



Ephraim Mogale Local Municipality

**2012/13 Medium Term Revenue and Expenditure
Framework (MTREF) Policy Review**

PROPERTY RATES POLICY

**EPHRAIM MOGALE LOCAL MUNICIPALITY
PROPERTY RATES POLICY**

PROPERTY RATES POLICY

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PROPERTY RATES POLICY

PART 1: PREAMBLE AND LEGISLATIVE CONTEXT.

- 1.1 This policy is mandated by Section 3 of the Local Government: Municipal Property Rates Act, 2004 (No.6 of 2004), which specifically provides that a municipality must adopt a Rates Policy.
- 1.2 In terms of Section 229 of the Constitution of the Republic of South Africa, 1996 (No.108 of 1996), a municipality may impose rates on property.
- 1.3 In terms of the Local Government: Municipal Property Rates Act, 2004 (No.6 of 2004) a municipality in accordance with-
 - (a) Section 2(1), may levy a rate on property in its area; and
 - (b) Section 2(3), must exercise its power to levy a rate on property subject to-
 1. Section 229 and any other applicable provisions of the Constitution;
 2. The provisions of the Property Rates Act and the regulations promulgated in terms thereof; and
 3. The rates policy.
- 1.4 In terms of Section 4 (1) (c) of the Local Government: Municipal Systems Act, 2000 (No. 32 of 2000), the municipality has the right to finance the affairs of the municipality by imposing, inter alia, rates on property.
- 1.5 In terms of Section 62(1) (f) (ii) of the Local Government: Municipal Finance Management Act, 2003 (No. 56 of 2003) the municipal manager must ensure that the municipality has and implements a rates policy.
- 1.6 This policy must be read together with, and is subject to the stipulations of the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004) and the regulations promulgated in terms thereof.

The policy of the Greater Marble Hall Local Municipality for levying rates on rateable property is set out in this document. The Council adheres to all requirements of the Municipal Property Rates Act (MPRA) and Municipal Finance Management Act (MFMA) including any regulations promulgated in terms of these Acts.

As part of each annual operating budget the Council is obliged to impose a rate in the rand on the market value of all rateable properties as recorded in the municipality's valuation roll or supplementary valuation roll(s). Rateable property shall include any rights registered against such property, with the exception of a mortgage bond. Generally, all land within the

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Greater Marble Hall Local Municipal area of jurisdiction is rateable unless it is specifically exempted as set out in Section 15 of the MPRA and includes:

- Cemeteries
- Sport grounds for exercising amateur sport
- Properties owned by welfare organizations

The Rates Policy sets out the broad policy framework within which the municipality rates its area as per Section 3 of the MPRA, and gets annually reviewed and, when necessary, amends the municipality's rates of assessment as per Section 5 of the MPRA.

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PART 2: DEFINITIONS

In this policy, unless the context indicates otherwise, in addition to the definitions contained in both the MPRA and the MFMA, the following meanings are assumed:

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| "Act" | means the Local Government: Municipal Property Rates Act, 2004 (No 6 of 2004). |
| "Agricultural purposes" | in relation to the use of a property, excludes the use of a property for the purpose of eco-tourism or for the trading in or hunting of game. |
| "Agent" | in relation to the owner of a property, means a person appointed by the owner of the property- |
| | a. to receive rental or other payments in respect of the property on behalf of the owner; or |
| | b. to make payments in respect of the property on behalf of the owner |
| "Agricultural purpose" | in relation to the use of a property, excludes the use of a property for the purpose of eco-tourism or for the trading in or hunting of game; |
| "Annually" | means once every financial year; |
| "Appeal board" | means a valuation appeal board established in terms of Act 6/2004. |
| "Assistant municipal valuer" | means a person designated as an assistant municipal valuer in terms of Act 6 of 2004. |
| "Bona fide farmer" | means the registered owner of agricultural land which is predominantly used for agricultural purposes and who is also registered as such with the South African Revenue Services. |
| "Business" | means the activity of buying, selling or trade in goods or services and includes any office or other accommodation on the same erf, the use of which is incidental to such business, with the exclusion of mining, agriculture, farming, or inter alia, any other business consisting of cultivation or soil, the gathering in of crops or the rearing of livestock or consisting of the propagation and harvesting of fish or other aquatic organisms. |
| "Category"-a) | In relation to property and owners means a category of properties and owners determined in terms of Act 6 of 2004. |
| "Data-collector" | means a person designated as a data-collector in terms of Act 6 of 2004. |
| "Date of valuation" | means the date determined by a municipality in terms of Act 6 of 2004. |
| "District management area" | means a part of a district municipality which in terms of <u>section 6</u> of the Municipal Structures Act has no local municipality and is governed by that municipality alone. |
| "district municipality" | means a municipality that has municipal executive and legislation authority in an area that includes more than one |

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| | municipality, and which is described in <u>section 155 (1) of the Constitution</u> as a category C municipality. |
| "Effective date" | in relation to a valuation roll, means the date on which the valuation roll takes effect in terms of <u>section 32(1)</u> ; or in relation to a supplementary valuation roll, means the date on which a supplementary valuation roll takes effect in terms of <u>section 78(2) (b)</u> ; |
| "Exclusion", | in relation to a municipality's rating power, means a restriction of that power as provided for in <u>section 17</u> ; |
| "Exemption" | in relation to the payment of a rate, means an exemption granted by a municipality in terms of <u>section 15</u> ; |
| "Financial year", | means the period starting from 1 July in a year to 30 June the next year. |
| "Government" | means owned and exclusively used by an organ of the state, excluding non-urban properties used for residential or agricultural purposes or not in use. |
| "Illegal use" | means any use that is inconsistent with or in contravention of the permitted use of the property. |
| "Improvement" | means any building or structure on or under a property, including: <ul style="list-style-type: none">• a structure constructed solely for the purpose of rendering the property suitable for the erection of any immovable structure thereon; and• Buildings, structures and equipment or machinery referred to in Section 46(3) of the MPRA. |
| "Income Tax Act" | means the Income Tax Act, 1962 (<u>act No 58 of 1962</u>) |
| "Indigent" | means debtors who are poor private residential households as defined by the municipality's policy on Free Basic Services and Indigent Support. |
| "Industrial" | means branch of trade or manufacturing, production, assembling or processing of finished or partially finished products from raw materials or fabricated parts, on so large scale that capital and labour are significantly involved. This includes factories as defined in the Machinery and Building Work Act, Act 22 of 1941, as amended and includes any office or other accommodation on the same erf, the use of which is incidental to the use of such factory. |
| "Land reform beneficiary" | in relation to a property, means a person who- <ul style="list-style-type: none">a. acquired the property through-<ul style="list-style-type: none">(i) the Provision of land and Assistance Act, 1993 (<u>Act no 126 of 1993</u>); or(ii) the Restitution of Land Rights Act, 1994 (<u>Act No 22 of 1994</u>);b. holds the property subject to the Communal Property Associations Act, 1996 (<u>Act no 28 of 1996</u>); or |

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| | c. holds or acquires the property in terms of such other land tenure reform legislation as may pursuant to <u>section 25 (6) and (7) of the Constitution</u> be enacted after this Act has taken effect; |
| "Land tenure right" | means an old order right or a new order right as defined in <u>section 1</u> of the Communal Land Rights Act, 2004; |
| "Local community" | in relation to a municipality- <ol style="list-style-type: none"> a. means that body of persons comprising- <ol style="list-style-type: none"> (i) the residents of the municipality (ii) the ratepayers of the municipality (iii) any civic organizations and non-governmental, private sector or labour organizations or bodies which are involved in local affairs within the municipality; and (iv) visitors and other people residing outside the municipality who, because of their presence in the municipality, make use of services or facilities provided by the municipality; and b. includes, more specifically, the poor and other disadvantaged sections of such body of persons; |
| "Local municipality" | means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls, and which is described in <u>section 155(1) of the Constitution</u> as a category B municipality; |
| "Mining" | means any operation or activity for the purpose of extracting any mineral on, in or under the earth, water or any residue deposit, whether by underground or open working or otherwise and includes any operation of activity incidental thereto. |
| "Municipal" | means owned and exclusively used by the municipality. |
| "Multiple uses" | means a property that cannot be assigned to a single category due to the different uses of the property. |
| "Market value" | in relation to a property, means the value of the property determined in accordance with <u>section 46</u> ; |
| "MEC for local government" | means the member of the Executive Council of a province who is responsible for local government in that province; |
| "metropolitan municipality" | means a municipality that has exclusive executive and legislative authority in its area, and which is described in <u>section 155(1) of the Constitution</u> as a category A municipality; |
| "Minister" | means the Cabinet member responsible for local government; "multiple purposes", in relation to a property, means the use of a property for more than one purpose; |
| "Municipal council" or "council" | means a municipal council referred to in <u>section 18</u> of the municipal Structures Act; |

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- "Municipal Finance Management Act"** means the local Government: Municipal Finance Management Act, 2003 (Act no 56 of 2003);
- "Municipality"**
- (a) as a corporate entity, means a municipality described in section 2 of the Municipal Systems Act; and
 - b) as a geographical area, means a municipal area demarcated in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No 27 of 1998);
- "Municipal manager"** means a person appointed in terms of Section 82 of the Municipal Structures Act;
- "Municipal Structures Act"** means the Local Government: Municipal Structures Act, 1998 (Act no 117 Of 1998);
- "Municipal Systems Act"** means the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000);
- "municipal valuer" or "valuer of a municipality"** means a person designated as a municipal valuer in terms of section 33 (1);
- "Newly rateable property"** means any rateable property on which property rates were not levied before the end of the financial year preceding the date on which this Act took effect, excluding-
- a property which was incorrectly omitted from a valuation roll and for that reason was not rated before that date; and
 - a property identified by the Minister by notice in the Gazette where the phasing-in of a rate is not justified.
- "New private infrastructure developments"** means single properties divided (through subdivision or township establishment) into 10 or more full title units and all services, inclusive of water, sewerage, electricity and roads are installed by the developer at his own cost.
- "Non-urban land"** means land which is not situated in an approved township and used for residential or agricultural purposes or not in use.
- "occupier",** in relation to a property, means a person in actual occupation of a property, whether or not that person has a right to occupy the property;
- "Organ of state"** means an organ of state as defined in section 239 of the Constitution
- "Owner"**
- In relation to a property referred to in paragraph (a) of the definition of "property", means a person in whose name ownership of the property is registered;
 - In relation to a right referred to in paragraph (b) of the definition of "property", means a person in whose name right is registered;
 - In relation to a land tenure right referred to in paragraph (c) of the definition of "property", means a person in whose name the right is registered or to whom it was granted in terms of legislation; or
- In relation to public service infrastructure referred to in paragraph 9(d) of the definition of "property", means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of "public controlled", provided that a person mentioned

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below may for the purposes of this Act be regarded by a municipality as the owner of a property in the following cases:

- (i) A trustee, in the case of a property in a trust excluding state trust land ;
- (ii) An executor or administrator, in the case of a property in a deceased estate;
- (iii) A trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;
- (iv) A judicial manager, in the case of a property in the estate of a person under judicial management.
- (v) A curator, in the case of a property in the estate of a person under curator ship;
- (vi) A person in whose name a usufruct or other personal servitude;
- (vii) A lessee, in the case of a property that is registered in the name of a municipality and is leased by it: or
- (viii) A buyer, in the case of a property that was sold by a municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer;

"Permitted use"

in relation to a property, means the limited purposes for which the property may be used in terms of-

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

"Person"

includes an organ of state;

"Prescribe"

means prescribe by regulation in terms of section 83;

"Privately owned towns serviced by the owner"

means single properties, situated in an area not ordinarily being serviced by the municipality, divided through sub division or township establishment into (ten or more) full title stands and/ or sectional units and where all services inclusive of water, electricity, sewerage and refuse removal and road development are installed at the full cost of the developer and maintained and rendered by the residents of such estate.

"Property" means-

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

"Property register" means a register of properties referred to in section 23;

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"Protected area" means an area that is or has to be listed in the register referred to in section 10 of the Protected Areas Act;

"Protected Areas Act" means the National Environmental Management: Protected Areas Act, 2003;

"publicly controlled" means owned by or otherwise under the control of an organ or state including-

- a. a public entity listed in the Public Finance Management Act, 199 (Act no 1 of 1999);
- b. a municipality; or
- c. a municipal entity as defined in the Municipal Systems Act;

"public service infrastructure" means publicly controlled infrastructure of the following kinds:

- a. national, provincial or other public roads on which goods, services or labour move across a municipal boundary;
- b. water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water sewer scheme serving the public;
- c. power stations, power substations or power lines forming part of an electricity scheme serving the public;
- d. gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;
- e. railway lines forming part of a national railway system;
- f. communication towers, masts, exchanges or lines forming part of a communication system serving the public;
- g. runways or aprons at national or provincial airports;
- h. breakwaters, sea walls, channels, basins, quay walls, jetties, roads, railway or infrastructure used for the provision of water, lights, power, sewerage or similar services of ports, or navigational aids comprising lighthouses, radio navigational aids, buoys, beacons or any other device or system used to assist the safe and efficient navigation of vessels;
- i. any other publicly controlled infrastructure as may be prescribed; or
rights of way, easements or servitudes in connection with infrastructure mentioned in paragraphs (a) to (i);

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- "Public benefits organization"** means an organization conducting specified public benefit activities as defined in the Act and registered in terms of the Income Tax Act for tax reductions because of those activities.
- "Protected area"** means an area that is or has to be listed in the register referred to in section 10 of the National Environmental Management: Protected Areas Act, 2003.
- "Public worship"** means a property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered in the name of that community which is occupied by an office-bearer of that community who officiates at services at that place of worship.
- "Rate"** means a municipal rate on property envisaged in section 229(1) (a) of the Constitution;
- "Rateable property"** means property on which a municipality may in terms of section 2 levy a rate, excluding property fully excluded from the levying of rates in terms of section 17;
- "Rebate"** in relation to a rate payable on a property, means a discount granted in terms of section 15 on the amount of the rate payable on the property;
- "Reduction"** in relation to a rate payable on a property, means the lowering in terms of section 15 of the amount for which the property was valued and the rating of the property at that lower amount;
- "Register"-** means to record in a register in terms of-
- (i) The Deeds Registries Act, 1937 (Act no 47 of 1937); or
 - (ii) The Mining Titles Registration Act, 1967 (Act no 16 of 1967); and
- includes any other formal act in terms of any other legislation to record-
- A right to use land for or in connection with mining purposes; or
A land tenure right;
- "Residential"** means a suite of rooms which form a living unit that is exclusively used for human habitation purposes, or a multiple number of such units on a property, excluding a hotel, commune, boarding and lodging undertaking, hostel and place of instruction.
- "Residential property"** means a property included in a valuation roll in terms of section 48 (2) (b) as residential;
- "Sectional Titles Act"** means the Sectional Titles Act, 1986 (Act no 95 of 1986);
- "Sectional title scheme"** means a scheme defined in section 1 of the Sectional Titles Act'
- "Sectional titles unit"** means a unit defined in section 1 of the Sectional Titles Act;
- "Specified public benefit activity"** means an activity listed in item 1 (welfare and humanitarian), item 2 (health care) and item 4 (education and development) of part 1 of the Ninth Schedule to the Income Tax Act;
- "State trust land"** means land owned by the state-
- a. in trust for persons communally inhabiting the land in terms of a traditional system of land tenure;
 - b. over which land tenure rights were registered or granted; or which is earmarked for disposal in terms of the Restitution of Land Rights Act, 1994 (Act No 22 of 1994);

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“Tax base” means the values as reflected in the officially approved valuation roll of the municipality.

“Urban land” means land which is situated within a proclaimed township.

“Zoning” means the purpose for which land may lawfully be used or on which buildings may be erected or used, or both, as contained in an applicable town planning scheme and “zoned “ has a corresponding meaning.

“Vacant land” means:

- Land where no immovable improvements have been erected; or
- The value added by the immovable improvements is less than 10% of the value of the land.
- Vacant land is categorized according to the permitted use of the property and is not regarded as a separate category of property.

All other terms are used within the context of the definitions contained in the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004)

PART 3: POLICY PRINCIPLES

3.1 Rates are levied in accordance with the Act as an amount in the rand based on the market value of all rateable property contained in the municipality’s valuation roll and supplementary valuation roll.

3.2 As allowed for in the Act, the municipality has chosen to differentiate between various categories of property and categories of owners of property. Some categories of property and categories of owners are granted relief from rates. The municipality however does not grant relief in respect of payments for rates to any category of owners or properties, or to owners of properties on an individual basis, other than by way of an exemption, rebate or reduction provided for in this policy.

3.3 There would be no phasing in of rates based on the new valuation roll, except as prescribed by legislation.

3.4 The rates policy for the municipality is based on the following principles:

- An autonomous tax – the determination and levying of the tax will be in the discretion of the Council of the municipality;
- A productive tax – an appropriate difference between the income and the cost of the tax;
- An as broad as possible tax base – the base is the valuation roll, with as little as possible tax avoidance and – evasion;
- A tax, which takes ability-to-pay and benefits received into account in ensuring horizontal and vertical fairness;
- A progressive tax system, which in relation taxes the rich more than the poor.
- A tax, which attracts the correct activities to the municipality, ensuring a caring municipality, and discourages, unwanted activities;
- An impartial tax with exemptions, reductions and rebates where appropriate;

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- An easy tax system that simplifies calculating, enquiries, payments and making arrangements;
- A simple tax, which ensure low administration -, compliance and collection costs;

Further to the abovementioned principles, the Council will also take into account the following:

- a. Equity: The municipality will treat all ratepayers with similar properties the same
- b. Affordability: The ability of a person to pay rates will be taken into account by the municipality. In dealing with the poor/indigent ratepayers the municipality will provide relief through exemptions, reductions or rebates.
- c. Sustainability: Rating of property will be implemented in a way that:
 - (i) it supports sustainable local government by providing a stable and buoyant revenue source within the discretionary control of the municipality; and
 - (ii) supports local social economic development
- d. Cost efficiency Rates: will be based on the value of all rateable property and the amount required by the municipality to balance the operating budget after taking into account profits generated on trading (water, electricity) and economic (refuse removal, sewerage removal) services and the amounts required to finance exemptions, rebates, reductions and phasing-in of rates as approved by the municipality from time to time.

PART 4. OBJECTIVES AND SCOPE OF THE POLICY

4. Strategic Focus

4.1 Policy Objectives

- To ensure certainty and clarity as to amounts payable in respect of property rates;
- To ensure the promotion of efficient, economic and effective use of resources;
- To promote development and endeavour to attract investment for job creation;
- To spread the rates burden impartially, fairly, equitably and without bias;
- to create an opportunity for public participation in policy making;
- To contribute towards the accountability of the municipality;
- To contribute towards the transparency of the municipality;
- To contribute towards the financial sustainability of the municipality;

And

- To protect citizens against exploitation by the municipality.
- Sureness of the tax and the income from this source;
- A tax with which the citizens of the municipality can identify and which breeds high tax morality;
- A tax system and – policy, which is subject to community participation and social control.

4.2 Scope of the Policy

This policy document guides the annual setting (or revision) of property rates. It does not make specific property rates proposals. Details pertaining to the applications of the various property rates will be published in the Provincial Gazette and the Municipality's schedule of tariffs, which must be read in conjunction with this policy.

4.2.1 Determining the rate on property, exemptions, rebates and reductions

The Council of the municipality has to annually consider:

- The impact of rates on the community;
- The impact of rates on businesses;
- The current economic climate;
- The Integrated Development Plan (IDP) of the municipality;
- The Town Development Strategy and Financial Plan of the municipality;
- mitigating major shocks to ratepayers when moving from a site rating on the total market value (land and buildings) of a property.

In developing and adopting this rates policy, the council has sought to give effect to the sentiments expressed in the preamble of the Property Rates Act, namely that:

- The Constitution enjoins local government to be developmental in nature, in addressing the service delivery priorities of our country and promoting the economic and financial viability of our municipalities;
- There is a need to provide local government with access to a sufficient and buoyant source of revenue necessary to fulfill its developmental responsibilities;
- Revenues derived from property rates represent a critical source of income for Municipalities to achieve their constitutional objectives, especially in areas neglected in the past because of racially discriminator legislation and practices;

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And

- it is essential that municipalities exercise their power to impose rates within a statutory framework which enhances certainty, uniformity and simplicity across the nation, and which takes account of historical imbalances and the burden of rates on the poor. In applying its rates policy, the council shall adhere to all the requirements of the Property Rates Act no. 6 of 2004 including any regulations promulgated in terms of that Act.

PART 5: APPLICATION OF THE POLICY AND IMPOSITION OF RATES

The council shall as part of each annual operating budget component impose a rate in the rand on the market value of all rateable property as recorded in the municipality's valuation roll and supplementary valuation roll. Rateable property shall include any rights registered against such property, with the exception of a mortgage bond.

The council shall, in imposing the rate for each financial year, take proper cognizance of the aggregate burden of rates and service charges on representative property owners, in the various categories of property ownership, and of the extent to which this burden is or remains competitive with the comparable burden in other municipalities within the local economic region.

PART 6: CLASSIFICATION OF SERVICES AND EXPENDITURE.

6.1 The municipal manager or his/her nominee must, subject to the guidelines provided by the National Treasury and Executive Mayor or Committee of the municipality, make provision for the following classification of services:-

- a. Trading services
 - i. Water
 - ii. Electricity
- b. Economic services
 - i. Refuse removal
 - ii. Sewerage disposal
- c. Community services (where applicable)
 - i. Air pollution
 - ii. Fire fighting services
 - iii. Local tourism
 - iv. Municipal planning

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- v. Municipal public works, only in respect of the needs of municipalities in the discharge of their responsibilities and to administer functions specially assigned to them under the Constitution or any other law.
- vi. Storm water management system in built-up areas.
- vii. Trading regulations
- viii. Fixed billboards and the display of advertisements in public places.
- ix. Cemeteries
- x. Control of public nuisances
- xi. Control of undertakings that sell liquor to the public
- xii. Township development
- xiii. Facilities for accommodation, care and burial of animals
- xiv. Fencing and fences
- xv. Licensing of dogs
- xvi. Licensing and control of undertakings that sell food to the public
- xvii. Local amenities
- xviii. Local sport facilities
- xix. Municipal parks and recreation
- xx. Municipal roads
- xxi. Noise pollution
- xxii. Pounds
- xxiii. Public places
- xxiv. Street trading/street lighting
- xxv. Traffic and parking
- xxvi. Building control
- xxvii. Licensing of motor vehicles and transport permits
- xxviii. Nature reserves
- xxix. Forestry

d. Subsidized services

- i. Health and ambulance
- ii. Libraries and museums
- iii. Proclaimed roads.

6.2 Trading and economic services must be ring fenced and financed from service charges while community and subsidized services will be financed from profits on trading and economic services, regulatory fees, rates and rates related income.

6.3 Expenditure will be classified in the following categories:

- a. Salaries, wages and allowances
- b. Bulk purchases
- c. General expenditure
- d. Repairs and maintenance
- e. Capital charges (interest and redemption)/depreciation
- f. Contribution of fixed assets
- g. Contribution to funds-

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- (i) bad debts
 - (ii) working capital; and
 - (iii) statutory funds.
- h. Contribution to reserves
 - i. Gross expenditure
 - j. Less charge-out
 - k. Net expenditure
 - l. Income
 - m. Surplus/Deficit

6.4 Cost centres will be created to which the costs associated with providing the service can be allocated-

- a. by Department
- b. by Section/service; and
- c. by Division/service.

6.5 The subjective classification of expenditure each with a unique vote will be applied to all cost centres.

PART 7: CATEGORIES OF PROPERTY

In determining whether a property forms part of a particular category indicated below, the municipality shall have regard to the actual as well as the permitted use to which the relevant property is put. In the case of vacant land not specifically included in any of the categories indicated in schedule 1, the permitted use of the property shall determine into which category it falls.

The categories of property for the municipality include :

- Residential Properties
- Industrial Properties
- Business & Commercial Properties
- Farm Properties used for Agricultural purposes
- Farm Properties used for other Business & Commercial purposes
- Farm Properties used for Residential purposes
- Farm Properties used for purposes other than those specified above
- Farm Properties not used for any purpose
- Smallholdings used for Agricultural purposes
- Smallholdings used for Residential purposes
- Smallholdings used for Industrial purposes
- Smallholdings used for Business & Commercial purposes
- Smallholdings used for purposes other than those specified above
- State owned Properties: Residential
- State owned Properties: Business and other

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- Municipal Properties
- Public Service Infrastructure
- Privately owned towns serviced by the owner
- Formal settlements: all properties with a rateable value of up to R30 000 and informal settlements registered.
- Communal Land
- State Trust Land
- Protected Areas
- Properties on which national monuments are proclaimed
- Properties owned by public benefit organizations and used for any specific public benefit activities
- Properties used for Multiple purposes
- Properties used for Public Worship (Churches)
- Property registered in the name of and used primarily as a place of worship by a religious community, including an official residence.
- Roads owned by private persons
- Schools owned by private persons
- Dams owned by private persons
- Sectional Schemes Residential
- Sectional Schemes Business
- Undeveloped properties and/or any other category of property not mentioned above.

AND:

Property acquired through the Provision of Land and Assistance Act, 1993 (Act No.126 of 1993), or the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994); or
(ii) which is subject to the Communal Property Associations Act, 1996 (Act No. 28 of 1996);

PART 8: CATEGORIES OF OWNERS:

Criteria for determining categories of owners of properties, for the purpose of granting exemptions, rebates and reductions will be according to the-

8.1 The criteria may include, but not necessarily be limited to:

- a. Owner/s of a residential property with a source of income within a determined threshold
- b. indigent status of the owner of a residential property in terms of the Municipality's indigent policy
- c. the age of the owner
- d. owners dependant on pensions or social grants for their livelihood
- e. owners of property situated within an area affected by-

- (1) a disaster within the meaning of the Disaster Management Act, 2002 (Act No.57 of 2002); or

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- (2) serious adverse social or economic conditions unique to a certain or identified area.
 - f. Owners of residential properties with a market value below an amount determined by the Council.
 - g. If the property has been assigned to a certain category which the municipality has specifically identified for purposes of exemptions, rebates or reductions.
 - h. Owners of agricultural land who are bona fide farmers
- 8.2 The municipality may determine the categories of owners in accordance with section 7 of this policy for purposes of granting exemptions, rebates or reductions in rates, and such categories of owners, may include, but not necessarily be limited to:
- a. indigent owners in terms of the Municipality indigent policy;
 - b. owners dependent on pensions or social grants for their livelihood
 - c. owners temporarily without an income
 - d. owners of property situated within an area affected by
 - e. a disaster within the meaning of the Disaster Management Act 57 of 2002
 - f. any other serious adverse social or economic conditions
 - g. owners of residential properties with a market value below an amount determined by the Municipality
 - h. owners of agricultural properties who are bona fide farmers

PART 9: PROPERTIES USED FOR MULTIPLE PURPOSES:

Rates on properties used for multiple purposes will be levied on properties used for-

- a. a purpose corresponding with the permitted use of the property, if the permitted use of the property is regulated;
- b. a purpose corresponding with the dominant use of the property;
- c. by apportioning the market value of a property to the different purposes for which the property is used; and
- d. applying the relevant cent amount in the rand to the corresponding apportioned market value.

PART 10: DIFFERENTIAL RATING:

- 10.1 The municipality has the right, but is not compelled, to levy different rates for different categories of rateable properties
- 10.2 The criteria in determining these different categories of rateable property shall include but not necessarily be limited to the following factors
- a. The use of the property, which can be broadly divided into the following categories
 - (i) the actual use of the property
 - (ii) the permitted use of the property
 - (iii) the geographical area where the property is situated

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10.3 Differential rating among the various property categories will be done by way of setting different rate for each property category and/or

10.3.1 by way of reductions and rebates.

PART 11: RELIEF MECHANISMS-EXEMPTIONS

In imposing the rate in the rand for each annual operating budget component, the council shall grant exemptions, rebates and reductions to the categories of properties and categories of owners indicated in the under mentioned schedule, but the council reserves the right to amend these exemptions, rebates and reductions if the circumstances of a particular annual budget so dictate.

In determining whether a property forms part of a particular category indicated below, the municipality shall have regard to the actual use to which the relevant property is put. In the case of vacant land not specifically included in any of the categories indicated in schedule, the permitted use of the property shall determine into which category it falls.

11.1 The following categories of property are exempted from rates:

| <u>CATEGORY</u> | <u>COMMENT</u> |
|--|--|
| (a) Municipal properties (Own municipality) | Municipal properties are exempted from paying rates as it will increase the rates burden or service charges to property owners or consumers. rateable property registered in the name of the Municipality and which is let by the Municipality for not more than a nominal rent as determined by the Municipality is excluded from this exemption |
| (b) Residential properties | All residential properties with a market value of less than R40 000-00 are exempted from paying rates. The R15 000-00 impermissible rates contemplated in terms of section 17(1) (h) of the Property Rates Act is included in the R40 000-00 amount. This is an important part of the council's indigent policy and is aimed primarily at alleviating poverty |
| (c) Cemeteries and crematoriums | Registered in the names of private persons and operated not for gain. |
| (d) Public service Infrastructure | Public Service infrastructure is exempted from paying rates as they provide essential services to the community |

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| <p>(e) <u>Public Benefit Organizations</u></p> <p>The following Public Benefit Organizations may apply for the exemption of property rates subject to producing a tax exemption certificate issued by the South African Revenue Services (SARS) as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act, 1962 (No 58 of 1962):</p> | |
| <p><u>(1) Health care institutions</u></p> | <p>Properties used exclusively as a hospital, clinic and mental hospital, including workshops used by the inmates, laundry or cafeteria facilities, provided that any profits from the use of the property are used entirely for the benefit of the institution and/or to charitable purposes within the municipality.</p> |
| <p><u>(2) Registered Welfare institutions</u></p> | <p>Properties used exclusively as an orphanage, non-profit retirement villages, old age home or benevolent institution, including workshops used by the inmates, laundry or cafeteria facilities, provided that any profits from the use of the property are used entirely for the benefit of the institution and/or to charitable purposes within the municipality</p> |
| <p><u>(3) Educational institutions</u></p> | <p>Property belonging to educational institutions declared or registered by law and not operated for gain.</p> |
| <p><u>(4) Independent schools</u></p> | <p>Property used by registered independent schools for educational purposes only.</p> |
| <p><u>(5) Charitable institutions</u></p> | <p>Property belonging to not-for-gain institutions or organizations that perform charitable work.</p> |
| <p><u>(6) Sporting bodies</u></p> | <p>Property used by an organization whose sole purpose is so use the property for sporting purposes on a non-professional basis and not operated for gain.</p> |
| <p><u>(7) Cultural institutions</u></p> | <p>Properties declared in terms of the Cultural Institutions Act, Act 29 of 1969 of the Cultural Institutions Act, Act 66 of 1989.</p> |
| <p><u>(8) Museums, libraries, art galleries and botanical gardens</u></p> | <p>Registered in the name of private persons, open to the public and not operated for gain.</p> |

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| <u>(9) Youth development organizations</u> | Property owned and/or used by organizations for the provision of youth leadership or development programmes. |
| <u>(10) Animal welfare</u> | Property owned or used by institution/organizations for the provision exclusive aim is to protect birds, reptiles and animals on a not-for-gain basis. |

11.2 Exemptions will be subject to the following conditions:

- a. all applications must be addressed in writing to the municipality in the prescribed manner or application form;
- b. a SARS tax exemption certificate must be attached to all applications
- c. The municipal manager or his/her nominee must approve all applications
- d. Applications must reach the municipality before the end of October preceding the start of the new municipal financial year for which relief is sought; and
- e. The municipality retains the right to refuse exemptions if the details supplied in the application from where incomplete, incorrect or false.

Note:

MEASURES TO ASSIST PUBLIC BENEFIT ORGANISATIONS

The Municipality may grant a % rebate (to be determined by resolution of the council), of rates otherwise payable to it by any public benefit organization referred to in Section 18A and Part 1 of the 9th Schedule of the Income Tax Act, No 58 of 1962, provided that such organization has been approved as such by SARS in accordance with Section 30 of the Act.

PART 12 REDUCTIONS

12.1 A reduction in the municipal valuation as contemplated in section 15(1)(b) of the Act will be granted where the value of a property is affected by:-

- a. a disaster within the meaning of the Disaster Management Act, 2002 (Act no 57 of 2002); or
- b. any other serious adverse social economic conditions

12.2 The reduction will be in relation to the certificate issued for this purpose by the municipal valuer.

12.3 All categories of owners can apply for a reduction in the rates payable as described above.

12.4 Description of category of Property

Criteria

- | | |
|----------------|----------|
| a. Residential | 11(1)(e) |
| b. Industrial | 11(1)(e) |
| c. Business | 11(1)(e) |

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| d. Agricultural | 11(1)(e) |
| e. State owned properties | 11(1)(e) |
| f. Municipal properties | 11(1)(e) |
| g. Public service infrastructure | 11(1)(e) |
| h. Informal settlements | 11(1)(e) |
| i. Properties- | |
| (i) Acquired through the Provision of Land Assistance Act, 1993 or the Restitution of Land Rights Act, 1994, or | 11(1)(e) |
| (ii) which is subject to the Communal Property Associations Act, 1996 | 11(1)(e) |
| j. Protected areas | 11(1)(e) |
| k. National monuments | 11(1)(e) |
| l. Public benefit organizations (part 1 of the Ninth Schedule to the Income Tax Act) | 11(1)(e) |
| m. Multiple purposes | 11(1)(e) |
| n. Private towns serviced by the developers | 11(1)(e) |
| o. Private towns serviced and maintained by the developers | 11(1)(e) |

12.5 Criteria for granting reductions

- a. A reduction in the municipal valuation as contemplated in section 15(1) (b) of the Act will be granted where the value of a property is affected by fire damage, demolition or floods.
- b. The reduction will be in relation to the certificate issued for this purpose by the municipal valuer.

PART 13 REBATES

13.1 Category of property

| | <u>CATEGORY OF PROPERTY</u> | <u>REBATE</u> |
|---|--|--------------------------------------|
| * | Residential properties or properties of any category used for multiple purposes where the residential component represents on average 90% or more of the property's actual use: <u>With improvements</u> <u>Without improvements</u> <u>Private owned:</u> Town serviced by owner, for improved residential properties an additional | 40 % None 10 % |
| * | Industrial properties | None |

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| * | Business and Commercial Properties | None |
| * | <u>Farm portions and Agricultural Holdings</u> | |
| | Agricultural properties may be granted a rebate subject to the owner providing the Municipality with required information in an affidavit received not later than 30 September each year unless a different date is determined by Council for a specific year. | |
| | Qualifying requirements are that the owner should provide proof that he is registered as a bona fide farmer with SARS, <u>or</u> where the owner is not taxed as a farmer, proof is required that income from farming activities exceeds 40% of the household income. | |
| | <u>Rebates may be granted on the following as outlined hereunder:</u> | |
| * | <u>The extent of municipal services provided to farm portions/agricultural holdings</u> | |
| * | -if there are no municipal roads next to the property | 7.5 % |
| * | -if there is no municipal sewerage to the property | 7.5 % |
| * | - if there is no municipal electricity supply to the property | 7.5 % |
| * | - if water is not supplied by the municipality | 20 % |
| * | - if there is no refuse removal that is provided by the municipality | 7.5 % |
| * | <u>The contribution of agriculture to the local economy</u> | |
| * | - A rebate may be granted to agricultural property that contributes substantially to job creation, and the salaries/wages of farm workers are reasonable, e.g. if they meet minimum standards set by government or if they are in line with the sector's average. | 5 % |
| * | <u>The extent to which agriculture assists in meeting service delivery and development obligations of the municipality and contribution to the social and economic welfare of farm workers</u> | |
| * | - if the owner provides permanent residential property to the farm workers and such property is registered in the name of these farm workers | 5 % |
| * | - if such residential properties are provided with potable water | 5 % |

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| * | - if such residential properties are electrified by the farmer | 5 % |
| * | - if the farmer avails his land/buildings to be used for cemetery, education and recreational purposes of the farm worker's children, the nearby community etc. | 5 % |
| * | <u>STATE OWNED AND OTHER PROPERTIES.</u> | |
| * | State-owned properties : Residential | 20 % |
| * | State-owned properties : Public Service Infrastructure | 30 % |
| * | State-owned properties : Schools & Hospitals | 50 % |
| * | State-owned properties : Other | None |
| * | Municipal Properties : Residential | 100 % |
| | Municipal Properties : Residential-for occupation by Mayor | 100% |
| | Municipal Properties : Residential-rented out to staff and other parties | None |
| * | Municipal Properties: Public Service Infrastructure | 100 % |
| * | Municipal Properties : Other Municipalities | None |
| * | Privately Owned Schools and Hospitals | 50 % |
| * | Old age institutions registered at the Department of Welfare | 100% |
| * | Formal and Informal Settlements ; All properties with a rateable value of up to R50 000 | 60 % |
| * | Communal Land | 50 % |
| * | State Trust Land | 50 % |
| * | Protected Areas | 100% |
| * | Properties on which national monuments are situated, and where no business or commercial activities are conducted in respect of such monuments | 100 % |
| * | Properties on which national monuments are situated, but where business or commercial activities are conducted in respect of such monuments | 40 % |
| * | Properties owned by public benefit organisations registered at the Department of Welfare and used to further the objectives of such organizations | 100 % |
| * | Properties belonging to a land reform beneficiary or his or her heirs for the first 10 years after the registration of the title in the office of the Registrar of Deeds | 100 % |
| * | Property registered in the name of and used primarily as a place of worship by a religious community, including an official residence | 100 % |

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NOTE: In addition to the foregoing, the first R15 000 of the market value of all residential properties and of all properties used for multiple purposes, provided one or more components of such properties are used for residential purposes, is exempt from the payment of rates in terms of Section 17(1)(h) of the Property Rates Act.

Municipal properties shall exclude properties owned or used by other municipalities.

Properties used for multiple purposes, other than those referred to under residential properties above, shall be rated on the value assigned to each component, and shall receive the rebate applicable to such component. Where one component on average represents 90% or more of the property's actual use, such property shall be rated as though it were used for that use only.

- (i) The following categories of owners of properties shall additionally receive the following rebates on the rates due in respect of such properties after deducting the rebate to residential properties, where applicable:

| <u>CATEGORY OF PROPERTY OWNERS</u> | <u>REBATE</u> |
|---|--|
| Residential property owners who are both the permanent occupants and the sole owners of the property concerned and who are <u>registered indigents</u> in terms of the Councils indigent management policy. | 100 % of the rates based on the rateable value up to R100 000 <u>and</u> 75% of the rates based on the rateable value above R150 000. |
| Residential property owners who are over 60 years of age, who are both the permanent occupants and the sole owners of the property concerned and whose aggregate joint household income is proved to be to the satisfaction of the municipal manager not to exceed R3 000 per month, or such other amount as the Council may from time to time determine. | 100 % of the rates based on the rateable value up to R100 000, 50 % of the rates based on the rateable value above 100 000 but below R150 000 <u>and</u> 40% of the rates based on the rateable value above R150 000. |
| <u>Applicants who are:</u> <u>Medically unfit, disabled and retired due to medical reasons</u> | 100 % of the rates based on the rateable value up to R100 000, |
| • Applicants qualify irrespective the age on | 50 % of the rates based on the rateable |

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| <p>condition that a medical certificate be produced to Council.</p> <ul style="list-style-type: none"> • The maximum income must not exceed the perk laid down by Council from time to time. • The Applicant must be a registered owner of the property, living on the property and have occupied it for at least 5 years. • The Applicant cannot be a registered owner of more than one property in the Municipal area. <p>A rebate as determined on the above mentioned rates shall apply for residential applicants who qualify in terms of these criteria.</p> | <p>value above 100 000 but below R150 000</p> <p><u>and</u></p> <p>40% of the rates based on the rateable value above R150 000.</p> |
|---|---|

COMPULSARY APPLICATION FOR REBATES:

- (ii) Property owners must apply on a prescribed application form for a rebate as determined by the municipality
- (iii) Applications must be accompanied by-
 - (a) a certified copy of the identity document or any other proof of the owners age which is acceptable to the municipality
 - (b) sufficient proof of income of the owner and his/her spouse;
 - (c) an affidavit from the owner
 - (d) if the owner is a disabled person proof of a disability pension payable by the state must be supplied ; and
 - (e) if the owner has retired at an earlier stage for medical reasons proof therefore must be submitted.
- (iv) These applications must reach the municipality before the end of October preceding the start of the new municipal financial year for which relief is sought.
- (v) The municipality retains the right to refuse rebates if the details supplied in the application form were incomplete, incorrect or false.

13.2 Properties with a market value below a prescribed valuation level

These properties may, instead of a rate determined on the market value, be levied a uniform fixed amount per property

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The council grants the above rebates in recognition of the following factors:

- The inability of residential property owners to pass on the burden of rates, as opposed to the ability of the owners of business, commercial, industrial and certain other properties to recover such rates as part of the expenses associated with the goods or services which they produce.
 - The need to accommodate indigents and less affluent pensioners.
 - The services provided to the community by public service organizations, schools and hospitals.
 - The value of agricultural activities to the local economy coupled with the limited municipal services extended to such activities, but also taking into account the municipal services provided to municipal residents who are employed in such activities.
 - The need to preserve the cultural heritage of the local community.
 - The need to encourage the expansion of public service infrastructure.
 - The indispensable contribution which property developers (especially in regard to commercial and industrial property development) make towards local economic development, and the continuing need to encourage such development.
 - The requirements of the Property Rates Act no. 6 of 2004.
- The municipal manager shall ensure that the revenues forgone in respect of the foregoing rebates are appropriately disclosed in each annual operating budget component and in the annual financial statements and annual report, and that such rebates are also clearly indicated on the rates accounts submitted to each property owner.

a. The benefit to the community of granting relief measures will be.

- (i) The promotion of local economic development including attracting business establishment
- (ii) Creation of employment for municipal residents
- (iii) Promotion of service delivery, for example by farmers;

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- (iv) Poverty alleviation to the indigents;
- (v) Social development and moral development, for example, by religious institutions, sport institutions, schools and other non governmental organizations which promote health and other benefit to the community; and
- (vi) Improved local economic growth.

PART 14: RATES INCREASES

- (a) The municipality will consider increasing rates annually during the budget process in terms of the guidelines issued by National Treasury from time to time.
- (b) Rate increases will be used to finance the increase in operating costs of community and subsidized services.
- (c) Relating to community and subsidized services the following annual adjustments will be made;
 - All salary and wage increases as agreed at the South African Local Government Bargaining Council.
 - An inflation adjustment for general expenditure, repairs and maintenance and contributions to statutory funds, and
 - Additional depreciation costs or interest and redemption on loans associated with the assets created during the previous financial year.
- (d) Extraordinary expenditure related to community services not foreseen during the previous budget period and approved by the council during a budget review process will be financed by an increase in property rates.
- (e) Affordability of rates to ratepayers
- (f) All increases in property rates will be communicated to the local community in terms of Chapter 4 of the Local Government: Municipal Systems Act, 32 of 2000.

PART 15 NOTIFICATION OF RATES

- (a) The municipality will give notice of all rates approved at the annual budget meeting at least 30 days prior to the date that the rates become effective. Accounts delivered after the 30 days notice will be based on the new rates.
- (b) A notice stating that purport of the municipality's resolution and the date on which the new rates become operational will be displayed by the municipality at places installed for that purpose.

PART 16 PAYMENT OF RATES AND ACCOUNTS TO BE FURNISHED

- 16.1. Ratepayers may choose between paying rates annually in one instalment on or before 30 September or in twelve equal instalments on or before the seventh day of the month following on the month in which it becomes payable.
- 16.2. If the owner of property that is subject to rates, notify the municipal manager or his/her nominee not later than 31 May in any financial year, or such later date in such financial year as may be determined by the municipal manager or his/her

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- nominee that he/she wishes to pay all rates in respect of such property in instalments, such owner shall be entitled to pay all rates in the subsequent financial year and each subsequent financial year in twelve instalments until such notice is withdrawn by him/her in a similar manner.
- 16.3. Interest on arrears rates, whether payable on or before 30 September or in equal monthly instalments, shall be calculated in accordance with the provisions of the credit control, debt collection and indigent policy of the municipality.
- 16.4. If a property owner, who is responsible for the payment of property rates in terms of this policy, fails to pay such rates in the prescribed manner, it will be recovered from him/her in accordance with the provisions of the Credit Control, Debt Collection and indigent policy of the Municipality.
- 16.5. Arrears rates shall be recovered from tenants, occupiers and agents of the owner, in terms of section 28 and 29 of the Act.
- 16.6 If an amount due for rates levied in respect of a property is unpaid by the owner of the property after the date determined, the municipality will recover the amount in whole or in part from the tenant or occupier of the property, despite any contractual obligation between the tenant and the owner. The Municipality will only recover the outstanding rates from the tenant or occupier after a written notice has been served to the tenant or occupier.
- 16.7 The amount that the municipality will recover from the tenant or occupier will be limited to the amount of the rent or other money due and payable, but not yet paid by the tenant or occupier to the owner of the property. The tenant or occupier must set off any amount recovered from them by the municipality against any money owed to the owner.
- 16.8 The tenant or occupier of a property will on request of the municipality, furnish the municipality with a written statement specifying all payments to be made by the tenant or occupier to the owner of the property for rent or other money payable on the property during a period as may be determined by the municipality.
- 16.9 If an amount due for rates levied in respect of a property is unpaid by the owner of the property after the date determined, the municipality will recover the amount in whole or in part from the agent of the owner. The Municipality will only recover the outstanding rates from the agent after a written notice has been served to the agent.
- 16.10 The amount that the municipality will recover from the agent will be limited to the amount of the rent or other money received by the agent on behalf of the owner less any commission due to the agent.
- 16.11 The agent will on request of the municipality, furnish the municipality with a written statement specifying all payments for rent on the property and any money received by the agent on behalf of the owner during a period as may be determined by the municipality.
- 16.12 A rate levied by the Municipality on a property must be paid by the owner of the property. Joint owners of a property are jointly and severally liable for the amount due for rates on that property.
- 16.13 Where the rates levied on a particular property have been incorrectly determined, whether because of an error or omission on the part of the Municipality or false information provided by the property owner concerned or a contravention of the permitted use to which the property concerned may be put, the rates payable shall be appropriately adjusted for the period extending from the date on which the error

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or omission is detected back to the date on which rates were first levied in terms of the current valuation roll.

- 16.14 In addition, where the error occurred because of false information provided by the property owner or as a result of a contravention of the permitted use of the property concerned interest on the unpaid portion of the adjusted rates payable shall be levied at the maximum rate permitted by prevailing legislation.

PAYMENT OF RATES ON PROPERTY IN SECTIONAL TITLE SCHEME

The rate levied on a sectional unit is payable by the owner of the unit. The Municipality may not recover the rate on such sectional title unit, or any part of such rate, from the body corporate controlling the sectional title scheme, except when the body corporate itself is the owner of any specific sectional title unit.

ACCOUNTS TO BE FURNISHED

The Municipality must furnish each person liable for the payment of a rate with a written account specifying:

- i) The amount due for rates payable;
- ii) The date on or before which the amount is payable;
- ii) How the amount was calculated;
- iii) The market value of the property;
- iv) Phasing in discount if applicable.

The person liable for payment of the rates remains liable for such payment whether or not such person has received a written account from the Municipality. If the person concerned has not received a written account, he/she must make the necessary enquiries from the Municipality.

PART 17 REGULAR REVIEW PROCESS

17.1 REGULAR REVIEW PROCESSES

The rates policy will be reviewed on an annual basis to ensure that it complies with the Municipality's strategic objectives as contained in the IDP and with legislation.

PART 18: SHORT TITLE

This policy is the Property Rates Policy of the Greater Marble Hall Local Municipality.

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PART 19: ENFORCEMENT/IMPLEMENTATION

This policy has been approved by the Municipality in terms of resolution dated the 29 May and comes into effect from 1 July 2008.

PART 20 LEGAL REQUIREMENTS

The legal requirements of the Act are attached as Annexure A to this policy document.

ANNEXURE "A"

LEGAL REQUIREMENTS

The annexure does not cover the complete contents of the Property Rates Act, but focus on those requirements that are immediately relevant to a municipality's rates policy. The provisions dealing with most of the valuation processes and with transitional arrangements are not covered in this annexure.

SECTION 2: POWER TO LEVY RATES

A metropolitan or local municipality may levy a rate on property in its municipal area. A Municipality must exercise its power to levy a rate on property subject to Section 229 and any other applicable provisions of the Constitution, the provisions of the present Act, and the rates policy it must adopt in terms of this Act.

SECTION 3: ADOPTION AND CONTENTS OF RATES POLICY

The council of a municipality must adopt a policy consistent with the present Act on the levying of rates on rateable property in the municipality

Such a rates policy will take effect on the effective date of the first valuation roll prepared by the municipality in terms of the present Act, and such policy must accompany the municipality's budget for the financial year concerned when that budget is tabled in the council in terms of the requirements of the Municipal Finance Management Act.

A rates policy must:

- Treat persons liable for rates equitably;
- Determine the criteria to be applied by the municipality if it;
- Levies different rates for different categories of property;
- Exempts a specific category of owners of properties, or the owners of a specific category of properties, from payment of a rate on their properties;
- Grant to a specific category of owners of properties, or to the owners of a specific category of properties, a rebate on or a reduction in the rate payable in respect of their properties;

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Determine or provide criteria for the determination of categories of properties for the purposes of levying different rates, and categories of owners of properties, or categories of properties, for the purpose of granting exemptions, rebates and reductions;

Determine how the municipality's powers in terms of Section 9 must be exercised in relation to properties used for multiple purposes;

Identify and quantify in terms of cost to the municipality and any benefit to the local community, exemptions, rebates and reductions, exclusions; and rates on properties that must be phased in terms of Section 21;

Take into account the effect of rates on the poor and include appropriate measures to alleviate the rates burden on them;

Take into account the effect of rates on organizations conducting specified public benefit activities and registered in terms of the Income Tax Act for tax reductions because of those activities, in the case of property owned and used by such organizations for those activities;

Take into account the effect of rates on public service infrastructure; allow the municipality to promote local, social and economic development; and

Identify, on a basis as may be prescribed, all rateable properties in a municipality that are not rated in terms of Section 7.

When considering the criteria to be applied in respect of any exemptions, rebates

And reductions on properties used for agricultural purposes, a municipality must take into account:

The extent of services provided by the municipality in respect of such properties;

The contribution of agriculture to the local economy;

The extent of which agriculture assists in meeting the service delivery and development obligations of the municipality; and

The contribution of agriculture to the social and economic welfare of farm workers

Any exemptions, rebates or reductions granted and provided for in the rates policy adopted by a municipality must comply and be implemented in accordance with a national framework that may be prescribed after consultation with organized local government

No municipality may grant relief in respect of the payment of rates to:

A category of owners of properties, or to the owners of a category of properties, other than by way of an exemption, rebate or reduction as provided for in its rates policy and granted in terms of Section 15 of the present Act; or

The owners of properties on an individual basis.

SECTION 4: COMMUNITY PARTICIPATION

Before a municipality adopts its rates policy, the municipality must follow the process of community participation envisaged in Chapter 4 of the Municipal Systems Act; and comply with the following requirements, as set out below.

The municipal manager of the municipality must:

EPHRAIM MOGALE LOCAL MUNICIPALITY PROPERTY RATES POLICY

Conspicuously display the draft rates policy for a period of at least 30 days at the municipality's head and satellite offices and libraries, and, if the municipality has an official website or a website available to it, on that website as well; and advertise in the media a notice stating that a draft rates policy has been prepared for submission to the council, and that such policy is available at the various municipal offices for public inspection, and (where applicable) is also available on the relevant website; and inviting the local community to submit comments and representations to the municipality within a period specified in the notice, but which period shall not be less than 30 days.

The council must take all comments and representations made to it into account when considers the draft rates policy,

SECTION 5: ANNUAL REVIEW OF RATES POLICY

The council must annually review, and- if needed – amend its rates policy. Any amendments to the rates policy must accompany the municipality's annual budget when it is tabled in the council in terms of the Municipal Finance Management Act

When the Council decides to amend the rates policy, community participation must be allowed for as part of the municipality's annual process.

SECTION 6: BY-LAWS TO GIVE EFFECT TO RATES POLICY

A municipality must adopt by-laws to give effect to the implementation of its rates policy, and such by-laws may differentiate between different categories of properties, and different categories of owners of properties liable for the payment of rates.

SECTION 7: RATES TOBE LEVIED ON ALL RATEABLE PROPERTY

When levying rates a municipality must levy such rates on all rateable property in its area, but it is nevertheless not obliged to levy rates on;

Properties of which the municipality itself is the owner

Public service infrastructure owned by a municipal entity

Rights registered against immoveable property in the name of a person;

Properties in respect of which it is impossible or unreasonably difficult to establish a market value because of legally insecure tenure attributable to past racially discriminatory laws or practices.

The requirement to levy rates on all rateable properties does not prevent a municipality from granting exemptions from rebates on or reductions in rates levied.

SECTION 8: DIFFERENTIAL RATES

A municipality may in terms of the criteria set out in its rates policy levy different rates for different categories of rateable property, and these categories may be determined according to the;

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Use of the property;
Permitted use of the property; or
Geographical area in which the property is situated

Categories of rateable property that may be determined include the following:

Residential properties
Industrial properties
Business and commercial properties
Farm properties used for
Agricultural purposes
Other business and commercial purposes
Residential purposes
Purposes other than those specified above
Farm properties not used for any purpose
Smallholdings used for:
Agricultural purposes
Residential purposes
Industrial purposes
Business and commercial purposes
Purpose other than those specified above
State owned properties
Municipal properties
Public service infrastructure
Privately owned towns serviced by the owner
Formal and informal settlements
Communal land
State trust land
Properties acquired through the provision of land Assistance Act 1993 or the Restitution of Land rights Act 1994 or which is subject to the Communal Property Associations Act 1996
Protected areas
Properties on which national monuments are proclaimed
Properties owned by public benefit organizations and used for any specific public benefit activities
Properties used for multiple purposes

SECTION 9: PROPERTIES USED FOR MULTIPLE PURPOSES

A property used for multiple purposes must, for rates purposes, be assigned to a category determined by the municipal for property used for:

A purpose corresponding with the permitted use of the property, if the permitted use of the property is regulated;

A purpose corresponding with the dominant use of the property; or multiple purposes, as specified in section 8 above.

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A rate levied on a property assigned to a category of properties used for a multiple purposes must be determined by:

Apportioning the market value of the property, in a manner as may be prescribed to the different purposes for which the property is used; and applying the rates applicable to the categories determined by the municipal for properties used for those purposes to the different market value apportionments.

SECTION 10: LEVYING OF RATES ON PROPERTY IN SECTIONAL TITLE SCHEMES

A rate on a property which is subject to a sectional title scheme must be levied on the individual sectional title units in the scheme, and not on the property on a whole.

SECTION 11: AMOUNT DUE FOR RATES

A rate levied by a municipality on property must be stated as an amount in the rand:

On the marked value of the property;

In the cases of public service infrastructure; on the market value of the public service infrastructure less 30% of that value;

In the case of property to which section 17(1)(h) applies, on the marked value of the property less the amount stated in that section (note the section concerned deals with the requirement that the first R15 000 of the market value of the certain properties is not rate able.)

SECTION 12: PERIODS FOR WHICH RATES MAY BE LEVIED

In levying rates, a municipality must levy the rates for a financial year. A rate lapse at the end of the financial year for which it was levied.

The levying of rates forms part of the municipality's annual budget process, and the municipality must therefore annually, at the time of its budget process, review the amount in the rand of its current rates in line with the annual budget for the next financial year.

SECTION 13: COMMENCEMENT OF RATES

A rate become payable as from the start of the particular financial year, or if the municipalities annual budget is not approved by the start of the financial year, as from such later date when the municipality's annual budget, including the resolution levying the rates, is approved by the provincial executive in terms of section 26 of the municipal finance management Act.

SECTION 14: PROMULGATION OF RESOLUTIONS LEVYING RATES

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A rate is levied by a municipality by a resolution passed by the council with a supporting vote of a simple majority of its members.

The resolution levying the rates must be promulgated the resolution in the provincial gazette.

Whenever a municipality passes a resolution to levy rates, the municipal manager must, without delay, conspicuously display the resolution for a period of at least 30 days at the municipality's head and satellite offices and libraries, and if the municipality has an official website or a website is available to it, on that website as well; and advertise in the media a notice stating that the resolution levying the property rates has been passed by the council, and the resolution is available at the municipality's head offices as so forth.

SECTION 15: EXEMPTIONS, REDUCTIONS AND REBATES

A municipality may in terms of the criteria, which it has set out its rates policy;

Exempt a specific category of owners of properties, or the owners of a specific category of properties, from payment of the rate levied on their property; or grant to a specific category of owners, or to the owners of a specific category of properties, a rebate on or a reduction in the rates payable in respect of their properties.

In granting exemptions, reductions and rebates in respect of owners or categories of properties, a municipality may determine such categories in accordance with section 8 of the present Act, and when granting exemptions, reductions or rebates in respect of categories or owners of properties, such categories may include:

Indigent owners;

Owners dependent on pensions or social grants for their livelihood;

Owners temporarily without income;

Owners of property situated within an area affected by a disaster or any other serious adverse social or economic conditions;

Owners of residential properties with a market value lower than an amount determined by municipality; and owners of agricultural properties who are bona fide farmers.

The municipal manager must annually table in the council:

A list of all exemptions, reductions and rebates granted by the municipality during the previous financial year, and

A statement reflecting the income, which the municipality has forgone during the previous financial year by way of such exemption, reductions and rebates, exclusions referred to in the Act, and the phasing in discount granted in terms of Section 21.

All exemptions, reductions and rebates projected for a financial year must be reflected in the municipality's annual budget for that year as income on the revenue side and expenditure on the expenditure side.

SECTION 16: CONSTITUTIONALLY IMPERMISSIBLE RATE

EPHRAIM MOGALE LOCAL MUNICIPALITY PROPERTY RATES POLICY

In terms of Constitution a municipality may not exercise its power to levy rates on property in a manner that materially and unreasonably prejudices national economic policies, economic across its boundaries, or the national mobility of goods, services, capital and labour.

If a rate on a specific category of properties, or a rate on a specific category of properties above a specific amount in the rand, is materially and unreasonably prejudicing any of the matters referred to above, the Minister of Provincial and Local Government may, by notice in the gazette, give notice to the relevant municipality that the rate must be limited to an amount in the rand specified in the notice.

SECTION 17: OTHER IMPERMISSIBLE RATES

A municipality may not levy on a rate on:

The first 30% of the market value of public service infrastructure:

Any part of the seashore;

Any part of the territorial waters of the Republic;

Any island of which the state is the owner;

Those parts of a special nature reserve, national park or nature reserve or national botanical garden, which are not developed or used for commercial, business, agricultural or residential purposes;

Mineral rights;

Property belonging to a land reform beneficiary or his or her heirs, provided that this exclusion lapses 10 years from the date on which such beneficiary's title was registered in the office of the registrar of the deeds;

The first R15 000 of the market value of a property assigned in the valuation roll or supplementary valuation roll to a category determined by the municipality for residential purposes or for properties used for multiple purposes, provided one or more components of the property are used for residential purposes;

A property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered in the name of the community which is occupied by an office bearer of that community and who officiates at services at the place of worship.

(The remainder of this section deals with situation where the various exemptions lapse)

SECTION 18: EXEMPTION OF MUNICIPALITIES FROM PROVISIONS OF SECTION 17

A municipality may apply in writing to the Minister for Provincial and Local Government to be exempted from applying the exemptions granted in respect of the first 30% of the market value of public infrastructure, the exemptions on nature reserves, national parks and national botanical gardens, the exemption on property belonging to land beneficiaries, and the exemption applying to the first R15 000 of the market value of residential and mixed use property, if the municipality can demonstrate that exclusions are compromising or impeding its ability or right to exercise its powers or perform its functions within the meaning of the Constitution.

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SECTION 19: IMPERMISSIBLE DIFERENTIATION

A municipality may not levy:

Different rates on residential properties (except where transitional arrangements apply or where some of the properties are newly rate able);

A rate on non-residential properties that exceeds a prescribed ratio to the rate on residential properties;

Rates which unreasonably discriminate between categories of non-residential properties; and

Additional rates, except as provided for in section 22.

SECTION 20: LIMITS ON ANNUAL INCREASES OF RATES

The minister of Provincial Local Government may, with the concurrence of the Minister of Finance and by notice in the gazette, set an upper limit on the percentage by which rates on properties or a rate on a specific category of properties may be increased. Different limits may be set for different kinds of municipalities or different categories of properties.

The minister may, on written application by a municipality, and on good cause shown, exempt such municipality from a limit set in terms of the foregoing.

SECTION 21: COMPULSORY PHASING IN OF CERTAIN RATES

A rate levied on newly rate able property must be phased in over a period of three financial years. Similarly, a rate levied on property owned by a land reform beneficiary must, after the exclusion period has lapsed, be phased in over a period of three financial years.

A rate levied on a newly ratable property owned and used by organizations conducting specified public benefit activities must be phased in over a period of four financial years.

The phasing in discount on a property must:

- In the first year, be at least 75% of the rate for that year otherwise applicable to that property;
- In the second year, be at least 50% of the rate for that year otherwise applicable to that property, and;
- In the third year, be at least 25% of the rate for that year otherwise applicable to that property.

No rate may be levied during the first year on newly rate able property owned and used by organizations conducting specified public benefit activities. Thereafter the phasing in discount shall apply as for other newly rate able property except that the 75% discount shall apply to the second year, the 50% to the third year, and the 25% to the fourth year.

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A rate levied on newly rate able property may not be higher than the rate levied on similar property or categories of property in the municipality.

SECTION 22: SPECIAL RATING AREAS

A municipality may by a resolution of its council determine an area within that municipality as a special rating area, levy an additional rate on property in that area for the purpose of raising funds for improving or upgrading that area, and differentiate between categories of properties when levying such additional rate.

For determining such a special rating area, the municipality must undertake a prescribed process of consultation with the local community, and obtain the consent of the majority of the members of the local community in the proposed special rating area who will be liable for paying the additional rate.

The levying of an additional rate may not be used to reinforce existing inequities in the development of the municipality, and any determination of a special rating area must be consistent with the objectives of the municipality's IDP.

SECTION 23: REGISTER OF PROPERTIES

The municipality must draw up and maintain a register in respect of all properties situated within that municipality, dividing such register into a part A and B.

Part A of the register consists of the current valuation roll of the municipality, including any supplementary valuation rolls prepared from time to time.

Part B of the register specifies which properties on the valuation roll or any supplementary valuation rolls are subject to:

- An exemption from rates in terms of Section 15 of the present Act;
- A rebate on or a reduction in the rate in terms of Section 15;
- A phasing in of the rate in terms of Section 21; and
- An exclusion referred to in Section 17.

The register must be open for inspection by the public during office hours, and if the municipality has an official website or a website available to it, the register must also be displayed on that website.

The municipality must at regular intervals, but at least annually, update part B of the register.

SECTION 24: PROPERTY RATES PAYABLE BY OWNERS

The owner of the property must pay a rate levied by a municipality on property.

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Joint owners of a property are jointly and severally liable for the amount due for rates on that property.

In the case of agricultural property owned by more than one owner in undivided shares, the municipality must consider whether in the particular circumstances it would be more appropriate for the municipality to hold any one of the joint owners liable for all rates levied in respect of the agricultural property, or to hold any joint owner only liable for that portion of the rates levied on the property that represent that joint owner's undivided share in the agricultural property.

SECTION 25: PAYMENT OF RATES ON PROPERTY IN SECTIONAL TITLE SCHEMES

The rate levied by a municipality on a sectional title unit is payable by the owner of the unit.

The municipality may not recover the rate on such sectional title unit, or any part of such rate, from the body corporate controlling the sectional title scheme, except when the body corporate itself is the owner of any specific sectional title unit.

SECTION 26: METHOD AND TIME OF PAYMENT

A municipality must recover a rate on a monthly basis, or less often as may be prescribed in terms of the Municipal Finance Management Act, or annually, as may be agreed to with the owner of the property.

If the rate is payable in a single annual amount, it must be paid on or before a date determined by the municipality. If the rate is payable in installments, it must be paid on or before a date in each period determined by the municipality.

SECTION 27: ACCOUNTS TO BE FURNISHED

A municipality must furnish each person liable for the payment of a rate with a written account specifying:

The amount due for rates payable;

The date on or before which the amount is payable;

How the amount was calculated;

The market value of the property;

If the property is subject to any compulsory phasing in discount in terms of Section 21, the amount of the discount, and if the property is subject to any additional rate in terms of section 22, the amount due for additional rates.

The person liable for payment of the rates remains liable for such payment whether or not such person has received a written account from the municipality. If the person concerned has not received a written account, that person must make the necessary enquiries from the municipality.

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SECTION 28: RECOVERY OF RATES IN ARREAS FROM TENANTS AND OCCUPIERS

If an amount due for rates levied in respect of a property is unpaid by the owner of the property after the date is determined for payment by the municipality, the municipality may recover the amount in whole or in part from a tenant or occupier of the property, despite any contractual obligation to the contrary or occupier. The municipality may recover an amount only after it has served a written notice on such tenant or occupier.

The amount that the municipality may recover from the tenant or occupier is limited to the amount of the rent or other money due or payable, but not yet paid, by such tenant or occupier to the owner of the property.

SECTION 29: RECOVERY OF RATES FROM AGENTS

A municipality may recover the amount due for rates on a property in whole or in part from the agent of the owner, if this is more convenient for the municipality, but only after the municipality has served a written notice on the agent in this regard.

The amount that the municipality may recover from the agent is limited to the amount of any rent or other money received by the agent on behalf of the owner, less any commission due to the agent.

SECTION 30: GENERAL VALUATION AND PREPARATION OF VALUATION ROLLS

A municipality intending to levy a rate on property must cause a general valuation to be made of all properties in the municipality, and must prepare a valuation roll of all properties in terms of such valuation.

All rateable properties in a municipal area must be valued during such general valuation, including all properties fully or partially excluded from rates in terms of Section 17 of the present Act. However, if the municipality does not intend to levy rates on its own property, on public service infrastructure owned by a municipal entity, on rights in properties, and on properties in respect of which it is impossible or unreasonably difficult to establish a market value because of legally insecure tenure resulting from past discrimination, the municipality is not obliged to value such properties as part of the valuation process.

A municipality may also apply to the Minister for exemption from the obligation to value properties excluded from rates in terms of Section 17 if the municipality can demonstrate that the valuation of such properties is too onerous for it, given its financial and administrative capacity.

Properties, which have not been valued, because of any of the foregoing considerations, must nevertheless be included in the valuation roll.

SECTION 31: DATE OF VALUATION

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For the purposes of general valuation a municipality must determine a date that may be not more than 12 months before the start of the financial year in which the valuation roll is to be first implemented.

The general valuation must reflect the market values of properties in accordance with market conditions, which apply as at the date of the valuation, and in accordance with any other applicable provisions of the present Act.

SECTION 32: COMMENCEMENT AND PERIOD OF VALIDITY OF VALUATION ROLLS

A valuation roll takes effect from the start of the financial year following completion of the public inspection period required by the present Act, and remains valid for that financial year or for one or more subsequent financial years, as the municipality may decide, but in total not for more than four financial years.

Section 32 (2) provides for the extension of the period of the validity of the valuation roll by the MEC for Local Government, but only up to a period of five financial years, and only in specified circumstances.

SECTION 46: GENERAL BASIS OF VALUATION

The market value of a property is the amount the property would have realized if sold on the date of valuation in the open market by willing seller to a willing buyer.

SECTION 47: VALUATION OF PROPERTY IN SECTIONAL TITLE SCHEMES

When valuing a property, which is subject to a sectional title scheme, the valuer must determine the market of each sectional title unit in the scheme.

SECTION 77: GENERAL

A municipality must regularly, but at least once a year, update its valuation roll by causing a supplementary valuation roll to be prepared, or the valuation roll itself to be amended.

CERTIFICATE OF ENDORSEMENT:

The Agreement to this Policy shall come into effect on the date of endorsement and shall cease only in the event where such changes/variations has been reduced to writing and been signed by the Accounting Officer. Unless in the event where any changes in any applicable Act, Legislation has jurisdiction to supersede.



Ephraim Mogale Local Municipality

**2011~~2~~/13~~2~~ Medium Term Revenue and Expenditure Framework
(MTREF) Policy Review**

VIREMENT POLICY

EPHRAIM MOGALE LOCAL MUNICIPALITY

VIREMENT POLICY

1. Background and Purpose

- 1.1 Virement is the process of transferring funds from one line item of a budget to another. The term is derived from a French word meaning a commercial transfer.
- 1.2 Each year, the Municipality produces an annual budget which must be approved by Council. In practice, as the year progresses, circumstances may change so that certain estimates are under-budgeted and others over-budgeted due to unforeseen expenditure (for example, due to the occurrence of disasters) or savings. As a result, it becomes necessary to transfer funds between votes and line items. It is not practical to refer all transfers between line items within a specific vote to the Council, and as the Local Government: Municipal Finance Management Act ("MFMA") is largely silent as to such transfers, it is necessary to establish a policy which governs the administrative transfer between line items.
- 1.3 The purpose of this policy is therefore to provide a framework whereby transfers between line items within votes of the operating budget may be performed with the approval of certain officials.

2. Application of Policy

- 2.1 This policy applies only to transfers between line items within votes of the Municipality's operating budget.
- 2.2 Section 28(2) (d) of the MFMA provides that *"An adjustments budget...may authorise the utilisation of projected savings in one vote towards spending in another vote."* Transfers between votes may therefore be authorised only by the Council of the Municipality.

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- 2.3 For ease of reference, the definition of “vote” as contained in Section 1 of the MFMA is set out hereunder:

“vote means –

- (a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and*
- (b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.”*

- 2.4 This policy shall not apply to transfers between or from capital projects or items and no such transfers may be performed under this policy.

- 2.5 Any deviation from or adjustment to an annual budget or transfer within a budget which is not specifically permitted under this policy or any other policy may not be performed unless approved by the council through an adjustments budget.

3. Authorisation of Virements

A transfer of funds from one line item to another under this policy may, subject to the provisions of this policy, be authorised as follows:

- 3.1 All virements must be done within a limit of 5% of the annual budget for the relevant vote/department as per treasury guidelines.
- 3.2 All virements will be approved by the Municipal Manager after recommendation by the Chief Financial Officer.

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4. Limitations on amount of Virement

4.1 Notwithstanding the provisions of section 3:

4.1.1 The total amount transferred from and to line items within a particular vote in any financial year may not exceed 5% of the amount allocated to that vote;

4.1.2 No virement will be allowed from or into employee related costs

4.2 A transfer which exceeds, or which would result in the exceeding of, any of the limits referred to in 4.1 above may, however, be performed if the Council by resolution approves thereof.

5. Virement Permitted only if Savings are Projected

A transfer of funds from one line item to another may take place only if savings within the first-mentioned line item are projected, and such transfer may, subject in any event to the provisions of this policy, not exceed the amount of such projected savings.

6. Further Restrictions on Virement

6.1 A transfer of funds between line items shall not be permitted under this policy if the effect thereof would be to:

6.1.1 contravene any policy of the Municipality; or

6.1.2 alter the approved outcomes or outputs of an Integrated Development Plan; or

6.1.3 result in any adjustment to the Service Delivery and Budget Implementation Plan.

6.2 No transfer of funds shall be permitted if same were to result in any change to the staff establishment of the Municipality, except if the Municipal Manager approves of such change.

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VIREMENT POLICY

- 6.3 If any line item has been specifically ring-fenced, no transfer of funds may be made under this policy to or from such line item.
- 6.4 Transfers of funds may not be made under this policy between or from capital items or projects .
- 6.5 To the extent that it is practical to do so, transfers within the first three months and the last month of the financial year should be avoided.
- 6.6 By definition, transfers may not be made under this policy from a line item administered by one department to a line item administered by another.
- 6.7 In accordance with Section 30 of the MFMA, no transfer of funds may be made from a line item of a budget for a particular year to a line item of a budget for a subsequent year.
- 6.8 The transfer of funds in any year in accordance with this policy shall not give rise to any expectations of a similar transfer occurring in a subsequent year.
- 6.9 No transfer of funds shall be made if such transfer would constitute a transgression or contravention of any statute, regulation or other law, any policy, directive or guideline binding upon the Municipality, or the avoidance by the Municipality of any obligation imposed upon it by contract or any other cause.
- 6.10 The approval of any transfer shall not *per se* constitute authorisation for expenditure, and all expenditure resulting from approved transfers must, be carried out in accordance with the Municipality's Supply Chain Management Policy.

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6.11 The transfer of funds must in any event not contravene the provisions of paragraph 4.6 of MFMA Circular 51(Municipal Budget Circular for the 2010/2011 MTREF) issued on 19 February 2010, which provides, inter alia, as follows:

1. *"Virements should not be permitted in relation to the revenue side of the budget;*
2. *Virements between votes should be permitted where the proposed shifts in funding facilitate sound risk and financial management (e.g. the management of central insurance funds and insurance claims from separate votes);*
3. *Virements from the capital budget to the operating budget should not be permitted unless if the proposed shift facilitates sound risk and financial management (shift to rental from purchasing vote);*
4. *Virements towards personnel expenditure should not be permitted;*
5. *Virements to or from the following items should not be permitted: bulk purchases; debt impairment, interest charges; depreciation, grants to individuals, revenue foregone, insurance and VAT;*
6. *Virements should not result in adding 'new' projects to the Capital Budget;*
7. *Virements of conditional grant funds to purposes outside of that specified in the relevant conditional grant framework must not be permitted."*

7 Procedure for Virement

7.1 Proposals for transfers may be made by the Head of Department concerned.

7.2 The Municipal Manager shall prescribe a form on which all proposals for transfers of funds under this policy shall be made, which form shall include, but not be limited to, provisions for the following:

- 7.2.1 the name of the department concerned;
- 7.2.2 descriptions of the line items from and to which the transfer is to be made;
- 7.2.3 the amount of the proposed transfer;
- 7.2.4 the cause of the saving in the line item from which the transfer is to be made;
- 7.2.5 the justification for the transfer;

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VIREMENT POLICY

7.2.6 a description of any consequences that such transfer may have for the Integrated Development Plan or the Service Delivery and Budget Implementation Plan.

7.3 Each proposal for a transfer shall be submitted by the Head of Department concerned to the Chief Financial Officer and if :

7.3.1 the amount of the transfer does not exceed the amount referred to in section 3.1 and the transfer is not between votes, the Chief Financial Officer shall:

7.3.1.1 approve the proposal, or

7.3.1.2 reject the proposal; or

7.3.1.3 refer the proposal to the Municipal Manager for approval or rejection;

7.4 Upon a proposal for transfer being approved, such transfer shall be implemented subject to compliance with the Municipality's Supply Chain Management Policy.

8. General

9.1 The Municipal Manager shall be responsible for the implementation and administration of this Policy.

9.2 This policy will be effective on the date of adoption by Council.



Ephraim Mogale Local Municipality

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INVESTMENT POLICY

A. INTRODUCTION

1. The Council of the Municipality is the trustee of public funds collected. The Municipality has an obligation to the community to ensure that these resources are managed effectively and efficiently.
2. Therefore, Council shall invest these public funds knowledgeable and sensibly. Council are accountable to the community in regard to investments.
3. This policy aims to gain the best return on investments, without incurring high risks during periods where cash resources are not needed for immediate capital or operational purposes.
4. This policy has been compiled to address investments of funds and comply with the requirements and guidelines as set by the following acts and other documents:
 - 4.1. SALGA – Local Government Financial Best Practise Manual
 - 4.2. The Constitution of the Republic of South Africa, 1996, Act 108 of 1996
 - 4.3. The Municipal Systems Act, Act 32 of 2000
 - 4.4. Section 13 of the Municipal Finance Management Act, Act No. 56 of 2003

B. INVESTMENT ETHICS

- 1 The Chief Financial Officer is responsible for investing the surplus funds of the Municipality. These investments shall be managed in consultation with the Mayor or chairperson of the Portfolio Committee on Finance.
- 2 Investments shall be made in compliance with section 13 of the Municipal Finance Management Act, 2003 and any framework as contemplated in section 13(1) of the said act.
- 3 Any investments shall at all times promote the best interests of the municipality.
- 4 No gifts, commission or other consideration whatsoever shall be accepted from any investment agent or institution, before or after an investment has been made by either the Chief Financial Officer, the Executive Mayor, the chairperson of the Portfolio on Finance Committee, any official or elected councillor.
- 5 On a quarterly basis the Chief Financial Officer shall submit to council a report reflecting information on the council's investment portfolio, including the type of investment, interest rates,

period of investment and a summary of the exposures to particular financial institutions. The CFO shall submit once a year a certificate of compliance to the paragraph 4 abovementioned.

C. INVESTMENT PRINCIPLES

1. Limiting exposure

1.1 Surplus funds shall be deposited in investment with approved investment institutions such as to limit the risk exposure normally associated with investment decisions with regard to institutions and investment products.

2. Risk and return

2.1. The Chief Financial Officer shall always ensure that investments are made at the best possible interest rate, having consideration for the risk in regard to both the financial institution as well as the investment product. Deposits shall be made only with registered deposit-taking institutions as approved by council from time to time.

3. Payment of commission

3.1 Each financial institution where the Municipality invest money, shall upon accepting the investment deposit confirm in writing that nobody has been paid direct or indirectly any commission, and has not and will not grant any other benefit whatsoever to anybody as a result of the investment having been made.

4. Call deposits and fixed deposits

4.1 Prior to any investment being made the Chief Financial Officer shall obtain at least three quotations from financial institutions registered as bank in terms of the Banks Act, 1990. These quotations shall then be recorded in a register containing the following information:

- Date of obtaining the quotation
- Name of the institution
- Name of contact person at the institution providing the quotation
- Amount to be invested at the quoted term and rates
- Relevant terms and rates
- Other relevant information as decided by the Chief Financial Officer

4.2 Telephonic quotations shall be followed by written quotations before the investment deposit is made.

4.3 Any money paid over to a financial institution shall be directly paid over to the financial institution without any intervention by an agent or third party. The Chief Financial Officer shall ensure that he/she receives a receipt or certificate of such an investment.

5 Restriction on terms of investments

5.1 No investments shall be made for a period longer than twelve months, without prior approval of the Executive Committee.

5.2 If it is deemed expedient to make longer term investments in secure stock issues the Chief Financial Officer shall be guided in his /her decisions by the best return for that type of investment and the most secure instrument available.

D. CONTROL OVER INVESTMENTS

1. The Chief Financial Officer shall maintain an investment register for all investments made and shall contain the following minimum information:

- 1.1. Institution
- 1.2. Type of investment
- 1.3. Investment date
- 1.4. Maturity date
- 1.5. Interest rate
- 1.6. The amount invested
- 1.7. Whether the investment was prematurely redeemed and the consequences thereof
- 1.8. The date on which the investment was redeemed.

2. The Chief Financial Officer shall ensure that all interest and capital due are timeously received by the Municipality and shall take appropriate steps when such amounts are not received timeously.

3. The Chief Financial Officer shall keep all of the investment documents, registers and certificates in a fireproof safe with segregated access control or alternatively placed with the Municipality's bankers or attorneys for safekeeping.

E. INVESTMENTS FOR THE REDEMPTION OF LONG-TERM LIABILITIES

The Chief Financial Officer shall ensure that, for each long-term loan entered into, an amount equal to the principal amount of the loan divided by the period of the loan in years is invested annually. These investments shall be made against the bank account maintained for the external finance fund. These investments shall be accumulated and used for the redemption of loans on the due date and shall be approved by Council at the time that the loan is approved.

In the event of a loan not being a fixed loan, but an annuity loan, the Chief Financial Officer shall ensure that sufficient resources are available in the account maintained for external finance fund to repay the principal amounts on the respective due dates.

F. INTEREST ON INVESTMENTS

Interest received on investments shall initially be accounted for as ordinary operating revenue. At the end of each month all interest received for that month shall be appropriated to the fund account for which such an investment was made.

In the event of the external finance fund, the Chief Financial Officer may reduce the amount which shall be annually invested to redeem any particular loan by the amount of interest accrued.

G. IMPLEMENTATION OF THE POLICY

This policy will be reviewed annually as part of budget-related policies



Ephraim Mogale Local Municipality

2015/16 Medium Term Revenue and Expenditure Framework (MTREF) Policy Review

SUPPLY CHAIN MANAGEMENT AND PREFERENTIAL PROCUREMENT POLICIES

This policy consists of three parts:

- **Part A** is the **Supply Chain Management Policy**, adopted in terms of section 111 of the Local Government: Municipal Finance Management Act, No. 56 of 2003 and the Municipal Supply Chain Management Regulations, Notice 868 of 30 May 2005;

and

- **Part B** is the **Preferential Procurement Policy**, adopted in terms of section 2 of the Preferential Procurement Policy Framework Act, No. 5 of 2000 and the Preferential Procurement Regulations R725 of 10 August 2001;

and

- **Part C** is the **Supply Chain and Preferential Procurement Guidelines**.

PART A
MUNICIPAL SUPPLY CHAIN MANAGEMENT POLICY

The Council of the Ephraim Mogale Local Municipality (EMLM) resolves in terms of section 111 of the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003) to adopt the following as the Supply Chain Management Policy of the municipality:

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Definitions

1. In this Policy, unless the 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 –

"Competitive bidding process" means a competitive bidding process referred to in paragraph 12(1)(c) of this Policy;

"Competitive bid" means a bid in terms of a competitive bidding process;

"Final award", in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept;

"Formal written price quotation" means quotations referred to in paragraph 12(1)(b) of this Policy;

"In the service of the state" means to be –

- (a) a member of –
 - (i) any municipal council;
 - (ii) any provincial legislature; or
 - (iii) the National Assembly or the National Council of Provinces;
- (b) a member of the board of directors of any municipal entity;
- (c) an official of any municipality or municipal entity;
- (d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No 1 of 1999);
- (e) a member of the accounting authority of any national or provincial public entity; or
- (f) an employee of Parliament or a provincial legislature;

"long term contract" means a contract with a duration period exceeding one year;

"list of accredited prospective providers" means the list of accredited prospective providers which the municipality must keep in terms of paragraph 14 of this Policy;

"other applicable legislation" means any other legislation applicable to municipal supply chain management, including –

- (a) the Constitution of the Republic of South Africa Act, 1996 (Act No 108 of 1996);
- (b) the Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000);
- (c) the Broad-Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003);
- (d) the Construction Industry Development Board Act, 2000 (Act No 38 of 2000); and
- (e) the Prevention and Combating of Corrupt Activities Act, 2004 (Act No 12 of 2004);

"Regulations" means the Local Government: Municipal Finance Management Act, 2003, Municipal Supply Chain Management Regulations;

"Treasury guidelines" means any guidelines on supply chain management issued by the Minister in terms of section 168 of the Act;

"the Act" means the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003); and

"informal written quotations" means quotations referred to in paragraph 12(1)(b) of this Policy.

CHAPTER 1

ESTABLISHMENT AND IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

Principles and pledges

2. (1) The principles of this Policy are that it -
 - (a) gives effect to –
 - (i) section 217 of the Constitution; and
 - (ii) Part 1 of Chapter 11 and other applicable provisions of the Act;
 - (b) is fair, equitable, transparent, competitive and cost effective;
 - (c) complies with –
 - (i) the Regulations; and
 - (ii) any minimum norms and standards that may be prescribed in terms of section 168 of the Act;
 - (d) is consistent with other applicable legislation;
 - (e) does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
 - (f) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector;
- (2) The municipality pledges effective and efficient service delivery by acquiring goods and services of optimum value through best purchasing practices. In addition to the above, this municipality will pursue the following four main aims:
 - (a) the promotion of the Interdivisional Support Policy;
 - (b) the promotion, development and support of business from previously disadvantaged communities;
 - (c) the promotion of local, provincial and national suppliers and agents before considering international suppliers; and
 - (d) the development, promotion and support of moral values that underpin the above in terms of the municipality's Ethical Code.
- (3) The municipality further supports the creation and maintenance of a good, sound business relationship with the bidding public in general, as well as with its valued supplier base, without which it cannot survive in a competitive market.
- (4) The municipality also seeks to develop and maintain positive, long term relationships based on mutual trust and respect with those suppliers who demonstrate their commitment to the municipality's shared goals. The municipality also commits itself to clarity in its communication of requirements, and to be professional, courteous, fair, factual and responsive in its business dealings.
- (5) The municipality may not act otherwise than in accordance with this Policy when –
 - (a) procuring goods or services;
 - (b) disposing of goods no longer needed;
 - (c) selecting contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or
 - (d) selecting external mechanisms referred to in section 80(1)(b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.
- (6) This Policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including –

- (a) water from the Department of Water Affairs or a public entity, another municipality or a municipal entity; and
- (b) electricity from ESKOM or another public entity, another municipality or a municipal entity.

Adoption and amendment of the Supply Chain Management Policy

- 3.** (1) The Accounting Officer must –
- (a) at least annually review the execution of provisions contained in this Policy; and
 - (b) when the Accounting Officer considers it necessary, submit proposals for the amendment of this Policy to the Council.
- (2) If the Accounting Officer submits a draft policy to the Council that differs from the model policy issued by the National Treasury, the Accounting Officer must –
- (a) ensure that such draft policy complies with the Regulations; and
 - (b) report any deviation from the model policy to the National Treasury and the relevant provincial treasury.
- (3) When amending this Policy the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.
- (4) The Accounting Officer must, in terms of section 62(1)(f)(iv) of the Act, take all reasonable steps to ensure that the municipality has and implements this Supply Chain Management Policy.

Delegation of supply chain management powers and duties

- 4.** (1) The Council hereby delegates and is required to further delegate such additional powers and duties to the Accounting Officer so as to enable the Accounting Officer –
- (a) to discharge the supply chain management responsibilities conferred on accounting officers in terms of –
 - (i) Chapter 8 or 10 of the Act; and
 - (ii) this Policy;
 - (b) to maximise administrative and operational efficiency in the implementation of this Policy;
 - (c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this Policy; and
 - (d) to comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.
- (2) Sections 79 and 106 of the Act apply to the sub delegation of powers and duties delegated to the Accounting Officer in terms of paragraph 4(1) of this Policy.
- (3) The Council or Accounting Officer may not delegate or sub delegate any supply chain management powers 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 municipality.
- (4) This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 27 of this Policy.

Sub delegations

5. (1) The Accounting Officer may in terms of section 79 or 106 of the Act sub delegate any supply chain management powers and duties, including those delegated to the Accounting Officer in terms of this Policy, but any such sub delegation must be consistent with paragraph 4 and paragraph 5(2) of this Policy.
- (2) The power to make a final award –
- (a) above R10 million (VAT included) may only be exercised by the Accounting Officer after considering a report submitted by a council approved external advisor;
 - (b) between R5 to R10 million (VAT included) may be exercised by the Accounting Officer after considering the reports and recommendations submitted the bid adjudication committee;
 - (c) between R200 000 to R5 million (VAT included) may be exercised by the bid adjudication committee after considering the reports and recommendations submitted by the bid evaluation committee;
 - (d) between R30 000 to R200 000 (VAT included) may be exercised by the bid adjudication committee after considering the reports and recommendations submitted by the bid evaluation committee; and
 - (e) less than R30 000 (VAT included) may be exercised by the Head of the Department after considering the reports and recommendations of the bid adjudication committee on condition that where he/she differs from the adjudication committee the accounting officer must make a final allocation.
- (3) An official or bid adjudication committee to which the power to make final awards has been sub delegated in accordance with paragraph 5(2) of this Policy must within five (5) working days of the end of each month submit to the official referred to in paragraph 5(4) of this Policy a written report containing particulars of each final award made by such official or committee during that month, including –
- (a) the amount of the award;
 - (b) the name of the supplier or person to whom the award was made; and
 - (c) the reason why the award was made to that supplier or person.
- (4) A written report referred to in paragraph 5(3) of this Policy must be submitted-
- (a) to the Accounting Officer, in the case of an award by –
 - (i) the Chief Financial Officer;
 - (ii) a Director of a department; or
 - (iii) a bid adjudication committee of which the Chief Financial Officer or Director is a member; or
 - (b) to the Chief Financial Officer or Director responsible for the relevant bid, in the case of an award by –
 - (i) an official referred to in paragraph 5(2)(c)(iii) of this Policy; or
 - (ii) a bid adjudication committee of which the Chief Financial Officer or Director is not a member.
- (5) Paragraphs 5(3) and 5(4) do not apply to procurements by way of direct purchases described in paragraph 15 of this Policy.

- (6) This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 27 of this Policy.
- (7) **No supply chain management decision-making powers may be delegated to an advisor or consultant.**

Oversight role of Council

6. (1) The Council must maintain oversight over the implementation of this Policy.
- (2) For the purposes of such oversight the Accounting Officer must –
- (a) within 30 days of the end of each financial year, submit a report on the implementation of the Supply Chain Management Policy of the municipality and of any municipal entity under its sole or shared control, to the council of the municipality; and
- (b) whenever there are serious and material problems in the implementation of such Supply Chain Management Policy, immediately submit a report to the Council.
- (3) The Accounting Officer must, within ten (10) working days of the end of each quarter, submit a report on the implementation of the Supply Chain Management Policy to the Mayor.
- (4) The reports must be made public in accordance with section 21A of the Municipal Systems Act.

Supply chain management unit

7. (1) One supply chain management unit is hereby established to implement this Policy for the municipality and the various policies for the municipal entities of which the municipality is the parent municipality.
- (2) The supply chain management unit operates under the direct supervision of the Chief Financial Officer or an official to whom this duty has been delegated in terms of section 82 of the Act.

Training of supply chain management officials

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

CHAPTER 2

FRAMEWORK FOR SUPPLY CHAIN MANAGEMENT SYSTEM

Format of supply chain management system

9. This Policy provides systems for –
- (i) demand management;
- (ii) acquisition management;
- (iii) logistics management;
- (iv) disposal management;
- (v) risk management; and
- (vi) performance management.

Part 1: Demand management

System of demand management

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

- (2) The demand management system must -
- (a) include timely planning and management processes to ensure that all goods and services required by the municipality are quantified, budgeted for and effectively delivered at the right locations and at the critical delivery dates, and are of the appropriate quality and quantity at a fair cost;
 - (b) take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature;
 - (c) provide for the compilation of the required specifications to ensure that its needs are met.
 - (d) undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximised.

Part 2: Acquisition management

System of acquisition management

11. (1) An effective system of acquisition management must be established in order to ensure that –

- (a) goods and services are procured by the municipality in accordance with authorised processes only;
- (b) expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Act;
- (c) the threshold values for the different procurement processes are complied with;
- (d) bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation; and
- (e) any Treasury guidelines on acquisition management are properly taken into account.

(2) This supply chain management policy, except where provided otherwise in the policy, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including –

- (a) water from the Department of Water Affairs or a public entity, another municipality or a municipal entity; and
- (b) electricity from ESKOM or another public entity, another municipality or a municipal entity.

(3) The following information must be made public wherever goods or services contemplated in section 110(2) of the Act are procured other than through the supply chain management system -

- (a) the kind of goods or services; and
- (b) the name of the supplier.

Range of procurement processes

12. (1) Goods and services may only be provided by way of –

- (a) direct purchases, up to a transaction value of R2000.00 (VAT included);

- (b) informal three written quotations for procurements of a transaction value over R2001 up to R30 000 (VAT included);
- (b) formal three written price quotations for procurements of a transaction value over R30 001 up to R200 000 (VAT included); and
- (c) a competitive bidding process for–
 - (i) procurements above a transaction value of R200 000 (VAT included); and
 - (ii) the procurement of long term contracts.

(2) The Accounting Officer may, after consulting with the municipal council and Heads of Departments, in writing change the different threshold values.

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

(4) The range of procurement processes set out in paragraph 12(1) above can graphically be set out as follows:

| PROCESS | VALUE | ADVERTISEMENT |
|---------------------------------|---|-------------------------------------|
| Petty Cash Purchases | Up to R2000.00 [VAT included] | No |
| Informal Written Quotations | Over R2001 [VAT included] up to R 30 000 [VAT included] | No |
| Formal Written Price Quotations | Over R 30 001 [VAT included] up to R 200 000 [VAT included] | Municipal notice boards and website |
| Competitive Bidding | Over R 200 001 [VAT included] or Long Term Contracts exceeding one [1] year | Yes |

(5) Authorisation Thresholds are outlined as follows;

| | |
|---------------------|-----------------------|
| Divisional Managers | Up to R10 000 |
| Unit Managers | R10 001 up to R30 000 |

General preconditions for consideration of written quotations or bids

13. (1) A written quotation or bid may not be considered unless the provider who submitted the quotation or bid –

- (a) has furnished that provider's –
 - (i) full name;
 - (ii) identification number or company or other registration number;
 - (iii) tax reference number and VAT registration number, if any; and
 - (iv) tax clearance from the South African Revenue Services that the provider's tax matters are in order; and
- (b) has indicated –
 - (i) whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;
 - (ii) if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the

- state, or has been in the service of the state in the previous twelve months;
or
- (iii) whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in paragraph 13(b)(ii) is in the service of the state, or has been in the service of the state in the previous twelve months.

Lists of accredited prospective providers

- 14.** (1) The Accounting Officer must –
- (a) keep a database of accredited prospective providers that must be used by service departments for the procurement of goods and services by obtaining informal written quotations or formal written price quotations;
 - (b) at least once a year through newspapers commonly circulating locally, the municipality's website and any other appropriate ways, invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers;
 - (c) Specify the listing criteria for accredited prospective providers which must include at least the requirement to submit proof of compliance with:-
 - (i) SARS tax registration;
 - (ii) municipal rates and tax payments; and
 - (ii) the Occupational Health and Safety Act, 1993 (Act No 85 of 1993); and
 - (d) disallow the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.
- (2) The list must be updated at least quarterly to include any additional prospective providers and any new commodities or types of services. Prospective providers must be allowed to submit applications for listing at any time.
- (3) The list must be compiled per commodity and per type of service.
- (4) Report to council.

Petty cash purchases (< R2000)

- 15.** (1) The conditions for the procurement of goods by means of petty cash purchases referred to in paragraph 12 (1) (a) of this policy, are that minor items are purchased for up to R2000, 00 (VAT included) where it is impractical, impossible or not cost-effective to follow the official procurement process and is strictly of a reimburse nature and not for advances.
- (2) A monthly reconciliation report from each manager must be provided to the Chief Financial Officer, including –
- (i) the total amount of petty cash purchases for that month; and
 - (ii) receipts and appropriate documents for each purchase.

Verbal quotations prohibited

- 16.** No orders may be placed based on verbal price quotations.

Informal Written Quotations (> R2000 < R30 000)

17. (1) The conditions for the procurement of goods or services through written quotations, are as follows-

- (a) quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality;
- (b) quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria in the supply chain management policy required by paragraph 14(1)(b) and (c);
- (c) if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the chief financial officer or an official designated by the chief financial officer, and
- (d) the accounting officer or his nominee must record the names of the potential providers and their written quotations.

(2) A designated official referred to in subparagraph (1) (c) must within five [5] working days of the end of each month report to the chief financial officer on any approvals given during that month by that official in terms of that subparagraph.

Formal written price quotations (> R30 001 <= R200 000)

18. (1) The conditions for the procurement of goods or services through formal written price quotations are as follows:-

- (a) quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality;
- (b) quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria set out in paragraph 14(1)(b) and (c) of this Policy;
- (c) if it is not possible to obtain at least three quotations, the reasons must be recorded and submitted for consideration by the evaluation committee;
- (d) the buying officer must record the names of the potential providers requested to provide such quotations and their formal written price quotations; and
- (e) all bids must be sealed and opened by the evaluation committee and
- (f) all bids must be adjudicated by the adjudication committee

(2) The designated official referred to in paragraph 18(1)(c) must within three (3) working days of the end of each month report to the Chief Financial Officer on any approvals given during that month by that official in terms of that paragraph.

Procedures for procuring goods or services through informal or formal written quotations R2001 – R200 000,

19. The procedure for the procurement of goods or services through informal and formal written quotations, are as follows:-

- (a) when using the list of accredited prospective providers the buying officer must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis;
- (b) all requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written quotations must, in addition to the requirements of paragraph 18, be advertised for at least seven days on the website and the official notice boards of the municipality EXCEPT IN A CASE OF EMERGENCY;
- (c) offers received must be evaluated on a comparative basis taking into account unconditional discounts;

- (d) the Buying officer must take all reasonable steps to ensure that the procurement of goods and services through formal written price quotations is not abused;
- (e) the Accounting Officer or Chief Financial Officer must on a monthly basis be notified in writing of all informal and formal written quotations accepted by an official acting in terms of a sub delegation;
- (f) offers below R30 000 (VAT included) must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services and lowest price;
- (g) offers with a value of R30 000 (VAT included) and above are subject to the preference points system (PPPFA and associated regulations) and must be dealt with according to the Council's Procurement Policy; and
- (h) the Chief Financial Officer must set requirements for proper record keeping of all informal and formal written quotations accepted on behalf of the municipality.

Competitive bidding process (R200 000 AND OVER)

- 20.** (1) Goods or services above a transaction value of R200 000 (VAT included) and long term contracts may only be procured through a competitive bidding process, subject to paragraphs 11(2) and 37 of this Policy.
- (2) No requirement for goods or services above an estimated transaction value of R200 000 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.

Process for competitive bidding

- 21.** The procedures for the following stages of a competitive bidding process are as follows:-
- (a) Compilation of bidding documentation, detailed in paragraph 22.
 - (b) Public invitation of bids, detailed in paragraph 23.
 - (c) Site meetings or briefing sessions, detailed in paragraph 23.
 - (d) Handling of bids submitted in response to public invitation.
 - (e) Evaluation of bids, detailed in paragraph 29.
 - (f) Awarding of contracts, detailed in paragraph 30.
 - (g) Administration of contracts –
 - (i) After approval of a bid, the Accounting Officer and the bidder must enter into a written agreement.
 - (h) Proper record keeping –
 - (i) Original / legal copies of written contracts and agreements must be kept in a secure place for reference purposes.

Bid documentation for competitive bids

- 22.** (1) The criteria to which bid documentation for a competitive bidding process must comply, must –
- (a) take into account –
 - (i) the general conditions of contract and any special conditions of contract, if specified;
 - (ii) any Treasury guidelines on bid documentation; and
 - (iii) the requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;
 - (b) include the evaluation and adjudication criteria, including any criteria required by other applicable legislation;

- (c) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
 - (d) compel bidders to declare whether they work for the state or not;
 - (e) include a tax clearance certificate issued by SARS;
 - (f) if the value of the transaction is expected to exceed R10 million
- (VAT included), require bidders to furnish –
- (i) if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements –
 - (aa) for the past three years; or
 - (bb) since their establishment if established during the past three years;
 - (ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;
 - (iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;
 - (iv) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic;
- (k) 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;
- (L) where surety is required it shall be in the form of cash, a certified cheque, or a bank guarantee from a banking institution registered in terms of the Banks Act, 1965 (Act No. 23 of 1965) or from an insurer registered in terms of the Insurance Act, 1943 (Act No. 27 of 1943). Where bids in Category A cannot raise the required surety of 2, 5%, and it is feasible to deduct the amount from the Preliminary and General (P+G) payment certificate, such concessions may be granted;

Guarantees will be required as follows:

| CATEGORY | PROJECT VALUE | GUARANTEE |
|----------|-------------------------|-----------|
| A | < R500 000 | 2,5% |
| B | R500 001 – R1 000 000 | 5% |
| C | R1 000 001 – R2 000 000 | 7,5% |
| D | >R2 000 000 | 10% |

- (i) indicate the value or extent to which the execution of the contract should or should not be subcontracted; and
 - (j) submit a certificate from the Department of Labour indicating compliance with the Occupational Health and Safety Act, 1993 (Act No 85 of 1993).
- (2) A non-refundable charge in terms of the Council's approved tariff structure shall be raised for bid forms, plans, specifications, samples and any other bid documentation, depending on the nature, magnitude and value of technical information or samples provided by the municipality.
- (3) Bid documents may allow for bidders to bid for one or more items or for a part of one or more items but the municipality reserves the right to accept

part of a bid or a complete bid or quotation even if it is not the lowest, provided the interests of the municipality are best served thereby. Bid documents must be specific as certain contracts, e.g. the construction of a bridge, may require that the whole contract is to be completed by the same contractor.

(4) Where bidders insert prices on price lists supplied by the municipality they shall delete items for which they do not bid or if the price has been included elsewhere in the price list. After bid/quotations have been opened bidders may not supplement their original offer if the original offer was incomplete.

Public invitation for competitive bids

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

- (a) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the municipality or any other appropriate ways (which may include an advertisement in the Government Bid Bulletin); and
- (b) the information contained in a public advertisement, must include –
 - (i) the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included), or which are of a long term nature, or not less than 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to paragraph 23(2) of this Policy;
 - (ii) a statement that bids may only be submitted on the bid documentation provided by the municipality;
 - (iii) date, time and venue of any proposed site meetings or briefing sessions; and
 - (iv) a statement stipulating that bids submitted late and bidders coming late for site meetings will be disqualified.

(2) The Accounting Officer may determine a closure date for the submission of bids which is less than the 30 or 14 days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.

(3) Bids submitted must be sealed.

(4) Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.

Procedure for handling, opening and recording of bids

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

- (a) Bids –
 - (i) must be opened only in public;
 - (ii) must be opened at the same time and as soon as possible after the period for the submission of bids has expired; and
 - (iii) received after the closing time should not be considered and returned unopened immediately.

- (b) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price;
- (c) No information, except the provisions in paragraph 24(1)(b), relating to the bid should be disclosed to bidders or other persons until the successful bidder is notified of the award; and
- (d) The Accounting Officer must –
 - (i) record in a register all bids received in time;
 - (ii) make the register available for public inspection; and
 - (iii) publish the entries in the register and the bid results on the website.

(2) **Opening of bids and quotations**

- (a) All bids in excess of R200 000 (VAT included) shall be opened in public at the Supply Chain Management Unit as soon as possible after the expiry of the advertised closing date and time. At such public bid openings the names of the bidders and the prices are read out. All quotations i.e. responses received in terms of procurement mechanisms below the value of R200 000 (VAT included) are excluded from public bid openings. When such quotations are opened, the names of conbids who responded are therefore not read out. This is to prevent collusion between a limited number of conbids or, in the event of one supplier only, the creation of a monopolistic situation.
- (b) All bids and quotations i.e. responses received in terms of procurement mechanisms, of a value of R350 000 (VAT included) and above shall be opened in public at the relevant stores offices as soon as possible after the expiry of the advertised closing date and time. At such public bid openings the names of the bidders and the prices are read out.
- (c) All bids and quotations, addressed to the municipality, shall be opened by a Senior employee in the presence of the delegated official of the Divisional Manager Supply Chain Management Unit, or a nominee.
- (d) Bids and quotations, which fall within the jurisdiction of Unit Managers, shall be opened in the presence of at least two employees, one of which should be a Senior employee and neither of them shall have a personal interest in the bid or quotation or be involved in the adjudication thereof.
- (e) Both officials shall sign the bids and declare that they were present at the opening of the bids.

(3) **Stamping of bids and reading out of names**

- (a) As each bid is opened, the name of the bidder and the amount shall be read out. An employee shall date-stamp the bid or quotation and all enclosures related to prices, delivery periods and special conditions. Bids and quotations shall be numbered in the sequence in which they have been opened and the words "and last" shall be endorsed on the last bid or quotation. In instances where only one bid has been received the words "and only" shall be endorsed on such bid.
- (b) Where prices have not been inserted in all relevant spaces on the form and such items have not been deleted by bidders, such spaces shall be stamped "no price" by the employee who opens the bids or quotations.

Note: It is the policy of the municipality to disclose bid prices. With regard to quotations of a value below R200 000, names of bidders and prices should not be read out.

- (c) Details on how bidders responded to the relevant evaluation criteria e.g. SMME contribution, community benefits, job creation, environmental impact, etc. should not be disclosed.
- (d) Bids opened in public should be registered in the Bidding Register.

(4) Late Bids

- (a) Bids or quotations arriving after the specified closing time shall not be considered and where practicable shall be returned to the bidder unopened with a letter explaining the circumstances.
- (b) Bid documents must clearly state the venue where the bidding box is situated for each bid. Any bid delivered to the wrong bid box will not be considered, even if it was delivered on time.
- (c) Where it is necessary to open a late bid or quotation to obtain the name and address of the sender, each page of the document shall be stamped "late bid" before the bid is returned to the bidder. The envelope must be stamped and initialled in like manner and must be retained for record purposes.

(5) Amendments before the closing date

- (a) The municipality is entitled to amend any bid condition, validity period, specification or plan, or extend the closing date of such a bid or quotation before the closing date, provided that such amendments or extensions are advertised and/or that all bidders to whom bid documents have been issued, are advised in writing per registered post or by fax of such amendments or of the extension clearly reflecting the new closing date and time. For this reason, employees issuing bids shall keep a record of the names, addresses and contact numbers of the persons or enterprises to whom bid documents have been issued.

(6) Dealing with bids and quotations if the closing date thereof has been extended

- (a) Where the closing date of a bid or quotation is extended, the notice which makes known such extensions shall also mention the bids or quotations already received, will be retained unopened in the bidding box and be duly considered after the expiry of the extended period, unless the bidder requests that such bid or quotation to be returned to the bidder or unless the bidder cancels it by submitting a later dated bid or quotation before the extended closing date.

(7) No amendments after the closing date allowed

- (a) The municipality is not entitled to amend any bid condition, validity period, specification or plan after the closing date of the bid and before the acceptance of a bid or quotation has been notified.

Negotiations with preferred bidders and communication with prospective providers and bidders

- 25.** (1) The Accounting Officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation –
- (a) does not allow any preferred bidder a second or unfair opportunity;
 - (b) is not to the detriment of any other bidder; and
 - (c) does not lead to a higher price than the bid as submitted.

(2) Minutes of such negotiations must be kept for record purposes and as far as practical be made part of the final contract.

(3) **Communication with bidders and prospective providers**

- (a) Where bids and quotations have been submitted to the municipality, a bidder may not communicate with any councillor or official on any matter regarding his bid, quotation or offer other than a notice of withdrawal.
- (b) No municipal personnel may communicate with a bidder or any other party who has an interest in a bid, on the one hand, and any employee of the municipality, on the other hand, during the period between the closing date for the receipt of the bid or quotation (or date of receipt of an offer), and the date of notification of the successful bidder of acceptance of his bid, quotation or offer, except as provided for in paragraph (c) below. Every such case of unauthorised communication shall forthwith be reported to the Supply Chain Management Unit as well as the relevant Chairperson of the Bid Adjudication Committee. A bid or quotation in respect of which unauthorised communication has occurred may be disqualified.
- (c) After informing the Accounting Officer the Chairperson of the Bid Adjudication Committee may authorise an employee in writing to communicate with a bidder during the period mentioned in paragraph 25(3)(b) above for the purpose of:-
 - (i) explaining and verification of declarations made in the bid response;
 - (ii) confirming that a quoted price is correct;
 - (iii) confirming technical particulars and the compliance thereof with specifications;
 - (iv) determining whether there will be any change in price if only a portion of work is awarded to a bidder;
 - (v) requesting an explanation for an unreasonable price increase when it is compared with a previous price and the interim movement of a relevant price index;
 - (vi) clarifying delivery times/quantities;
 - (vii) extending the validity period of a bid, quotation or offer;
 - (viii) amending any bid condition, validity period or specification after the closing date; and
 - (ix) clarifying any other commercial aspect.
- (d) In all cases where authority has been granted to communicate with bidders in terms of paragraph 25(3)(c) above, it should be clearly stated in the submission to the Bid Adjudication Committee the nature of the communication as well as by whom such authority to communicate has been granted.
- (e) All changes and/or clarification of specifications shall be conveyed to all bidders by means or methods as specified in paragraph 24.

Two-stage bidding process

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

- (a) large complex projects;
- (b) projects where it may be undesirable to prepare complete detailed technical specifications; or
- (c) long term projects with a duration period exceeding three years.

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

Committee system for competitive bids

- 27.** (1) The following committees are hereby established -
- (a) bid specification committees;
 - (b) bid evaluation committees; and
 - (c) a bid adjudication committee.
- (2) The Accounting Officer is required to appoint the members of each committee, taking into account section 117 of the Act.
- (3) The Accounting Officer is required to appoint a neutral or independent observer to attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.
- (4) The committee system must be consistent with –
- (a) paragraphs 28, 29 and 30 of this Policy; and
 - (b) any other applicable legislation.
- (5) The Accounting Officer may apply the committee system to formal written price quotations.

Bid specification committees

- 28.** (1) In conjunction with the head of the department **the bid specification committee must compile the specifications for the procurement of goods or services.**
- (2) Specifications –
- (a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
 - (b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
 - (c) where possible, must be described in terms of performance required rather than in terms of descriptive characteristics for design;
 - (d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification;
 - (e) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word "equivalent";

- (f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations 2001; and
 - (g) must be approved by the Accounting Officer prior to publication of the invitation for bids in terms of paragraph 22 of this Policy.
- (3) A bid specification committee must be composed of one or more officials of the municipality, preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisors.
 - (4) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.
 - (5) The bid specification committee must include an official representing the Supply Chain Management Section.

Bid Evaluation Committees

- 29. (1) The bid evaluation committee must –
 - (a) evaluate bids in accordance with –
 - (i) the specifications for a specific procurement; and
 - (ii) the points system set out in terms of paragraph 28(2)(f).
 - (b) evaluate each bidder's ability to execute the contract;
 - (c) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears; and
 - (d) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.
- (2) The bid evaluation committee must as far as possible be composed of–
 - (a) officials from departments requiring the goods or services; and
 - (b) at least one Supply Chain Management practitioner of the Municipality.

Bid adjudication committees

- 30. (1) The bid adjudication committee must –
 - (a) consider the report and recommendations of the bid evaluation committee; and
 - (b) either –
 - (i) depending on its delegations, make a final award or a recommendation to the Accounting Officer to make the final award; or
 - (ii) make another recommendation to the Accounting Officer how to proceed with the relevant procurement.
- (2) The bid adjudication committee must consist of at least four senior managers of the municipality which must include –
 - (a) the Chief Financial Officer or, if the Chief Financial Officer is not available, another manager in the budget and treasury office reporting directly to the Chief Financial Officer and designated by the Chief Financial Officer; and
 - (b) at least one senior supply chain management practitioner who is an official of the municipality; and
 - (c) a technical expert in the relevant field who is an official, if such an expert exists.

- (3) The Accounting Officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.
- (4) Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.
- (5) The chairperson of the bid adjudication committee may ask a member of the evaluation committee to explain the committee's recommendations during the adjudication process.
- (6) (a) if the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid –
 - (i) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears; and
 - (ii) notify the Accounting Officer.
- (b) The Accounting Officer may –
 - (i) after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in paragraph 30(5)(a); and
 - (ii) if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.
- (7) The Accounting Officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.
- (8) The Accounting Officer must comply with section 114 of the Act within 10 working days.

Procurement of banking services

- 31.** (1) Banking services –
 - (a) must be procured through competitive bids;
 - (b) must be consistent with section 7 or 85 of the Act; and
 - (c) may not be for a period of more than five years at a time.
- (2) The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.
- (3) The closure date for the submission of bids may not be less than sixty (60) days from the date on which the advertisement is placed in a newspaper in terms of paragraph 23(1). Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No 94 of 1990).

Procurement of IT related goods or services

- 32.** (1) The Accounting Officer may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.
- (2) Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.

- (3) The Accounting Officer must notify SITA together with a motivation of the IT needs if –
- (a) the transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included); or
 - (b) the transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT included).
- (4) If SITA comments on the submission and the municipality disagree with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the Council, the National Treasury, the relevant provincial treasury and the Auditor General.

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

- 33.** (1) The Accounting Officer may procure goods or services under a contract secured by another organ of state, but only if –
- (a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
 - (b) there is no reason to believe that such contract was not validly procured;
 - (c) there are demonstrable discounts or benefits to do so; and
 - (d) that other organ of state and the provider have consented to such procurement in writing.
- (2) Paragraphs 33(1)(c) and (d) do not apply if –
- (a) a municipal entity procures goods or services through a contract secured by its parent municipality; or
 - (b) a municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.

Procurement of goods necessitating special safety arrangements

- 34.** (1) The acquisition and storage of goods in bulk (other than water), which necessitate special safety arrangements, including gasses and fuel, should be avoided where ever possible.
- (2) Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the Accounting Officer.

Proudly SA Campaign

- 35.** (1) The municipality supports the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from:-
- (a) Firstly, suppliers and businesses within the municipality/municipal district;
 - (b) Secondly, suppliers and businesses within the relevant province; and
 - (c) Thirdly, suppliers and businesses within the Republic of South Africa.
- (2) These principles are to be embodied in the points allocated in terms of the Preferential Procurement Policy of the municipality.

Appointment of consultants

- 36.** (1) The Accounting Officer may procure consulting services provided that any Treasury guidelines and CIDB requirements in respect of consulting services are taken into account when such procurements are made.
- (2) Consultancy services must be procured through competitive bids if-
- (a) the value of the contract exceeds R200 000 (VAT included); or
 - (b) the duration period of the contract exceeds one year.
- (3) In addition to any requirements prescribed by this Policy for competitive bids, bidders must furnish particulars of –
- (a) all consultancy services provided to an organ of state in the last five years; and
 - (b) any similar consultancy services provided to an organ of state in the last five years.
- (4) The Accounting Officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the municipality.

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

- 37.** (1) The Accounting Officer may –
- (a) dispense with the official procurement processes established by this Policy and procure any required goods or services through any convenient process, which may include direct negotiations, but only:
 - (i) in an emergency;
 - (ii) if such goods or services are produced or available from a single provider only;
 - (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
 - (iv) acquisition of animals for zoos and food for such animals and/or botanical specimens for nature and game reserves; or
 - (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and
 - (b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.
- (2) The Accounting Officer must record the reasons for any deviations in terms of paragraphs 37(1)(a) and (b) of this Policy and report them to the next meeting of the Council and include as a note to the annual financial statements.
- (3) Paragraph 37(2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of this Policy.

Unsolicited bids

- 38.** (1) In accordance with section 113 of the Act there is no obligation to consider unsolicited bids received outside a normal bidding process.
- (2) The Accounting Officer may decide in terms of section 113(2) of the Act to consider an unsolicited bid, only if –
- (a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;

- (b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages;
 - (c) the person who made the bid is the sole provider of the product or service; and
 - (d) the reasons for not going through the normal bidding processes are found to be sound by the Accounting Officer.
- (3) If the Accounting Officer decides to consider an unsolicited bid that complies with paragraph 38(2) of this Policy, the decision must be made public in accordance with section 21(A) of the Municipal Systems Act, together with –
 - (a) reasons as to why the bid should not be open to other competitors;
 - (b) an explanation of the potential benefits if the unsolicited bid were accepted; and
 - (c) an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.
- (4) All written comments received pursuant to paragraph 38(3), including any responses from the unsolicited bidder, must be submitted to the National Treasury and the relevant provincial treasury for comment.
- (5) The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the Accounting Officer, depending on its delegations.
- (6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
- (7) When considering the matter, the adjudication committee must take into account:
 - (a) any comments submitted by the public; and
 - (b) any written comments and recommendations of the National Treasury or the relevant provincial treasury.
- (8) If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the Accounting Officer must submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.
- (9) Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the municipality to the bid may be entered into or signed within 30 days of the submission.

Combating of abuse of supply chain management system

- 39.** (1) In order to combat the abuse of the supply chain management system the Accounting Officer must –
- (a) take all reasonable steps to prevent abuse of the supply chain management system;
 - (b) investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this Policy, and when justified –
 - (i) take appropriate steps against such official or other role player; or
 - (ii) report any alleged criminal conduct to the South African Police Service;
 - (c) check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;
 - (d) 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 unless satisfactory arrangements have been made to pay of the arrears or a consent to recover the arrears from all future payments to the bidder has been given; or

- (ii) who during the last five years has failed to perform satisfactorily on a previous contract with the municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;
- (e) 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) 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) reject the bid of any bidder if that bidder or any of its directors –
 - (i) has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system;
 - (ii) has been convicted for fraud or corruption during the past five years;
 - (iii) has wilfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
 - (iv) has been listed in the Register for Bid Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (Act No 12 of 2004).

- (2) The Accounting Officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of paragraphs 39(1)(b)(ii), (e) or (f) of this Policy.

Part 3: Logistics, Disposal, Risk and Performance Management

Logistics management

40. The Accounting Officer must establish and implement an effective system of logistics management, which must include -

- (a) the monitoring of spending patterns on types or classes of goods and services which should, where practical, incorporate the coding of items to ensure that each item has a unique number for the purposes of monitoring;
- (b) the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
- (c) the placing of manual or electronic orders for all acquisitions;
- (d) before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and are in accordance with the order, the general conditions of contract and specifications, where applicable, and that the price charged is as quoted in terms of a contract;
- (e) appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;

- (f) regular checking to ensure that all assets, including official vehicles, are properly managed, appropriately maintained and only used for official purposes; and
- (g) monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

Disposal management

- 41.** (1) The Accounting Officer in conjunction with the Head of Department is responsible for the management of Council's assets which includes the disposal and maintenance thereof.
- (2) Over and above the conditions contained in this policy the processes described in the municipality's asset management policy must be adhere to by the Accounting Officer and Head of Departments.
- (3) The additional criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to section 14 of the Act, are as follows –
- (a) Movable assets:
 - (i) the asset is uneconomical to repair;
 - (ii) the asset is irreparable;
 - (iii) the relevant department has no further use for the asset; and
 - (iv) no other department requires the asset.
 - (b) Immovable assets:
 - (i) the relevant department has no further use for the asset;
 - (ii) no other department requires the asset; and
 - (iii) a member of the public wishing to acquire the asset can utilize the asset to the advantage of the community.
 - (c) Assets must be disposed of by–
 - (i) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;
 - (ii) transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
 - (iii) selling the asset; or
 - (iv) destroying the asset.
- (4) The Accounting Officer must ensure that –
- (a) immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
 - (b) movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;
 - (c) in the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment;
 - (d) 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;
 - (e) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise;
 - (f) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed; and

- (g) where assets are traded in for other assets, the highest possible trade-in price is negotiated.
- (5) The disposal of immovable assets is subject to the following principles –
- (a) Payment of the purchase price and costs:-
- (i) A 20% deposit shall be payable upon the date of signature of the proposed Deed of Sale, which deposit shall not be refundable should the purchaser decide not to proceed with the registration of the transfer for whatsoever reason, unless adverse soil conditions can be proven.
 - (ii) A bank guarantee for the outstanding balance of the purchase price shall be submitted to the Corporate and Legal Services Department within 30 (thirty) days of the date of signing the Deed of Sale, which shall be payable upon registration of transfer of the property.
 - (iii) The proceeds of the sale shall be deposited into the Land Trust Fund.
 - (iv) All costs (advertising, rezoning, obtaining of a valuation, etc.) pertaining to the transaction shall be borne by the applicant/successful bidder. The applicant/successful bidder will deposit an amount equal to an estimate of the total cost to secure his obligations in this regard and undertake to pay any unforeseen excess costs. The municipality will be liable to refund the balance of the unexpended costs, should the alienation not be finalised within a reasonable time or within the time limit referred to in the bidder document or deed of sale, or should the actual deposit be less than the expenditure occurred, the applicant/successful bidder shall pay the outstanding costs.
- (b) Standard Conditions:-
- (i) The purchaser shall commence with the development of the property within six (6) months after the date of transfer and shall complete the development within eighteen (18) months thereafter.
 - (ii) Should the purchaser fail to commence with or complete the development as stipulated in paragraph 41(4)(b)(ii) above, the property shall revert to the municipality and be transferred back to the municipality at the discretion of the Accounting Officer.
 - (iii) Should the property revert to the municipality, the municipality shall refund to the purchaser an amount equal to the amount paid by the purchaser in respect of the purchase price, less all costs attached to the retransfer of the property into the name of the municipality, which costs shall be for the account of the purchaser. The municipality will only compensate the purchaser for any improvements erected on the property after the property has been resold to another purchaser and the purchase has been paid by said purchaser.
 - (iv) In order to comply with the requirements of the Deeds Office as set out in Circular No 152 dated 1997.07.03 by the Registrar of Deeds, the above

conditions imposed shall not be embodied in the Title Deed to be issued to the purchaser, but instead the following conditions shall be inserted in such deed "The property shall not be transferred without the written approval of the GMHLM".

- (v) The use of all immovable assets disposed of in terms of this Policy shall be in accordance with the requirements of the Spatial Development Framework as adopted by the Council by ensuring that the conditions of sale include compliance by purchasers within the principles of the said Framework.
- (vi) All immovable assets sales will be done subject to the necessary environmental legislation being complied with by the purchaser in respect of the intended use of the property.
- (vii) Any sale of immovable assets by the municipality which is to be utilised for purposes of housing to be funded and/or subsidised from National and/or Provincial Housing funds shall be done in compliance with the principles, policies and procedures as contained in National and Provincial Housing legislation and any Housing code and/or Land Procurement Procedures prescribed under such legislation.
- (viii) The extent to which the intended disposal of the immovable property will promote the principles of integration, densification, regeneration and compact development, shall be considered in deciding whether to dispose of the property.

Risk management

- 42.** (1) The criteria for the identification, consideration and avoidance of potential risks in the supply chain management system, are as follows –
- (a) non compliance by the supplier to deliver within the agreed timeframes;
 - (b) supply of inferior goods or services by the supplier;
 - (c) inability of the supplier to provide goods or services as ordered;
 - (d) non adherence to the municipality's Policy with regards to utilisation of preferred suppliers; and
 - (e) procurement of goods or services at prices or of a quality not in the best interest of the municipality.
- (2) Risk management must include –
- (a) the identification of risks on a case-by-case basis;
 - (b) the allocation of risks to the party best suited to manage such risks;
 - (c) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
 - (d) the management of risks in a pro-active manner and the provision of adequate cover for residual risks; and
 - (e) the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

Performance management

- 43.** The Accounting Officer must ensure that an effective internal monitoring system is implemented in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were followed and whether the measurable performance objectives linked to and approved with the budget and the service delivery and budget implementation were achieved.

Part 4: Other matters

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

- 44.** (1) The Accounting Officer must ensure that, irrespective of the procurement process followed, no award above R 15 000 (VAT included) is given to a person whose tax matters have not been declared by the South African Revenue Service to be in order.
- (2) Before making an award to a provider or bidder, a tax clearance certificate from SARS must first be provided as contemplated in paragraph 13(a)(iv).

Prohibition on awards to persons in the service of the state

- 45.** The Accounting Officer must ensure that irrespective of the procurement process followed, no award may be made to a person –
- (a) who is in the service of the state; or
 - (b) if that person is not a natural person, of which any director, manager, majority shareholder or stakeholder is a person in the service of the state; or
 - (c) who is an advisor or consultant contracted with the municipality in respect of a contract that would cause a conflict of interest.

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

- 46.** The notes to the annual financial statements must disclose particulars of any award of more than R2 000 (VAT included) to a person who is a spouse, life partner, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including –
- (a) the name of that person;
 - (b) the capacity in which that person is in the service of the state; and
 - (c) the amount of the award.

Ethical standards

- 47.** (1) A code of ethical standards is hereby established, in accordance with paragraph 47(2), for officials and other role players in the supply chain management system of the municipality in order to promote –
- (a) mutual trust and respect; and
 - (b) an environment where business can be conducted with integrity and in a fair and reasonable manner.
- (2) An official or other role player involved in the implementation of this Supply Chain Management Policy –
- (a) must treat all providers and potential providers equitably;
 - (b) may not use his or her position for private gain or to improperly benefit another person;
 - (c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350.00.
 - (d) notwithstanding paragraph 47(2)(c), must declare to the Accounting Officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
 - (e) must declare to the Accounting Officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any

- proposed procurement or disposal process of, or in any award of a contract by, the municipality;
- (f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
 - (g) must be scrupulous in his or her use of property belonging to the municipality;
 - (h) must assist the Accounting Officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and
 - (i) must report to the Accounting Officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including –
 - (i) any alleged fraud, corruption, favouritism or unfair conduct;
 - (ii) any alleged contravention of paragraph 48(1) of this Policy; or
 - (iii) any alleged breach of this code of ethical standards.
- (3) Declarations in terms of paragraphs 47(2)(d) and (e) -
- (a) must be recorded in a register which the Accounting Officer must keep for this purpose;
 - (b) by the Accounting Officer must be made to the Mayor of the municipality who must ensure that such declarations are recorded in the register.
- (4) The National Treasury's code of conduct must also be taken into account by supply chain management practitioners and other role players involved in Supply Chain Management.
- (5) A breach of the code of ethics adopted by the Municipality must be dealt with in accordance with schedule 2 of the Local Government: Municipal Systems Act, 2000.

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

- 48.** (1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant –
- (a) any inducement or reward to the municipality for or in connection with the award of a contract; or
 - (b) any reward, gift, favour or hospitality to –
 - (i) any official; or
 - (ii) any other role player involved in the implementation of this Policy.
- (2) The Accounting Officer must promptly report any alleged contravention of paragraph 48(1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.
- (3) Paragraph 48(1) does not apply to gifts less than R350.00 in value.

Sponsorships

- 49.** The Accounting Officer must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is –
- (a) a provider or prospective provider of goods or services; or
 - (b) a recipient or prospective recipient of goods disposed or to be disposed.

Objections and complaints

50. Persons aggrieved by decisions or actions taken in the implementation of this Supply Chain Management System, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action.

Resolution of disputes, objections, complaints and queries

- 51.** (1) The Accounting Officer must appoint an independent and impartial person, not directly involved in the supply chain management processes –
- (a) to assist in the resolution of disputes between the municipality and other persons regarding –
 - (i) any decisions or actions taken in the implementation of the supply chain management system; or
 - (ii) any matter arising from a contract awarded in the course of the supply chain management system; or
 - (b) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
- (2) The Accounting Officer, or another official designated by the Accounting Officer, is responsible for assisting the appointed person to perform his or her functions effectively.
- (3) The person appointed must –
- (a) strive to resolve promptly all disputes, objections, complaints or queries received; and
 - (b) submit monthly reports to the Accounting Officer on all disputes, objections, complaints or queries received, attended to or resolved.
- (4) A dispute, objection, complaint or query may be referred to the relevant provincial treasury if –
- (a) the dispute, objection, complaint or query is not resolved within 60 days; or
 - (b) no response is forthcoming within 60 days.
- (5) If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.
- (6) This paragraph must not be read as affecting a person's rights to approach a court at any time.

Contracts providing for compensation based on turnover

- 52.** If a service provider acts on behalf of the Municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and the municipality must stipulate –
- (a) a cap on the compensation payable to the service provider; and
 - (b) that such compensation must be performance based.

Payment of sub-contractors or joint venture partners

- 53.** The Chief Financial Officer or an official designated by the Chief Financial Officer may consent to the direct payment of sub-contractors or joint venture partners by way of –

- (a) an approved session; or
- (b) an agreement for direct payment.

Extending or varying a contract

- 54.** (1) Subject to paragraph 54(2), the municipality on its own initiative or upon receipt of an application from the person, body, organisation or corporation supplying goods or services to the municipality in terms of this Policy, may resolve to extend or vary a contract if –
- (a) the circumstances as contemplated in paragraph 37(1)(a) prevail; or
 - (b) with due regard to administrative efficiency and effectiveness, the Accounting Officer deems it appropriate.
- (2) The municipality may not extend or vary a contract –
- (a) more than once;
 - (b) for a period exceeding the duration of the original agreement; or
 - (c) for an amount exceeding the original bid value plus any adjustments in terms of the consumer price index.
- (3) Within one (1) month of the decision referred to in paragraph 54(1), the matters specified in paragraph 54(4) must be –
- (a) published by the Municipality at least in an appropriate newspaper circulating within the boundaries of the municipality; and
 - (b) displayed at a prominent place that is designed for that purpose by the Municipality.
- (4) The matters to be published or displayed are –
- (a) the reasons for dispensing with the prescribed procedure;
 - (b) a summary of the requirements of the goods or services; and
 - (c) the details of the person, body, organisation or corporation supplying the goods or services.
- (4) The functions of the Accounting Officer in terms of paragraph 54 may not be assigned nor delegated.

Local Economic Development

- 55.** For the purpose of Local Economic Development within the municipality, any construction contract that is awarded to a company that does not reside within the municipal area will be subjected to subcontract 30% of the contract value to a local company or business.

Short title and commencement

- 56.** This Policy is called the "*Supply Chain Management Policy of the EPMLM*" and takes effect on the 1st July 2011.

PART B

PREFERENTIAL PROCUREMENT POLICY

PREAMBLE

WHEREAS the Ephraim Mogale Local Municipality aims to improve the quality of life of all citizens and to free the potential of each person within a framework facilitating service delivery, and effective governance; the Council recognized the need for transparent procedures in the application of preferential procurement;

AND WHEREAS economic development plays a crucial role in the creation of a prosperous, equitable, stable and democratic society with decent work and living standards for all in the context of equality in ownership, skills and access to opportunities;

NOW THEREFORE the Council of the Ephraim Mogale Local Municipality resolves in terms of section 2 of the Preferential Procurement Policy Framework Act, No. 5 of 2000 to adopt the following preferential procurement policy for the municipality:

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SCOPE

1. This policy applies to all contracts for the provision of goods and services to by the municipality.

PURPOSE

2. The purpose of the policy is to provide a framework within which effect can be given to the principle of preferential procurement, while ensuring that fair, equitable, transparent, competitive and cost effective procurement practices are adhered to.

OBJECTIVES

3. The objectives of the policy are to:
 - (a) Provide clarity on the municipality's approach to preferential procurement.
 - (b) Provide access to contracts for historical disadvantaged individuals.
 - (c) Promote SMME participation.
 - (d) Promote capacity development and skills transfer
 - (e) Promote job creation.
 - (f) Create an enabling contractual environment.

PREFERENCE POINT SYSTEM

4.(1) The GMHLM's procurement policy is constructed around the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and the Regulations (R726 of 10/08/2001) issued in terms thereof. This Act and Regulations requires that:

- (a) A preference point system must be used.
- (b) A number of points must be awarded for price.
- (c) A number of points must be awarded for achieving specific goals.

GENERAL PRINCIPLES GOVERNING THE MUNICIPALITY IN ITS INTERACTION WITH BIDDERS

6. (1) In dealing with bidders bidding for municipal work, the municipality will adhere to the basic principles of:

- (a) **Efficiency**
 - (i) The Council undertake to administer the procurement process in the most efficient manner possible, avoiding time delays and duplication of activities.
 - (ii) Where such delays are unavoidable, the Council undertakes to inform all bidders of the nature of the delay and the revised time frames.
- (b) **Courtesy**
 - (i) All staff members of the municipality will deal with bidders in a courteous and respectful manner.
- (c) **Transparency**
 - (i) All bid process will be open to the scrutiny of the public and interested parties.
 - (ii) The municipality will take all reasonable steps to ensure that the processes are clearly defined and understandable to all interested parties.
- (d) **Access to information**
 - (i) The municipality will take reasonable steps to ensure that all bidders have equal access to information on the goods or services to be bided for, as well as the bid process itself.
- (e) **Fair distribution of work**
 - (i) The municipality will take reasonable steps to make sure that the procurement of goods or services is fairly distributed amongst the service providers. This will be done to avoid the excessive procurement of goods or services from one provider/supplier only.
- (f) **Competition**
 - (i) The Council will encourage fair competition between suppliers that provide goods and services to it.

CRITERIA TO EVALUATE BID (BID) RESPONSIVENESS AND PREFERENCE POINTS SCORED

7. (1) Regardless of the scope value of the contracts involved, all contracts will be judged on grounds of:
 - (a) **Meeting technical specifications**

- (i) Where requested in bid documentation, bidders must describe how they will produce the required outputs outlined in the bid documentation in terms of either goods or services.
 - (ii) The ability to produce the required goods or services within the stated time frame may be included as criteria for compliance.
- (b) **Compliance with bid conditions**
 - (i) Bids submitted on time.
 - (ii) Bid forms signed.
 - (iii) All essential information provided.
- (c) **Tax clearance certificate produced**
 - (i) Bidders must produce a tax clearance certificate obtained from SARS.
- (d) **Infrastructure and resources available**
 - (i) Bidders must indicate the extent of infrastructure under their control and resources available to enable them to execute the contract.
- (e) **Size of enterprise and current workload**
 - (i) Bidders must give an indication of the resources available for the contract they are bidding on.
 - (ii) Bidders must give an indication of the number and value of other contracts being undertaken by them at the date of bid, as to enable the municipality to ascertain their ability to execute the contract.
- (f) **Staffing profile**
 - (i) Bidders must indicate the number of fulltime employees employed by the company in South Africa at the time of bidding. Such information must include a breakdown in terms of race and gender at top and middle management levels.
 - (ii) Bidders must also indicate the experience of top and middle management staff, especially where the experience of the company as a whole is limited.
- (g) **Previous experience**
 - (i) Bidders must indicate the number of years that they have been operating their business.
 - (ii) Bidders must provide evidence of previous experience in providing the goods or services under consideration, by providing a minimum of three contactable and relevant references.
- (h) **Financial ability to execute the contract**
 - (i) Bidders must indicate the revenue generated by their company in the previous financial year.
 - (ii) Bidders must provide an indication of their financial ability to execute the contract.

MINIMUM PARTICIPATION REQUIREMENTS

8. (1) In line with Regulation 8(5) of the Preferential procurement Regulations the municipality hereby determines that:

- (a) A bid is non-responsive if any one of the criteria listed under 7(1)(a)(b) or (c) is not met.
 - (b) A bid is further non-responsive if it score less than 8 points in terms of criteria 7(1)(d) to (h) (See score sheet part C Annexure J).
- (2) Non-responsive bids must be disqualified and may not take part in the further evaluation.

MECHANISMS TO SUPPORT PREFERENTIAL PROCUREMENT

9. (1) Determination of bid requirements in relation to bid value

- (a) The municipality will set targets for the supply of goods and services, and link specific requirements relating to enterprise with HDI ownership and/or SMME status.
- (2) **Establishment/maintain a database of SMME service providers**
 - (a) The municipality will establish a database of HDI, SMME and other service providers in order to track their records of services to the municipality.

(3) Identification of Business Opportunities

- (a) Within a month after the Capital and Operating budgets have been approved, the minimum figures (targets) for the supply of goods or services that could be supplied by HDI owned enterprises and SMME's, should be submitted to the respective Portfolio Committee for approval.
- (b) Joint venture opportunities between HDI owned enterprises and SMME's, and other business entities, will be identified and be described in the bid requirements.
- (c) Sub-contracting opportunities for HDI owned enterprises will be supported.

(4) Creation of an enabling environment

- (a) The municipality will create an enabling environment to enable SMME: to become part of the supply chain management process. Steps to be taken include:

(i) Surety Requirements

See the SCM Policy, paragraph 21(1)(f) regarding the lesser extent that sureties are called for.

(ii) Access to Bidding Information

Bidding and related information will be made available in a simplified and uncomplicated format to assist new and emerging enterprises and any business or organization bidding for municipal business.

(iii) Bidding Advice Centre

Assistance must be provided by the SCM Unit to increase SMME awareness and share in the supply chain and procurement process. Assistance must be provided for new and emerging SMME's.

(iv) Sub-Contracting

The procurement of goods and services for any project or other requirement of the municipality should cater for the engagement of sub-contractors. This will provide opportunities for smaller businesses to increase their share in public sector procurement.

(v) Proposed Process

- (aa) Bids shall be packaged into suitably sized segments of subcontractors to target SMME's wherever possible.
- (bb) A review of all term (period) contracts shall be undertaken to assess the viability of packaging these into smaller sub-contracts. These bids should be issued in smaller manageable sub-contracts so that preference can be given to local SMME's.
- (cc) Appropriate standards, specifications, delivery dates and related contractual obligations shall be employed to help smaller businesses to cope and compete.

(vi) Early Payment Cycles

- (aa) Small enterprises are entitled to early payment cycles by the municipality.
- (bb) A procedure for processing payments within a maximum of 30 days after certification of invoice must be instituted. Payment times less than 30 days may be introduced subject to discounts.
- (cc) When dealing with SMME's, the above shall not exclude other accommodating measures such as interim or early payment or direct payment of suppliers. Such measures shall however not be regarded as policy or standard procedure, and shall be applied at the discretion of the chief financial officer on an individual contract basis.

(vii) Simplification of Bid Documentation

- (aa) Bid submission documents should be rationalized and simplified to make it easier for small businesses to deal with the paperwork involved in bidding.
- (bb) All bid submission forms shall be regularly reviewed and the various bid/contractual documents shall be standardized as far as possible.

- (cc) Essential information shall be consolidated and bid forms reformatted in line with the aims of this policy.
- (viii) **Retention**
 - (aa) Retention on Major contracts should be limited to 5% of the bid sum. Where the value of the surety required has been reduced, or even waived, the usual 10% retention shall apply. The value of retention deducted will therefore be as follows:
 - **Micro and Minor:** 10% of the value of work carried out with no limit, reducing to 5% for the duration of the maintenance period.
 - **Major:** 10% of the value of the work carried out, up to a limit of 5% of the bid sum, with no reduction for the duration of the maintenance period.
 - (bb) Retention in respect of the procurement of goods and services will not generally be called for, but where required, will be in accordance with the limits described above.
 - (cc) For turnkey/design and construction projects, the above retention limits may be reviewed by the Implementing Agent. Financial guarantees may be submitted in lieu of retention.
- (ix) **Advertising**
 - (aa) In order to reach the largest number of HDI owned and SMME service providers possible, the municipality will undertake to advertise invitations to bid through a range of media. An executive summary of the bid will be published in the five official languages of Limpopo
 - (bb) The municipality will provide an appropriate time period within which bidders can request additional clarification and will be sensitive to the issues of language in this regard.

SHORT TITLE

10. This part of the policy is called the Greater Marble Hall Local Municipality Preferential Procurement Policy.

PART C

SUPPLY CHAIN AND PREFERENTIAL PROCUREMENT GUIDELINES

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ANNEXURES

DEFINITIONS

1. For the purpose of this policy, unless the context indicates otherwise, any word or expression to which a meaning has been attached in the Act shall bear the same meaning and means:-
 - (1) "*acceptance of bid*" the award of a bid to a bid in response to his/her bid or price quotation;
 - (2) "*briefing notes*" update information or circular regarding the bid issued from time to time during the submission of bid phase to prospective bidders;
 - (3) "*Chief Financial Officer*" an officer of the municipality appointed as the Head of the Finance Department and includes any person:-

- (a) acting in such position; and
 - (b) to whom the Chief Financial Officer has delegated a power, function or duty in respect of such a delegated power, function or duty;
- (5) "*closing date*" the date specified in the bid documents for the receipt of the bid;
- (6) "*closing time*" the time specified in the bid documents for the receipt of the bid;
- (7) "*consortium*" any group of persons submitting a bid to provide services as required by the bid advertisement, irrespective of the existence of a formal agreement or arrangement between them or not, and consortia shall refer to the plural thereof;
- (8) "*consultant*": see "professional service provider";
- (9) "*contract*" the agreement between parties which is concluded when the Municipality accepts a bid/quotation submitted by a bidder;
- (10) "*contractor*" any natural or legal person/company/closed corporation/firm/joint venture, whose bid has been accepted by the municipality and, for the purposes of this policy, shall include suppliers and service providers;
- (11) "*Council*" or "*municipal council*" a municipal council referred to in section 18 of the Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998) and for purposes of this policy, the municipal council of the Municipality of GMHLM;
- (12) "*delegated authority*" any person/persons/committee delegated with the authority to act for or on behalf of the municipality;
- (13) "*disability*", in respect of a person, a permanent impairment of a physical, intellectual, or sensory function, which results in restricted, or lack of, ability to perform an activity in the manner, or in the range, considered normal for a human being;
- (14) "*equity ownership*" the percentage of an enterprise or business owned by individuals or, in respect of a private company, the percentage of a company's shares that are owned by individuals, who are actively involved in the management of the enterprise or business and exercise control over the enterprise, commensurate with their degree of ownership at the closing date of the bid;
- (15) "*formal contract*" a written contract concluded between GMHLM, signed by the authorized person (in terms of the Delegation of Authority) the Board, and the successful bidder, which contract embodies the terms and conditions of the bid
- (16) "*good performance*" that the contractor's performance was above average and that the official would have no hesitation in recommending that contractor on another project;
- (17) "*goods*" those raw materials or commodities which are available for general sale;
- (18) "*historically disadvantaged individual (HDI)*" a South African citizen:-
 - (a) who, due to the apartheid policy that had been in place, 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 female; and/or
 - (c) who has a disability;
- provided that a person who obtained South African citizenship on or after the coming to effect of the Interim Constitution, is deemed not to be an HDI;
- (19) "*implementing agent*" the decision maker/manager mandated by the municipality to implement projects and invite bids/quotations for procurement of any nature;
 - (20) "*joint venture/consortium*" an association of persons/companies/closed corporations/firms formed for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract;
 - (21) "*laws*" Includes the common law, all legislation (National, Provincial, Local and subordinate), regulations, ordinances, proclamations, guidelines and policies;
 - (22) "*letter of acceptance*" the written letter indicating the acceptance of bid by EMLM;
 - (23) "*local*" a Professional Service Provider with a permanent office in the area of jurisdiction of the municipality manned by a partner/director with adequate staff and resources to provide the majority of their services without outside support or assistance;
 - (24) "*management*" in relation to an enterprise or business, an activity inclusive of control and performed on a daily basis by any person who is a principal executive officer of the enterprise/business, by whatever name that person may be designated, and whether or not that person is a director;
 - (25) "*Municipal Manager*" the accounting officer appointed in terms of section 82 of the Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998) and being the head of administration and accounting officer in terms of section 55 of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) and includes any person:-
 - (a) acting in such position; and
 - (b) to whom the Municipal Manager has delegated a power, function or duty in respect of such a delegated power, function or duty;
 - (26) "*panel of service providers*" the panel of service providers listed by EMLM for a specified period as preferred providers of supplies and services to EMLM;
 - (27) "*preference*" the preference awarded to a bidder in the evaluation of his or her bid in accordance with the provisions of Preferential Procurement System as set out in paragraph 12;
 - (28) "*principal*" a person in a firm who is a partner in a partnership, a sole proprietor, a director in a company established in terms of the Companies Act, or a member of a closed corporation registered in terms of the Closed Corporation Act;
 - (29) "*prime contractor*" the legal entity with whom the municipality will contract;
 - (30) "*professional services*" the provision on a fiduciary basis of services requiring knowledge based expertise;

- (31) "*professional services provider (consultant)*" any person or body corporate who is under contract to the municipality for the provision of Professional Services;
- (32) "*quotation*" a written offer which is not submitted in the form of a bid document prescribed by the municipality, but is never-the-less subject to a specification, conditions of purchase and any schedules and/or annexure such as drawings or plans, as applicable;
- (33) "*regulations*" the Preferential Procurement Regulations, 2001, pertaining to the Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000);
- (34) "*responsible agent*" those internal project managers and/or external consultants responsible for the administration of a contract;
- (35) "*responsive bid*" a bid which conforms to all the terms, conditions and specifications of the bid without material deviation or qualification;
- (36) "*service providers*" the service providers who have qualified for listing on the panel of service providers and remain to comply with the minimum requirements for listing on the panel;
- (37) "*services*" the provision of labour and/or work carried out by hand, or with the assistance of plant and equipment, including the input, as necessary, of knowledge based expertise;
- (38) "*small, medium and micro enterprises (SMME's)*" the same meaning assigned to this expression in the National Small Business Act, 1996 (Act No 102 of 1996);
- (39) "*successful bidder*" the individual, organization or consortium whose bid has been accepted by GMHLM;
- (40) "*bid*" a written offer on the bid documents prescribed by the municipality in response to an invitation to bid;
- (41) "*bidder*" any natural or legal person/company/closed corporation/firm submitting a bid or price quotation;
- (42) "*bid sum*" the amount stated on the bid documents prescribed by the Municipality;
- (43) "*the Act*" the Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000); and

ACCESS TO BIDDING INFORMATION

2. (1) All potential bids must have access to bid information. A special effort must be made to ensure that bid information reaches previous disadvantaged companies or individuals (PDC's or PDI's).

Proposed process

- (a) The procurement officer must ensure that notices of all bids shall be advertised in the local press and placed on all notice boards and pay-points throughout the municipal area.
- (b) The national press shall be used where applicable.
- (c) Notice of bids and bid documents placed on municipal notice boards shall be in English.
- (d) Bid Advice Service (TAS) points, created in the department requiring the goods or services shall assist with technical translation and related matters if requested.

- (e) The format and lay-out of bid notices used, shall regularly be reviewed, standardised and made user-friendly.
- (f) Guidelines regarding the completion of bid documentation shall accompany small and medium bids.
- (g) An official's name and contact number/address shall be included in all contract documentation and bid notices for enquiry purposes.
- (h) Upon request TAS will make bid results and awards available to bidders, to evaluate their performance and competitiveness for future bids.
- (i) For transparency, all bid documents shall provide details of the adjudication criteria.

BID ADVICE SERVICES

- 3. (1)** TAS's must be available to all potential bids especially to PDC's and PDI's.

Proposed process

- (a) TAS shall be established within each department responsible for issuing and administering bids.
- (b) The function of these TAS's, *inter alia*, will be to:
 - (i) Provide general information on all matters related to Municipal bids as well as specific information relating to individual bids.
 - (ii) Where applicable, convene pre-bid site meetings to explain bid requirements and answer questions from prospective bidders.
 - (iii) Assist bidders in preparing bid submission forms, excluding pricing of bids.
 - (iv) Provide language interpretation.
- (c) Introduce or co-ordinate training sessions for prospective bidders regarding general matters related to municipal bids. Training sessions shall be held on a needs basis and adequate measures shall be taken to inform prospective bidders of such sessions.
- (d) Departments should interact and make use of other services and facilities offered by existing national TAS's, and should additionally identify national and local organisations and institutions that focus on the support and growth of small businesses, and establish a co-operative relationship.
- (e) Departmental TAS will not be full-time structures and will only react to requests for assistance. At minimum, departments shall make standing arrangements for access to necessary personnel as and when required.

DEVELOPMENT OF DATA-BASE AND SKILLS LIST

- 4. (1)** A data-base (categorised list with details of business activity and location) of existing and prospective suppliers/bidders shall be established.

Proposed process

- (a) The data-base within the procurement division must be established under the control of the chief financial officer and shall be used to identify potential bidders especially PDI's and SMME's.
- (b) Based on work done the data-base shall be updated on a regular basis, and shall be made available to all user-departments and to neighbouring municipalities/municipal entities.
- (c) The information contained on the data-base shall be accessible to any organisation/institution outside the municipality upon request to promote the potential opportunities for PDI's and SMME's.
- (d) A monitoring system shall be implemented by the municipal manager to evaluate progress made regarding opportunities afforded to PDI's and SMME's, and to evaluate/adjust the use of the data-base, within the municipality.

- (e) Details of all supplier's and service provider's bids received, adjudication points, bids awarded and completed must be recorded on the database.
- (f) Advertisements reflecting the municipality's intention to establish a database and inviting potential suppliers and service providers to register on the municipal database must be placed in national and local newspapers (See annexures "A" and "B").

EVALUATION PROCEDURES FOR SUPPLIERS OR SERVICE PROVIDERS

5. (1) All applications of potential suppliers or service providers will be evaluated.
- (2) The purpose of the evaluation process is to assist as many possible suppliers to be placed on the database.

Proposed process

- (a) The evaluation of applications, received from suppliers or service provider to be placed on the municipality's database, will be done by the department requiring the goods or services.
- (b) Each department will establish an evaluation panel consisting of not less than three members of which one must be a senior manager.
- (c) All suppliers and service providers will be evaluated before being placed on the municipality's database.
- (d) The criteria contained in annexure "C" will be used to determine whether a supplier or service provider qualifies to be placed on the supply or service provider database.
- (e) All successful applicants will be informed of the outcome.
- (f) Unsuccessful applicants must be assisted to complete the application form correctly to qualify.

PROCUREMENT OF GOODS OR SERVICES WITH A VALUE BETWEEN R1 AND R2000.00

6. (1) The following procedures for the acquisition of goods and services with a value between R1 and R2000 must be followed.

Proposed process

- (a) A Head of department must apply to the Chief Financial Officer for a petty cash float.
- (b) Once approved the Chief Financial Officer will issue a cheque to a person nominated by the head of the department which will be responsible for petty cash transactions.
- (c) The responsible person will cash the cheque and keep the cash in a safety box which must be locked away in a safe at the end of each working day.
- (d) Sundry requirements to a maximum value of R2000.00 may be purchased from the petty cash float.
- (e) The responsible person will obtain verbal quotes and do the purchases.
- (f) The responsible person must at all times ensure that the municipality received values for money spent.
- (g) A monthly reconciliation report (Annexure D) from each manager must be provided to the chief financial officer, including –
 - (i) the total amount of petty cash purchases for that month; and
 - (iii) receipts and appropriate documents for each purchase.
- (h) On receipt of the petty cash reconciliation the chief financial officer will issue a new cheque to the value of the amount already spent.

PROCUREMENT OF GOODS OR SERVICES WITH A VALUE BETWEEN R1001 AND R50 000

7. (1) The following procedures for the acquisition of goods and services with a value between R1001 and R30 000 must be followed.

Proposed process

- (a) Heads of departments or their delegates must complete and submit an official requisition form, (Annexure "E") to the official tasked with the procurement of goods and services in the department, indicating the estimated value of the goods or services,.
- (b) If the Head of Department is of the opinion that not enough suppliers are going to respond he/she may request the procurement official to phone suppliers to respond after obtaining the permission of the accounting officer.
- (c) The official will ensure that the requisition is valid and advertise the requirements on the municipal notice board and website.
- (d) At least three quotations must be obtained.
- (e) The official will summarise the quotations received and submit it to the head of the department for acceptance.
- (f) If the lowest quotation in terms of price is not accepted the head of the department must submit reasons for the non-acceptance and report the matter to the municipal manager who must make a final ruling.
- (g) An official order will be placed for all goods or services obtained.
- (h) On receipt of the goods a goods received note must be completed and signed by the head of department or his/her delegate.
- (i) After services have been performed the head of the department must certify that the service was performed satisfactory and value for money was obtained.
- (j) All invoices required must be submitted to the creditors department which will attach it to the original requisition, order and goods received document where after it will be submitted for approval by the head of department and payment.

PROCUREMENT OF GOODS OR SERVICES WITH A VALUE BETWEEN R30 001 AND R200 000

- (2) The following procedures for the acquiring of goods and services with an estimated price between R30 001 and R200 000 must be followed.

Proposed process

- (a) Heads of departments or their delegates must complete and submit an official requisition form, to the official tasked with the procurement of goods and services in the department, indicating the estimated value of the goods or services.
- (b) If the Head of Department is of the opinion that not enough suppliers are going to respond he/she may request the procurement official to phone suppliers to respond after obtaining the permission of the accounting officer.
- (c) The official will ensure that the requisition is valid and advertise the requirements on the municipal notice boards and website.
- (d) At least three written quotations must be obtained from suppliers listed on the municipal database.
- (e) The quotations must be sealed and opened in the presence of the evaluation committee.
- (f) This invitation to quote must be in writing (Annexure "F") and advertised in the local press.
- .
- (h) The preference claimed must be applied for all quotations greater than R30 000.
- (i) Details of the quotations will be summarised on a summary sheet and submitted to the adjudication committee.
- (j) If the lowest quotation in terms of price and preference claimed is not accepted the adjudication committee must submit reasons for the non-acceptance and report the matter to the municipal manager who must make a final ruling.
- (k) An official order will be placed for all goods and services.
- (l) On receipt of the goods a goods received note will be compiled and signed by the head of department or his/her delegate.
- (m) After services have been performed the head of the department must certify that the service was performed satisfactory and value for money obtained.

- (n) All invoices will be submitted to the procurement department which will attach it to the original requisition, order and goods received documents where after it will be submitted for approval by the head of department and payment by the creditors section of the treasury department.

PROCUREMENT OF GOODS OR SERVICES WITH A PRICE VALUE OF MORE THAN R200 000

- (3) The following procedures for the acquiring of goods and services with an estimated price above R200 000 must be followed:

Proposed process

- (a) A formal bid must be prepared.
- (b) The following guidelines in the preparation of bid documents must be followed:

LANGUAGE

- (i) Bid documentation must be prepared in English.

DRAFTING OF BID DOCUMENTATION

- (c) Irrespective of by whom the proposal to bid for supplies or services was initiated, the head of department with responsibility in relation to the required supplies or services, must prepare or oversee the preparation of the bid documentation.
- (d) The head of department must also prepare or oversee the preparation of a bid advertisement in a format substantially similar to that contained in Annexure "I".
- (e) Bid documents must be available when bid advertisements are placed, but bid documents may not be issued prior to the placing of the bid advertisements.

Site inspections or explanatory meetings

- (f) Should it be a condition of the bid that a site inspection or explanatory meeting be attended by prospective bidders, this requirement as well as the place and time must be clearly stated in the bid advertisement.
- (g) Proper minutes must be taken of all information disclosed during the site inspection or explanatory meeting, and copies of these minutes should be made available to all interested parties that attended the relevant meeting.
- (h) Where the attendance of the site inspection or explanatory meeting is compulsory to the bid, bidders must be required to certify that they attended the site meeting or explanatory meeting and that they are fully aware of the scope of the bid.

Costs and prices

- (i) Bid prices must include delivery costs.
- (j) Prices should be fixed, but in the event of non-fixed prices being bided, the prices must be ascertainable and reasonable.
- (k) Unless otherwise determined, the costs of packing materials are for the account of the bidder and must be included in the bid price.

EVALUATION PROCEDURES FOR BIDS

General principles

- 7.(1) In the evaluation of any bid, general constitutional principles and the requirements of administrative justice regulate and determine the validity of any process followed.
- (2) Section 217 of the Constitution of South Africa, Act 108 of 1996, sets out the basic criteria which applies to the procurement of supplies or services by the state, and requires it must do so in accordance with a system which is **fair, equitable and transparent, competitive and cost-effective**, and provides for categories of **preference** in the allocation of contracts, and the protection or advancement of persons, or categories of persons, **disadvantaged** by unfair discrimination.
- (3) From the provisions of section 217 specific criteria are easily ascertainable. It is also clear that these criteria require two distinct, yet inseparable legs to be present in any procurement process. The first leg, requires that fairness, equitability, transparency, competitiveness and cost-effectiveness be incorporated into any evaluation process. The second leg requires that the process make provision for preferential procurement.
- (4) The above accordingly requires that for any procurement process to be fair and equitable, the bid process must be open and transparent and the evaluation of bids must take place in accordance with identified criteria which are applied in an impartial and unbiased evaluation. In evaluating and applying the bid criteria to bids, the following considerations must be kept in mind:

Fairness

- (a) The concept of fairness is not an immutable one and may change with the passage of time. Fairness is the generic umbrella concept under which all the other considerations reside as specific aspects of the element of fairness. Fairness however remains a creature of context, requiring consideration of all surrounding aspects to determine its presence or not. Despite its reluctance to be firmly grasped, basic requirements or examples of fairness can be identified.
- (b) The element of 'fairness' requires that bid documents have been fairly compiled and supplied to all bids. The parties involved in the evaluation process must deal fairly and justly with each bid submitted – i.e. what applies to the one, applies to the other.
- (c) The principle of fairness also incorporates the right to administrative justice into the evaluation process, requiring the absence of *mala fides*, fraud, bribery and other illegalities in the total procurement process.
- (d) Fairness further requires that the norms, criteria or weighting used in the evaluation process are objective and defensible and do not exclude or prejudice any bidder unfairly or unreasonably.
- (e) The value-orientated spirit of the Constitution should therefore pervade the whole process ensuring the fair and equitable treatment of all bidders. Administrative justice requires not only no bias in the process, but also demands that each bidder, successful or not, and where requested, be provided with reasons for the specific outcome.

Equitability

- (f) Equitability incorporates the element of equality into procurement. Each bid should therefore, taking into account the acceptability and compliance of the bid, be treated equally and equitably.

- (g) This requires that evaluation criterion, weighting system and the measurement of compliance with the bid documentation to be applied equally in the evaluation of each bid. Failure to do so opens the door to unequal treatment and an actionable violation of the equitability principle.
- (h) Risks of infringement of the equitability principle can also be found in the provision of an unequal opportunity to certain bidders to amend or vary a bid, inequality being present in the failure to afford a similar opportunity to other bidders who could potentially amend their bids to a competitive level.

Transparency

- (i) Transparency relates to the general principle of administrative justice requiring any bid evaluation process to be open and transparent. Section 195 of the Constitution also underwrites this principle by requiring a sound public administration where the principle of openness and transparency are advanced.
- (j) Accordingly, the evaluation process must be sufficiently open to bidders, to afford bidders where required, sufficient feedback regarding the bid evaluation, short listing of bidders, reasons for disqualification, and the awarding of the bid. This approach is in line with the important fundamental right of access to information.

Competitiveness

- (k) Any competition between bidders must be open and competitive. The procurement process should accordingly encourage effective competition through procurement methods suited to facilitate competition and provide GMHLM with the best value for money.
- (l) Competition may however be influenced by preferences relating to the advancement of persons, or categories of persons, disadvantaged by unfair discrimination, locally based contractors or SMME's. Such variation from the principle of open competition is justifiable as a remedial step towards the rectification and empowerment of persons previously disadvantaged, the strengthening of local suppliers and providers and the establishment of capacity for SMME's.
- (m) Open competition may further be enhanced by ensuring that the potential pool of bidders is not arbitrarily restricted, unless such restriction is due to providing bid advertisements to service providers listed on the service provider panel only. Competition should further be enhanced by providing bidders with reasonable notification of bid opportunities and adequate time within which to bid. Costs involved in bidding should also not be so high as to deter potential bidders.

Cost-effectiveness

- (n) Cost-effectiveness relates to the 'value for money'-analysis. Price alone is not always the best or most reliable indicator of value for money. Price as a norm can lead to rigid and inflexible consideration of bids, with the lowest bid more often than not, not being the best. The inherent challenge therefore, is to achieve affordability and a net benefit to GMHLM by considering all relevant costs and benefits involved in the bid.
- (o) However, where lower bids are passed over, the reasons for doing so must be reasonable and accountable, and may require deviations from the bid specifications or shortcomings in quality,

availability or compatibility to be highlighted. This though will be deemed necessary only in very exceptional circumstances and strictly in accordance with the PPPFA's regulation 9.

Ultra vires

- (p) An important aspect and incorporated in the general principle of legality of all bids is that of *ultra vires*, which requires that the calling of the bid be duly authorized. The bid process must take place within the Policy framework and be conducted with the necessary approvals by the authorized bodies or officials having been obtained.

EVALUATION PROCEDURES FOR RESPONSIVENESS

8. (1) Before any bid is evaluated in terms of preference or price the bid evaluation committee must determine whether the bid is a responsive bid. Non-responsive bids should be disregarded and not evaluated further. A bid can be regarded as non-responsive if it does not meet the three criteria stipulated in section 6(a)(b) and (c). If the bidder scores less than 8 out of a possible 10 points in the remaining criteria stipulated in 6 (d)-(g) the bid must also be treated as a non-responsive bid. Annexure "I" has been developed to assist the evaluation committee to determine responsiveness.

(2) The following criteria must be applied to determine responsiveness:

(a) Technical specifications

- (i) Bids are adjudicated in terms of:
 - (aa) Comply with technical specifications. Each specification, requirement must be met or responded to.
 - (bb) Schedule of quantities must have been completed.
- (ii) The bid evaluation committee member must score this category in terms of the following statements and record the reasons for not awarding the maximum points allowed:

| Description | Compliance awarded |
|---|--------------------|
| Bidder meets the technical specification as required. | Yes |
| Bidder does not meet all the technical specification as required. | No |
| Score motivation: ----- ----- ----- | |

(b) General conditions

- (i) The bid must also be evaluated for compliance with the bid requirements, such as completion of all bid documentation, signing of certificates and submission of required documents and data.
- (ii) Bids containing any one or more of the following errors or omissions will be rejected:
 - (aa) Pages to be completed removed from the document (therefore not submitted).
 - (bb) Scratching out/ writing over rates/ painting over rates / use of correcting fluid.
 - (cc) Failure to attend compulsory site inspections / compulsory briefing sessions.
 - (dd) Bid form not signed and all pages of bid documents not initialed.
 - (ee) No authority for signatory submitted.
 - (ff) Enterprise particulars not provided.
 - (gg) The bid has been submitted after the closing date and time.

- (iii) The bid evaluation committee member must score this category in terms of the following statements and record the reasons for not awarding the maximum points allowed:

| Description | Compliance awarded |
|---|--------------------|
| Bidder complies with the general conditions as required. | Yes |
| Bidder does not comply with the general conditions as required. | No |
| Score motivation: ----- ----- ----- | |

(c) **Tax clearance certificate**

- (i) A tax clearance certificate from SARS must be submitted with each tender.
- (ii) The bid evaluation committee member must score this category in terms of the following statements and record the reasons for not awarding the maximum points allowed:

| Description | Compliance awarded |
|---|--------------------|
| Bidder has submitted a tax clearance certificate as required. | Yes |
| Bidder has not submitted a tax clearance certificate as required. | No |
| Score motivation: ----- ----- ----- | |

(d) **Infrastructure and resources available**

- (i) Evaluate the following in terms of the size, nature and complexity of the goods and/or services required:
- (aa) Physical facilities.
 - (bb) Plant and equipment available for the project which is owned by the bidder.
 - (cc) Plant and equipment the bidder intends renting, should the project be awarded to him.
- (ii) The bid evaluation committee member must score this category in terms of the following statements and record the reasons for not awarding the maximum points allowed:

| Description | Points awarded |
|--|----------------|
| Bidder has the necessary infrastructure and resources available to successfully execute the contract | 2 |

| | |
|--|---|
| There is some doubt about whether Bidder has all the necessary infrastructure and resources available to successfully execute the contract | 1 |
| Bidder does not have the necessary infrastructure and resources available to execute the project. | 0 |
| Score motivation: ----- ----- ----- | |

- (iii) Note: With regard to rented plant and equipment the adjudicator must establish whether:
- (aa) The plant hire company has the equipment available for the bidder; and
 - (bb) Whether the bidder's creditworthiness and /or financial standing will allow him to rent plant.

(e) **Size of enterprise and current workload**

- (i) Evaluate the bidder's position in terms of:
 - (aa) Previous and expected current annual turnover.
 - (bb) Current contractual obligations.
 - (cc) Capacity to execute the contract.
- (ii) The bid evaluation committee member must score this category in terms of the following statements and record the reasons for not awarding the maximum points allowed:

| Description | Points awarded |
|---|----------------|
| Bidder has the necessary capacity available to successfully execute the contract. | 2 |
| There is some doubt about whether Bidder has all the necessary capacity available to successfully execute the contract. | 1 |
| Bidder does not have the necessary capacity available to execute the project. | 0 |
| Score motivation: ----- ----- ----- | |

- (iii) Note: Combine the contractor's current obligations with the impact this contract will have, and compare with the turnover of the previous year and the estimated turnover for the current year.

(f) **Staffing profile**

- (i) Evaluate the bidder's position in terms of:
 - (aa) Staff available for the contract.
 - (bb) Qualifications and experience of key staff to be utilized on this contract.
- (iv) The bid evaluation committee member must score this category in terms of the following statements and record the reasons for not awarding the maximum points allowed:

| Description | Points awarded |
|-------------|----------------|
|-------------|----------------|

| | |
|---|---|
| Bidder has the necessary staff available to successfully execute the contract | 2 |
| There is some doubt about whether Bidder has the necessary staffing profile to successfully execute the contract. | 1 |
| Bidder does not have the necessary staff available to execute the project. | 0 |
| Score motivation: ----- ----- ----- | |

- (iii) Note: The availability of staff is particularly important if the enterprise does not have the necessary previous experience.

(g) Previous experience

- (i) Evaluate the Bidder's position in terms of his previous experience. Pay particular attention to the following:
- (aa) Relevant experience in the technical field.
 - (bb) Experience of contracts of similar size.
 - (cc) Contact some or all of the reference to obtain their input.
- (ii) The bid evaluation committee member must score this category in terms of the following statements and record the reasons for not awarding the maximum points allowed:

| Description | Points awarded |
|--|----------------|
| Bidder has the necessary previous experience to successfully execute the contract. | 2 |
| There is some doubt about whether Bidder has the previous experience to successfully execute the contract. | 1 |
| Bidder does not have the necessary experience to execute the project | 0 |
| Score motivation: ----- ----- ----- | |

- (iii) Note: In the case where there is doubt the bidder's experience the adjudicator should establish whether it will be possible to provide assistance, for example through the contractor development programme, or by employing a construction and materials manager on the project. Should such support be available, 2 points may be awarded.

(h) Financial ability

- (i) Evaluate the bidder's financial ability to execute the contract. Pay particular attention to the following:
- (aa) Surety proposed.
 - (bb) Estimated cash flow.
 - (cc) Contact the bidder's bank manager and assess his financial ability to execute the contract.

- (ii) The bid evaluation committee member must score this category in terms of the following statements and record the reasons for not awarding the maximum points allowed:

| Description | Points awarded |
|--|----------------|
| Bidder has the necessary financial ability to successfully execute the contract | 2 |
| There is some doubt about whether Bidder has the financial ability to successfully execute the contract. | 1 |
| Bidder does not have the financial ability to execute the project. | 0 |
| Score motivation: ----- ----- ----- | |

- (iii) Note: In the case where there is doubt about the bidder's financial ability the adjudicator should establish whether it will be possible to provide assistance, for example through the contractor development programme, or by utilizing a project account or other method to effect quick payment. Should such support be available, 2 points may be awarded.

EVALUATION PROCEDURES FOR PRICE AND SPECIAL OBJECTIVES

9. (1) All responsive bids will be finally evaluated for price and special objectives.

(2) A 80/20 preference point system in respect of procurement with an estimated value of less than or equal to R1 000 000, and a 90/10 preference point system in respect of procurement with an estimated value of greater than R1 000 000 will be applied.

(3) Depending on the value of the procurement either 80 or 90 points are awarded to the bidder who bids the lowest price, and proportionately fewer points are awarded to those with higher prices.

(4) The remaining 20 or 10 points will be awarded for HDI equity ownership and other specific goals.

Price

- (5) Points allocated for price will be evaluated in accordance with the following principles.

- (a) Price thresholds up to R1 000 000:-

A maximum of 80 (60% for price and 40% functionality) points is allocated on the following basis:

$$Np = 80 [1 - \frac{(Pt - Pmin)}{Pmin}]$$

Where: Np = the number of bid adjudication points awarded for price.
Pt = the bid sum (corrected if applicable) of the responsive bid under consideration.

P_{min} = the bid sum (corrected if applicable) of the lowest responsive bid.

(b) Contracts over R1 000 000:-

A maximum of 90 (60% for price and 40% functionality) points is allocated on the following basis:

$$N_p = 90 \left[1 - \frac{(P_t - P_{min})}{P_{min}} \right]$$

P_{min}

Where: N_p = the number of bid adjudication points awarded for price.

P_t = the bid sum (corrected if applicable) of the responsive bid under consideration.

P_{min} = the bid sum (corrected if applicable) of the lowest responsive bid.

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Ephraim Mogale Local Municipality

**2015/16 Medium Term Revenue and Expenditure
Framework (MTREF) Policy Review**

TRAVEL AND SUBSISTENCE POLICY

EPHRAIM MOGALE LOCAL MUNICIPALITY TRAVEL AND SUBSISTENCE POLICY

The policy applies to all Councillors and Officials of Ephraim Mogale Local Municipality who are travelling on official business and as such becomes formal representatives of the Municipality.

Transport and subsistence costs will be paid in accordance with the stipulations as set out below:

1. DEFINITIONS

For the purpose of this policy, the following words will have the meanings as indicated:

"ad hoc transport allowance" means the allowance payable to any official not receiving either a fixed, running or negotiated travelling allowance, but who are requested to use private transport in the execution of his/her duties.

"applicable rate" means the rate paid as determined by the Council from time to time and published by the Department of Transport on monthly basis for vehicle operating cost whichever is the approved rate.

"Council" means the Council of Ephraim Mogale Local Municipality.

"Councillor" means a Councillor elected to serve on the Council.

"delegate" means any Councillor or any Official that received permission to attend an official visit as contemplated in section 3 of the policy.

"Designated Driver" means an official of the Municipality driving a municipal vehicle to an authorised destination performing authorised duties.

"Ephraim Mogale Local Municipal area" means the area determined by the National Demarcation Board for the municipal area of jurisdiction as it exist after the 2000 Local Government Elections.

"fixed average journey distance per month" means the distance in kilometres on which a monthly transport allowance was based.

"fixed transport allowance" means the allowance intended for incumbents of the posts of departmental Directors, Managers and other designated positions in the Municipality.

"negotiated transport allowance" means the allowance negotiated by incumbents employed as Municipal Manager and other managers on a fixed term performance contract.

"official visit" means the attendance of meetings, seminars, congresses, workshops, training courses or any other event that a delegate attends in his/her official capacity for which prior approval has been obtained and includes the attendance of meetings of institutes by Councillors and/or Officials that have been selected to serve on the management structures of such institutes.

"running transport allowance" means the allowance negotiated with incumbents not receiving a negotiated or fixed transport allowance and with whom it was

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agreed upon to daily utilise private transport for the execution of official duties, and to whom a transport allowance is paid in accordance to the fixed average journey distance per month as determined for the particular post occupied by them. These incumbents do not receive a monthly allowance as a perquisite: In other words, the allowance is not seen as an additional income or a customary right or privilege applicable to incumbents in these posts, but is regarded as an allowance to enable them to perform their duties.

2. APPROVAL

- 2.1 Official visits by officials within the Ephraim Mogale Local Municipality's area of jurisdiction shall be subject to the approval of his/her head of department prior the visit, provided that the expenses to be incurred are on the approved budget of the relevant department.
- 2.2 Official visits by officials outside the Ephraim Mogale Local Municipality boundaries shall be subject to approval by the relevant Director provided that the expenses to be incurred are on the approved budget of the relevant department.
- 2.3 The Mayor shall approve official visit of the Municipal Manager who in turn shall approve official visits of the Directors provided that expenses to be incurred are on the approved budget of the relevant vote.
- 2.4 Official visits by the Speaker, Members of the Executive Committee shall be subject to approval by the Mayor provided that the expenses to be incurred are on the approved budget of the relevant vote.
- 2.5 The Speaker shall approve the official visit by the Mayor and other Councilors provided the expenses to be incurred are on the approved budget.
- 2.6 Official visits outside of South Africa shall be subjected to prior approval by the Council provided that the expenses to be incurred are provided for on the relevant vote of the approved budget.

3. DELEGATIONS

- 3.1 The Municipal Manager shall approve his/her own official visits either within or outside the Ephraim Mogale Local Municipality boundaries in collaboration with the Mayor to attend the following which exceed two days:
 - Any congresses, seminars or conferences of approved institutes.
 - Any meetings, gatherings or workshops related to local government.
- 3.2 The Municipal Manager shall approve the official visits either within or outside the Ephraim Mogale Local Municipality boundaries of officials reporting directly to him/her to attend the following which equals to or exceeds one day:

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- Any congresses, seminars or conferences of approved institutes.
- Any meetings, gatherings, training or workshops related to local government.

3.3 The Director shall approve the official visits either within or outside the Ephraim Mogale Local Municipality boundaries of officials in his/her directorate to attend the following which exceeds one (1) day:

- Any congresses, seminars or conferences of approved institutes.
- Any meetings, gatherings, training or workshops related to local government.

3.4 The Manager of department shall approve the official visits either within or outside the Ephraim Mogale Local Municipality boundaries for officials to attend the following for one (1) day only:

- Any meetings, gatherings, training or workshops related to local government.
- Any other official business.

4. TRAVELLING EXPENSES

4.1 Officials receiving negotiated transport allowance:

4.1.1 Officials receiving a negotiated transport allowance shall not be reimbursed for journeys inside Ephraim Mogale Local Municipality boundaries.

4.1.2 Only kilometres travelled to the destination outside the boundaries of the municipality shall be reimbursed according to the tariffs payable for privately owned vehicles as prescribed by the Department of Transport on monthly basis.

4.1.3 Kilometres travelled to any destination within the boundaries of the municipality shall not be reimbursable.

4.1.4 Documentary proof of approval by the Municipal Manager for trips outside Ephraim Mogale Local Municipality boundaries must be attached.

4.1.5 The point of departure for all trips undertaken by all staff members shall be from the municipality's main offices and not from individual's homes.

4.2 Officials receiving a fixed transport allowance:

4.2.1 Officials receiving a fixed transport allowance shall be reimbursed for transport expenses incurred for all destinations undertaken outside the boundaries of Ephraim Mogale Local Municipality. The actual kilometres travelled shall be paid at the applicable rate as published by the Department of Transport on

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monthly basis restricted to the engine capacity of a 3000cc vehicle on all fuel used.

4.3 Ad hoc transport allowance payable to officials not receiving a vehicle allowance:

4.3.1 A transport allowance to employees in this category will be paid at the applicable rate based upon running and fixed costs to a maximum of a 3000cc vehicle for official visits within or outside the Ephraim Mogale Local Municipality boundaries. However, these trips must be limited to the absolute essential trips only and official transport should be used as far as possible.

4.4 Transport costs payable to Councillors:

4.4.1 Any allowance or transport costs payable to Councillors shall be subject to the regulations pertaining to the remuneration of public office bearers as promulgated by the Provincial Department of Local Government in terms of the Public Office Bearers Act, Act 20 of 1998.

4.4.2 Only kilometers travelled to the destination outside the boundaries of the municipality shall be reimbursed according to the tariffs payable for privately owned vehicles as prescribed by the Department of Transport on monthly basis.

4.4.3 Kilometres travelled to any destination within the boundaries of the municipality shall not be reimbursable.

4.4.4 Documentary proof of approval by the Speakers for trips outside the Ephraim Mogale Local Municipality boundaries must be attached.

4.4.5 The point of departure for all trips undertaken by all Councilors (full-time and part-time) shall be from the municipality's main offices and not from individual's homes.

4.5 International and domestic flights:

4.5.1 The Mayor, Councillors, Municipal Manager, Directors, Managers and officials as delegated may travel by means of economy class at the best available fare.

4.5.2 In the case of group bookings, scheduled and sponsored tours or travelling with delegations from National/Provincial Government, the South African Local Government Association (SALGA) or from any other government institution or private sector on official approved trips, such Councillors and officials may travel by means of the same class as the members of the delegations which they accompany.

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- 4.5.3 All requests for air travel must be made at the most appropriate rate applicable at the time of travel. To ensure that the most economical airfare is booked, officials are to finalise the relevant bookings where possible well in advance of the intended trip.

4.6 Hiring of vehicles:

- 4.6.1 Where deemed necessary, the hiring of vehicles for travel within the boundaries of the Republic of South Africa outside Ephraim Mogale Local Municipality boundaries may be authorised by the Mayor for Councillors or Municipal Manager or Directors and Managers as may be delegated.
- 4.6.2 Only travellers with a valid South African drivers' license may hire vehicles from the approved vehicle agency.
- 4.6.3 For the Mayor a vehicle similar to the official mayoral vehicle.
- 4.6.4 For other Councillors, Municipal Manager, Directors and Managers any vehicle with an engine capacity not exceeding 3000cc.
- 4.6.5 For all other officials any vehicle with an engine capacity not exceeding 1600cc.
- 4.6.6 For groups of five (5) officials and more, any vehicle with an appropriate capacity limited to a microbus.

5. SUBSISTENCE

5.1 Overnight stays:

- 5.1.1 Accommodation expenses shall be payable when travelling to a destination outside the boundaries of Ephraim Mogale Local Municipality when it can reasonably be expected of a Councillor or an official to stay overnight during an official visit.
- 5.1.2 No accommodation will be payable for official visits within the Ephraim Mogale Local Municipality boundaries.
- 5.1.3 If the distance related to an official journey exceeds 100km or the starting time on the day of the event/meeting is scheduled earlier than 9:00 in the morning of the subsequent day, a delegate may stay overnight, subject to the approval of the journey by the Speaker for Councilors and the Municipal Manager, or Director for officials subject to the availability of sufficient budget in the relevant vote.
- 5.1.3 Accommodation must, as far as possible, be arranged to be within a 20 km radius from venue of the event. In instances where it is impractical pre-approval must be obtained from the Municipal Manager or relevant Director, failing which no additional cost shall be reimbursed for travelling expenses.

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5.2 Accommodation expenses:

- 5.2.1 If a delegate is required to stay overnight at a hotel, Guest house or at a Lodge cost shall be paid directly to the account of the host. Arrangements with a hotel, a Guest house or a Lodge with regard to accommodation (bed and breakfast) must be made prior to the delegate's departure and payment shall only be made to the specific hotel based on the quotation or a pro forma invoice.
- 5.2.2 Delegates must ensure that accommodation is sought at a minimum THREE (03) STAR and a maximum FOUR (04) STAR accommodation.
- 5.2.3 No any "extras" related to accommodation shall be paid other than what is listed on the quotation or pro forma invoice received, therefore such "extras" shall be settled by the delegate prior to departure.
- 5.2.4 A delegate shall be given R303.00 per day when he or she stays elsewhere without having to produce a proof of expenditure. ***(Elsewhere means anywhere except for places which the Municipality will have to book and pay accommodation for the delegate.)***

5.3 Day and Overnight Allowance:

- 5.3.1 A maximum of R93,00 per day for official journeys shall be payable for refreshments, meals and soft drinks, if an official is away from the Ephraim Mogale Local Municipal boundaries longer than six (6) hours, but who does not stay overnight.
- 5.3.2 An overnight allowance of R117.00 shall be payable for spending a night away from home on an official business trip outside The Ephraim Mogale Local Municipal boundaries.

5.4 Miscellaneous expenses

- 5.4.1 The maximum that may be claimed where miscellaneous expenditure is incurred for official visits by Councillors and officials outside Ephraim Mogale Local Municipality boundaries shall be subject to the submission of documentary proof of expenditure such as:
 - 5.4.1.1 Parking fees;
 - 5.4.1.2 Toll fees;
 - 5.4.1.3 Bus fares/taxi fares subject to prior approval by the Municipal Manager or relevant Director.

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6. SUBSISTENCE PAYABLE WITH RESPECT TO OVERSEAS VISITS

- 6.1 When travelling to a countries outside of the Republic of South Africa, the daily maximum amount allocated per country which is deemed to be expended as issued by SARS from time to time to a maximum amount of US \$215,00 per day, calculated from the first day of departure, shall be paid to any official or Councillor on condition that documentary proof of expenditure is provided within thirty (30) days of returning from a trip. Should proof of expenditure not be submitted in the prescribed time or the full advance given not be utilised, the advance or balance thereof shall be deducted from the next salary of the relevant Councillor or official.
- 6.2 The daily allowance is meant to cover for all meals, transport costs, official telephone, fax, internet calls and other incidental costs which may occur.
- 6.3 The amount payable however can be revised by Council depending on the exchange rate and the country that is visited.
- 6.4 Accommodation for international travel must be the equivalent to hotel accommodation used by business travellers but in the case of attendance of a conference the conference hotel may be used or the most convenient hotel nearest to the conference venue.

7. INTERVIEWS

The following shall be payable to invited applicants travelling to Ephraim Mogale Local Municipality for interviews:

- 7.1 Travelling cost shall be paid according to the applicable rates based upon running costs to a maximum engine capacity of a 2500cc vehicles calculated on the actual kilometres travelled.
- 7.2 Applicants using public transport where receipts are not issued shall be paid according to the applicable rates based upon running costs to a maximum engine capacity of a 1300cc vehicles calculated on the actual kilometres travelled.
- 7.3 The actual accommodation cost for bed and breakfast to a maximum amount of R600,00 per night for one night only.
- 7.4 No other meal expenses or drinks shall be paid.
- 7.5 A person who uses private transport to attend an interview shall be paid an amount equivalent to the avoided air ticket cost, which would have been paid in the event of air travel being the most economical and practical means of transport.
- 7.6 If the invited applicant travels by air the actual expenditure of an economy class ticket on domestic flights only at the best available fare will be paid.
- 7.7 The actual expenditure on the hire of vehicles, if travel by air, equal to a Group B vehicle of a motor vehicle agency limited to a maximum of two days and limited to 400 kilometres per claim.

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- 7.8 Miscellaneous expenses such as parking and toll fees shall be reimbursed according to expenditure incurred for a return trip notwithstanding that only proof of one (1) slip could be submitted.
- 7.9 The reimbursements in paragraph 7.1 to 7.8 shall only be paid subject to documentary proof of expenditure being submitted prior to approval by Municipal Manager.
- 7.10 The Manager Human Resource must at all times inform invited applicants of the reimbursement cost payable for attending interviews, and provide claim forms on the day of interviews.

8. GENERAL

- 8.1 The reimbursement fees will be revised annually with the annual budget by the Chief Finance Officer in consultation with the Municipal Manager and subject to the determinations by the South African Revenue Services from time to time.
- 8.2 If more than one (1) delegate attends a specific official occasion, they must travel with one (1) vehicle and only the owner of the vehicle used shall be legible to receive reimbursement for travelling costs in terms of this policy. Should this not be possible approval should be granted by the relevant Director or Municipal Manager subject to the individual circumstances of each case prior to the journey being taken.
- 8.3 Any deviation from and ratification of minor breaches of the travelling and subsistence policy must be approved by the Municipal Manager but only;
 - (i) in an emergency;
 - (ii) if such arrangements are not included in the policy;
 - (iii) in the case of special circumstances and other exceptional cases where it is impractical to follow the travelling and subsistence policy.
- 8.4 If proof of expenditure cannot be provided as required in terms of this policy the expenditure incurred shall be for the account of the relevant delegate.
- 8.5 Delegates who stay overnight must within five (5) working days from return submit the original invoices received from the hotel including the Guest house to the expenditure section in Finance Department to confirm the attendance and enable reconciliation of cost incurred. Failure to submission might result to a situation where the amount may be recovered from the relevant official's salary.
- 8.6 Delegates may only submit one (1) travel and subsistence claim on the prescribed form per event (excluding toll gate fees) which should include all costs incurred allowed to be claimed in terms of this policy.
- 8.7 Claims must be submitted not later than 60 days from the date of the trip as . claims received after this period shall be rejected, unless condoned by the Municipal Manager.

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- 8.8 Payments of travel and subsistence shall be as follows:
- 8.8.1 All claims received by the finance department between the 04th of a month and/ including the 16th of the month shall be paid with the monthly salaries.
- 8.8.2 All claims received by the finance department between the 17th of a month and/ including the 3rd of the succeeding month will be paid by the 6th of the subsequent month.
- 8.9 In the event that an individual was granted permission to attend a function/event/workshop/meeting/training at the cost of the Municipality but could not attend and no valid reason could be provided, costs incurred by Municipality shall be claimed from the individual's salary.
- 8.10 Claims for travel are limited to vehicle owned by the delegate in the service of Ephraim Mogale Local Municipality. It is therefore compulsory for all claimants to submit copies of the following documents to Finance Department as proof of ownership:
- Certificate of registration (obtainable from Registration Authority).
 - Form 161 (obtainable from Registration Authority).
- 8.11 Where a Council owned vehicle is used, the designated driver shall be responsible for the payment of all traffic fines related to reckless and negligent driving, speeding and none usage of safety belt. The fine shall be paid by Council and the paid amount shall be deducted from the individual's salary.
The Council shall only be responsible for the payment of all traffic fines related to the roadworthiness of the vehicle used.

CERTIFICATE OF ENDORSEMENT:

The Agreement to this Policy shall come into effect on the date of endorsement and shall cease only in the event where such changes/variations has been reduced to writing and been signed by the Accounting Officer. Unless in the event where any changes in any applicable Act, Legislation or Bargaining Council Main Agreement has jurisdiction to supersede.

**EPHRAIM MOGALE LOCAL MUNICIPALITY
TRAVEL AND SUBSISTENCE POLICY**

EPHRAIM MOGALE MUNICIPALITY



TRAVEL AND ACCOMODATION APPROVAL FORM

(Invitation to be attached as proof)

| | | |
|--|---|--|
| Name | | |
| Date of trip | | |
| Destination | | |
| Purpose of trip | | |
| Number of official(s) | | |
| Name of attendee(s) | (1) _____ (2) _____ (3) _____ (4) _____ | |
| Number of days to be spent | | |
| Number of nights to be spent | | |
| State whether using own vehicle or Council | | |
| Particulars of vehicle: (Provide full particulars if you are using own vehicle and only the Make and Registration number for Council vehicle) | (1) Vehicle Make: _____ (2) Year Model: _____ (3) Engine Capacity: _____ (4) Fuel _____ (5) Registration Number: _____ (6) Purchase Price: _____ | _____ _____ _____ _____ _____ _____ |

NB:

Receipt of invitation/identification of duties or functions to be performed elsewhere is not an automatic authorization to attend such a workshop / event. The required authorization or permission must still be obtained.

Signature Applicant

Manager

Director / Municipal Manager

Date

Date

Date

**EPHRAIM MOGALE LOCAL MUNICIPALITY
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EPHRAIM MOGALE MUNICIPALITY



CLAIM FOR TRAVEL & SUBSISTANCE FOR OFFICIALS AND COUNCILLORS

| | |
|--|--|
| NAME OF CLAIMANT: | |
| SALARY NUMBER: | |
| POSITION OF CLAIMANT: | |
| VEHICLE MAKE & MODEL: | |
| REG NO: | |
| ENGINE CAPACITY: | |
| PURCHASE PRICE: | |
| <div style="display: flex; justify-content: space-between; align-items: center;"><div>OWN <input type="checkbox"/></div><div>OFFICIAL <input type="checkbox"/></div><div>(MARK WITH X)</div></div> | |

CLAIM FOR TRAVEL COSTS

| DATE | FROM | TO | ROUTE AND PURPOSE OF TRIP | KM |
|------|------|----|---------------------------|----|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

OVERNIGHT ALLOWANCE

| | | | | |
|--|-------------|------------------|-------------|-------------------|
| DATE BOOKED IN: | | DATE BOOKED OUT: | | TOTAL NIGHTS: |
| | | | | |
| | | | | |
| DAY ALLOWANCE (6 HOURS AND / OR MORE) | | | | |
| DEPART | | RETURN | | ROUTE AND PURPOSE |
| <i>Date</i> | <i>Time</i> | <i>Date</i> | <i>Time</i> | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

I, the undersigned, hereby certify that this claim submitted, is in respect of actual distances travelled for official purposes and/or actual period taken into effect.

Signature Applicant

Unit Manager

APPROVED. MUNICIPAL MANAGER



Ephraim Mogale Local Municipality

**2015/16 Medium Term Revenue and Expenditure
Framework (MTREF) Policy Review**

TARIFF AND RATES POLICY

TARIFFS AND RATES POLICY

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EPHRAIM MOGALE LOCAL MUNICIPALITY TARIFF AND RATES POLICY

1. DEFINITIONS

In this policy, unless the context otherwise indicates: -

“Accommodation unit” in relation to any premises, means a building or section of a building occupied or used or intended for residential occupation or use by any person;

“Agreement” means the contractual relationship between the Municipality or an authorised agent and a consumer;

“Authorised agent” means -

- Any person authorised by the Municipality to perform any act, function or duty in terms of, or exercise any power under this policy or
- Any person to whom the Municipality has delegated the performance of certain rights, duties and obligations in respect of providing revenue services; and /or
- Any person appointed by the Municipality in terms of a written contract as a service provider to provide revenue services to customers on its behalf, to the extent authorised in such contract;

“Children’s home” means a dwelling-unit occupied exclusively by orphans

“Domestic purposes”, in relation to the supply of water, means water supplied for drinking, ablution and culinary purposes to premises used predominantly for residential purposes;

“Dwelling unit” means an interconnected suite of rooms, including a kitchen or scullery, designed for occupation by a single family, irrespective of whether the dwelling unit is a single building or forms part of a building containing two or more dwelling units;

“Flat” means a suite of rooms forming a complete unit exclusively used as a residence and contained in a building consisting of two such dwelling-units or more, excluding a hotel, boarding and lodging undertaking and place of instruction.

“Home for the aged, retirement centre or home for the disabled” means dwelling-units occupied exclusively by the aged or disabled, excluding a hotel, boarding and lodging undertaking and place of instruction.

“Household” means a traditional family unit consisting of persons related in some way;

“Industrial purposes”, in relation to the supply of water, means water supplied to any premises, which constitutes a factory, as defined in the General Administrative Regulations made under the Occupational Health and Safety Act, 1993 (Act 85 of 1993);

“Low cost housing” the erection of these residential dwellings has been financed exclusively by means of the subsidy package in terms of the National Housing Subsidy Scheme;

“Occupier” includes any person in actual occupation of the land or premises without regard to the title under which he occupies it and, in the case of premises sub-divided and let to lodgers or various tenants, shall include the person receiving the rent payable

EPHRAIM MOGALE LOCAL MUNICIPALITY TARIFF AND RATES POLICY

by the lodgers or tenants whether for his own account or as an agent for any person entitled thereto or interested therein;

"Parks" means a public area where no access is charged and no business is run from.

"Person" means any natural person, local government body, a company or close corporation incorporated under any law, a body of persons whether incorporated or not, a statutory body, public utility body, voluntary association or trust;

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

- a general plan or diagram registered in terms of the Land Survey Act, 1927 (Act No. 9 of 1927), or in terms of the Deeds Registries Act 1937, (Act No. 47 of 1937);
- a sectional plan registered in terms of the Sectional Titles Act, 1986 (Act No. 95 of 1986);
- a register held by a tribal authority or in accordance with a sworn affidavit made by a tribal authority;

"Special Residential" is a stand zoned exclusively for one dwelling-house with one home undertaking, which means a suite of rooms forming a unit which is designed, intended or used for residential purposes by a single family

"Account" means any account rendered for municipal services provided;

"Actual consumption" means the consumption measured, of any consumer;

"Applicable tariff" means the rate, charge, tariff, flat rate, or subsidy determined by the Municipal Council;

"Approved" means approved by the Municipality or its authorised agent in writing;

"Average consumption" means a consumer's estimated average consumption of a municipal service during a specific period, which is calculated by dividing the consumer's total measured consumption of that municipal service for the preceding four months by four;

"Basic water supply" means the minimum standard of water supply services necessary for the reliable supply of water to households to support life and personal hygiene, prescribed in terms of the Act under regulation 3 of Government Notice R509 of 8 June 2001, as amended from time to time, or any substitution for that regulation;

"Connection" means the point at which a consumer is able to access municipal services;

"Connection pipe" means a pipe owned by the Municipality, which is installed by them for the purpose of conveying water from a main to a water installation and includes a "communication pipe" referred to in SABS Code 0252 Part I;

"Consumer" means:

- (a) Any person who occupies premises to whom and in respect of which premises the Municipality-

EPHRAIM MOGALE LOCAL MUNICIPALITY TARIFF AND RATES POLICY

- Has agreed to provide water services;
- Is actually providing water services;
- Has entered into an agreement with the Municipality for the provision of water services or on any premises;

(b) The owner or tenant of any premises to which the Municipality is providing water services;

(c) Where water services are provided through a single connection to a number of accommodation units or consumers or occupiers, means the person to whom the Municipality agreed to provide such water services; and

(d) Any end-user who receives water services from the Municipality or other water services institution.

“Container” means all types of containers owned by the Municipality including, plastic bags and bulk containers;

“Determined” means determined by the Municipality from time to time;

“Emergency situation” means any situation that if allowed to continue poses a risk or potential risk to the financial viability or sustainability of the Municipality or a specific municipal service;

“Meter” means a water meter as defined in the regulations made under the Trade Metrology Act, 1973 (Act 77 of 1973), or, in the case of a water meter of a size greater than 100 mm, a device which measures the quantity of water passing through it;

“Sewage” means waste water, industrial and commercial effluent, standard domestic effluent and other liquid waste, either separately or in combination, but does not include storm water;

“Sewage disposal system” means a structure, pipe, valve, pump, meter or other appurtenance used in the conveyance of sewage through the sewer reticulation system and the treatment thereof at a sewage treatment plant under the control of the Municipality and which may be used by it in connection with the disposal of sewage;

“Sewer” means any pipe or conduit which is the property of or is vested in the Municipality and which may be used or is intended for the conveyance of sewage from the connecting sewer but does not include a drain as defined; and "municipal sewer" has a corresponding inclusive meaning;

“Municipality” means –

- the Greater Marble Hall Municipality or;
- the Municipal Manager of the Greater Marble Hall Municipality in respect of the performance of any action or exercise of any right, duty, obligation or function in terms of this policy;
- an authorised agent of the Greater Marble Hall Municipality;

EPHRAIM MOGALE LOCAL MUNICIPALITY TARIFF AND RATES POLICY

“Municipal Council” means the Municipal Council as referred to in section 157(1) of the Constitution, 1996 (Act No. 108 of 1996);

“Municipal Manager” means the person appointed by the Municipal Council as the Municipal Manager of the Municipality in terms of section 82 of the Local Government Municipal Structures Act, 1998 (Act No.117 of 1998) and includes any person –

- acting in such position; and
- to whom the Municipal Manager has delegated a power, function or duty in respect of such a delegated power, function or duty;

“Municipal services” means for purposes of this policy, services provided by the Municipality, including refuse removal, water supply, sanitation, electricity services and rates or any one of the above;

“Public notice” means publication in an appropriate medium that may include one or more of the following –

- publication of a notice, in the official languages determined by the Municipal Council, –
 - (i.) in the local newspaper or newspapers in the area of the Municipality; or
 - (ii.) in the newspaper or newspapers circulating in the area of the Municipality determined by the municipal council as a newspaper of record; or
 - (iii.) by means of radio broadcasts covering the area of the Municipality; or
- displaying a notice at appropriate offices and pay-points of the Municipality; or
- communication with customers through public meetings and ward committee meetings;

EPHRAIM MOGALE LOCAL MUNICIPALITY TARIFF AND RATES POLICY

2. INTRODUCTION AND OBJECTIVE

In order to give effect to the provisions of the Constitution, the Municipality must give priority to the basic needs of the local community, to promote the development of the local community and to ensure that all members of the local community have access to at least the minimum level of basic municipal services.

The services provided by the Municipality must be:

- Equitable and accessible;
- Provided in a manner conducive to the prudent, economic, efficient and effective use of available resources and the improvement of standards of quality over time;
- Financially sustainable;
- Environmentally sustainable; and
- Regularly reviewed with a view to the upgrading, extension and improvement of services

Various statutes enable authorities rendering certain services to impose tariffs. To ensure that the cost of services rendered is recovered as far as possible, tariffs have to be revised on an annual basis.

This policy has been compiled to address tariffs for services and comply with the requirements and guidelines as set by following acts and other documents:

- SALGA – Local Government Financial Best Practise Manual
- The Constitution of the Republic of South Africa, 1996, Act 108 of 1996
- The Municipal Systems Act, Act 32 of 2000
- The Municipality's Indigent Policy
- Fire Brigade Service Act, Act 94 of 1987
- Local Government Transaction Act, 1993, S10G (7)
- Municipal Finance Management Act, Act No. 56 of 2003
- Property Rates Act, Act No. 6 of 2004

EPHRAIM MOGALE LOCAL MUNICIPALITY TARIFF AND RATES POLICY

The purpose of this policy is therefore to:

- set clear guidelines in the identification of responsibility for the setting and implementation of a tariff policy for the Municipality;
- set guidelines for the identification of different categories of users;
- Set guidelines for the determination of tariffs for the different categories of users and services rendered.

The policy will further lay down the broad principles, which will result in the adoption of a By-Law for the implementation and enforcement of the Tariff Policy.

Service tariffs imposed by the Municipality shall be viewed as user charges and shall not be viewed as taxes.

3. TARIFF POLICY

3.1 GENERAL

This policy has been compiled taking into account, where applicable the guidelines set out in the Municipal Systems Act, Act No. 32 of 2000, section 74. In determining the annual tariffs, Council shall at all times take due cognisance of the tariffs applicable elsewhere in the economic region and of the impact which its own tariffs may have on local economic development.

- 3.1.1 A Municipal Council must adopt and implement the tariff policy on the levying of fees for municipal services provided by the Municipality itself or by way of service delivery agreements, which complies with the provisions of this Act and with any other applicable legislation.
- 3.1.2 The Municipality should ensure that users of municipal services are treated equally in the application of tariffs and that tariffs are applied uniformly and fairly throughout the Municipal area of jurisdiction;
- 3.1.3 Tariffs for all major services and sub-services should as far as possible recover the expenses associated with the services concerned. The tariff individual users pay for services should generally be in proportion to their use of that service, as well as the quality of the service provided;
- 3.1.4 Poor households should have access to at least basic services through –
 - 3.1.4.1 Tariffs that cover only operating and maintenance costs
 - 3.1.4.2 Special tariffs or life line tariffs for low levels of use or consumption of services or for basic levels of service, or;

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- 3.1.4.3 Any other direct or indirect method of subsidisation of tariffs for poor households;
- 3.1.5 Tariffs should reflect the cost reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs and interest charges;
- 3.1.6 Tariffs should be set at levels that facilitate the financial sustainability of the service, taking into account subsidisation from sources other than the service concerned;
- 3.1.7 Provision may be made in appropriate circumstances for a surcharge on the tariff for a service;
- 3.1.8 Provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;
- 3.1.9 The economical, efficient and effective use of resources, the recycling of waste and other appropriate environmental objectives should be encouraged;
- 3.1.10 The Municipality should, as far as possible, ensure that the tariffs raised in respect of the services offered further generate an operating surplus each financial year of at least 5% as the Council of the Municipality may determine at the time that the annual operating budget is approved. Such surpluses should be applied in relief of property rates and for the partial financing of general services or for the future capital expansion of the service concerned, or both. The modesty of such surplus shall prevent the service tariffs concerned from being viewed as concealed taxes;
- 3.1.11 The Municipality should develop, approve and at least annually review an indigence support programme for the municipal area. This programme should set out clearly the Municipality's cost recovery policy in respect of the tariffs which it levies on registered indigents and the implications of such policy for the tariffs which it imposes on other users and consumers in the Municipal region;
- 3.1.12 The Municipality may differentiate between different categories of users and consumers with regard to the tariffs, which it levies. Such differentiation shall, however, at all times be reasonable and be fully disclosed in each annual budget;
- 3.1.13 The Municipality's tariff policy should be transparent and the extent to which there is cross-subsidisation between categories of consumers or users shall be evident to all consumers or users of the service;
- 3.1.14 The Municipality undertakes to ensure that its tariffs shall be easily explainable and understood by all consumers and users affected by the tariff policy concerned;
- 3.1.15 The Municipality undertakes to render its services cost effectively in order to ensure the best possible cost of service delivery;
- 3.1.16 In adopting a two-part tariff structure, namely a fixed availability charge coupled with a charge based on consumption, the Municipality believes that it is properly attending to the demands which both future expansion and variable demand cycles and other fluctuations will make on service delivery;

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- 3.1.17 In the case of directly measurable services, like water, the Municipality shall properly meter the consumption of such services and meters shall be read, wherever circumstances reasonably permit, on a monthly basis. The charges levied on consumers shall be proportionate to the quantity of the service they consume. Where meters could not be read in a specific month, consumption will be based on the average consumption of the preceding four months;
- 3.1.18 In addition, the Municipality shall levy monthly availability charges for the services concerned and these charges shall be fixed for each type of property.
- 3.1.19 In considering the costing of its water, sanitation and sewerage services, the Municipality shall take into consideration the high capital cost of establishing and expanding such services and of the resultant high fixed cost, as opposed to variable cost of operating these services. The Municipality therefore undertakes to plan the management expansion of the services carefully, in order to ensure that both current and reasonable expected future demands are adequately catered for and that demand levels which fluctuate significantly over shorter periods are also met. This may mean that the services operate at less than full capacity at various periods and the costs of such surplus capacity must also be covered in the tariffs that are annually levied.
- 3.1.20 Equal services will be supplied to all the residents of the Greater Marble Hall Municipality once the necessary administrative procedures have been completed at the Municipality's offices and the necessary consumer deposits been paid. The municipal services provided to residents and communities in the municipal area should:
- Be within the municipality's financial and administrative capacity;
 - Be regularly reviewed with a view to upgrading, extension and improvement,
 - 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.

For this purpose the Municipal Council should adopt, maintain and implement a Tariff Policy that complies with the provisions of the Municipal Systems Act.

3.2 TARIFF FRAMEWORK AND STRUCTURES

In order to determine the tariffs, which should be charged for the rendering of services, the Municipality shall identify all the costs of operation of the undertakings concerned, including specifically the following:

- Cost of bulk purchases in the case of water

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- Distribution costs
- Distribution losses in the case of water
- Depreciation expenses
- Maintenance of infrastructure and other fixed assets
- Administration and service costs, including:
 - Service charges levied by other departments, such as finance, human resources and legal services
 - Reasonable general overheads, such as the costs associated with the office of the Municipal Manager
 - Adequate contributions to the provisions of bad debts and obsolescence of stock
 - All other ordinary operating expenses associated with the service concerned (note: the costs of the democratic process in the Municipality, shall form part of the expenses to be financed from property rates and general revenues and shall not be included in the costing of the major services of the Municipality)
 - The intended surplus to be generated for the financial year, such surplus to be applied:
 - As an appropriation to capital reserves; and/or
 - Generally in relief of rates and general services
 - The cost of approved indigence relief measures

3.2.1 Water tariff

Tariffs will be based on a two-part tariff structure. The objective of this structure will be to recover all costs plus a percentage for future development from the users of the service.

The Municipality shall provide the first 6kl of water per month free of charge to consumers who have registered as indigents in terms of the Municipality's indigence relief programme. The Municipality shall further consider relief in respect of tariffs for sewerage and refuse removal for such registered indigents to the extent that the Council deems such relief affordable in terms of each annual budget, but on the understanding that such relief shall not be less than a discount of 50% on the monthly amount billed for the service concerned.

Because water is a scarce national resource, the Municipality is committed to the prudent conservation of such resources. The tariff levied for domestic consumption

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shall be based on monthly consumption of more than 6kl but not more than 30kl, more than 31kl but not more than 40kl, more than 41kl but not more than 50kl. Tariffs for non-domestic consumption shall be based on a single charge per kl consumed, irrespective of the volume of consumption concerned.

The categories of water consumption as set out below shall be charged at the applicable tariffs, as approved by the Council in each annual budget. Tariff adjustments shall be effective from 1 July of each year.

Categories of consumption and charges shall be:

- All domestic water consumers registered as indigents with the Municipality shall receive the first 6kl of water consumed of each month free of charge. Thereafter a stepped tariff per kl as determined by the Council from time to time shall be applicable on metered water consumption.
- All domestic consumers shall be charged for actual water consumption at a stepped tariff per kl as determined by the Council from time to time. The first 6kl of water to normal domestic consumers shall be free of charge.
- The tariff applicable to domestic consumption of water shall not exceed 80% per kl of the tariff applicable to other consumers. All other consumers, including businesses, industries and institutional consumers, shall pay the same single tariff per kl, irrespective of the volume of water consumed.
- A basic charge per water meter, as determined by the Council from time to time, shall be charged on all water consumers, except registered indigents and consumers using prepaid meters.
- The local Municipality' departmental water consumption shall be charged at cost.

- **Fixed tariff**

To recover all fixed costs. It will be based on the average square meters for each stand per tariff structure

- **Variable tariff:**

To recover all costs on all other expenses not recovered by the fixed tariff. It will be based on the consumption of the users.

- **Bulk water supply to other local Governments**

A quantity charge for water supplied since the previous meter reading according to the applicable Lepelle Water Board tariff including the Water Research Fund levy, plus 10% administrative charge or as per agreement.

- **Pre-paid water meters**

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Tariffs for pre-paid meters shall be the same as the ordinary consumption tariffs levied on the category of consumer concerned, but no availability charge shall be levied on properties where pre-paid meters have been installed. The distinction is made in recognition to the financial advantages which pre-paid entails for the service in question.

- **Tariff for unauthorised water consumption**

Amount payable for water consumption obtained through illegal water consumption. A once-off levy is payable, after which the connection will be formalised. The levy will be based on the diameter of the connection.

Spot fines may be imposed in terms of the Water-supply By-laws, for unauthorised connections or damage to the water-supply system.

- **Charges for connecting the water supply**

Fees are payable for supplying and laying connecting pipes and for the installation of water meters, not more than 10 m from the nearest connection point. These fees are based on the size of the meters.

- **Discontinuation or restriction of the water service owing to the failure to pay**

The Municipality reserves the right to discontinue or restrict the supply of water services where consumers or users fail to pay their monthly charges.

- **Movable water meters**

Construction Connections

The applicant must apply in writing to the Water and Sanitation Division and make it clear for what purpose and for how long the meter is required, following which the Water and Sanitation Division may approve or reject the application. The applicant must undertake, on approval of his or her application, to enter into an agreement in respect of the use of the water meter. The Chief Financial Officer will also levy a consumer deposit, which will be refunded at the end of the period for which the meter was requested.

- **Contribution charge**

A contribution charge may be levied where a new pipeline is requested and the Municipality does not have the infrastructure where the new pipeline will be situated.

Refer to Annexure A, section A for the approved tariff structure

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3.2.2 Waste management tariff

The categories of refuse removal users as set out below shall be charged at the applicable tariffs, as approved by Council in each annual budget. Tariff adjustments shall be effective from 1 July of each year.

- A separate fixed monthly refuse removal charge shall apply to each of the following categories of users, based on the cost of the service concerned:
 - Domestic and other users (once weekly removal)
 - Business and other users (once weekly removal)
 - Business and other (bulk consumers)
- The Municipality reserves the right to determine the type of service, the minimum number of containers and the frequency of services.
- Only the Municipality or its authorised agent may service or remove containers owned by the Municipality.
- The Municipality or its authorised agent shall service only containers provided by the Municipality and marked as such. All other containers shall be confiscated if the private operator/owner is not registered with the Municipality.
- Dwelling units must pay the applicable tariff per household irrespective of the number of containers put out for removal.
- The Municipal Manager will determine the service per residential area or user for the removal of waste.
- Smallholdings not serviced by the Municipality may dispose their waste at the Municipality's dumping site at the tariff approved by Council.
- Domestic, business and garden waste will be removed by means of containers or waste bags in all jurisdiction of the Municipality. Tariff per container per month or part of a month will depend on the size of the container.
- A daily service is compulsory in terms of the Health Act for each and every business generating food residues.
- Handling fee for lost containers to be replaced, as well as the cost of the container at the same price as the contract price of the Municipality.
- Casual waste-removal service will be available for use of temporary venues and the charges must be paid in cash in advance.
- Provincial Government hospitals within the jurisdiction area of the Municipality will be charged for waste removal only.

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- Registered indigents may receive such discount on this charge as Council deems affordable when approving each annual budget, but on the understanding that such discount shall not be less than 50% of the monthly amount billed as a refuse removal charge
- Hospitals and medical practitioners may not dispose of any medical toxic waste as part of the Municipal waste management system. Such waste must be disposed of by the parties mentioned on own cost and own arrangements.

Refer to Annexure A; section B for the approved tariff structure.

3.2.3 Emergency services tariffs

- Emergency incidents will be categorised into groups in accordance with the degree of risk.
- The Chief Fire Officer or his authorised official shall assess each incident and assign an appropriate incident group for the purpose of assessing the amount payable.
- Tariffs will include call out costs, operating time and crew. Times shall be calculated from time of arrival to until time of departure from an incident.
- The basic tariff rate will be based on total costs that will be incurred for:
 - Vehicles and normal number of personnel required operating the equipment.
 - Additional personnel that might have to be called in.
 - External services employed to assist with an incident and for which the municipality is liable for the costs. Such external services can include persons, vehicles, plant and water borne vessels, aircraft and any other associated costs.
 - Water usage charge and filling of tanks. The cost of water will be as per water tariff per kl of water used.
- Where a grievance is received from a person so assessed, the grievance shall be dealt with in accordance with section 10(3), 10(4) and 10(5) of the Fire Brigade Services Act, 1987 (Act 99 of 1987).
- Tariff outlay

| Incident Group | Group Definition | Basis for tariff |
|----------------|---|---------------------|
| Group 1 | Low risk category- risk of the incident spreading is slight. Calls of a purely humanitarian nature Residential dwellings of not more than 3 stories Informal dwellings | No charge is levied |

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| | | |
|---------|---|---|
| | Light motor vehicles | |
| Group 2 | Moderate risk, risk is greater than that of the low risk category but less than that of high category. Vegetation Light commercial vehicles | Charges are based on the basic tariff. |
| Group 3 | Moderate to high risk Structural storage Vehicle incidents of a moderate risk | Charges are based on the basic tariff multiplied by three |
| Group 4 | High risk Vehicle incidents of high risk | Charges are based on the basic tariff multiplied by five |
| Group 5 | Very high risk Aircrafts | Charges are based on the basic tariff multiplied by six |

Refer to Annexure C, section A for the approved tariff structure

3.2.3 Sanitation tariff

The categories of sanitation users as set out below shall be charged per month at the applicable tariff as approved by the council in each annual budget. Tariff adjustments will be effective from 1 July of each year.

Categories of usage and charges shall be:

- A fixed monthly charge based on the costs of the service shall be charged for domestic users. Registered indigents may receive such discount on this charge as the Council deems affordable when approving each annual budget, but on the understanding that such discount shall not be less than 50% of the monthly amount billed for this service
- A fixed monthly charge based on the cost of the service per sewer point/toilet shall be charged to the Municipality's departments equal to the lowest tariff
- An effluent fee shall further be payable by factories and other industrial users, where the wastewater emanating from such users requires special purification measures by the Municipality. Such fees shall be based on the toxic content of the wastewater concerned and the costs of the purification
- Blockage removal tariff for the Municipality - In areas where the municipality's sanitation infrastructure and capacity allow it, a service is provided for removing blockages from private sewers without affecting the status quo, at the cost of the owner of the property. These charges will be based on a fixed tariff as well as a call-out charge.

Refer to Annexure A, section D for the approved tariff structure

3.2.4 Burial services

The Municipality may charge fees for the burial services, based on the residential status of the deceased.

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Refer to Annexure A, section E for the approved tariff structure

3.2.5 Charges for the approval of building plans

Fees are payable to the Municipality for the approval of building plans. These charges are based on the total square meters of the property.

Refer to Annexure A, section F for the approved tariff structure

3.2.6 Town planning charges

Charges are payable to local authorities in terms of the provisions of the town planning and township ordinance 1986 (no. 15 of 1986). These charges are based on the service supplied.

Refer to Annexure A, section G for the approved tariff structure

3.2.7 Library charges

The Municipality may raise library charges. The library charges are at a fixed tariff for all residents.

Refer to Annexure H, section A for the approved tariff structure

3.2.8 Sundry charges

Users shall be charged, as set out below, at the applicable tariff as approved by Council in each annual budget. Tariff adjustments will be effective from 1 July each year.

All sundry tariffs shall be standardised within the Municipal region.

All sundry tariffs, when deemed appropriate by Council, will be subsidised by property rates and general revenues, particularly when the tariffs will prove uneconomical when charged to cover the cost of the service concerned, or when the cost cannot accurately be determined, or when the tariff is designed purely to regulate rather than finance the use of the particular service or amenity.

All sundry tariffs over which the Municipality has full control and which are not directly related to the cost of a particular service, shall be adjusted annually to be at least in line with the prevailing consumer price index, unless there are compelling reasons why such adjustment should not be affected.

Fees will be charged for the following sundry services supplied by the Municipality to consumers:

- Unpaid debit orders (per account)
- Supply of information (faxes) per page
- Supply of information (statements)

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- Monthly account
- Furnishing of valuation certificates
- Furnishing of clearance certificate
- Duplicate of clearance certificate
- Final meter reading levy
- Sales of plastic refuse bags
- Sales of refuse bins
- Photostat copies and fees
- Advertising sign fees or banners
- Penalty and other charges imposed in terms of the approved policy on credit control and debt collection
- Penalty charges for the submission of dishonoured, post-dated or otherwise unacceptable cheques
- Removal of garden refuse
- Posters
- Removal of building rubble
- Cleaning of stands
- A fine may be imposed on the owner of a stand, if the owner fails to fence in the stand within three months of signing of the purchase agreement.

Refer to Annexure A, section I for the approved tariff structure

3.2.9 Rentals

Housing rentals

Market-related rentals shall be charged for the lease of the Municipal houses.

Rental of Municipal halls and premises

When the Municipal Manager is satisfied that the halls or premises are required for non-profit making purposes and for the provision of a service to the community, the Municipal Manager may waive 50% of the applicable rental.

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The Municipal Manager shall determine whether an indemnity or guarantee must be lodged in each instance, for the rental of municipal halls, premises and sports fields and in so determining shall be guided by the likelihood of the Municipality's sustaining damages as a result of the use of the facilities concerned.

Rental agreements should be completed and signed for each individual rental transaction.

Refer to Annexure A section J for the approved tariff structure

3.2.10 Free community services

The following services shall be considered as community services and no tariffs shall be levied for their use:

- Municipal museum and art gallery
- Disposal of garden refuse at the Municipal dumping site for ratepayers only
- Maintenance of graves and garden of remembrance (cremations)

3.2.11 Assessment rate tariff

- Assessment rates must be levied in accordance with the Property Rates Act, Act No 6 of 2004
- Assessment rates are based on a fee that is calculated as "cent in the Rand". "Cent in the Rand" is calculated using the value of the property divided by the total area of the property
- A general valuation should be made on all properties that fall within the Municipal boundaries, at least every four years, by a sworn appraiser.
- A general assessment rate must be levied on the site value of land, including land or any portion of land which is the property of the Municipality and which is let by it, or on the site value of a right in land on all rateable properties recorded on the valuation roll, provisional valuation roll, provisional supplementary valuation roll and supplementary valuation roll.
- Improved residential properties should be granted a residential rebate of 20% provided
 - Such properties are used predominantly for residential purposes, provided that there are not more than two dwelling units per individual property
 - Such residential properties are registered in terms of the Sectional Titles Act, 1971 (now Act 95 of 1986).
 - Such rateable residences are situated on properties used or related to educational purposes

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- Such properties are owned by share-block companies
- Such properties are not subject to provisions of Section 4 of the Rating of State Property Act 1984
- Homes for the aged, retirement centres and villages, which are exclusively used for residential purposes by the aged.
- Different categories of properties may have different rates.
- The Municipality may exempt certain categories of owners from payment of rates.
- The Municipality may grant a special rebate on some of the categories of owners as specified in the tariff and rates By-Law.
- A special rebate should be granted to owners of bona fide, agricultural property of 50%. Agricultural property should be levied at property rates for agricultural property.
- When considering criteria for exemptions, rebates and reductions on properties for agricultural purposes, the Municipality must take into account the following:
 - Extent of services by Municipality in respect of such properties
 - Contribution of agriculture to the community
 - Contribution of agriculture to the social and economic development of farm workers
- The Municipality's assessment rate tariffs will be categorised in the following categories:
 - Residential
 - Industrial
 - Farms
 - Small holdings
 - State owned
 - Municipal properties
 - Public service
 - Formal and informal settlements
 - Protected areas

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- Churches
- Schools and tertiary institutions
- Where Council has by way of majority decision awarded a grant-in aid on the assessment rates or rateable properties of the classes referred to in section 32A of the said Ordinance and after the owner of such property has applied to the Council in writing, for such grant-in-aid, the said grant-in-aid will be in force.
- A Municipality may by resolution of Council determine an area as a special rating area and may enforce an additional rate in a special rating area.
- Persons who on 30 June 2005 have reached the age of sixty-five years or more and physically or mentally disabled people who can substantiate receipt of a social pension and persons certified by the Medical Officer of Health as physically or mentally handicapped, be remitted 40% of the general assessment rates due, subject to the following conditions:
 - That the Premier must approve the category of persons in this recommendation in terms of section 32(1)(b)(iv) of the aforesaid Ordinance.
 - That the joint income of the applicant and his/her spouse, if any, for the year ended 30 June 2005 shall not exceed R24 000.
 - That the rateable property concerned must be occupied only by the applicant and his/her spouse, if any and by dependants with no income, or by people because of specific circumstances in the Chief Financial Officer's opinion.
 - That the rateable property concerned must qualify for the rebate granted in terms of section 21(4) of the said Ordinance, for the 2005/2006 financial year.
 - That there must not be more than two dwelling-units on the rateable property concerned. Provided that where there is two-dwelling units on the rateable property (duet-houses) the remittance of the rebate is only applicable if separate accounts are rendered to the individual owners subjected to the Municipality's conditions for the separation of the account.
 - That the applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, also proof of the receipt of a social pension or, if not in receipt of such pension, proof of certification by a Medical Officer of Health.
 - That the improved value of the rateable property concerned as contemplated in section 9(1)(a) of the foregoing Ordinance does not exceed R450 000,00 at 30 June 2005.
 - That the consumers' current account be paid in full.

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- That a person who qualified as at 30 June 2005 will still qualify for the foregoing rebate provided that his or her account is paid in full.
- That, if the applicant complies in all respects with these conditions, the amount remitted will be credited on the account.
- That the amount due in respect of general assessment rates for the 2005/2006 financial year as contemplated in section 27 of the said Ordinance must, in terms of section 26(1)(b) be paid in equal instalments by the owner of the rateable property on or before the date determined on the monthly account.
- That interest as contemplated in section 27(2) of the said Ordinance will be levied on general assessment rates in arrears and that legal proceedings for the recovery of all such rates in arrears, plus interest, will be instituted against defaulters.

Refer to Annexure A; section K for the approved tariff structure

4. By-Laws

The Municipal Council should adopt by-laws, according to Section 75 of the Municipal Systems Act No. 32 of 2000, to give effect to its Tariff Policy, its implementation and enforcement. By-laws may differentiate between different categories of users, debtors, service providers, services, service standards and geographical areas, as long as the differentiation does not amount to unfair discrimination.

CERTIFICATE OF ENDORSEMENT:

The Agreement to this Policy shall come into effect on the date of endorsement and shall cease only in the event where such changes/variations has been reduced to writing and been signed by the Accounting Officer. Unless in the event where any changes in any applicable Act, Legislation has jurisdiction to supersede.

**EPHRAIM MOGALE LOCAL MUNICIPALITY
CREDIT CONTROL AND DEBT COLLECTION POLICY**



Ephraim Mogale Local Municipality

**2012/13 Medium Term Revenue and Expenditure
Framework (MTREF) Policy Review**

**CREDIT CONTROL
AND DEBT COLLECTION POLICY**

**EPHRAIM MOGALE LOCAL MUNICIPALITY
CREDIT CONTROL AND DEBT COLLECTION POLICY**

CREDIT CONTROL AND DEBT COLLECTION POLICY

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**EPHRAIM MOGALE LOCAL MUNICIPALITY
CREDIT CONTROL AND DEBT COLLECTION POLICY**

PREAMBLE

WHEREAS section 152 (1) (b) of the Constitution of the Republic of South Africa Act 108 of 1996 (*'the Constitution'*) provides that one of the objects of local government is to ensure that the provision of services to communities occurs in a sustainable manner;

AND WHEREAS section 153 (a) of the Constitution provides that a municipality must structure its administration, budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community;

AND WHEREAS section 195 (1) of the Constitution provides that the public administration must be governed by the democratic values and principles enshrined in the Constitution, including-

- The promotion of the efficient, economic and effective use of resources;
- The provision of services impartially, fairly, equitably and without bias; and
- The fact that people's needs must be responded to.

AND WHEREAS section 4 (1) (c) of the Local Government: Municipal Systems Act 33 of 2000 (*'the Systems Act'*) provides that the Council of a municipality has the right to finance the affairs of the municipality by charging fees for services, imposing surcharges on fees, rates on property and, to the extent authorised by national legislation, other taxes, levies and duties;

AND WHEREAS section 5 (1) (g), read with subsection (2) (b), of the Systems Act provides that members of the local community have the right to have access to municipal services which the municipality provides provided that, where applicable and subject to the policy for indigent debtors, pay promptly for services fees, surcharges on fees, other taxes, levies and duties imposed by the municipality;

AND WHEREAS section 6 (2) (c), (e) and (f) of the Systems Act provides that the administration of a municipality must take measures to prevent corruption; give members of a local community full and accurate information about the level and standard of municipal services that they are entitled to receive; and inform the local community about how the municipality is managed, of the costs involved and the persons in charge;

AND WHEREAS Chapter 9, sections 95, 96, 97, 98, 99 and 100, of the Systems Act provides for Customer Care Management, Debt Collection responsibility of the Municipality, contents of the policy, by-laws that give effect to the policy, Supervisory authority and Implementing authority, respectively.

Adoption of a Credit Control and Debt Collection Policy

The Municipality hereby adopted a Credit Control and Debt Collection Policy in terms of section 96(b) of the Local Government: Municipality Systems Act, No. 32 of 2000.

DEFINITIONS

EPHRAIM MOGALE LOCAL MUNICIPALITY CREDIT CONTROL AND DEBT COLLECTION POLICY

In this policy any word or expression to which a meaning has been assigned in the Local Government: Municipal Systems Act, has that meaning, unless the context, indicates otherwise-

“Arrangement”

Means a written agreement entered into between the Council and the debtor where specific repayment parameters are agreed to.

“Arrears”

Means those rates and service charges that have not been paid by the due date and for which no arrangement has been made.

“Account”

Means an account rendered specifying charges for services provided by the municipality, or any authorized and contracted service provider, and which account may or may not include assessment rates levies;

“Authorized Representative”

Means a person or instance legally appointed by the Council to act or to fulfill a duty on its behalf;

“Billing date”

Means the date upon which the monthly statement is generated and debited to the customer's account.

“Business Premises”

Means premises utilized for purposes other than residential and excludes the following: -

- (a) hospitals, clinics and institutions for mentally ill persons which are not operated for gain;
- (b) museums, art galleries, libraries and botanical gardens which are registered in the names of private persons and are open to the public, whether admission fees are charged or not;
- (c) sport grounds used for the purpose of amateur sports and any social activities which are connected with such sports;
- (d) any property registered in the name of an institution or organisation which, in the opinion of the Council, Performs charitable work;
- (e) any property utilised for bona fide church or religious purposes.

“Chief Financials Officer”

Means the person appointed as the Chief Financial Officer of the Municipality, or his or her nominee.

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“Credit Control”

Means all the functions relating to the collection of monies owed by ratepayers and the users of municipal services.

“Council”

Means the municipal council of Municipality or any duly authorized Committee, political office bearer or official of the said Council.

“Customer”

Means any occupier of any premises to which Council has agreed to supply or is actually supplying services, or if there is no occupier, then the owner of the premises and includes any debtor of the municipality;

“day / days”

Means calendar days, inclusive of Saturdays, Sundays and public holidays.

“defaulter”

Means any Person who owing the Council arrear monies in respect of rates and / or service charges;

“Due date” in relation to –

- (a) rates due in respect of any immovable property, means the thirtieth(30) day of September of the financial year for which such rate is made, or any other date determined by council by notice in the Provincial Gazette, and
- (b) in respect of service charges due in respect of any immovable property, means the date for payment indicated on the account.
- (c) Should such day fall on a Saturday, Sunday or public holiday the due date shall be the next working day.

“Immovable property” includes –

- (a) an undivided share in immovable property, and
- (b) any right in immovable property.

“Implementing Authority”

Means the Municipal Manager or his or her nominee, acting in terms of section 100 of the Local Government: Municipal Systems Act No. 32 of 2000.

“Indigent debtor”

Means

- (a) the head of an indigent household:

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- (i) who applied for and has been declared indigent in terms of Council's Indigent Support Policy for the provision of services from the municipality; and
 - (ii) who makes application for indigent support in terms of Council's Indigent Support Policy on behalf of all members of his or her household;
- (b) orphaned minor children duly represented by their legal and / or defacto guardians.

"Indigent Support Programme"

Means a structured programme for the provision of indigent support subsidies to qualifying indigent debtors in terms of the Council's Indigent Support Policy.

"Indigent Support Policy"

Means the Indigent Support Policy adopted by the Council of the Municipality.

"interest"

Means a charge levied on all arrear monies with the same legal priority as service fees and calculated at a rate determined by Council from time to time.

"Month"

Means a calendar month.

"Monthly average consumption"

Means the monthly average consumption in respect of that property calculated on the basis of consumption over the preceding or succeeding twelve months.

"Municipal pay point"

Means any municipal office in the area of jurisdiction of the municipality designated by Council for such purposes, or any such other places as the Chief Financial Officer may from time to time designate.

"Municipal Services"

Means services provided either by the Municipality, or by an external agent on behalf of the Municipality in terms of a service delivery agreement.

"Municipality"

Means the Municipality of Ephraim Mogale Local Municipality

"Municipal Manager"

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Means the Municipal Manager of the Ephraim Mogale Local Municipality or his or her nominee acting in terms of power delegated to him or her by the said Municipal Manager with concurrence of the Council.

“Occupier”

Means the person who controls and resides on or controls and otherwise uses immovable property, provided that –

- (a) the husband or wife of the owner of immovable property which is at any time used by such owner and husband or wife as a dwelling, shall be deemed to be the occupier thereof;
- (b) where a husband and wife both reside on immovable property and one of them is an occupier thereof; the other shall also be deemed to be an occupier thereof.

“Owner”

In relation to immovable property means-

- (a) The person in whom is vested the legal title thereto provided that –
 - (i) The lessee of immovable property which is leased for a period of not less than thirty years, whether the lease is registered or not, shall be deemed to be the owner thereof;
 - (ii) The occupier of immovable property occupied under a service servitude or right analogous thereto, shall be deemed to be the owner thereof;
- (b) If the owner is dead or insolvent or has assigned his or her estate for the benefit of his creditors, has been placed under curatorship by order of court or is a company being wound up or under judicial management, the person in whom the administration of such property is vested as executor, administrator of such property is vested as executor, administrator, trustee, assignee, curator, liquidator or judicial manager, as the case may be, shall be deemed to be the owner thereof;
- (c) If the owner is absent from the Republic or his address is unknown to the Municipality, any person who as agent or otherwise receives or is entitled to receive the rent in respect of such property, or

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- (i) if the Municipality is unable to determine who such person is, the person who is entitled to the beneficial use of such property.

“Premises”

Includes any piece of land, the external surface boundaries of which are delineated on:

- (a) A general plan or diagram registered in terms of Land Survey Act,(9 of 1927) or in terms of the Deed Registry Act, 47 of 1937; or-
- (b) A sectional plan registered in terms of the Sectional Titles Act, 95 of 1986, which is situated within the area of jurisdiction of the Council.

“Prescribed”

Means prescribed by this policy and where applicable by Council or the Municipal Manager.

“Prescribed debt”

Means debt that becomes extinguished by prescription in terms of the Prescription Act 68 of 1969.

“Person”

Means a natural and juristic person, including any department of state, statutory bodies or foreign embassies

“Rates”

Means any tax, duty or levy imposed on property by the municipality.

“Registered owner”

Means that person, natural or juristic, in whose name the property is registered in terms of the Deeds Registry Act, no. 47 of 1937.

“Responsible person”

Means any person other than the registered owner of an immovable property who is legally responsible for the payment of municipal service charges.

“Service charge”

Means the fees levied by the Municipality in terms of its tariff policy for any municipal services rendered in respect of an immovable property and includes any penalties, interest or surcharges levied or imposed in terms of this policy.

“Service delivery agreement”

Means an agreement between the Municipality and an institution or persons mentioned in section 76(b) of the Local Government: Municipal Systems Act 32 of 2000.

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“Sundry debtor accounts”

Means accounts raised for miscellaneous charges for services provided by the Municipality or charges that was raised against a person as a result of an action by a person and which was raised in terms of Councils policies, bylaws and decisions.

“Supervisory Authority”

Means the Executive Mayor of the Municipality or his or her nominee, acting in terms of Section 99 of Municipal Systems Act 32 of 2000.

“Tariff”

Means any rate, tax, duty and levy or fee which may be imposed by the Municipality for services provided either by itself or in terms of a service delivery agreement.

“Tariff Policy”

Means a tariff policy adopted by the Council in terms of Section 74 of Local Government: Municipal Systems Act 32 of 2000.

“User”

Means the owner or occupier of a property in respect of which municipal services are being rendered.

3. PRINCIPLES

The principles supported in the policy are:-

3.1 The administrative integrity of the municipality must be maintained at all times.

3.2 The policy must have the full support of all Councilors.

3.3 Councilors must have full knowledge of the implementation and enforcement of the policy.

3.4 The Executive Mayor oversees and monitors the implementation and enforcement of this policy.

3.5 The Municipal Manager implements and enforces this policy.

3.6 The Municipal Manager may delegate the implementation and enforcement of this policy to the Chief Financial Officer.

3.7 Consumers must be informed of the contents of this policy.

3.8 Consumers must apply for services from Council by the completion of the prescribed application form.

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- 3.9 Consumers must receive regular and accurate accounts that indicate the basis for calculating the amounts due.
- 3.10 Consumers must pay their accounts regularly by the due date.
- 3.11 Consumers are entitled to reasonable access to pay points and to a variety of reliable payment methods.
- 3.12 Consumers are entitled to an efficient, effective and reasonable response to appeals, and should not suffer any disadvantage during the processing of a reasonable appeal.
- 3.13 Debt collection action will be instituted promptly, consistently, and effectively without exception and with the intention of proceeding until the debt is collected.

4. SUPERVISORY AUTHORITY

- 1. The Executive mayor oversees and monitors –
 - (a) The implementation and enforcement of the municipality's credit control and debt collection policy.
 - (b) The performance of the Municipal manager in implementing the credit control and debt collection policy.
- 2. The Executive Mayor shall at least once a year, cause an evaluation of review of the credit control and debt collection policy to be performed in order to improve the efficiency of the Municipality's credit control and debt collection mechanisms, processes and procedures and to the implementation of this policy.
- 3. The Executive Mayor shall submit a report to council regarding the implementation of the credit control and debt collection policy at such intervals as Council may determine.

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4. The Municipal manager:-

- (a) Implements and enforces the credit control and debt collection policy.
- (b) Is accountable to the Executive Mayor for the enforcement of the policy and shall submit a report to the Executive mayor regarding the implementation and enforcement of the credit control and debt collection policy at such intervals as may be determined by Council.
- (c) Must establish effective administration mechanisms, processes and procedures to collect money that is due and payable to the Municipality.
- (d) Where necessary, propose to the Executive Mayor with the aim of improving the efficiency of the credit control and debt collection mechanisms, processes and procedures.
- (e) Establish effective communication between Council and account holders with the aim of keeping account holders abreast of all decisions by Council that may affect account holders.
- (f) Establish customer service centres, which are located in such communities as determined by Council.
- (g) Convey to account holders information relating to the cost involved in service provision, the reasons for payment of services are utilized, and may where necessary, employ the services of local media to convey such information.

5 The Municipal Manager may, in writing, delegate any of the powers entrusted or delegated to him or her in terms of Council's credit control and debt collection by-law to the Chief Financial Officer.

6 A delegation in terms of subsection (5) –

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- (a) Is subject to any limitations or conditions that the Municipal Manager may impose;
- (b) May authorize the Chief Financial Officer to, in writing, sub-delegate power to another official of the municipality;
- (c) Does not divest the Municipal Manager of the responsibility concerning the exercise of the delegated power.

7 The Chief Financial Officer shall be responsible to the Municipal Manager for the implementation, enforcement and administration of this policy, and the general exercise of his powers in terms of this policy.

5 APPLICATION FOR THE PROVISIONS OF MUNICIPAL SERVICES

- (1) A consumer who requires the provision of municipal services must apply for the service from Council.
- (2) The application for the provision of municipal services must be made by the registered owner of an immovable property or by a tenant only if he/she can produce a written consent from the owner of the property which clearly gives consent to occupy the property as well as accepting liability for any future outstanding fees for 60 days or older on the tenant's account should the tenant fail to honour his/her debts.
- (3) Council will not entertain an application for the provision of municipal services from a tenant of a property, if the client has not settled his/her account by the set due date or if the client has dishonoured a payment arrangement.
- (4) The only exception to (2) above is that 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.

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- (5) An agent may with a proxy open an account in the name of the owner taking into consideration the provisions of (2) above.
- (6) The application for the provision of municipal services must be made in writing on the prescribed application form that is provided by Council.
- (7) By completing the prescribed application form for the provision of municipal services the consumer of services enters into an agreement with the Council.
- (8) The agreement with Council makes provision for the following:-
 - (a) An undertaking by the owner that he or she will be liable for collection costs including administration fees, interest, penalty fees and any other legal costs occasioned by his or her failure to settle accounts by the due date;
 - (b) An acknowledgement by the owner that accounts will become due and payable by the due date notwithstanding the fact that the owner did not receive the account; and
 - (c) That the onus will be on the owner to ensure that he or she is in possession of an account before the due date.
 - (d) The undertaking by the Municipality that it shall do everything in its power to deliver accounts timorously.
- (9) The application for the provision of municipal services shall be made at least ten (10) days prior to the date on which the services are required to be connected.
- (10) On receipt of the application for provision of municipal services, Council will cause the reading of metered services linked to the property to be taken on the working day preceding the date of occupation.

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- (11) The first account for services will be rendered after the first meter reading cycle to be billed following the date of signing the service agreement.

6 DEPOSITS AND GUARANTEES

- (1) On application for the provision of municipal services the prescribed consumer deposit shall be paid.
- (2) A guarantee in lieu of a deposit will be accepted on application for the provision of municipal services by a business in terms of the prevailing conditions determined by Council at the time of the application.
- (3) Existing consumers moving to a new address are required to pay the prescribed consumer deposit on application for the provision of municipal services at the new address.
- (4) The minimum deposit payable is determined annually by Council and is contained in the tariff book produced annually.
- (5) The consumer deposit paid on application for the provision of municipal services may be increased or decreased, upon written notice to consumers, if found that the deposit is not equal to the estimated charges for the supply of electricity and water for a period of three (3) months.
- (6) Council may increase the amount of the deposit required from the owner of a property, where the electricity supply has been disconnected at least twice during the preceding period of twelve months, after the owner of the property was given notice of Council's intention to increase the deposit.

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- (7) On termination of the supply of services the amount of the deposit less any payment due to Council will be refunded to an account holder, provided that payments due are less than the deposit paid, and that the account holder has provided a forwarding address.

7 ACCOUNTS AND BILLING

- (1) Council provides all consumers of municipal services monthly with a consolidated account for all services rendered.
- (2) The consolidated account can include property rate charges.
- (3) Accounts are produced on a monthly basis in cycles of approximately 30 days.
- (4) All accounts rendered by Council shall be payable on the due date as indicated on the account.
- (5) Amounts on accounts, which remain unpaid after the due date, shall attract interest on arrears irrespective of the reason for non-payment.
- (6) All accounts are payable by the due date regardless of the fact that the person responsible for the payment of the account has not received the account. The onus is on the account holder to obtain a copy of the account before the due date.
- (7) Council bills an owner of a property for the following rates and service charges:-
- a) Property rates, refuse and sewerage charges are billed annually or monthly as preferred by customers.
 - b) Council's preference is that property rates, refuse and sewerage charges to be charged monthly. Due to historical legislation and the absence of a property Rates Policy, these charges are been charged monthly and annually.

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- c) Property rates, refuse and sewerage charges charged annually are billed on the July account of each year and the due date for the payment of these charges is 30 September of each year.
- d) Property rates, refuse and sewerage charges charged monthly are billed on the monthly accounts and the due date for the payment of the charges will be as indicated on the accounts.
- e) The tariffs to calculate the property rates, refuse and sewerage charges are determined annually and approved by Council and are contained in the tariff book produced by Council.

(B) Electricity and water Charges

- (i) Consumption of electricity and water are billed in terms of metered consumption.
- (ii) Monthly accounts are rendered for electricity and water consumption and the due date for the payment of the accounts will be the date as indicated on the account.
- (iii) The tariffs to calculate the electricity and water charges are determined annually and approved by Council and are contained in the tariff book produced by Council.

(C) Fire Levy

- (i) Property owners within Municipality area are charge a fire levy instead of been charged when the Fire Department responds to fire calls in respect of dwellings and businesses.
- (ii) The fire levy is charged monthly on the account produced by Council.

(D) Sundry Debtor accounts

- (i) Sundry debtor accounts are raised for miscellaneous charges for services provided by Council or charges that are raised against a debtor as a result of an action by a debtor or person which necessitate a charge to be raised by Council against the debtor or person in terms of Council's policies, by-laws and decisions.
- (ii) The sundry debtor account is included in the monthly consolidated account produced by council.

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(E) **Final accounts**

On receipt of an application for termination of services the final readings of metered services will be taken, the accounts finalized, the consumer deposit will be appropriated and if a debit balance remains the balance will be payable by the consumer and if a credit balance remains the balance will be refunded to the consumer, on condition that the consumer has provided Council with a forwarding address.

(F) **Due date**

The due dates for the payment of accounts in the various areas of the Municipality is as follows: -

| | | |
|------------------|-------|------------------------------------|
| Cycle no 1 | areas | 7 th day of each month |
| Cycle no 2 | areas | 7 th day of each month |
| Cycle no 15..... | areas | 15 th day of each month |

8 METERING OF MUNICIPAL SERVICES

- (1.) Council may introduce various metering equipment and may encourage consumers to convert to a system, which is preferred by Council when Council considers this to be beneficial to its functioning and operations.
- (2.) Council's preferred metering system to measure electricity is the prepayment electricity metering system for domestic consumers and for certain businesses.
- (3.) Electricity and water consumption is measured with credit and prepayment electricity and water meters.
- (4.) The following applies to the reading of credit meters: -
 - (a) Credit electricity and water meters are read at in cycles of approximately 30 days.
 - (b) If for any reason the credit electricity and water meters cannot be read, Council will render an account based on estimated consumption.
 - (c) The account based on estimated consumption will be adjusted in the subsequent account based on the actual consumption.
 - (d) The consumer is responsible to ensure access to metering equipment for the purpose of obtaining meter readings for billing purposes.
 - (e) Consumers can for reasons of non-accessibility to their properties by meter readers, provide Council monthly with meter readings for billing purposes, provided that an audit reading can be obtained by Council once every six months and provided that

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a final reading can be obtained should the consumer vacate the property.

- (f) If any calculation, reading or metering error is discovered in respect of any account rendered to a consumer –
 - (i) the error shall be corrected in subsequent account,
 - (ii) any such correction shall only apply in respect of account for a period of three years preceding the date on which the error in the account was discovered,
- (iii) the correction shall be based on the tariffs applicable during the period, and
- (iv) the application of this section shall not prevent a consumer from claiming overpayment for any longer period where the consumer is able to provide the claim in the court of law.
- (g) When a consumer vacates a property and a final reading of The meter is not possible, an estimation of the consumption may be made and the final account rendered accordingly.

(5.) The following applies to prepayment metering: -

- (a) Prepayment electricity and water are purchased at prepayment vending points for consumption after the date of purchase.
- (b) Amounts tendered for the purchase of prepayment electricity and water will not be refunded after the prepayment meter token has been produced.
- (c) On request of the consumer copies of the previous prepayment meter tokens will be produced.
- (d) Credits remaining in the prepayment meter will not be refunded when a premises is vacated by a consumer.
- (e) Council shall not be liable for the reinstatement of credit in prepayment meter lost due to tampering with, or the incorrect use or the abuse of prepayment meters.
- (f) Council will apply all the debt collection functions available on the prepayment system to collect all arrear debt on the account of the debtor.
- (g) Council will appoint vendors for the sale of prepayment electricity and does not guarantee the continued operation of any vendor.

(6.) The following applies to water leaks that are found on properties: -

- (a) Water leaks in the reticulation system on a property and after the water meter is the responsibility of the owner of the property.
- (b) The position mentioned in (6)(a) above can be changed by a Council resolution to solve a water management problem in a certain area or areas.
- (c) When a water leak is discovered on a property which

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resulted in excessive water charges on the account of the consumer, the consumer will be entitled to a water leak rebate if:-

- (i) The consumer submits a certificate from a registered plumber or sworn affidavit from any other person who has repaired the leak within ten (10) days of the leak having been repaired.
 - (ii) The said certificate must clearly state the date on which the leak was repaired,
 - (iii) It is confirmed that the leak was not discernable from the surface,
 - (iv) It is certify that the leak occurred on a pipe listed on the schedule of approved pipes and fittings prescribed by the Director of Engineering Services.
 - (v) The leak must have been repaired within forty-eight hours (48) after detection.
- (d) The cost of the repairs shall be for the account of the consumer.
- (e) The excess charge for water on the account of the consumer due to a water leak will only be adjusted after three (3) monthly readings, following the repair of the water leak, to determine the average consumption during the period the leak occurred.
- (f) During the period that the water leak occurred the charge for water will be based on average consumption of water.

9 PAYMENT OF ACCOUNTS

- (1.) All accounts rendered by Council are due and payable on or before the due date as indicated on the account.
- (2.) All payments, whether made by cash, cheque, stop order, electronic payments or payments made through agents must be receipted by Council by the close of business on the due date.
- (3.) Accounts rendered by Council can be paid at any Municipal cashier office and any other pay point as determined by Council, from time to time.
- (4.) The payment methods and facilities supported by Council, can be used to make payments on accounts.
- (5.) Payments received in respect of rates and service charges will be allocated by Council entirely within its discretion, on the account of the debtor.

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- (6.) Part payment received on an account shall be allocated firstly to reduce any penalty charges that may have accrued on the account.
- (7.) An official receipt issued by Council will be the only prove of payments made.
- (8.) Cheques received for the payment of an account and which a bank dishonoured, will result in the account of the debtor being debited with the amount of the cheque and dishonoured cheque cost. The debtor will not be permitted to make payments to Council with a cheque in future.

10 INTEREST ON ARREAR DEBT

- (1.) Amounts on accounts, which remain unpaid after the due date, shall attract interest irrespective of the reason for non-payment.
- (2.) The following categories of arrear debt shall not attract interest on arrears:
 - (a) Indigent debt
 - (b) Closed accounts
 - (c) Deceased estates
 - (d) Insolvent estates
 - (e) Debtors under administration (administration portion only)
- (3.) No interest shall be charged on any outstanding amounts in respect of which an agreement had been concluded for the payment by way of instalment thereof, provided the instalment is paid in full by the due date.
- (4.) Interest on arrear debt shall be calculated for each month for which such payment remains unpaid and part of a month shall be deemed to be a month.

11 ENQUIRIES AND APPEALS

- (1.) Any aggrieved person may address a grievance or query regarding charges for municipal services to the Chief Financial Officer in writing or may visit any customer care office provided by Council.
- (2.) The aggrieved person shall clearly state the basis of his or her dissatisfaction and the desired resolution.
- (3.) The lodging of an inquiry shall not relieve the aggrieved person of the responsibility to settle his or her account. An interim payment similar to an average account must be paid by the due date pending finalization of the enquiry.

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(4.) Council will respond to all inquiries from consumers in writing within sixty days from the lodging of the inquiry.

12. DEBT COLLECTION

(1.) The Chief Financial Officer is authorized to institute agreed upon debt collection mechanisms without exception and with the intention to proceed until the debt is collected.

(2.) All accounts rendered by Council shall be paid on the due date as indicated on the account.

(3.) Amounts on accounts, which remain unpaid after the due date, shall attract interest irrespective of the reason for non-repayment.

(4.) Amounts on accounts, which unpaid after the due date, will be subject to debt collection action.

(5.) Debt collection action will be taken on the total amount outstanding on the account after the due date. The total amount outstanding includes property rates, refuse, sewerage, water, electricity, fire levy and sundry debtor charges.

(6.) The debt collection action to be taken will be as follows: -

(a) Disconnection of electricity supply

(i) Council shall disconnect the electricity supply to a property if the account rendered by Council is not paid by the due date as indicated on the account.

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- (ii) Disconnection of electricity supply will be for the total amount outstanding on the account, not just for the electricity portion of the account.
- (iii) Disconnection of electricity supply for the non-payment of an account will be during the 30 day period following the due date.
- (iv) All accounts outstanding after the set due date will be charged a penalty fee which the client is liable to pay regardless of whether a disconnection was done or not.
- (v) Services will only be reconnected or restored once there is proof that the account has been settled in full and such reconnection will be done within 24 hours.

(b) Block from the purchase of electricity

- (i) Council will block a consumer from the purchase of electricity on the prepayment electricity system if the account rendered by Council is not paid by the due date as indicated on the account.
- (ii) The block from purchase of electricity will be for the total amount outstanding on the account, not just for the electricity portion of the account.
- (iii) The block from purchase of electricity for the non-payment of an account will be during the 30 day period following the due date.
- (iv) Non-indigent consumers with arrears will be blocked on a block type that will require the consumer to pay the amount due to Council before prepayment electricity can be purchased.
- (v) Low income non-indigent consumers with arrears living in a property with a certain municipal value, which will be determined by Council, will be blocked on a block type that will require the consumer to pay the current monthly account

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due before prepayment electricity can be purchased and with the purchase of electricity 40% of the amount tendered to purchase electricity will be held back and be allocated to arrear debt. The amount of the current monthly account due is the amount after the indigent subsidy has been deducted.

- (vi) Consumers will be placed on a total block from the purchase of electricity for the following reasons and will only be permitted to purchase electricity after a visit to Council's offices by the consumer to attend to the reason for blocking:
- When a consumer moved into a property and failed to apply for services from Council and failed to pay the required consumer deposit.
 - When the disconnection of electricity, blocked from the purchase of electricity and the restriction of water flow to the property did not have the desired effect to persuade the consumer to pay the arrear debt.

(c) Restriction or disconnection of water flow

(i) Council will restrict the water flow to a property for the following reasons and will only restore the water flow after a visit to Council's office by the consumer to attend to the reasons for the restriction of the water flow: -

- When the disconnection of electricity supply or blocked from the purchase of electricity on the prepayment system did not have the desired effect to persuade the consumer to pay the arrear debt.
- When water consumption by indigent consumers is more than 6kl free water provided by Council to indigent consumers and the account remains unpaid.

(ii) Council will disconnect the water flow to a property under

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the following circumstances and will only restore the water flow after a visit to Council's office by the consumer to attend to the reasons for the disconnection of the waterflow:

- The water supply to a business with an unpaid account will be disconnected if the disconnection of electricity supply to the property or blocked from purchase of electricity from the prepayment electricity system did not have the desired effect to persuade the consumer to pay the arrear debt.
- When the consumer moved into a property and failed to apply for services from Council and failed to pay the required consumer deposit.

(d) Handover and debt to debt collectors

- (i) Debt that could not be collected by the disconnection of electricity supply to a property, blocked from the purchase of prepayment electricity, restriction or disconnection of water supply and that are 60 days old will be handed over to debt collectors.
- (ii) Handover to debt collectors is pre-legal action and if the debt collectors are unsuccessful in collecting the debt, the debt will be handed over to attorneys for legal collection.
- (iii) The following types of debt will be handed over to the debt collectors: -
 - Debt that is 60 days and older
 - The amount of the debt per debtor to be handed over is the amount that will be determined from time to time.
 - Debt that relates to non-indigent debtors living in RDP houses.

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- Low income non-indigent consumers living in a property with a certain municipal value that generally relates to consumers with low income.
 - Debt for which no payment arrangements were made.
- (iv) The following types of debt will **not** be handed over to debt collectors.
- Debt of indigent debtors that are registered as indigent at the date of handover.
 - Government debt
 - Debt that is been paid off as per arrangement with debtor.
 - Debt that is under query
- (vi) The process of collecting debt by debt collectors includes:-
- The phoning of debtors
 - Sending out demand letters
 - Making arrangement with debtors to pay off debt in terms of Council's credit control and debt collection policy.
 - Making follow-ups with debtors
- (e) Handover of debt to Attorneys for legal collection
- (i) Debt that could not be collected by debt collectors and debt that requires urgent legal attention will be handed over to attorneys for legal collection.
- (ii) The following types of debt will be handed over to attorneys:-
- Debt that is 90 days and older
 - The amount of debt per debtor to be handed over is the amount that will be determined from time to time.
 - Debt for which no payment arrangement were made
 - Debt that relates to non-indigent debtors living in RDP

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houses. The legal process will be proceeded with as far as sale of movable property.

(iii) The following types of debt will **not** be handed over to attorneys:-

- Debt of indigent debtors that are registered as indigent at the date of handover.
- Debt of debtors living in a property with a certain municipal value, that will be determined by Council and which value, that will be determined by Council and which value includes the value of the site and improvements.
- Debt that is been paid off as per arrangement with the debtor.
- Debt that is under query

(iv) The process of legal collection includes:-

- Final demands for payment to debtors.
- Emolument attachment orders on debtor's salaries.
- Summons issued for debt to be paid.
- Default judgement be obtained against the debtor.
- The attachment of moveable properties and sale in execution of moveable property.
- The attachment of immovable property and the sale of immovable property.

(f) Withholding or offsetting grants-in-aid.

Council provides annual grants-in-Aid to Institutions on application.

If an institution is in arrear with its services account, then Council

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Will withhold the grant-in-Aid or grant-in-aid will be off set against the arrear debt with Council.

- (g) Institutions or individual persons, who are in contract with Council to provide a service, and who are in arrear with their services account, will have payments to them withheld by Council until the arrear debt with Council is settled or payment will be off set against the arrear debt with Council.

(g) Section 118 of Local Government: Municipal Systems Act No 32 of 2000.

- (i) Council will issue a certificate required for the transfer of immovable property in terms of Section 118 of Local Government: Municipal Systems Act No 32 of 2000, which is lodged with Council in the prescribed manner, only when all amounts that became due in connection with that property for municipal service fees, surcharges on fees, property rates and other municipal taxes, levies and duties during the two years preceding the date of application for the certificate have been fully paid.
- (ii) Debt older than two years on the property irrespective of whether the owner of the property had accumulated the debt will also have to be paid before any clearance can be issued and the transfer of the property by the owner can be done.
- (iii) If the owner refuses to pay the debt which is older than two years, then Council will apply to a competent Court for an order in the following terms:-
- In the case where there is already a judgement for the payment of the amount, an order that the judgement debt be paid out of the proceeds of the sale, before the mortgage debt is settled.
 - In case where there is no judgement debt, for an order staying transfer of the property pending the finalisation of a civil action

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to be instituted against the person who is in law liable for the payment of the outstanding debt.

- The above action must be taken before the property is transferred as the statutory lien created by Section 118(3) of Act only endures until the property has been transferred and in terms of Section 118(5) of the Act can the new owner of the property not be held liable for the debt that became due before a transfer of a residential property took place.

(iv) Other debt collection methods

The debt collection methods mentioned in paragraph (a) to (h) above are not an exhaustive list of methods that can be applied to collect debt and any other methods that can be initiated, will be implemented with the consent of Council, to collect debt.

(7) Debt Collection Cost

Any costs, which includes collection costs, charges, disbursements and legal costs relating to any of the debt collection methods applied to collect the debt will be debited to the account of the defaulting debtor.

13. ARRANGEMENTS TO PAY ARREAR DEBT

- (1) A consumer who cannot pay their arrear debt may enter into an arrangement to pay the account over an extended period of time limited to five times in a financial year.
- (2) If the outstanding balance has been overdue for a period of more than twelve months, 50% of the total outstanding should be paid as an initial payment, and the remainder must be payable within six months depending on the amount concerned on which the CFO will use his/her discretion on the number of months it must be paid off.
- (3) If the total outstanding balance has been overdue for a period less than twelve months, 25% of the total outstanding amount must be paid as an

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initial payment, and the remainder must be settled within a period of three months depending on the amount remaining.

- (4) No verbal arrangements will be accepted by Council, only written arrangements on a prescribed format as provided by Council will be accepted.
- (5) No arrangements will be entertained by Council on debt that has been handed over to debt collectors.
- (6) The consumer, by signing the arrangement agreement to payoff arrear debt acknowledges the following: -
 - (a) That debt is owed to Council
 - (b) That on default to honour the arrangement agreement, interest on arrears will be charge on the amount due, electricity supply will be disconnected to the property of the consumer or the consumer will be blocked from the purchase of electricity on the prepayment system and / or the water supply to the property of the consumer will be restricted and legal proceedings will be instituted to collect the debt.
 - (c) That the consumer will be liable for all cost, which includes legal costs, incurred to collect the debt.

(7) Dishonoured arrangement

In the event that an arrangement has been dishonoured, all monies owing to the municipality, plus the current monthly account has to be paid in full. If the required payments are not made, debt collection action will be instituted immediately.

(8) Arrangements by Indigent consumers

- (a) Indigent consumers must have their credit electricity meters converted to prepayment electricity meters.
- (b) Indigent consumers are required to pay their current monthly account, which is the amount after indigent subsidy has been deducted, regularly every month by the due date.
- (c) Indigent consumers with arrears will be blocked on a block type on

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the prepayment electricity system that will require the consumer to pay the current monthly account due before prepayment electricity can be purchased and with the purchase of electricity, 40% of the amount tendered to purchase electricity will be held back and be allocated to arrear debt. The amount of the current monthly account due is the amount after the indigent subsidy has been deducted.

(9) Arrangements by low income non-indigent consumers.

- (a) A low income non-indigent consumer is a consumer living in a property with a certain municipal value, that will be determined by Council, and which property generally relates to consumers with low income.
- (b) Low-income non-indigent consumers must have their credit electricity meters converted to prepayment electricity meters.
- (c) Consumers are required to pay their current monthly account regularly every month by the due date.
- (d) Consumers with arrears will be blocked on a blocked type that will require the consumer to pay the current monthly account due before prepayment electricity can be purchased and with the purchase of electricity 40% of the amount tendered to purchase electricity will be held back and be allocated to arrear debt.

(10) Arrangements by non-indigent consumers

- (a) The arrangement by non-indigent consumers must include the payment of the current monthly account **plus** the payment of arrear debt.
- (b) The arrear debt can be paid as follows: -
 - (i) Income group R1500 – R5000.
Over a maximum period of 36 months, with interest provided payments are made monthly by the due date.
 - (ii) Income group R5000 and more
Over a maximum period 24 months, interest free provided

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payments are made monthly by the due date.

(11) Arrangements by businesses

- (a) At the date of the arrangement a minimum of 50% of the capital arrear debt must be paid immediately.
- (b) The balance of the debt, which includes the capital amount and interest, may be paid over a period of 6 months, interest free, provided payments are made monthly by the due date.
- (c) The total monthly instalment must include the current monthly charges **plus** the amount to pay off arrear debt.
- (d) Arrangement by businesses to pay off arrear debt will only be entertained for debt on which debt collection actions have been taken and which actions are in an advance stage.
- (e) Failure to maintain the arrangement will result in interest being reversed and full debt collection will be implemented, with no possibility of reprieve.

(12) Arrangements on partially collectable debt

- (a) Partially collectable debt can be described as debt that cannot be collected in full through application of debt collection processes and that it is in the best interest of Council to accept part payment of the debt in full and final settlement.
- (b) All the debt collection processes must have been followed and if at the sale-in-execution of the property no interest is shown by prospective bidders to purchase the property, offers for the purchase of the property must be obtained and the relevant attorney must submit a report to Council.
- (c) The market value of the property must be obtained and a report must be submitted to Council on the offer to purchase that was received.

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- (d) Council must make a decision to accept the offer for full and final settlement of the debt and by accepting the offer Council must also resolve to write off the remaining debt on the property as irrecoverable.

14. INDIGENT DEBTORS

- (1) An account holder (consumer) may apply, in the prescribed manner, to be regarded as an indigent debtor provided that the following conditions are applied: -
 - (a) That the gross household income must not exceed the poverty threshold value as determined by Council from time to time.
 - (b) That the applicant should not own more than one fixed property.
 - (c) That the applicant must be a resident on the property.
 - (d) That the property of the indigent applicant may be inspected annually to determine the validity of the application.
 - (e) Any aggrieved person who was not successful in the application to be regarded as indigent may lodge an appeal to the Chief Financial Officer within a period of ten (10) days from the date on which the aforesaid decision was communicated to the applicant.
 - (f) Any person who has been declared indigent shall be entitled to indigent subsidies for basic services on a basis determined by Council from time to time and in accordance with the National policy on indigents.
- (2) Arrangements by indigent debtors to pay their debt to Council are as follows: -
 - (a) Indigent consumers must have their credit electricity meters converted to prepayment electricity meters.
 - (b) Indigent consumers are required to pay their current monthly account, which is the amount after indigent subsidy has been

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deducted, regularly every month by the due date.

- (c) Indigent consumers with arrears will be blocked on a block type on the prepayment electricity system that will require the consumer to pay the current monthly account due before prepayment electricity can be purchased and with the purchase of electricity 40% of the amount tendered to purchase electricity will be held back and be allocated to arrear debt. **The amount of the current monthly account due is the amount after the indigent subsidy has been deducted.**

- (3) Debt of indigent debtors will **not** be handed over to debt collectors and / or to attorneys to collect their debt, provided that the debtors are registered as indigent at the date of handover.
- (4) Debt of indigent debtors will not attract interest on arrears.
- (5) The water flow to the properties of indigent debtors will be restricted when the consumption of water is more than the 6kl free water provided by Council and their accounts remains unpaid.
- (6) Debt of deceased indigent estates –
- (a) Until the property is transferred from the deceased estate to the new owner all the services from the account of the deceased owner as at the date of death will be transferred to the account of the occupant, which must include the valuations of the property in order to charge the occupant for property rates.
- (b) The occupant of the property must sign an agreement in which the occupant agrees to pay all the rates and service charges that are to be raised on the property that is occupied.
- (c) The following circumstances must prevail to transfer the services to the account of the occupant:-
- (i) The house must be a government funded RDP house.
- (ii) The occupant of the house must be a registered indigent consumer with Council and be receiving an indigent subsidy from Council.

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- (7) Debt of absconded owners –
 - (a) The occupant of the property must sign an agreement in which the occupant agrees to pay all property rates and service charges that are to be raised on the property of the absconded registered owner's property.
 - (b) The rates and service charges only be transferred to the occupant of the property if the property is a RDP funded property.

15. MUNICIPAL STAFF – PAYMENT OF ARREARS

- (1) Section 10 of schedule 2 of the Local Government: Municipal System Act, No. 32 of 2000 provides the following: -

“A staff member of a municipality may not be in arrears to the municipality for rates and service charges for a period longer than three (3) months, and a municipality may deduct any outstanding amounts from a staff member's salary after this period.”
- (2) Arrear debt relating to rates and service charges will be collected from staff in terms of collection arrangements approved by the Municipal Manager from time to time.

16. ADMINISTRATION ORDERS – PAYMENT OF ARREARS

- (1) A person can apply for the administration of its estate in terms of section 74 of the Magistrates Court Act, 1944.
- (2) On notification that the order had been granted, Council will manage the debt that is part of the administration order separately to the current account.
- (3) The debtor will be responsible for the payment of the current monthly account and if the debtor defaults on the payment of the account, debt collection action will be implemented.

17. WRITE OFF OF IRRECOVERABLE DEBT

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- (1) The objective to write off irrecoverable debt is to have a debt book that does not reflect irrecoverable debt.
- (2) Council's approval must be obtained to write off irrecoverable debt.
- (3) In the submission to Council to write off debt Council must be provided with details of –
 - (a) The debt collection procedures implemented to recover the debt and the costs incurred as a result thereof;
 - (b) The reasons why the debt collection procedures were not successful and had to be abandoned;
 - (c) The debtors financial position, if known;
 - (d) Reasons why the debt or a portion thereof is regarded as being irrecoverable.
- (4) Debt can be regarded as irrecoverable under the following circumstances: -
 - (a) Debt that was subjected to all the debt collection procedures provided for in this policy and still was unsuccessful to collect the debt and where the debt collection process had to be abandoned.
 - (b) Debt of which the cost to collect debt has exceeded the debt amount.
 - (c) Debt of indigent debtors that cannot be collected after the implementation of the debt collection procedures applicable to indigent consumers provided for in this policy.
 - (d) Small amount debt of which the cost to collect the debt is more than the debt amount.
 - (e) Debt of deceased estates –
 - (i) Claims must have been submitted to the estate of the deceased.
 - (ii) The executor of the estate advised Council in writing that there are no funds in the estate.
 - (f) Debt of debtors who have emigrated –

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- (i) Debt collection procedures must have been implemented.
 - (ii) Council was informed by a reliable source that the debtor had emigrated.
 - (iii) The emigrating authorities had confirmed that the debtor had emigrated.
- (g) Debt of insolvent estates –
 - (i) Debt collection procedures must have been implemented.
 - (ii) Debt must be older than three years.
 - (iii) Debt must comply with the provisions of section 10 Chapter III of the Prescription Act No 68 of 1969.
 - (iv) Claims must have been submitted to the liquidators of the insolvent estate.
 - (v) The liquidators of the insolvent estate must advise Council in writing that there are no funds in the estate.
 - (vi) Council received dividends on the amount owing and was advised that the estate had been finalized and there will be no further dividends forthcoming.
- (5) The annual Revenue Budget will include an amount to provide for the amount to be written off.

18. PROVISION FOR BAD DEBT

- (1) The objective of the provision for bad debt is to make a realistic provision annually in the Revenue budget to cater for charges raised in terms of the budget that cannot be collected.
- (2) The calculation of the provision for bad debt will be based on an extract of Council's debtors book as at the last day of the financial year.
- (3) The extract of Council's debtors book must reflect detailed ageing of the debt within the following debt categories: -

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- (a) Debt per service
 - (b) Debt per type of debtor
- (4) A provision for bad debt amount will be calculated in terms of each of the abovementioned categories and will be submitted to the Chief Financial officer for consideration of the provision amount to be included in the Revenue Budget.
- (5) The provision for bad debt amount will be an accumulative expression of a percentage of the amount of the debt occurrence at a certain ageing category and an amount that represents an accumulation of individual debt amounts.
- (6) When calculating the provision for bad debt in terms of the debt per service category the following must be considered: -
 - (a) The probability of the ageing of the debt.
 - (b) The sliding scale percentage that will be applied on the age of the debt commencing with debt that is 150 days old. The percentage must be increased when progressing to the oldest debt occurrence. The probability of collecting the debt in the oldest occurrence will be zero, therefore the provision must be 100%.
 - (c) The probability of recovery between the different types of services. The probability of recovering property rates versus the recovery of other services in the same ageing occurrence will be higher, as property rates is a tax and only prescribes after 30 years, in terms of the relevant legislation.
 - (d) The payment trend of each of the services billed.
- (7) When calculating the provision for bad debt in terms of the debt per type of debt the following must be considered:-
 - (a) The probability of the ageing of the debt.
 - (b) The debt as per the following debtor groups identified:-
 - (i) Domestic
 - (ii) Business
 - (iii) Government departments

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(iv) Municipal staff and Councilors

(v) Other debtors.

Note – The types of debtor that make up the above groups will be those as detailed in the financial system at the time of the date extraction.

(c) The debt on the following debt groups are to be excluded from the provision calculation, as the debt is deemed to be collectable: -

(i) Government departments.

(ii) Municipal staff and Councilors

(d) The debt on the following debt groups are to be fully provided for in the provision calculation, as the debt is deemed to be not collectable.

(i) Indigent debtors.

(ii) Debtors under administration.

(iii) Insolvent and liquidated estates.

(iv) Deceased indigent estates

(v) Informal settlements

(vi) Debt that has prescribed

(vii) "RDP" houses.

(viii) Uncollectable business debt after legal action.

(ix) Uncollectable domestic debt after legal action.

(e) The sliding scale percentage that will be applied on the age of the debt commencing with debt that is 150 days old. The percentage must be increased when progressing to the oldest debt occurrence. The probability of collecting the debt in the oldest occurrence will be zero, therefore the provision must be 100%.

(f) When determining the provision percentages on domestic debtors the demographics of the city must be taken in to account, as the probability of recovery of debt will be higher in the high income suburbs as compared to the recovery of debt in the

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low income suburbs.

- (g) The payment trend of each of the debtor groups.

19. CERTIFICATES REQUIRED FOR TENDERS

- (1) A person or an institution reacting to a tender published by Council or wishing to enter into a contract to either provide services or goods to Council must produce a certificate, on the prescribed form, which states that regular payment of rates and services accounts are maintained and that the account are currently up to date.
- (2) A person who fails to provide such a certificate shall be disqualified from the tendering process.

20. THEFT AND FRAUD

- (1) The Municipality does not condone theft and fraud of municipal services and will monitor the service networks for signs of tampering or irregularities.
- (2) The Council may approve specific penalties and distinguish between cases of vandalism and theft.
- (3) Subsequent acts of tampering may lead to a refusal to supply certain services for determined periods.

21. REPORTING AND PERFORMANCE MANAGEMENT

- (1) The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to the Executive Mayor as supervisory authority in terms of section 99 of the Systems Act, read with section 100 (c).
- (2) This report shall contain particulars on cash collection statistics, showing high-level debt recovery information (numbers of customers; enquires; arrangements; default arrangements; growth or reduction of arrear debt). Where possible, the statistics should ideally be divided into wards, business (commerce and industry), domestic,

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state, institutional and other such divisions.

- (3) If in the opinion of the Chief Financial Officer, Council will not achieve cash receipt income equivalent of the income projected in the annual budget as approved by Council, the Chief Financial Officer will report this with motivation to the Municipal Manager who will, if in agreement with the Chief Financial Officer, immediately move for a revision of the budget according to realistically realizable income levels.
- (4) The Executive Mayor as Supervisory Authority shall, at intervals of three (3) months, report to Council as contemplated in section 99 (c) of the Systems Act.

22. INCOME COLLECTION TARGET

Income collection targets will be set by the Chief Financial Officer to achieve the optimum debt collection ratio i.e. receipt / billing, that will satisfy Council's IDP objectives.

23. APPLICATION OF THE POLICY

The Council reserves the right to differentiate between different categories of consumers, debtors, services or service standards when applying this Policy. The Council will on application of the credit control policy avoid discrimination as forbidden by the Constitution unless it is established that the discrimination is fair as allowed by the Constitution.



Ephraim Mogale Local Municipality

**2012~~1~~/13~~2~~ Medium Term Revenue and Expenditure
Framework (MTREF) Policy Review**

INDIGENT SUPPORT POLICY

PRINCIPLES AND POLICY ON SUBSIDY SCHEME FOR INDIGENT HOUSEHOLDS

1. INTRODUCTION

- 1.1 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(b) of the Constitution.
- 1.2 Basic services are generally regarded as to be access to electricity, access to clean water within a reasonable distance of one's dwelling, basic sanitation, solid waste removal and access to and availability of roads.
- 1.3 The Constitution recognises Local Government as a local sphere of Government and as such also entitles Local Government to a share of nationally raised revenue, which will enable it to perform their basic function of providing essential services to the community within their boundaries.
- 1.4 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. Provided that grants are received and funds are available, the indigent subsidy policy should remain intact.
- 1.5 To achieve this purpose it is important to set a fair threshold level, and then to provide a fair subsidy of tariffs.
- 1.6 The consumer, in order to qualify as an indigent, needs to complete the necessary documentation as required and agree to the policies, procedures, rules and limitations determined by the Ephraim Mogale Municipality.

2. PURPOSE OF THE POLICY

- 2.1 The purpose of this policy is to ensure that the subsidy scheme for indigent households forms part of the financial management system of Ephraim Mogale Municipality and to ensure that the same procedure be followed for each individual case.

3. CRITERIA FOR IDENTIFICATION TO QUALIFY FOR INDIGENT SUPPORT

- 3.1 Grants-in-aid may, within the financial ability of the Municipality, be allocated to owners or tenants of premises who receive electricity, water, sanitation, or refuse removal or other services from the Municipality, in respect of charges payable to the Municipality for such services.
- 3.2 These grants may be allocated if such a person or any other occupier of the property concerned can submit proof or declare under oath that all occupants over 18 years of age had no income or a verified total gross monthly income of less than the amount indicated in terms of the definitions below for the preceding three consecutive months.
 - 3.2.1 Definition of a Destitute Indigent. If the total income of all occupants is not more than an amount as determined by the Council from time to time.

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Currently, this amount is deemed to be equal than the amount received by two state pensioner.

- 3.2.2 Definition of an Indigent. If the total income of all occupants is more than the amount determined for a destitute indigent and less than an amount as determined by the Council from time to time. Currently, this amount is deemed to be equal than the amount received by two state pensioners.
- 3.3 Only one application per person (household consumer) in respect of one property only shall qualify for consideration. A business, school, corporate body, club or governing body shall not qualify for consideration.
- 3.4 The subsidy will apply to the owner or tenant of the property concerned.
- 3.5 The subsidy will not apply in respect of households owning more than one property and who will therefore not be classified as indigent.

4. APPLICATION AND AUDIT FORM

- 4.1 An application form as approved by Council called an "Application for Indigent Household Subsidy", must be completed by all consumers who qualify in terms of this policy and wishes to be subsidised in terms of this policy.
- 4.2 The account holder must apply in person and must present the following documents upon application:-
- (a) The latest Municipal account in his/her possession.
 - (b) The accountholder's identity document.
 - (c) Information relating to the names and identity numbers of all occupants/residents over the age of 18 years, who reside at the property in the form of an affidavit.
 - (d) Documentary proof of income where possible or an affidavit of financial means and monthly cash flows.
 - (e) Statement of monthly income and expenditure.
- 4.3 Information in respect of all applications must be verified by an official or municipal agent appointed by Council. The relevant Ward Councillor must be involved during the evaluation process and must verify the application together with the relevant officials and local community leaders or ward committee members appointed by Council in this regard.
- 4.4 Application forms must be considered in conjunction with this policy.
- 4.5 The list of indigent households may be made available at any time to the Information Trust Corporation (ITC) for the purpose of exchanging credit information. Households qualifying for consumer credit elsewhere will not be regarded as indigents.
- 4.6 If an application is favourably considered, a subsidy will only be granted during that municipal financial year and the subsequent twelve (12) month budget cycle. The onus will rest on the approved account holders to apply for relief on an annual basis.

5. DRAFTING AND MAINTENANCE OF AN INDIGENT REGISTER

- 5.1 The Chief Financial Officer will be responsible to compile and administer the database for households registered in terms of this policy.

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- 5.2 Council reserves the right to send officials or its agents to premises/households receiving relief from time to time for the purpose of conducting an on-site audit of the information and details supplied.

6. PENALTIES AND DISQUALIFICATION FOR FALSE INFORMATION

- 6.1 Applicants will be required to sign and submit a sworn affidavit, to the effect that all information supplied is true and that all income, i.e. from formal and/or informal sources, is declared.
- 6.2 Any person who supplies false information will be disqualified from further participation in the subsidy scheme. He/she will also be liable for the immediate repayment of all subsidies received, and the institution of criminal proceedings, as Council may deem fit.
- 6.3.1 The onus also rests on indigent support recipients to immediately notify Council of any changes in their indigency status.

7. SERVICES TO BE SUBSIDISED

7.1 Electricity

- 7.1.1 All registered indigents will receive 50 units of electricity per month free of charge. Unused free electricity units shall not be carried over to the next month. Any meter tampering or dishonesty shall result in the termination of the subsidisation.

7.2 Water

- 7.2.1 All registered and approved indigent consumers will receive the first 6 kilolitres of water fully subsidised. Depending on the availability of funds for this purpose, a subsidy, determined at the beginning of every financial year and not more than the applicable tariff for that year, will be applied for the duration of that particular financial year for consumption in excess of 6 kilolitres per month. The amount of the subsidy will be determined and approved as part of the tariff policy applicable for the financial year.

7.3 Refuse Removal

- 7.3.1 All registered destitute indigents shall be fully subsidised for refuse removal. All registered indigents shall be subsidised for refuse removal as determined and provided for by the Council in the annual budget from time to time. Depending on the availability of funds for this purpose a subsidy, determined at the beginning of every financial year and not more than the applicable tariff for that year, will be applied for the duration of that particular financial year. The amount of the subsidy will be determined and approved as part of the tariff policy applicable for the financial year.

7.4 Sewerage

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- 7.4.1 All registered destitute indigents shall be fully subsidised for sewerage services. All registered indigents shall be subsidised for sewerage services as determined and provided for by the Council in the annual budget from time to time.

Depending on the availability of funds for this purpose a subsidy, determined at the beginning of every financial year and not more than the applicable tariff for that year, will be applied for the duration of that particular financial year. The amount of the subsidy will be determined and approved as part of the tariff policy applicable for the financial year.

7.5 Site Rental

- 7.5.1 All registered destitute indigents shall be fully subsidised for the payment of site rental. All registered indigents shall be subsidised for the payment of site rental as determined and provided for by the Council in the annual budget from time to time. Depending on the availability of funds for this purpose a subsidy, determined at the beginning of every financial year and not more than the applicable tariff for that year, will be applied for the duration of that particular financial year. The amount of the subsidy will be determined and approved as part of the tariff policy applicable for the financial year.

7.6 Property Rates

- 7.6.1 All registered destitute indigents shall be fully subsidised for the payment of property rates. All registered indigents shall be subsidised for the payment of property rates as determined and provided for by the Council in the annual budget from time to time. Depending on the availability of funds for this purpose a subsidy, determined at the beginning of every financial year and not more than the applicable tariff for that year, will be applied for the duration of that particular financial year. The amount of the subsidy will be determined and approved as part of the tariff policy applicable for the financial year.

8. TARIFF POLICY

- 8.1 The Local Government Municipal Systems Amendment Act (MSA), 2003, Act No 44 of 2003 determines that a Municipal Council must adopt and implement a tariff policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements and which complies with the provisions of the Act and with any other applicable legislation.
- 8.2 A tariff policy must reflect, amongst others, at least the following principles, namely that:-
- The amount individual users pay for their services should generally be in proportion to their use of that service;
 - Poor households must have access to at least basic services through-
 - tariffs that cover only operating and maintenance costs;
 - special tariffs or life line tariffs for low levels of use or consumption of services or for basic levels of service; or

EPHRAIM MOGALE LOCAL MUNICIPALITY INDIGENT POLICY

- any other direct or indirect method of subsidisation of tariffs for poor households; and
- The extent of subsidisation of tariffs for poor households and other categories of users should be fully disclosed.

8.3 Council's tariff policy as adopted by council conforms to the principles and conditions contained in paragraphs 8.1 and 8.2 above and shall be applied in conjunction with this policy.

9. SOURCES OF FUNDING

- 9.1 The extent of subsidisation contemplated in this policy shall be subject to the quantum of the equitable share received by Council on an annual basis. This amount may vary from year to year according to the new allocation for a particular financial year.
- 9.2 If approved as part of the tariff policy the amount of subsidisation may be increased through cross subsidisation, i.e. step tariff system.

10. METHOD OF TRANSFER AND THE VALUE OF THE SUBSIDY

- 10.1 No amount shall be paid to any person or body, but shall be transferred as a credit towards the approved account holder's municipal services account in respect of the property concerned.
- 10.2 Arrear amounts shall not qualify for any assistance and shall not be taken into consideration. Calculations shall be based on the monthly current accounts only and in accordance with the approved tariff policy.

11. ARREAR ACCOUNTS

- 11.1 The approved account holder shall remain responsible for any outstanding amount at the date of application as well as for future charges.
- 11.2 The arrears on the accounts of households, approved as indigent, will be submitted to Council for consideration to be written off in full (including any interest charged). This submission will only be valid as a once-off exercise after approval and will not be applicable for future consumption in excess of the approved subsidy accumulated.

12. RESTORING SERVICES TO QUALIFIED HOUSEHOLDS

- 12.1 If an application is approved, services will be restored free of charge. If services are to be suspended thereafter in terms of the approved credit control policy the approved tariff for reconnection will be payable.

13. CONSUMPTION SUBJECT TO MUNICIPAL RESTRICTIONS

- 13.1 Where restriction of consumption applies to a particular service, applicants must comply with such restrictions in the same manner as any other consumer and may not refuse to be restricted in terms of Council policy. Where restrictions are not

EPHRAIM MOGALE LOCAL MUNICIPALITY INDIGENT POLICY

possible the account holder will be responsible for the consumption in excess of the approved subsidy.

14. CREDIT CONTROL POLICY TO BE APPLIED FOR INDIGENT HOUSEHOLDS

14.1 Aims of the Policy.

14.1.1 The credit control policy of the Council aims to achieve the following:-

- To distinguish between those who can and cannot genuinely pay for services;
- To identify and provide for those who cannot pay to register with the municipality in order to consider subsidies to such consumers;
- To enable the municipality to determine and identify defaulters to ensure appropriate credit control procedures; and
- To establish an indigent directory of all persons who complies with the policy.

14.2 Obligation to Pay.

14.2.1 The policy on provision of services should endeavour to provide services in accordance with the amount available for subsidisation.

14.2.2 It is however important to note that the subsidy received, in the majority of cases, does not cover the full account. In such event the consumer is still responsible for the balance between the full account and the subsidy received.

14.2.3 Where applicable, credit control must still be applied, in accordance with the approved credit control policy, for these outstanding amounts.

15. IMPLEMENTATION AND REVIEW OF THIS POLICY

15.1 This policy shall be implemented once approved by Council. All future applications for indigent registrations must be considered in accordance with this policy.

15.1 In terms of section 17(1)(e) of the Municipal Finance Management Act, 2003 this policy must be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process.

CERTIFICATE OF ENDORSEMENT:

The Agreement to this Policy shall come into effect on the date of endorsement and shall cease only in the event where such changes/variations has been reduced to writing and been signed by the Accounting Officer. Unless in the event where any changes in any applicable Act, Legislation has jurisdiction to supersede.



Ephraim Mogale Local Municipality

**2015/16 Medium Term Revenue and Expenditure Framework
(MTREF) Policy Review**

BUDGET POLICY

BUDGET PROCESS POLICY

1. Objective

The objective of this policy is to set out the budgeting principles and procedures which the municipality will follow in preparing each annual budget, as well as the responsibilities of various officials and office bearers in compiling such a budget.

2. Compliance with Legal Provisions

In the process of preparing the budget, the Municipality, its Mayor, political office bearers, Municipal Manager, Chief Financial Officer and other officials shall comply with all relevant legal requirements, including in particular:

- 2.1. the provisions of Chapter 4 (Sections 15 to 33) of the Local Government: Municipal Finance Management Act, 2003 ("the MFMA"), as well as Sections 42, 43, 52, 53, 54,55, 68, 69, 70, 71, 72, 75, 80, 81 and 83 thereof; and
- 2.2. the Municipal Budget and Reporting Regulations ("the Regulations") published in terms of Section 168 of the MFMA under General Notice 393 of 2009; and
- 2.3. all relevant budget-related circulars and notices issued by the National Treasury.

3. Budget Steering Committee

- 3.1. The Mayor of the Municipality shall establish a Budget Steering Committee as required by Regulation 4 of the Regulations.
- 3.2. The function of the Budget Steering Committee is to provide technical assistance to the Mayor in discharging the responsibilities set out in Section 53 and elsewhere in the MFMA.

BUDGET PROCESS POLICY

4. Role of Mayor

- 4.1. As provided in Section 21(1) of the MFMA, the Mayor is responsible for :
 - 4.1.1. Co-ordinating the process for preparing the annual budget and for reviewing the Integrated Development Plan ("IDP") and budget related-policies;
 - 4.1.2. Tabling in the council a time schedule outlining key deadlines, as contemplated in section 7 of this policy.
- 4.2. In addition, as provided in Section 21(2) of the MFMA, for purposes of preparing the budget, the Mayor is required to:
 - 4.2.1. Take into account the Municipality's IDP;
 - 4.2.2. Take all reasonable steps to ensure that the Municipality revises the IDP;
 - 4.2.3. Take into account the national budget, the provincial budget, the national government's fiscal and macro-economic policy, the Annual Division of Revenue Act and any agreements reached in the budget forum;
 - 4.2.4. Consult the relevant district municipality, if applicable, and local municipalities within the district, the provincial treasury, and when requested, the national treasury, and any national organs of state as may be prescribed;
 - 4.2.5. Provide on request information to the National Treasury and other organs of state and other municipalities affected by the budget.
- 4.3. Pursuant to Section 52 of the MFMA the mayor must:
 - 4.3.1 provide general political guidance over the fiscal and financial affairs of the municipality;
 - 4.3.2 in providing such general political guidance. may monitor and. to the extent provided in the MFMA, oversee the exercise of responsibilities assigned in terms

BUDGET PROCESS POLICY

of the MFMA to the accounting officer and the chief financial officer, but may not interfere in the exercise of those responsibilities;

- 4.3.3 must take all reasonable steps to ensure that the municipality performs its constitutional and statutory functions within the limits of the municipality's approved budget;
- 4.3.4 must within 30 days of the end of each quarter, submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality; and
- 4.3.5 must exercise the other powers and perform the other duties assigned to the mayor in terms of the MFMA or delegated by the council to the mayor.

4.4 As Required by Section 53 of the MFMA, the mayor must:

- 4.4.1 provide general political guidance over the budget process and the priorities that must guide the preparation of a budget;
- 4.4.2 co-ordinate the annual revision of the IDP in terms of section 34 of the Municipal Systems Act and the preparation of the annual budget, and determine how the integrated development plan is to be taken into account or revised for the purposes of the budget; and
- 4.4.3 take all reasonable steps to ensure that
 - 4.4.3.1 the municipality approves its annual budget before the start of the budget year;
 - 4.4.3.2 the municipality's service delivery and budget implementation plan is approved by the mayor within 28 days after the approval of the budget; and
 - 4.4.3.3 the annual performance agreements as required in terms of section 57(1)(6) of the Municipal Systems Act, for the municipal manager and all senior managers comply with the MFMA and in particular, the provisions of Section 53(1) (c)(iii) of the MFMA;

BUDGET PROCESS POLICY

4.4.4 promptly report to the municipal council and the MEC for finance in the province any delay in the tabling of an annual budget, the approval of the service delivery and budget implementation plan or the signing of the annual performance agreements referred to above; and

4.4.5 ensure-

4.4.5.1 that the revenue and expenditure projections for each month and the service delivery targets and performance indicators for each quarter, as set out in the service delivery and budget implementation plan, are made public no later than 14 days after the approval of the service delivery and budget implementation plan; and

4.4.5.2 that the performance agreements of the municipal manager, senior managers and any other categories of officials as may be prescribed are made public no later than 14 days after the approval of the municipality's service delivery and budget implementation plan. Copies of such performance agreements must be submitted to the council and the MEC for local government in the province.

4.5 As contemplated in Section 68 of the Act, the Chief Financial Officer and all other managers who are directly accountable to the Municipal Manager shall provide technical and administrative support to the Mayor in the preparation and approval of the annual and adjustment budgets, as well as the consultative process and the furnishing of information as contemplated above.

5. **Budget –Related Policies**

5.1. In so far as it is practical to do so, and subject, where relevant, to the availability of suitable precedent documents, The Municipal Manager must ensure that budget-related policies of the Municipality, or any necessary amendments to such policies, are prepared for tabling in the council by the applicable deadline specified in terms of Section 21(1) (b) of the MFMA.

BUDGET PROCESS POLICY

- 5.2. The Municipality may consult with professional bodies and advisors for purposes of preparing such policies

6. CFO Responsible for Preparation of Budget

- 6.1. Without derogating in any way from the legal responsibilities of the municipal manager as accounting officer, the chief financial officer shall be responsible for preparing the draft budget of the municipality.
- 6.2. The Municipal Manager shall delegate to the Chief Financial Officer all such powers as may be necessary for the Chief Financial Officer to perform the abovementioned function.
- 6.3. The Municipal Manager shall ensure that all heads of departments provide the inputs required by the Chief Financial Officer for the purpose of preparing the budget, and to that end, each head of department shall prepare and submit to the Chief Financial officer by 31 January a draft budget for his or her department; provided that nothing contained in this section shall derogate from the responsibility of the Chief Financial Officer of preparing the municipal budget as provided for in subsection 6.1.
- 6.4. The Chief Financial Officer shall ensure that the annual and adjustments budgets comply with the requirements of the National Treasury, reflect the budget priorities determined by the mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the mayor on the revision of the IDP and the budget-related policies where these are indicated.

7. Budget Time Schedule

BUDGET PROCESS POLICY

- 7.1. The Chief Financial Officer shall draft the budget time schedule as required by Section 21 (1) (b) for the ensuing financial year for the Council's approval.
- 7.2. Such time schedule shall indicate the target dates for the draft revision of the IDP and the preparation of the annual budget for the ensuing financial year, which target dates shall follow the prescriptions of the Municipal Finance Management Act, for the submission of all the budget-related documentation to the mayor, finance committee, executive committee and council.
- 7.3. Such time schedule shall provide for the deadlines set out in Appendix A, unless the Mayor, after consultation with the Chief Financial Officer, determines otherwise: provided that the requirements of the MFMA shall at all times be adhered to.
- 7.4. The Chief Financial Officer shall be responsible for ensuring that the time schedule is adhered to.

8. Budget to be Balanced

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

9. Funding of Expenditure

- 9.1. In accordance with the provisions of Section 18(1) of the MFMA, an annual budget may be funded only from:
- 9.1.1. Realistically anticipated revenues to be collected;
 - 9.1.2. Cash-backed accumulated funds from previous years' surpluses not committed for other purposes;
 - 9.1.3. Borrowed funds, but only for capital projects.

BUDGET PROCESS POLICY

9.2. Realistically anticipated revenues to be received from national or provincial government, national or public entities, other municipalities, municipal entities, donors or any other source may be included in an annual budget only if there is acceptable documentation that guarantees the funds, as provided by Regulation 10 (2) of the Regulations.

9.3. All expenses, excluding depreciation expenses, shall be cash-funded.

10. Zero -Based Budgeting

Except in so far as capital projects represent a contractual commitment of the Municipality extending over more than one financial year, the annual budget shall be prepared from a zero base.

11. Contents of Budget

11.1. The budget must comply with the provisions of Section 17(1) of the MFMA, and in particular:

11.1.1. The budget must be in the format prescribed by the regulations;

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

11.1.3. The expenses reflected in the budget must be divided into the votes of the various departments of the municipality;

11.1.4. The budget must also contain:

11.1.4.1. the foregoing information for the two years immediately succeeding the financial year to which the budget relates;

11.1.4.2. the actual revenues and expenses for the previous financial year , and

BUDGET PROCESS POLICY

11.1.4.3. the estimated revenues and expenses for the current year.

11.2. The budget must be accompanied by all of the documents referred to in Section 17(3) of the MFMA.

11.3. For the purposes of Section 17(3)(k) of the MFMA, the salary, allowances and benefits of each person referred to therein must be stated individually.

12. Capital and Operating Components

12.1. The annual budget and adjustments budget shall, as required by Section 17(2) of the MFMA consist of:

12.1.1. the capital component, and

12.1.2. the operating component.

12.2. The operating component shall duly reflect the impact of the capital component on:

12.2.1. depreciation charges;

12.2.2. repairs and maintenance expenses;

12.2.3. interest payable on external borrowings; and

12.2.4. other operating expenses.

12.3. Before approving the capital budget component of the annual or adjustments budget, the council shall consider the impact of the capital component on the present and future operating budgets of the municipality in relation to the items referred to in 12.2.1 to 12.2.4.

12.4. Each department head shall, prior to providing for any expenditure in respect of any capital item in the budget of his or her department's budget, and in any event no later than 31 January prepare and submit to the Chief Financial Officer a business plan

BUDGET PROCESS POLICY

relating to such capital item, which business plan shall contain the following information regarding such item:

- 12.4.1. A full description;
- 12.4.2. Its purpose;
- 12.4.3. The expected beneficiaries ;
- 12.4.4. Alternative means of providing the same benefits;
- 12.4.5. An acquisition, construction and implementation plan (as applicable);
- 12.4.6. The expected useful life;
- 12.4.7. The principal cost;
- 12.4.8. The sources of funding;
- 12.4.9. A schedule of financing costs;
- 12.4.10. A maintenance plan;
- 12.4.11. A schedule of maintenance costs;
- 12.4.12. A depreciation schedule;
- 12.4.13. Insurance costs;

13. Capital Replacement Reserve

- 13.1. The council shall establish a capital replacement reserve for the purpose of financing capital projects and the acquisition of capital assets.
- 13.2. Such reserve shall be established from the following sources of revenue:
 - 13.2.1. unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
 - 13.2.2. interest on the investments of the asset financing reserve, appropriated in terms of the banking and investments policy;
 - 13.2.3. further amounts appropriated as contributions in each annual or adjustments budget; and
 - 13.2.4. net gains on the sale of fixed assets.

BUDGET PROCESS POLICY

14. Financing of Capital Budget

- 14.1. The Chief Financial Officer shall 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, and specifically commenting on the relative financial merits of internal and external financing options.
- 14.2. The provisions of Regulation 11 of the Regulations must be complied with in relation to the funding of capital expenditure.

15. Determination of Votes

- 15.1. In preparing the operating budget, the Chief Financial Officer shall determine the number and type of votes to be used, provided that in so doing the chief financial officer shall properly and adequately reflect the organisational structure of the municipality, and further in so doing shall comply with the budget format prescribed by the Regulations.
- 15.2. Each department head shall be responsible for determining the line items to be shown under each vote, subject to the approval of the Chief Financial Officer.

16. Provisions for Leave and employee benefits, Bad Debts and Obsolescence

- 16.1. The municipality shall establish and maintain a provision for accrued leave entitlements 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, as well as for staff benefits, including post-retirement benefits.

BUDGET PROCESS POLICY

16.2. The municipality shall establish and maintain a provision for bad debts in respect of its approved rates and tariffs policies, and shall budget appropriately for contributions to such provision in each annual and adjustments budget.

16.3. The municipality shall establish and maintain a provision for the obsolescence and deterioration of stock, and shall budget appropriately for contributions to such provision in each annual and adjustments budget.

17. Provision for Maintenance

17.1. 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. 15% of the operating budget component of each annual and adjustments budget shall be set aside for such maintenance.

17.2. Notwithstanding anything contained to the contrary in any other policy of the Municipality, no funds budgeted for maintenance may be used or transferred for any other purpose without the express consent of the CFO.

18. Salaries and Allowances

The budget for salaries, allowances and salaries-related benefits shall be separately prepared, and shall not exceed 35% of the aggregate operating budget component of the annual or adjustments budget. For purposes of applying this principle, the remuneration of political office bearers and other councillors shall not be included in this limit.

19. Depreciation and Finance Charges

BUDGET PROCESS POLICY

- 19.1. Depreciation and finance charges together shall not exceed 5% of the aggregate expenses budgeted for in the operating budget component of each annual or adjustments budget.
- 19.2. 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.
- 19.3. The Chief Financial Officer shall determine the depreciation expenses to be charged to each vote, and the apportionment of interest payable to each vote.

20. Indigent Relief

The cost of indigent relief must be separately reflected in the appropriate votes.

21. Allocations from Other Organs of State

- 21.1. Allocations from other organs of state shall be properly reflected in the annual and adjustments budget, and the estimated expenses against such allocations (other than the equitable share) must be appropriately recorded.
- 21.2. The provisions of Regulation 10(2) of the Regulations must be complied with in regard to anticipated revenues to be received from national or provincial government, national or public entities, other municipalities, municipal entities, donors

22. Rates as a Source of Income

BUDGET PROCESS POLICY

In preparing its revenue budget, the Municipality shall strive to maintain realistic revenues from property rates in terms of its property rates policy.

23. Impact of Rates and Tariffs

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.

24. Determination of Growth Factors

The Chief Financial Officer shall, with the approval of the mayor and the municipal manager, and considering the municipality's current financial performance, determine the recommended aggregate growth factor(s) using the National Treasury Guidelines.

25. Tabling of Annual Budget

The Annual budget must, as required by Section 16 of the MFMA, be tabled at a council meeting at least 90 days before the start of a budget year, and when tabled must, as required by Regulation 14(1) of the Regulations:

- 25.1. be in the format in which it will eventually be approved by council; and
- 25.2. be credible and realistic such that it is capable of being approved and implemented as tabled.

26. Publication of Annual Budget

BUDGET PROCESS POLICY

26.1. In accordance with Section 22 of the MFMA, the Municipal Manager shall ensure that immediately after the annual budget is tabled in the Council:

26.1.1. The budget is made public in accordance with the provisions of the Local Government: Municipal Systems Act;

26.1.2. The local community is invited to make submissions in regard to the budget;

26.1.3. The budget is submitted to the National Treasury and Provincial Treasury in printed and electronic formats;

26.1.4. The budget is submitted to any prescribed organs of state and to other municipalities affected by it.

26.2. In addition, the Municipal Manager must comply with the provisions of Regulation 15 of the Regulations.

27. Consultations on Tabled Budgets

27.1. The Municipality shall, after the annual budget is tabled, consider the views of the local community, the National and Provincial Treasuries, organs of state and municipalities which made submissions on the budget, as required by Section 23 of the MFMA, and shall comply with all other requirements of that section.

27.2. The Mayor must for purposes of the abovementioned Section 23 submit to the council the report and comments referred to in Regulation 16 of the Regulations.

28. Approval of Annual Budget

BUDGET PROCESS POLICY

28.1. The Council shall approve the budget in accordance the provisions of Section 24 of the MFMA.

28.2. Before approving the budget, the council shall consider the full implications of the budget, as required by Regulation 17 of the Regulations.

29. Adjustment Budgets

If an adjustment budget is required as contemplated in Section 69(2) of the MFMA, such adjustment budgets and the process of adopting it shall comply with the provisions of Regulations 21 to 27 of the Regulations.

30. SDBIP and Performance Agreements

As required by section 69(3) of the MFMA, the accounting officer must by no later than 14 days after the approval of the annual budget submit to the mayor:

30.1. A draft Service Delivery and Budget Implementation Plan for the year in question;

30.2. Drafts of the annual performance agreements as required by Section 57 of the Municipal Systems Act for the managers referred to in that section.

31. Budget Statements, Quarterly Reports and Mid-year budget and performance assessments

31.1. The Chief Financial Officer shall compile the monthly budget statements as required by Section 71 of the MFMA.

31.2. Such Statements shall:

31.2.1. be in the format prescribed by Regulation 28 of the Regulations;

BUDGET PROCESS POLICY

- 31.2.2. if they are submitted by the mayor to the council in terms of Section 71(1) of the MFMA, be accompanied by a mayor's report in the format prescribed in Regulation 29 of the Regulations;
- 31.2.3. be placed on the Municipality's website.
- 31.3. The Mayor's quarterly report on the implementation of the budget and the financial state of affairs of the Municipality as required by Section 52(d) of the MFMA must comply with the requirements of Regulation 31 of the Regulations and be published in accordance with Section 75(1) (k) of the MFMA and Regulation 32 of the Regulations.
- 31.4. Mid-year budget and performance assessments of the Municipality as required by Section 72 of the MFMA must be in the format, be published, and be submitted as required by Regulations 32, 33 and 34 respectively of the Regulations.

32. Related Policies

This policy must be read in conjunction with the following budget –related policies of the Municipality:

- 32.1. The Credit Control and Debt Collection Policy;
- 32.2. The Indigent Management Policy;
- 32.3. Tariffs Policy;
- 32.4. Property Rates Policy;
- 32.5. Borrowing Policy;
- 32.6. Virement Policy;
- 32.7. Asset Management Policy;
- 32.8. Cash Management and Investment Policy;
- 32.9. Personnel Policies;

BUDGET PROCESS POLICY

33. Review of Policy

This policy is to be reviewed annually by the Budget Steering Committee prior to the budget process commencing.

34. Delegations and Responsibility for Implementation

34.1. All such powers as may be necessary for the accounting officer and the chief financial officer to carry out their respective responsibilities under this policy shall be delegated or subdelegated, as the case may require, to them in accordance with the relevant provisions of the MFMA and the Municipal Systems Act and recorded in the appropriate register of delegations.

34.2. The Municipal Manager shall be responsible for the implementation of this policy, provided that the Municipal Manager shall delegate such powers to the Chief Financial Officer as may be required under paragraph 6.2 of this policy.

35. Commencement

This policy will be effective on the date of adoption by Council.



Ephraim Mogale Local Municipality

**2012/13 Medium Term Revenue and Expenditure
Framework (MTREF) Policy Review**

CELL PHONE POLICY

CELLULAR PHONE POLICY

1. Aim

1.1 The aim of this policy is to:

- 1.1.1 regulate the granting of cell phones allowance to the employees of Ephraim Mogale Local Municipality.
- 1.1.2 improve the communication in the workplace and to the public, in order to give a better service.

2. Objectives

- 2.1 To regulate payment of cell phones allowances to qualifying Ephraim Mogale Municipality employees, who have to use cell phones in the execution of official duties.
- 2.2 To establish procedures, conditions and limitations according to which the cell phones allowance can be made.
- 2.3 To establish procedures and conditions under which employees can use their private cell phones and receive airtime allowance from the Municipality.

3. The guiding principles for the policy are:

- 3.1 User friendliness.
- 3.2 Easy administration.

4. Policy provisions for Municipal Officials:

4.1. Criteria for eligibility

- 4.1.1 The granting of cell phone allowance or airtime allowance to employees is mainly informed by the functions and duties that they perform.
- 4.1.2 The Cell Phone Policy is applicable to cell phones (hand sets) owned by the Municipality as well as those privately owned.
- 4.1.3 The Cell Phones (hand sets) owned by the Municipality as well as the accounts related thereto shall be administered by the Corporate Services department.
- 4.1.4 An employee occupying a post other than those mentioned in 5 below may be considered for allocation provided that the departmental manager for that employee will, based on the functions and duties of that employee, make an application motivating for the allocation of the allowance to the concerned employee.
- 4.1.5 Allocation of cell phones allowance to employees may be reviewed if the duties of that position change.

EPHRAIM MOGALE LOCAL MUNICIPALITY CELL PHONE POLICY

- 4.1.6 All heads of Departments must ensure that adequate budgetary provisions are made for all posts that qualify for an allowance during the budgetary process.

4.2. Category of personnel eligible for cell phone allowance

- 4.2.1 Municipal Manager
- 4.2.2 Unit Managers
- 4.2.3 PRO
- 4.2.4 Divisional Managers
- 4.2.5 Supervisors –depending on the nature of their duties approval for which should be acquired based on responsibilities.

Other officials

Other qualifying officials will be considered as per the merit of their functional needs and approval is granted by the Municipal Manager upon request by the relevant head of the department.

4.3. Procedure for approval of award of cell phone allowance. (for those who are not automatically qualified)

- 4.3.1 The application for granting of cell phone allowance should be approved by the Municipal Manager upon submission of a request by the relevant head of department.

| User Component | Responsible Officials (issuing points) |
|----------------|--|
| Drivers | Relevant Unit Manager |
| Supervisors | Relevant Unit Manager |

4.4. Monthly allowances

- 4.4.1 Allowance paid is an all inclusive amount covering call charges and subscription fees.
- 4.4.2 Annual increases shall be commensurate to average increases made by the four major services providers.

| Capping | All-inclusive Amount (in Rand) |
|---------------------|-----------------------------------|
| Municipal Manager | R 1 539.00 |
| Unit Managers | R 1 178.00 |
| PRO | R 875.00 |
| Divisional Managers | R 816.00 |
| Supervisors | R 641.00 |
| Drivers | R175.00 airtime voucher per month |

**EPHRAIM MOGALE LOCAL MUNICIPALITY
CELL PHONE POLICY**

4.5 Terms and conditions.

- 4.5.1 Each qualifying official shall be responsible for securing and entering into a cell phone contract with approved service provider or accredited dealer in his or her own name.
- 4.5.2 Municipality shall not be responsible for cell phone insurance cover, including the repairs of the cell phone.
- 4.5.3 All official cell phone holders should make their cell phone numbers available to relevant stakeholders and Municipal Officials (including listing cell number on business cards and organizational telephone directory, where applicable).
- 4.5.4 Voice mail should be made accessible at all times (including after hours).

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| NB: <u>Clauses 4.5.1 & 4.5.2</u> will not be applicable to officials who are currently using contract phones which are in the name of the Municipality, until the current contracts have expired. |
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5. Policy provisions for Councillors

- 5.1 Municipality will enter into an agreement with a service provider on behalf of Councillors for the duration of their term of office.
- 5.2 The contract amount will be deducted from their salaries wholly on monthly basis.
- 5.3 The Municipality shall not be responsible for cell phone insurance cover, each Councillor shall therefore be responsible to secure and insure his/her cell phone.
- 5.4 All official cell phone holders should make their cell phone numbers available to relevant stakeholders and Municipal officials (including listing cell number on business cards and organizational telephone directory, where applicable).
- 5.5 Voice mail should be made accessible at all times (including after hours).
- 5.6 At the end of the contract each Councillor will keep the handset and any other accessories related to the phone.

CERTIFICATE OF ENDORSEMENT:

The Agreement to this Policy shall come into effect on the date of endorsement and shall cease only in the event where such changes/variations has been reduced to writing and been signed by the Accounting Officer. Unless in the event where any changes in any applicable Act, Legislation has jurisdiction to supersede.