Protected Disclosure Act of 2000

- Promotion of Administrative Justice Act of 2000
- Promotion of Access to Information Act of 2000.

7.5 INDUCEMENTS, REWARDS, GIFTS AND FAVOURS TO MUNICIPALITY, OFFICIALS AND OTHER ROLE PLAYERS.

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

- (i) Any inducement or reward to the municipality for or in connection with the award of a contract; or
- (ii) Any reward, gift, favour or hospitality to any official of the municipality or any role player involved in the implementation of the supply chain management policy of the municipality.

(b) The accounting officer must promptly report any alleged contravention of sub regulation (a) 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.

(c) Sub regulation (a) does not apply to gifts less than R350 in value.

7.6 SPONSORSHIPS

(a) The accounting officer of a municipality must promptly disclose to the National Treasury and relevant provincial treasury any sponsorship promised, offered or granted to the municipality, whether directly or through a representative or intermediary, by any person who is-

- (i) A provider or prospective provider of goods or services to the municipality; or
- (ii) A recipient or prospective recipient of goods disposed or to be disposed, of by the municipality.

7.7 OBJECTIONS AND COMPLAINTS.

(a) Persons aggrieved by decisions or actions taken by the municipality in the implementation of its supply chain management system, to lodge within 14 days of

the decision or action a written objection or complaint to the municipality against the decision or action.

7.8 DISPUTE RESOLUTION GUIDELINES

(a) The accounting officer may appoint an independent and impartial person not directly involved in the supply chain management process of

municipality to assist in the resolution of the dispute between municipality and other persons regarding: (i) Any decision or actions taken by the municipality in implementation of its supply chain management system; or

(ii) Any matter arising from a contract awarded in the course of its supply chain management system; or

(iii) To deal with objections, complaints or queries regarding any such decisions or actions or any other matters from such contract.

(b) The accounting officer, or any other official designated by the accounting officer, is responsible to assist the appointed person to perform his/her functions effectively.

(c) A person must:

(i) Strive to resolve promptly all disputes, objections, complaints or queries received; and

(ii) Submit monthly report to the accounting officer on all disputes, objections, complaints or queries received, attended to or resolved.

(d) A dispute, objection, complaint or query may be referred to the provincial treasury if-

(i) The dispute, objection, complaint or query is not resolved within 60 days; or

(ii) No response is received from municipality within 60 days.

(e) If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.

(f) This resolution guidelines do not affect a person's rights to approach a court at any time.

7.9 CONTRACTS PROVIDING FOR COMPENSATION BASED ON TURNOVER

(a) 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 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 BLM.

8. NON COMPLIANCE

(a) Non compliance to relevant legislation and this policy statement in regard to supply chain management might result in unauthorized, irregular and fruitless expenses and functionaries may incur personal liability if they are negligent in exercising their duties in terms hereof.

SUMMARY OF AUTHORITY OF PROCUREMENT POWERS OF FUNCTIONARIES

Functionary Purchasing power Process

- Managers to be given powers to approve purchases up to a maximum of R10 000.00. this is subject to the condition that the Manager: Supply Chain should co-sign all the memorandum.
- All payment certificates for capital projects should be signed by the Municipal Manager & Payments above R30 000
- The appointment of the Specification and Evaluation Committees be delegated to the Chief Financial Officer with the Municipal Manager retaining the power to appoint the Adjudication Committee;
- Satellite Managers should have the power to authorize petty cash vouchers

Bid Adjudication Committee/Municipal Manager Over R200 000. Public tenders

Municipal Manager Over R 30 000 up to +R200 000
Purchases over R30 000 up to R200 000: At least 3 written quotations and

Chief Financial Officer Up to R30 000 Purchases up to R 2000: At least one written quotation.
Purchases over R 2000: At least 3 written quotations.
Petty Cash Up to R250 per transaction through the authority of the Departmental Head

Preference Point Systems or Point Scoring System

ANNEXURE SCM1

PREFERENCE POINTS CLAIM FORM IN TERMS OF THE PREFERENTIAL PROCUREMENT REGULATIONS 2017

The 80/20 Preference point system is applicable to bids (including price quotations) with a Rand value from R30000.00 to R50 million (all applicable taxes included)

	Points
Points Scored for Price	80
Points Scored for B-BBEE status level of contributor	20
Total	100

B-BBEE Status Level of Contributor	Number of Points(80/20 System)
1	20
2	18
3	14

4	12
5	8
6	6
7	4
8	2
Non-Compliant Contributor	0

ANNEXURE SCM2

The 90/10 Preference point system is applicable to bids (including price quotations) with a Rand value above R50 million (all applicable taxes included)

	Points
Points Scored for Price	90
Points Scored for B-BBEE status level of contributor	10
Total	100

B-BBEE Status Level of Contributor	Number of Points(90/10 System)
1	10
2	9
3	6
4	5
5	4
6	3
7	2
8	1
Non-Compliant Contributor	0

Determine the manner in which, and the conditions under which the offers must be made

Conclude agreements

Inspect and test the supplies and services offered, or to have them inspected and tested.

Respond to queries raised by the external and internal auditors,

2.24.4 POWERS OF THE MANAGERS OF DEPARTMENTS

The Manager of a department has the power to:

To approve bids up to the amount of R 20 000.

Manage the budget that has been allocated to the department,

Submit all expenditure requirements as per the budget for the department to the acquisitioning section for approval for initiation,

Assist the acquisitioning section by rendering advice and skills in the bid process.

2.24.5 POWERS OF CHIEF FINANCIAL OFFICER

CFO has the power to approve bids up to R 30 000

Manage the budget of the municipality and approve every procurement transaction of the municipality.

Invalidate any unauthorized procurement

END OF THE POLICY

BLOUBERG MUNICIPALIT

DRAFT:
TARIFF POLICY
2020/2021



BLOUBERG LOCAL MUNICIPALITY

TARIFF POLICY

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1. DEFINITIONS

Definitions have the following meaning, unless the context otherwise indicates:

“Act” means the Local Government Municipal Systems Act, 32 of 2003 as amended by Act 44 of 2003 and any promulgated Regulations in line with the Act.

“*bulk electricity user*” means a bulk consumer metered at low voltage with an annual average meter load with a capacity higher than 10A per phase or medium voltage supplied at 11 000 V.

“*Bulk user*” means a user of electricity, water, sewerage or refuse removal services for commercial or industrial purposes.

“*Community services*” means services that the Council has classified as such that the tariffs have been compiled with the intention that costs of the services cannot be recovered from public service charges and are of a regulatory nature.

“*cost to be recovered*” means the cost reasonably associated with the rendering of a municipal service, including that the cost of purchasing or acquisition, the cost of processing, treatment or adoption of the product or service to be delivered or supplied, capital cost, operating cost, maintenance cost, replacement cost, administrative cost and support systems costs and interest.

“*Council*” means the Council of the Blouberg Local Municipality, established in terms of section 12 of the Local Government Municipal Structures Act, 117 of 1998.

“*Domestic user*” means a user of electricity, water, sewerage or refuse removal for residential purposes only.

“*Economic services*” means services that the Council has classified as such that the tariffs be compiled with the intention that the total costs of the services are recovered from customers.

“*Energy charge (active)*” means a charge for each unit of energy consumer charged at c/kWh.

“*Fixed costs*” means costs that do not vary with consumption or volume produced.

“*Flat rates*” means the unit tariffs that are calculated by dividing the total cost by volume needed.

“*lifeline*” means consumers (residential or business) who elect not to pay a fixed monthly and/or capacity charge and only an energy charge per kilowatt hour according to the volume of electricity consumed.

“*Major services*” represent the four (4) consumer services instituted by the Council to fulfill the basic consumer services allocated to the Council in terms of section 84 of the Local Government Municipal Structures Act, 117 of 1998, and are those services on which monthly service charges are levied per consumer account.

“*Minor services*” means those services for which the Council annually approve tariffs and shall, when deemed appropriate by the Council, be subsidized by property rates and

general revenues, particularly when tariffs will prove uneconomical when charged to cover the cost of the service concerned, or when the tariff is designed purely to regulate rather than finance the use of the particular service or amenity.

“Municipal Finance Management Act” means the Local Government Municipal Finance Management Act, 56 of 2003 and promulgated Regulations in line with the Act.

“Municipal Property Rates Act” means the Local Government Property Rates Act, 6 of 2006 and promulgated Regulations in line with the Act.

“Municipal service” means a municipal service defined in section 1 of the Municipal Systems Act.

“Municipality” means the Blouberg Local Municipality.

“Poor household” means a domestic user who qualifies, together with his or her dependents, as an indigent person in terms of the Council’s indigent policy.

“Stepped tariffs” means that a specific tariff is applicable for each step to all consumers.

“Tariff policy” means the tariff policy of the Council adopted in terms of section 74(1) of the Municipal Systems Act.

“Temporary user” means a user of electricity, water, sewerage or refuse removal services for a temporary period for specific project or occasion.

“Total cost” is the sum of all fixed and variable costs.

“Trading services” are services that the Council has classified as services of which the tariffs have been compiled with the intention that the Council makes a profit on the delivery of services.

“Two-part tariffs” comprises of a fixed costs as well as a variable cost based on units consumed.

“Units consumed” means the number of units consumed of a particular service and is measured in terms of the units of measurement reflected in this policy under section 9.

“Variable costs” are costs that vary with consumption at volume produced.

2. INTRODUCTION

- 2.1. The Blouberg Local Municipality must in terms of section 74(1) of the Local Government Municipal Systems Act, 32 of 2000, adopt a tariff policy on the levying of fees for municipal services provided by the municipality.
- 2.2. The tariff policy may differentiate between different categories of users, debtors, service providers, service, service standards, geographical areas and other matters as long as the differentiation does not amount to unfair discrimination.
- 2.3. Tariffs are calculated in various different ways, dependent upon the nature of the service being provided.
- 2.4. The tariff policy applies to the multi-year annual budget of a related financial year during which the income is based on the principles contained in this policy.

3. OBJECTIVES OF THE POLICY

The objectives of the tariff policy are to:

- a. Ensure the tariffs of the municipality conform to acceptable policy principles.
- b. Ensure compliance with applicable legislation.
- c. Provide guidance regarding tariff determination and proposals to be included in the annual budget.

4. LEGISLATIVE FRAMEWORK

- a. Local Government Municipal Systems Act, 32 of 2000.
- b. Local Government Municipal Finance Management Act, 56 of 2003.
- c. Municipal Budget and Reporting Regulation.

5. GENERAL PRINCIPLES

- 5.1. The principles of the tariff policy are set out in section 74(2) of the Act and are applied as follows:
 - a. Users of municipal services should be treated equitably in the application of tariffs. The amount individual users pay for services should generally be in proportion to their use of that service.

- b. Poor households must have access to at least basic services through –
 - c. tariffs that cover only operating and maintenance cost; and
- 5.2. any other direct or indirect method of subsidization of tariffs for poor households.
- 5.3. Tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charged.
- 5.4. Tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidization from sources other than the service concerned.
- (f) Provision may be made in appropriate circumstances for a surcharge on the tariff for a service.
 - (g) Provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users.
 - (h) The economical efficient and effective use of resources, the recycling of waste, and other appropriate environmental objectives must be encouraged. The extent of subsidization of tariffs for poor households and other categories of users should be fully disclosed.
- 5.5. The municipality must ensure that its tariffs are uniformly and fairly applied throughout the municipal area.
- 5.6. Poor households will have access to basic services through the indigency relief as defined in the free basic services and indigent support policy.
- 5.7. Tariffs must be cost reflective associated with each service rendered to ensure financial sustainability of each service, taking into account subsidization to rates services except for economic services.
- 5.8. Provision may be made in appropriate circumstances for a surcharge on the tariff for a service. This will be necessary for major breakdowns in infrastructure and periods of drought when a restriction of usage is required.
- 5.9. The municipality may impose a penalty on the existing tariff structure or measures of discouraging service demand to prohibit exorbitant use in appropriate circumstances to encourage efficient and effective use of resources.

6. CATEGORIES OF CUSTOMERS

- 6.1. The tariff structure makes provision for the following categories of consumers:
- 6.2. residential or domestic;
- 6.3. non-residential
- 6.4. agricultural farms;
- 6.5. business;
- 6.6. commercial;
- 6.7. government including schools;
- 6.8. hostels;
- 6.9. hospitals;
- 6.10. illegal;
- 6.11. industrial and special industrial;
- 6.12. mining;
- 6.13. municipal;
- 6.14. municipal (inventory);
- 6.15. public benefit organizations and churches;
- 6.16. special agreements; and
- 6.17. vacant land.
- 6.18. Different categories of residential or domestic consumers as well as for services may be defined based on the municipality indigent and free basic service policies and may include: formalized informal settlements / rural villages;
- 6.19. pensioners;
- 6.20. proclaimed informal settlements / rural villages; and Certain categories of service may be restricted to certain categories of consumers.

7. REFUSE REMOVAL SERVICES

7.1. The refuse removal is an economic service, which means that the total costs of the service must be recovered from the consumers. The following categories of refuse users will pay a fixed charge per month as approved by Council in the annual budget

- a) Domestic
- b) Business/Industrial
- c) Blouberg Local Municipality's departments
- d) Builders/Contractors

7.2. Tariff adjustments will be effected from 1 July each year,

7.3. The council further reserves the right to levy, at a tariff determined charge, casual consumers for the removal of bulk refuse per M3.

7.4. Refuse removal intervals may be changed from time to time but are limited to the following:

7.5. domestic and other users – once weekly removal

7.6. business and bulk consumers – twice weekly removal

7.7. The approved refuse removal tariffs will be implemented on the first of July of every financial year with the months billing cycle, i.e. an increased tariff will be applicable for a twelve (12) month period.

8. ELECTRICITY SERVICES

All electricity tariffs must be approved by the National Energy Regulator of South Africa. The broad principles used in the determination of the electricity tariffs are:

8.1. All domestic consumers who are registered, as indigents will receive the first 50 kWh of electricity consumed per month free limited to a 20 amp circuit breaker.

- 8.2. All domestic consumers with a single or three phase and an ampere capacity up to 80A per phase will be charged according to the kilowatt hour units consumed per metering point according to a block rising tariff. The same applies to prepaid users with the difference that the consumer will pay for the consumptions before it is used.
- 8.3. All domestic electricity consumers with a single or three phase with an ampere capacity up to 80A per phase other than registered indigents will be billed a fixed monthly charge or part thereof per meter installed per type of connection whether electricity is consumed or not except for indigent.
- 8.4. A fixed available charge will be levied to all underdeveloped erven with access to the reticulation network per month or part thereof where no meter is installed yet.
- 8.5. The electricity tariff may include a surcharge subject to Council approval. The electricity connection charge for all consumer categories will be the full cost of the electricity installation as determined from time to time.
- 8.6. Approved electricity tariffs will be implemented on the first of July of every financial year with the months billing cycle regardless the actual meter read period or average consumption as may be determined, i.e. an increased tariff will be applicable for a twelve (12) month period.

9. Property Rates.

- 10.1. All rateable properties in Blouberg Local Municipality are to be valued at least once every four years.
- 10.2. The rate in the rand is to be uniform throughout the municipal area unless otherwise determined by the council.
- 10.3. Varying rebates in line with the rates policy will be applied to the following categories:
 - a) Farms used for agricultural purposes
 - b) All professional Pensioners, who earn more than a determined amount, are at least 60 years of age, are registered owners of the said property and have submitted proof of income to the municipality under oath.
 - c) Property located in a rural area used for residential purposes newly rateable property as determined by section 21 of the Municipal Property Rating Act
 - D) The rate in the rand, as well as the rebates, will be determined and approved by Council when the budget and tariffs are annually submitted for consideration.

E)The Councils Rating Policy shall determine properties or categories of property which shall be exempt from rates. Council shall review the Rates Policy at least once annually.

10. WATER TARIFFS

- 11.1. Water tariffs will be determined as approved by the council of Capricorn District Municipality, in terms of the Water Services Act
- 11.2. Adjusted tariffs will be effected from 1 July 2019

11. WATER LEAK ADJUSTMENT

A water leak is where water is wasted through a crack or flow in water pipes that permits water to escape.

The responsibilities of the consumer:

- 12.1.1. The customer / homeowner is responsible for any consumption that occurred from the meter to his property as a result of any water leak.
- 12.1.2. The customer/home owner must repair the water leak at his cost on his/her property.
- 12.1.3. On discovery of any water leak the municipality must be informed.
- 12.1.4. The customer/home owner should take immediate steps to stop the water supply and repair the leakage.
- 12.1.5. Should the water leak be before the meter point, residents must report the pipe burst to the relevant complaint centre.

The responsibility of the municipality:

- 12.1.6. Water leaks on the street or Council property before the meter point.
- 12.1.7. The municipality must immediately stop the water flow to limit the water loss and will be responsible to repair the pipe burst.
- 12.1.8. The residents will be informed of the pipe bursts and estimate restoration time. Subject to proof of a water leak the municipality will apply a water leak tariff as promulgated in the water tariffs over the period the water leak occurred or until the consumption on the property has normalized to a maximum period of three (3) months.

12.1.9. The adjustments to the account will be made once sufficient proof exists of the water leak.

12.1.10. Any request for water leak adjustment must be made within sixty (60) days of discovery or the leak is repaired whichever is the earliest.

12.1.11. Only one (1) water leak adjustment per annum per property will be allowed.

12.1.12. The adjustment to the account for water leaks will be adjusted for the portion more than the average usage per month over a six (6) month period.

12.1.13. No adjustments on water bills for water leaks will be made in the following instances:

More than one occurrence per annum.

The meter was tampered with in any way.

12. MINOR TARIFFS (SUNDRY)

13.1.1. All minor tariffs shall be standardized within the municipal region.

13.1.2. All minor tariffs shall be approved by the Council in each annual budget, and shall, when deemed appropriate by the Council, be subsidized 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.

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

13.1.4. The under mentioned minor tariffs shall be determined by either of the following methods:

actual cost plus a admin fee subsidizing from other services income servicing as penalty/discouraging measure.

13.1.5. The minor tariffs will be determined for the following services but not limited to:

- advertisement sign fees
- building plan fees
- cemetery fees

- cleaning of overgrown stands
- cleansing of sewerage blockages
- clearance certificate memoranda
- connection fees for major municipal services
- dumping site
- electricity or water disconnection and reconnection fees
- fees in terms of standard electricity by-laws
- fire brigade fees
- garden refuse removal
- housing rental
- lease of municipal property
- library fees, being

12.1.1. membership fees

12.1.2. fines

12.1.3. lost books

12.1.4. lost membership cards

13.1.6. penalty and other charges as per credit control and debt collection policy

13.1.7. photostat copies and faxes

13.1.8. pound fees

13.1.9. refuse bin sales

13.1.10. rental for utilizing municipal premises and municipal sports grounds

13.1.11. rental for utilizing municipal property

13.1.12. the provision of information from the Council's records

13.1.13. town planning fees

13. CORRECTION OF TARIFFS (ACCOUNTS)

- 14.1.1 The municipality has an obligation to ensure that all revenue due is calculated and billed on a monthly basis whilst members of the community have the duty to pay promptly service fees, rates on properties, any other levies and duties imposed by the municipality.

- 14.1.2 Section 75A of the Municipal System Act allows a municipality to levy and recover fees, charges or tariffs in respect of any function or service of the municipality.
- 14.1.3 From time to time it becomes necessary to make corrections to individual consumer accounts where a tariff was erroneously levied or not levied in terms of this policy.
- 14.1.4 These corrections have a budgetary and an accounting treatment implication. To ensure that these corrections are fair and transparent to both the municipality and the customer within the principles of this policy, corrections of tariffs, levies and any other charges erroneously levied may be corrected for a maximum period of three (3) years from the date of discovery except where otherwise prescribed by any other regulation or applicable law.

14. FREQUENCY OF TARIFF SETTING

All tariffs are determined on an annual basis and approved by Council before the start of the financial year to which they are applicable.

15. INTEREST

Interest will be charged on all amounts outstanding for periods longer than thirty (30) days at a rate equal to the prime bank overdraft rate. Where acceptable arrangements were made in terms of the Council's credit control and debt collection policy and such amounts are transferred to a holding account no interest will be charged on the holding account as long as the repayment amount has been honored, failing which the holding amount be transferred back to the current account and be subjected to an interest charge. No interest will be levied on outstanding accounts in the previously predetermined areas to maintain and adhere to previous practices.

16. VAT

VAT is charged as per the existing national legislation on all tariffs and all minor (sundry) tariffs as indicated in the approved resolution.

17. NOTIFICATION OF TARIFFS, FEES AND SERVICE CHARGES

- 17.1.1. With the tabling of the annual budget in terms of the MFMA, Act 56 of 2003, the local communities are invited to submit representations for Council's consideration. Such invitations include the draft resolutions on taxes and tariffs proposed.
- 17.1.2. After approval of the budget, the Council will give notice of all tariffs approved at least thirty (30) days prior to the date that the tariffs become effective.
- 17.1.3. A notice stating the Council resolution, and date on which the tariffs shall become operational will be advertised by the municipality.
- 17.1.4 All tariffs approved must have been considered at the annual budget meeting.

18. NEW TARIFFS

- 18.1.1 Municipal tariffs may not be increased during a financial year except in the case of a financial recovery plan as per the MFMA.
- 18.1.2 In the case a municipality needs to provide a new service for which no tariff was determined during a financial year the following process must be followed:
 - A report to Council to consider the proposed new tariff.
 - Public participation process to invite the local community to make representations.
 - Final approval by Council of the tariff.
 - Council give notice of the tariff at least thirty (30) days prior the date that the tariff will become effective.

19. REVIEW

The tariff policy will be revised annually to be in line with the tariff setting and applicable legislation.

20. SHORT TITLE

This policy shall be called the Tariff Policy of the Blouberg Local Municipality.



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VIREMENT POLICY

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BLOUBERG MUNICIPALITY: SUMMARY: VIREMENTS POLICY NP 351

BUDGET TRANSFERS OR VIREMENTS

1. DELEGATION ON TRANSFERS

1.1. Transfers between Votes

A “Vote” in terms of National guidelines is determined as one of the main segments into which a budget of a municipality is divided for the appropriation of funds for different departments or functional areas. This specifies the total amount that is appropriate for the purpose of the department or functional area. Council therefore decides on the total amount that is allocated to that specific function and classifies it as a vote. Because council approves the “vote” only the shifting of funds within the “vote” can be delegated to the Mayor, the Accounting Officer, the Chief Financial Officer or any other Senior Manager.

1.2. Transfers between Functional Centers

Budget transfers within the same department shall be recommended by the Heads of departments in accordance with delegated authority and approved by the Chief Financial Officer.

No budget transfers or virement shall be made to or from salaries except with the recommended by the Director Corporate and prior approval of the Chief Financial Officer during Budget Adjustment.

Savings on allocations earmarked for specific operating and capital projects may not be used for any other purposes except with the approval of Council with an Adjustment Budget.

Savings in an amount appropriated for capital expenditure may not be used to defray operational expenditure. Savings realised within a capital programme (e.g. MIG funded etc) can only be transferred to other project budgets in accordance with the funding conditions and with the approval of the funding source.

Any transfer of funds between votes by the Heads of Department must be informed in writing with reasons to the Accounting Officer or the Chief Financial Officer. The amount of transfer by the Heads of Department and the Accounting Officer (Municipal Manager) is limited by the Delegation of Authority; and this amount is revised from time to time in line with the revision of delegations.

1.3. Transfers within Departments

The transfer of budgeted amount within departments is delegated to the Accounting Officer and can only be considered on advice of Chief Financial Officer in writing. The Accounting Officer can delegate his authority to the Chief Financial Officer. The maximum amount that can be transferred in term of this delegation is **R 300,000**, per vote. Anything above that amount must be referred to the Mayor for approval under his/her limitation of **R400, 000.00** per vote. Anything above **R400, 000.00** must be referred to Council for approval. The transfer of funds between line items within the category “General Expenses” and “Maintenance” up to a maximum of **20%** of the budgeted line item amount can be delegated to senior management and by the Accounting Officer.

1.5. Transfer from Operation to Capital Budget

Transfer from operation to capital budget and capital to capital budget can only be approved by the Mayor with recommendation from the Accounting Officer, advised by Chief financial officer. The amount to be transferred is limited to an amount of **R200, 000.00**. The virement should be made within the approved budget.

2. GENERAL

The purpose of this Virement is to improve the pace at which service delivery is done and to make functionaries more accountable for their actions.

...END...