



PROPERTY RATES POLICY

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SECTION A: INTRODUCTION, DEFINITIONS AND PRINCIPLES

1. INTRODUCTION

Section 3 of the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004) and Section 62(l) (f) (ii) of the Local Government: Municipal Finance Management Act, 2003 (No. 56 of 2003), requires municipalities to develop and adopt rates policies on the levying of rates on rateable property in the Municipality.

The Municipality requires a reliable source of revenue to provide basic services and perform its functions. Property Rates are the most important source of general revenue for the Municipality. Revenue from property rates is used to fund services that benefit the whole community.

Municipal property rates are set, collected and used locally. Revenue from property rates is spent within a Municipality, where the citizens and voters have a voice in decisions on how the revenue is spent as part of the Integrated Development Plans (IDPs) and budget processes in respect of which the Municipality invites communities for their inputs before adopting the budget.

This policy document guides the annual setting of property rates. It does not make specific property rates proposals. In imposing a rate in the Rand, the Municipality may grant exemptions, rebates and reductions to the categories of properties and categories of owners as allowed for in this policy document.

2. DEFINITIONS

"Act"	means the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004);
"Additional rate"	means a rate as contemplated in sections 19(1)(d) and 22(1)(b) of the MPRA read together with section 10 of the Municipality's Property Rates Policy and section 12(2) of the Municipality's Special Ratings Area By-law, which Additional Rate shall be determined on an annual basis by the Municipality and shall be a debt due to the Municipality by the registered owner of a property within the SRA, and collected in the same manner as other property rates imposed by the Municipality;
"Bona fide farming"	means farming with the intention of making a living from the development, cultivation and utilisation of agricultural land and includes subsistence farming;
Building Clause	building clause refers to a provision incorporated into either a deed of sale, development agreement, or as a restrictive title deed condition, which prescribes that the Purchaser / Owner and / or the Successors in Title must within the period determined from date of first registration of transfer erect or cause to be erected, a building or structure on the Erf or Erven of which the building plans have been approved by the municipality, of which the value of the building / structure will be based on the determined cost of construction. In the event that Purchaser / Owner / Successors in Title not having commenced with the bona fide erection of a building or structure of which the building plans have been approved by the municipality, the building clause may require that the Erf / Erven be re - transferred to the Seller at the purchase consideration originally paid by the Purchaser / Owner.
"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 the business of mining, agriculture, farming, or <i>inter alia</i> , any other business consisting of cultivation of soils, the gathering of crops or the rearing of livestock;
"Consumer, customer, owner, occupier, account holder"	means individuals and other legal entities against whom a tariff, fee, charge or other levy specific to identifiable services are levied.
"Exemption"	in relation to the determination of rates, an exemption granted in terms of section 15(1) (a) of the Act;

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<i>“Income”</i>	Income is the gross sum of all monthly income from all sources, including wages, salaries, profits, dividends, pensions, rentals, board & lodging, interest received, grants or investment income and other forms of earnings received by every person residing on the property.
<i>“Industrial”</i>	means a branch of trade or manufacturing, production, assembling or processing of finished or partially finished products from raw materials or fabricated parts, on so large a scale that capital and labour are significantly involved;
<i>“Lodge”</i>	means accommodation in a non-urban area provided for paying visiting guests with a focus on aspects of nature and/or places of interest, and may include a restaurant and conference facilities;
<i>“Mining”</i>	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 or activity incidental thereto;
<i>“Multiple use properties”</i>	means properties that cannot be assigned to a single category due to different uses;
<i>“Municipal properties”</i>	means those properties of which the Municipality is the registered owner;
<i>“Newly rateable property”</i>	means any rateable property on which property rates were not levied by 30 June 2005, excluding a property that was incorrectly omitted from a valuation roll and for that reason was not rated before that date;
<i>“Protected area”</i>	means an area that is or has to be listed in the register referred to in section 10 of the National Environment Management: Protected Areas Act, 2003;
<i>“Public Benefit Organisation”</i>	means an organisation conducting specified public benefit activities as defined and registered in terms of the Income Tax Act for tax reductions because of those activities;
<i>“Public place”</i>	means any square, park, recreation ground, sports ground, sanitary lane or open space which has - (a) in connection with any subdivision or layout of land into erven, lots or plots, been provided, reserved or set apart for use by the public or the owners or occupiers of such erven, lots or plots, whether or not it is shown on a general plan, plan of subdivision or diagram (b) at any time been dedicated to the public (c) been used without interruption by the public for a period of at least thirty years expiring after the thirty-first day of December 1959, or (d) at any time been declared or rendered such by the Council or other competent authority.
<i>“Public Service Infrastructure”</i>	means government or government agency-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 and water supply reservoirs, water treatment plants or water pumps forming part of a water or 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) communication towers, masts, exchanges or lines forming part of a communications system serving the public. (f) breakwater, sea walls, channels, basin, 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 light houses, radio navigational aids, buoys, beacons or any other device or system used to assist the safe and efficient navigation of vessels. (g) rights of way, easement or servitudes in connection with infrastructure mentioned. (h) any other government or government agency-controlled infrastructure as may be described from time to time.
<i>“Public street”</i>	means: - (a) any street which has at any time been- i. dedicated to the public ii. used without interruption by the public for a period of at least thirty years

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	iii. declared or rendered such by a council or other competent authority, or iv. constructed by local authority, and (b) any land, with or without buildings or structures thereon, which is shown as a street on- i. any plan of subdivision or diagram approved by a council or other competent authority and acted upon, or ii. any general plan as defined in section 49 of the Land Survey Act, 1927 (Act 9 of 1927), registered or filed in a deed's registry or the Surveyor-Generals' office, unless such land is on such plan or diagram described as a private street.
<i>"Rateable property"</i>	means property on which a rate or rates may be levied under section 7 of the Act.
<i>"Rebate"</i>	in relation to a rate payable on a property, a discount on the amount of the rate payable on the property;
<i>"Reduction"</i>	in relation to a rate payable on a property, the lowering of the amount for which the property was valued in terms of section 15(1)(b) of the Act and the rating of the property at that lower amount;
<i>"Residential"</i>	means improved property that is: (a) used predominantly (60% or more) for residential purposes, with no more than two dwelling units per property. (b) a unit registered in terms of the Sectional Title Act 95 of 1986, used predominantly (60% or more) for residential purposes, and includes any unit in the same Sectional Title Scheme registered in the name of the same owner which is used together with the residential unit as if it were one property, for example a garage or storeroom. (Any such grouping shall be regarded as one residential property for rate rebate or valuation purposes.) or (c) owned by a share-block company and used predominantly (60% or more) for residential purposes, or (d) a residence used for residential purposes situated on property used for or related to educational purposes.
<i>"State-owned properties"</i>	means properties owned by the State, which are not included in the definition of public service infrastructure in the Act. These state-owned properties are classified as follows: (a) State properties that provide local services. (b) State properties that provide regional/municipal district-wide/metro-wide service. (c) State properties that provide provincial/national service. (d) Vacant land.
<i>"Vacant erven"</i>	means all undeveloped land irrespective of its current or future intended zoning. Agricultural properties will not be considered as being vacant erven.
All other terms are given the same meaning as that assigned to it in the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004), unless the context indicates otherwise.	

3. POLICY PRINCIPLES

Rates are levied in accordance with the Act as an amount in the Rand based on the market value of rateable property contained in the Municipality's valuation roll and supplementary valuation rolls.

As allowed for in the Act, the Municipality may choose 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 does not, however, 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.

There will be no phasing in of rates based on the new valuation roll, effective from 01 July 2023, except, as prescribed by legislation.

The rates policy for the Municipality is based on the following principles: -

a. Equity

The Municipality will treat all similar 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 measures through exemptions and/or reductions and/or rebates.

c. Sustainability

Rating of property will be implemented in a way that: -

- i. it supports sustainable local government by providing a stable a buoyant revenue source within the discretionary control of the Municipality; and
- ii. supports local social and 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 the amounts required to finance exemptions, rebates and reductions as approved by the Municipality from time to time. The implementation of the policy must be as cost-effective as possible.

4. SCOPE OF POLICY

The policy document guides the annual setting (or revision) of property rates. It does not make specific property rates proposals. Details pertaining to the various property rates are determined when the budget is considered and approved every year.

5. APPLICATION OF THE POLICY

In imposing the rate in the Rand for each annual operating budget component, the Municipality may grant exemptions, rebates and reductions allowed for in this policy document.

6. CLASSIFICATION OF SERVICES AND EXPENDITURE

The Chief Financial Officer shall, subject to the guidelines provided by the legislation and the Executive Mayor, provide for the classification of services as outlined in the Municipality's annual budget into trading and economic services.

7. APPLICATIONS

- a. All applications referred to in this policy must be received by the Municipality before the start of the financial year to which it refers. The Municipality may allow late receipts of such applications but not after 30 September of the financial year.
- b. It is the duty of all such applicants to bring to the attention of the Municipality any amendments to such applications within 7 days after such occurrence.

SECTION B: CATEGORIES OF PROPERTY

8. CRITERIA FOR CATEGORIES OF PROPERTY FOR THE PURPOSE OF LEVYING DIFFERENT RATES

The following are the determined categories of properties in terms of section 8(2) of the Act: -

- a. Residential properties.
- b. Business and commercial properties.
- c. Industrial properties.
- d. Mining properties.
- e. Public service infrastructure.

- f. Public benefit organisations.
- g. Agricultural properties used for bona fide farming.
- h. State-owned properties that are used for public service purposes.
- i. Municipal properties.
- j. Protected areas.
- k. Properties used for multiple purposes.
- l. Vacant land.

Rates on properties, including properties used for multiple purposes, will be levied in accordance with the permitted or actual use of the property and not necessarily according to its zoning.

SECTION C: DIFFERENTIAL RATING

9. DIFFERENTIAL RATING

The following will be taken into consideration for the purposes of differential rating:

- a. the nature of the property including its sensitivity to rating e.g. agricultural properties used for bona fide farming.
- b. promotion of social and economic development by the Municipality.
- c. zoning and/or actual use of property.
- d. geographic rating areas i.e. when an improvement district has been established for that area or special rating areas; and
- e. whether the owner was obliged to erect a building within a set time period and the period has lapsed.

Differential rating among the various property categories will be done by way of setting different Cents in the Rand for each property category.

10. ADDITIONAL RATES

The Municipality may in terms of the bylaw for the establishment of improvement districts and the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004), as amended-

- a. determine an area within its boundaries as a special rating area.
- b. levy an additional rate on property in that area for the purpose of raising funds for improving or upgrading that area; and
- c. differentiate between categories of properties when levying an additional rate.

SECTION D: RELIEF MEASURES RELATED TO CATEGORIES OF PROPERTIES AND CATEGORIES OF OWNERS OF PROPERTIES

11. CRITERIA FOR EXEMPTIONS, REBATES AND REDUCTIONS

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

- a. indigent status of the owner of a property.
- b. income of the owner and/or household on a property.
- c. market value of residential property below a determined threshold.
- d. owners of property situated within an area affected by –
 - i) a disaster within the meaning of the Disaster Management Act, 2002 (Act No. 57 of 2002); or
 - ii) any other serious adverse social or economic conditions.
- e. zoning and/or actual use of the property; and
- f. availability of services funded by rates for a property.

12. GRANTING OF EXEMPTIONS

In terms of sections 9 and 15(1) (a) of the Act the owners of the following categories of properties are exempted from paying rates: -

a. Residential properties – including residential properties in the urban edge as determined by the Municipality

The Municipality will not levy a rate on the market value of properties as follows: -

- i) on the first R15 000 on the basis set out in section 17 (1) (h) of the Act; and
- ii) on a further amount in respect of developed residential properties; as an important part of the Municipality's indigent relief measures aimed primarily at alleviating poverty amongst those persons owning low-valued properties, in a cost-effective manner. To qualify for this reduction a property must be exclusively used for residential purposes.
- iii) The Municipality may grant a further residential rebate on rates levied on the balance of the market value of developed residential properties, if any, as determined by Council during the budget process.

b. Multiple use properties

Properties used for multiple purposes which do not fall within the definition of residential properties and, accordingly, do not qualify for the residential rates rebate, may be included in the category of multiple use properties, for which an apportionment value for each distinct use of the property will be calculated and used for billing at the appropriate and applicable rate. Examples of properties used for multiple purposes are the following:

- i) A block of flats with businesses on the ground floor.
- ii) A double storey-building with a shop on the ground floor and the residential quarters on the top floor.
- iii) A farm that consists of the residential portion, a farm portion and unused land, etc.

If the market value of the property cannot be apportioned to its various use purposes, then the entire property will be categorised in terms of the dominant (main or primary) use.

c. Public Benefit Organisations

Public Benefit Organisations 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):

i) Health care institutions

Government properties used exclusively as a hospital, clinic and mental hospital, including workshops used by the patients, 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 for charitable purposes within the Municipality.

ii) Welfare institutions

Properties used exclusively as an orphanage, non-profit retirement villages; old age home or benevolent institution, including workshops used by the inhabitants, 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 for charitable purposes within the Municipality.

iii) Child headed households

Any child headed household where such oldest child is younger than 18 years. The applicant must submit proof of his/her age and identity and, in the case of a physically

or mentally handicapped person, also proof that he/she receives a social pension or, if he/she does not receive a social pension, proof of certification by a district medical officer. The rateable property in question must be categorised as residential, or as farm properties solely used for residential purposes.

iv) Charitable institutions

Property belonging to not-for-gain institutions or organisations that perform charitable work.

v) Sporting bodies

Property used by an organisation whose sole purpose is to use the property for amateur sport, or any activity connected with such sport.

vi) Cultural institutions

Properties declared in terms of the Cultural Institutions Act, Act 29 of 1969 or the Cultural Institutions Act, Act 66 of 1989.

vii) Museums, libraries and art galleries

Registered in the name of private persons or organisations, open to the public and not operated for gain.

viii) Youth development organisations

Property owned and/or used by organisations for the provision of youth leadership or development programmes.

ix) Educational institutions

Property owned by not-for-gain institutions (declared or registered by law) and used for educational purposes including a residence registered in the name of the educational institution and used by full-time employees of the educational institution.

x) Animal welfare

Property owned or used by institutions/organisations whose exclusive aim is to protect birds, reptiles and animals on a not-for-gain basis.

- d.** In terms of section 17(1)(i) of the act, the municipality may not levy a rate on property registered in the name of and used primarily as a place of 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.

- e.** Municipal properties that are not leased or rented out by the Municipality.

f. Public places and streets

All defined roads and/or streets and public places.

g. Conservation Land

Section 17 (1) (e) of the Act precludes Council from levying rates on those parts of a special nature reserve, national park or nature reserve within the meaning of the National Environmental Management: Protected Areas Act, 2003 (Act 57 of 2003), or of a national botanical garden within the meaning of the National Environmental: Management: Biodiversity Act, 2004 (Act 10 of 2004) which are not developed or used for commercial, farming or residential purposes. The

apportioned value of any portion of such properties utilized for any purpose other than that used for such conservation purposes will be rated accordingly.

h. Exemptions are subject to the following conditions:

- i) all applications must be addressed in writing to the Municipality.
- ii) a SARS tax exemption certificate must be attached to all applications where applicable.
- iii) the municipal manager or his/her nominee must have considered and approved all applications.
- iv) the Municipality retains the right to refuse exemptions if the details supplied in the application form were incomplete, incorrect or false.
- v) false declarations will lead to the forfeit of any exemption and may lead to criminal prosecution.
- vi) a person who provides false information will be held liable for the immediate re-payment of any rebates already granted and legal, civil and criminal action may be instituted against the guilty party/ies.

13. GRANTING OF REBATES

13.1 Categories of properties:

a. State owned property

State owned property no longer qualifies for any rates rebate by virtue of ownership. However, the exemptions, rebates and reductions relating to the usage of the properties as specified in this Rates Policy would apply.

b. Public Service Infrastructure

Public service infrastructure (as defined in the Act) may not be rated on the first 30 percent of its market value in terms of section 17 (1) (a) of the Act.

c. Agricultural

in terms of section 8 of the Act.

d. Properties in rural areas

The Municipality may grant a rates rebate to properties in rural areas as a result of, and taking into account, the limited rate-funded services supplied to such properties.

e. Properties with a market value below a prescribed valuation level

Instead of a rate determined on the market value, properties with a valuation below an amount as determined by the Municipality may be rated at a fixed amount per property.

i. Rebates are subject to the following conditions:

- i) all applications must be addressed in writing to the Municipality.
- ii) a SARS tax exemption certificate must be attached to all applications where applicable.
- iii) the municipal manager or his/her nominee must have considered and approved all applications.
- iv) the Municipality retains the right to refuse rebates if the details supplied in the application form were incomplete, incorrect or false.
- v) false declarations will lead to the forfeit of any exemption and may lead to criminal prosecution.

- vi) a person who provides false information will be held liable for the immediate re-payment of any rebates already granted and legal, civil and criminal action may be instituted against the guilty party(ies).

13.2. Categories of owners

a. Retired and Disabled Persons Rate Rebate

- i) Retired and Disabled Persons qualify for special rebates according to monthly household income. To qualify for the rebate a property owner must: -
- be a South African citizen.
 - occupy the property as his/her primary residence, provided that where the owner is unable to occupy the property due to circumstances beyond his/her control, the spouse or minor children may satisfy the occupancy requirement. Absence of up to three months per year from the property will be disregarded for the purposes of this requirement.
 - be at least 60 years of age or in receipt of a disability pension from the State.
 - be in receipt of a total monthly income not exceeding the amount as decided by the Municipality; and
 - not be the owner of more than one property.
- ii) A *usufructuary* or *habitatio* (right of habitation) or an executor or administrator of a deceased estate will be regarded as the property owner for purposes of a rebate application. The applicant must produce an Affidavit or a letter from the Master of the High Court to substantiate the appointment.
- iii) Property owners must apply on a prescribed application form for a rebate as determined by the Municipality.
- iv) Applications must be accompanied by: -
- a certified copy of the identity document or any other proof of the owners age which is acceptable to the Municipality.
 - sufficient proof of total monthly income by submission of a minimum of the latest three months bank statements from all financial institutions, for all persons normally residing on that property or, if those persons do not have bank accounts, such proof as the Municipality may require to substantiate the level of total monthly income of the person(s).
 - an affidavit from the owner, (on the application form).
 - if the owner is a disabled person proof of a disability pension payable by the state must be supplied; and
 - if the owner has retired at an earlier stage for medical reasons proof thereof must be submitted.
 - The CFO or his/her nominee has the right to conduct a full credit check or financial analysis on any person applying for any benefit in terms of this policy, or to review and recover any previous benefit received, based on evidence available.
- v) Rebate percentages
- A rebate of 100% to approved applicant in terms of this Policy, who's gross monthly household income may not exceed the amount of two times (2x) the state funded social pensions per month.

- A rebate of 70% to approved applicant in terms of this Policy, who are older than 60 with a gross monthly household income less than four times (4x) the state funded social pensions per month.
 - A rebate of 40% to approved applicant in terms of this Policy, who are older than 60 with a gross monthly household income more than four times (4x) but less than eight times (8x) the state funded social pensions per month.
- vi) In the case of misrepresentation or false declaration, the Municipality reserves the right to refuse the approval of the rebate, or to recover any rebate, if already granted and may institute appropriate legal action, civil or otherwise against guilty party(ies)

13.3. Other cases

a. Municipal property and usage: -

- i) A *pro rata* rebate may be granted where the seller sells land after the financial year has started.
- ii) Where the Municipality register a road reserve or servitude on a privately owned property, a *pro rata* rebate equal to the value of the reserve or servitude will be given to the owner of the property.

SECTION E: RATES ADJUSTMENTS

14. RATE INCREASES/DECREASES

- 14.1 The Municipality will consider increasing/decreasing rates annually during the budget process.
- 14.2 Rate increases will be used to finance the increase in operating costs of rates funded services.
- 14.3 Rates adjustments may be made taking into account all or any of the following factors:
- a. all salary and wage increase as agreed at the South African Local Government Bargaining Council.
 - b. inflation.
 - c. the cost of capital.
 - d. statutory increases affecting the Municipality; and
 - e. increases or decreases on operating subsidies received.

15. RESOLUTIONS LEVYING RATES

The process as set out in the Act will be followed in notifying the public of any decisions by the Municipality regarding rates resolutions.

SECTION F: LIABILITY FOR RATES

16. LIABILITY FOR RATES BY PROPERTY OWNERS

Ratepayers may choose between paying rates annually in one instalment on or before 30 September or monthly on or before the date on which it becomes payable. If the owner of property does not notify the Municipality before the start of the financial year that he/she prefers to pay rates in one payment on or before 30 September of the financial year, such owner must pay the amount

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due monthly. A notice from an owner regarding the manner of payment of rates will remain applicable for future financial years until withdrawn by the owner. Interest on arrear rates shall be payable.

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 and on the date/s due, it will be recovered from him/her.

Arrear rates shall be recovered from tenants, occupiers and agents of the owner, in terms of the Act.

Where the rates levied on a particular property have been incorrectly determined, whether because of an error or omission on the part of the Municipality or false information provided by the property owner concerned or a contravention of the permitted use to which the property concerned may be put, the rates payable shall be appropriately adjusted for the period extending from the date on which the error or omission is detected back to the date on which rates were first levied in terms of the valuation roll.

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

17. CLEARANCE CERTIFICATE

- 17.1 On the sale of any property in the municipal jurisdiction, Council will withhold the transfer until all rates, service and sundry charges and any estimated amounts for the duration of the certificate in connection with the property are paid, by withholding a clearance certificate. The municipality will issue such clearance certificate on receipt of an application on the prescribed form from the conveyancer.
- 17.2 All payments will be allocated to the registered seller's municipal accounts and all refunds will be made to such transferring attorney.
- 17.3 No interest shall be paid in respect of these payments.
- 17.4 The Municipality will only issue a clearance certificate once a completed prescribed application form from the conveyancer has been received.
- 17.5 Where any residential or non-residential debtor has entered into an arrangement with the Municipality in respect of the arrears on a property, the prescribed certificate as referred to in Section 118 of the Systems Act, will not be issued until such time as the full outstanding amount has been paid.
- 17.6 The rates clearance certificate validation period is 60 days and the amount due for payment will include 3 (three) months advance collections plus all current outstanding debt on the property.
- 17.7 After receiving the rates clearance application form, the Municipality has 10 (ten) working days to forward the amount due for payment and another 10 (ten) working days to produce the rates clearance certificate, once proof of payment has been established.

18. REGULAR REVIEW PROCESSES

The rates policy will be reviewed on an annual basis.

19. IDENTIFICATION AND QUANTIFICATION OF COSTS AND BENEFITS

The cost to the Municipality and benefit to the local community of exemptions, rebates, reductions and exclusions referred to in sections 17 (1) (a), (e), (g) (h) and (i) of the Act are reflected in the Municipality's budget.

20. ADJUSTMENT OF RATES PRIOR TO SUPPLEMENTARY VALUATION

- 20.1 In circumstances where a valuation has been carried out by the municipal valuer, in pursuance of a Supplementary Valuation (SV) in terms of section 78(1)(d) or 78(1)(f) of the MPRA as a result for example, of a demolition having taken place on a property or

a fire having destroyed buildings on a property, but the Municipality has not yet included such valuation of the relevant property in the Supplementary Valuation (SV), such valuation shall be submitted to the CFO for approval to levy rates on the property in accordance with such valuation, with effect from the date of the occurrence of the event caused a Supplementary Valuation (SV) to be required.

- 20.2 If the owner of a property which has been subdivided or consolidated after the last general valuation wishes to sell the consolidated erf, or one or more of the erven which have been subdivided off the parent erf, as the case may be, applies to the Municipality for a clearance certificate in terms of section 118 of the Systems Act and if the Municipality has not yet included such valuation of the relevant property/s in the SV, then:-
- a. The municipal valuer shall conduct a valuation of the relevant property/s for purposes of a Supplementary Valuation (SV); and
 - b. The valuation shall be submitted to the CFO for approval of the levying of rates on such property/s in accordance with such valuation, with effect from the date on which the relevant subdivision or consolidation (as may be the case), was registered in the Deeds Office.
- 20.3 Any valuations performed in terms of paragraph 20 shall be included in the next Supplementary Valuation (SV) prepared by the Municipality without any amendments to the valuation and any objections to such valuation may only be lodged once such SV is made public in terms of section 49 of the Act.
- 20.4 Adjustments to previous Valuation Rolls
Rates raised in a previously certified Valuation Roll may be written back with the authority of the Chief Financial Officer in the following circumstances: -
- 20.4.1 Administrative errors including incorrect erf extents and erven that were not timeously made inactive.
 - 20.4.2 Inconsistencies in valuations between valuation rolls where a current objection or appeal has been successful.
 - 20.4.3 Incorrect attribute data (e.g. dwelling extents) were used to value a property for a historical roll and require the historical value to be amended in line with the corrected data.

21. IMPLEMENTATION PROCESS AND REVIEW PROCESS

This policy will come into effect on **1 July 2026** and will be reviewed at least annually or when required by way of a Council resolution.

22. SHORT TITLE

This policy will be referred to as the **Rates Policy of the Overstrand Municipality**

OVERSTRAND MUNICIPALITY – PROPERTY RATES POLICY

POLICY SECTION:	DIVISIONAL MANAGER: REVENUE MANGEMENT
CURRENT UPDATE:	29 MAY 2025
PREVIOUS REVIEW:	31 MAY 2024
PREVIOUS REVIEW:	31 MAY 2023
PREVIOUS REVIEW:	29 JUN 2022
PREVIOUS REVIEW:	31 MAY 2022
PREVIOUS REVIEW:	26 MAY 2021
PREVIOUS REVIEW:	27 MAY 2020
PREVIOUS REVIEW:	29 MAY 2019
PREVIOUS REVIEW:	30 MAY 2018
PREVIOUS REVIEW:	31 MAY 2017
PREVIOUS REVIEW:	25 MAY 2016
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PREVIOUS REVIEW:	29 MAY 2013
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PREVIOUS REVIEW:	04 MAY 2011
PREVIOUS REVIEW:	26 MAY 2010
PREVIOUS REVIEW:	27 MAY 2009
APPROVAL BY COUNCIL:	31 MAR 2008



TARIFF POLICY

OVERSTRAND MUNICIPALITY
TARIFF POLICY

PREAMBLE

Whereas section 74 of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) requires a municipal council to adopt a tariff policy on the levying of fees for municipal services.

And whereas the tariff policy should at least include the principles contained in section 74(2) of the Act, thus giving effect to the By-Law required in terms of section 75 of the Act.

And whereas the tariff policy may differentiate between different categories of users, debtors, service providers, service standards and geographical areas as long as such differentiation does not amount to unfair discrimination.

Now therefore the Municipal Council of the Overstrand Municipality adopts the following Tariff Policy:

OVERSTRAND MUNICIPALITY
TARIFF POLICY

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OVERSTRAND MUNICIPALITYTARIFF POLICY

1. DEFINITIONS

In this tariff policy, unless the context otherwise indicates –

“Availability Charge”	Availability charge means a charge levied on all properties with or without improvements, where a basic fee is not levied, to recover fixed costs which do not vary with consumption or volume produced.
“basic municipal service”	means the amount or level of any municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, could endanger public health or safety of the environment and for the purposes of this policy are restricted to electricity, refuse, sewage and water services;
“break even”	means the financial situation where the income derived by the Municipality from the supply of a service is equal to the aggregate of the fixed and the variable costs associated with the provision of the service concerned;
“capital contributions”	means the tariffs payable in respect of the water, electricity, sewage, storm water, roads and refuse removal infrastructure of the Municipality and which amounts exclude amounts payable towards the operational and maintenance costs of such infrastructure;
“Commercial Unit/Erff”	means a self-contained or lettable section within a building or a group of buildings on the same plot excluding short term residential accommodation establishments for e.g. hotels, bed & breakfast, guest houses etc. An owner of a commercial property may annually choose between being levied either per erf or per commercial unit for water and sewage basic charges. This choice must be applied on or before 30 September of each financial year.
“community services”	means the services referred to in paragraph 5(1)(c) and in respect of which the tariffs are set at a level that the costs of the services are not recovered fully from public service charges and are of a regulatory nature;
“consumer, customer, owner, occupier, account holder”	means individuals and other legal entities against whom a tariff, fee, charge or other levy specific to identifiable services are levied.
“Council” or “municipal council”	means 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 Overstrand Municipality;
“economic services”	means services that the Council has classified as such and the tariffs have been compiled with the intention that the total costs of the services are recovered from customers;
“Electricity Service charge”	means the monthly charge payable per point of supply to recover administration-related and service-related costs such as meter reading, billing and meter capital. It is based on the monthly utilized capacity of each point of supply linked to an account.
“fixed costs”	means costs which do not vary with consumption or volume produced;
“lifeline”	Available to pre-paid consumers whose connection is ≤30Amp with a maximum average consumption of 350 kWh measured over a period of 12 months. This tariff is only available to Informal dwellings in informal settlements;
“low voltage metering point”	means a metering point at the set of nominal voltage levels that are used for the distribution of electricity and whose upper limit is generally accepted to be an a.c. voltage of 1000V or less
“medium voltage metering point”	means a metering point at the set of nominal voltage levels that lie above low voltage and below high voltage in the range of 1kV < Un <= 44kV
“multi-purpose”	In relation to a property, means the use of a property for more than one purpose;
“Municipality”	the institution that is responsible for the collection of funds and the provision of services to the customers of Overstrand;

OVERSTRAND MUNICIPALITYTARIFF POLICY

“Municipal Manager”	means 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 respective of such a delegated power, function or duty;
“NMD”	Notified Maximum Demand – the maximum capacity in kVA, as measured over a 30-minute integration period, per point of supply that the customer will contract for Overstrand to make available during all time periods.
Network charges	charges designed to recover costs (including capital, operations, maintenance and refurbishment) for the provision of network capacity required by and reserved for the customer.
“resident “	means a person who normally resides in the municipal area;
“residential unit”	means a single residential erf, flat, townhouse or group development unit, retirement village unit, guest house, bed and breakfast and any household related consumer that do not fall in one of the above household consumer categories;
“RUE”	means Residential Unit Equivalent;
“time of use”	means a tariff with energy charges based on the volume of electricity demand during high, mid and low demand periods and may differ per tariff.
“the Act”	means the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000);
“total cost”	means the sum of all fixed and variable costs associated with a service;
“trading services”	means services that the Council has classified as such, and the tariffs have been compiled with the intention that the Council makes a profit from the delivery of the services;
“utilized capacity”	Means the higher of the notified maximum demand (NMD) or maximum demand, per point of supply measured in kVA, and registered each month.
“vacant land”	means all undeveloped land irrespective of its current or future intended zoning. Agricultural properties will not be considered as being vacant erven.
“variable costs”	means costs that vary with consumption or volume produced;
“wet Industry”	Defined as an industry using water as essential and fundamental input in the production process.

2. PURPOSE OF POLICY

The Overstrand Municipality wishes to achieve the following objectives by adopting this tariff policy: -

- 2.1. To comply with the provisions of section 74 of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000).
- 2.2. To prescribe procedures for calculating tariffs where the Municipality wishes to appoint service providers in terms of section 76(b) of the Act.
- 2.3. To give guidance to the Portfolio Committee for Finance regarding tariff proposals that must be submitted to Council annually during the budgetary process.

3. TARIFF PRINCIPLES

The Overstrand Municipality wishes to record that the following tariff principles will apply:-

- 3.1. Service tariffs imposed by the Municipality shall be viewed as user charges and shall
- 3.2. not be viewed as taxes, and therefore the financial ability of the relevant user of the services to which such tariffs relate, shall not be considered as a criterion.
- 3.3. Tariffs for the basic municipal services rendered by the Municipality, namely:

OVERSTRAND MUNICIPALITY TARIFF POLICY

- (a) electricity;
- (b) water;
- (c) sewage (wastewater); and
- (d) refuse removal (solid waste),

shall be calculated at a level which will recover all expenses associated with the rendering of these services.

- 3.4. To prevent existing consumers from subsidising the capital costs associated with new developments and subdivisions the Municipality will plan and manage the extension of services in such a manner that it will not impact negatively on the fixed costs and availability charges of existing tariffs.
- 3.5. Capital contributions to finance new developments and subdivisions will be required from all developers.
- 3.6. All users of municipal services, within a category of users, will be treated equitably.
- 3.7. The amount payable by consumers and/or owners will generally be in proportion to usage of the service.
- 3.8. The Municipality shall develop, approve and at least annually review an indigent support policy for the municipal area. This policy shall 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.
- 3.9. Subject to annual budgetary provisions and the availability of funds from National Treasury through the equitable share contribution, the Municipality may consider supplying free basic services to categories of consumers.
- 3.10. In the case of directly measurable services, namely electricity and water, the consumption of such services shall be properly metered by the Municipality, and meters shall be read, wherever circumstances reasonably permit, on a monthly basis. If a service is metered but it cannot be read due to financial and/or human resource constraints or circumstances beyond the control of the Municipality or its authorised agent, and the customer is charged for an estimated consumption, the account following the reading of the metered consumption must articulate the difference between the actual consumption and the average consumption, and the resulting credit or debit adjustments.

Tariffs must be set at a level that facilitates the sustainability of services. Sustainability will be achieved by ensuring that: -

 - (a) Cash inflows cover cash outflows. This means that sufficient provision for working capital and bad debts will be made.
 - (b) Access to the capital market is maintained. This will be achieved by providing for the repayment of capital, maintaining sufficient liquidity levels and if possible, generating a surplus on trading services.
 - (c) Service providers retain a fair rate of return on their investments.
- 3.11. Provision may be made in appropriate circumstances for surcharges on tariffs.
- 3.12. Efficient and effective use of resources may be encouraged by providing for penalties to prohibit or restrict exorbitant use.
- 3.13. The extent of subsidisation of tariffs will be disclosed and such disclosure will include the extent of subsidisation of the indigent or incentives for local development.
- 3.14. Provisions may be made for the subsidisation of the indigent and the promotion of local economic development by creating expenditure votes in the service budgets and including the costs in tariff calculations.
- 3.15. VAT is included in all tariffs where applicable.
- 3.16. This policy shall be binding on all tariffs other than those governed by legislation which supersedes the Act.

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- 3.17. A property used for multiple purposes must, for purposes related to the services and categories of users concerned, be calculated at the appropriate and applicable rate for each distinct use of the property.
- 3.18. In order to provide the Municipality with appropriate security for payment of amounts owing to it from time to time for services rendered, the Council shall impose a system of deposits payable by consumers. The deposits shall be set with due regard to the potential financial risk associated with the amounts owing from time to time as well as sufficient provision for working capital. The level of the deposits shall be revised annually and the Municipality may introduce transitional arrangements in respect of existing consumers.

4. CATEGORIES OF CONSUMERS

- 4.1. Separate tariff structures may be imposed for the following categories of consumers (which the council may change) :
 - (a) domestic consumers;
 - (b) commercial consumers;
 - (c) industrial consumers;
 - (d) agricultural consumers;
 - (e) organs of state;
 - (f) municipalities;
 - (g) consumers with whom special agreements were made;
 - (h) consumers in certain geographical areas;
 - (i) sport and recreation facilities
 - (j) private schools & educational institutions;
 - (k) public benefit organisations and suchlike institutions, and
 - (l) vacant land
- 4.2. Section 74(3) of the Municipal Systems Act allows for the differentiation between different categories of users, debtors, service providers, services, service standards, geographical areas and other matters for tariff purposes as long as the differentiation does not amount to unfair discrimination.
- 4.3. Where there are substantial differences between the infrastructures used to provide services to specific groups of users within a category and/or standard of services provided, the Council can, after considering a report by the Municipal Manager or the relevant Director, determine differentiated tariffs for the different consumers within the specific category.
- 4.4. Differentiated tariffs must be based on one or more of the following elements: infrastructure costs, volume usage, availability and service standards.
- 4.5. If, for purposes of determining the tariff applicable to a particular user or category of users, the user or category of users has not specifically by definition been included under a defined category of users in this policy, the Municipal Manager shall, by applying the closest match principle, determine the category under which the user or category of users fits in best, taking into account the nature of the service concerned and the user or category of users involved.

5. INCENTIVE POLICY

- 5.1. Tariffs will not reflect incentives for investment or to promote economic development.

6. INDIGENT RELIEF

- 6.1. Tariffs will not reflect relief granted to indigent households. Such relief will be developed as a separate policy and be subject to the discretion of Council as to its sustainability.
- 6.2. All such relief will be reflected, accounted for and disclosed separately in invoices, account statements, budgets, financial statements or reports.

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- 6.3. During implementation of such policy, cognisance will be taken of the fact that the existing tariffs and procedures may require amendment to accommodate the above clauses and that such amendments will be phased in over time.
- 6.4. Indigent households are expected to manage their consumption of services within the levels of relief granted.
- 6.5. Assistance and management of indigent households is contained in the Customer Care and Debt Collection Policy/By-Law. The Municipality, however, retains the right to limit consumption through prepaid meters or restriction if the accounts of assisted households fall into arrears.

7. SERVICE, EXPENDITURE CLASSIFICATION AND COST ELEMENTS

7.1. Service classification

7.1.1. To isolate the costs associated with a service, the Municipal Manager shall, subject to the guidelines provided by the National Treasury, Generally Recognised Accounting Practice (GRAP) and Executive Mayoral Committee of the Council, provide for the classification of services into the following categories: -

- (i) trading services;
- (ii) economic services;
- (iii) community services; and
- (iv) subsidised services.

7.1.2. Trading and economic services must be financially ring-fenced and financed from service charges while community and subsidised services will be financed from rates and related income.

7.2. Expenditure classification

Expenditure will be classified in accordance with GRAP.

7.3. Cost elements

The following cost elements may be used to calculate the tariffs of the different services:-

- (a) "*Fixed costs*" which consist of the capital costs (interest and redemption) on external loans as well as internal advances and/or depreciation, whichever are applicable to the service, and any other costs of a permanent nature as determined by the Council from time to time.
- (b) "*Variable costs*" which include all other variable costs that have reference to the service.
- (c) "*Total cost*" which is equal to the fixed costs and variable costs.

8. TARIFF TYPES

In determining the type of tariff applicable to the type of service, the Municipality shall make use of any of the following six options or a combination thereof:-

8.1. "Single tariff":-

This tariff shall consist of a cost per unit consumed. All costs will be recovered through unit charges at the level where income and expenditure breaks even. Subject to a recommendation by the Municipal Manager, the Council may decide to approve profits on trading services during the budget meeting. Such profits will be added to the fixed and variable cost of the service for the purpose of calculating the tariffs.

8.2. "Cost related to a two to four part tariff":-

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

8.3. **“Inclining block tariff”:-**

This tariff is based on consumption levels being categorised into blocks, the tariff being determined and increased as consumption levels increase.

8.4. **“Declining block tariff”:-**

This tariff is the opposite of the inclining block tariff and decreases as consumption levels increase.

8.5. **“Regulating tariff”:-**

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

8.6. **“Cost plus mark-up tariff”:-**

This tariff is for other services rendered.

9. CALCULATION OF TARIFFS FOR MAJOR SERVICES

9.1. **General**

In order to determine the tariffs which must be charged for the supply of the basic municipal services, (electricity, refuse, sewage and water), the Municipality shall use service and expenditure classifications and cost elements contained in clause 7 and identify all the costs associated with the service concerned, including the following:-

9.1.1. Cost of bulk purchases in the case of electricity and water.

9.1.2. Distribution costs, including distribution losses in the case of electricity and water.

9.1.3. Depreciation and finance charges.

9.1.4. Maintenance of infrastructure and other assets.

9.1.5. Administration and service costs, including:-

- (a) service charges levied by other support services, such as finance, human resources and legal services;
- (b) reasonable general overheads, such as the costs associated with the office of the Municipal Manager;
- (c) adequate contributions to the provisions for bad debts, working capital and obsolescence of stock;
- (d) all ordinary operating expenses associated with the service concerned, including the cost of providing street lighting in the municipal area in the case of the electricity service.

9.1.6. The intended surplus to be generated for the financial year shall be applied generally in relief of rates and general services.

9.1.7. Where a consumer has an option to choose between different tariffs on a service such option must be exercised before 30 September to be implemented for the specific financial year.

9.2. **Electricity**

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- 9.2.1. Tariffs and conditions set out herein will apply to all consumers within the municipal supply area of Overstrand Municipality. These terms and conditions must be read in conjunction with the Customer care, credit control and debt collection policy.
- 9.2.2. Inclining block tariffs will be phased out so that there is only a flat rate energy charges to ensure efficient and fair cost recovery.
- 9.2.3. Domestic and Commercial customers differential tariffs will be phased out so that it will be charged the same rate. There will only be differentiated between Single Phase and Three Phase fixed charges.
- 9.2.4. A cancellation fee will be payable for the cancellation of any requested services.
- 9.2.5. Conversion fees are payable when a customer requires a change in the technical characteristics of the supply and/or the tariff.
- 9.2.6. The guidelines and policy issued by the National Energy Regulator from time to time, as well as the Cost of Supply study will form the basis of calculating tariffs.
- 9.2.7. The Municipality has standardized on the installation of Pre-Payment Meters for all Domestic Consumers. As such it is compulsory for all new domestic connections to be equipped with Pre Payment-Meters. The Municipality has embarked on a program to effect the migration of all Credit Meters to Pre-Payment Meters. The change from Pre-Payment Meters to Credit Meter will therefore be disallowed unless special health circumstances exist, in which extreme case a credit meter will be installed by special concession from the Chief Engineer: Infrastructure Services and by payment of the required change of meter fees as well as the required deposit.
- 9.2.8. When an adjustment is made to the electricity consumption registered on a meter in terms of Section 55(2) or 55(3) of the Electricity Supply By-Law, published on 21 October 2016, such adjustment shall either be based on the percentage error of the meter as determined by the test referred to in Section 55(5) or upon a calculation by the Municipality from consumption data in its possession. Where applicable, due allowance shall be made, where possible for seasonal or other variations which may affect the consumption of electricity.
- 9.2.9. To make electricity affordable to certain categories of consumers, cross subsidisation between and within categories of consumers will be allowed, based on the load factors of the categories and consumers within the category. Domestic electricity consumers, who applied and were approved in terms of the relevant clause of the Overstrand Indigent Policy, will receive 70 free units in the tariff block 0 – 350 kWh with their first purchase each month.
- 9.2.10. The fixed costs, or portions thereof, will be recovered through an energy or time-of-use charge.
- 9.2.11. A basic charge per electricity meter or unit in the municipal area, as determined by the Council from time to time, may be charged against all electricity consumers. The basic monthly charge covers our fixed operational costs and capital infrastructure expenditure. This includes, but is not limited to, upgrading, maintenance on the entire municipal electrical network, from main supply point up to the consumer connection point, as well as the repair/replacement of faulty metering equipment within the electrical distribution area of Overstrand Municipality.
- 9.2.12. A fixed charge per capacity category will be charged for each connection within the Overstrand Municipal distribution area. This charge will be based on the size of the connection to the property (i.e the capacity reserved for each customer each month by the municipality).
- 9.2.13. To apply the abovementioned principles, the consumer types and cost allocations reflected in the following table will be used: -

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Categories of Consumers	Tariff Components				
	Basic Fixed Charge (Rand/consumer/month)	Capacity Charge (Rand/Amp/meter/month)	Active Energy Charge (cent/kWh/month)	Time-of-use Energy Charge Peak / Standard / Off-peak (sent/kWh/month)	Charge (Rand/KVA/month)
Single Phase: (Domestic Credit meters)	X		X		*Note: IBT BLOCK 1) 0 - 350 kWh 2) 351 – 600 kWh 3) > 600kWh Flat rate to be phased in
Single Phase: (Domestic Pre-paid meters)	X	30Amp 40Amp 50Amp 60Amp	X		*Note: IBT BLOCK 1) 0 - 350 kWh 2) 351 – 600 kWh 3) > 600kWh Flat rate to be phased in
Lifeline One – (pre-paid meters only)	X	30Amp	X		0 – 350 kWh Flat rate to be phased in
Two Part – (pre-paid meters only) Local Economic Development Projects	X	30Amp 40Amp 50Amp 60Amp	X		0 – 350 kWh Flat rate to be phased in
Single Phase: (Commercial Credit meters)	X	30Amp 40Amp 50Amp 60Amp	X		Flat rate
Single Phase: (Commercial Pre-paid meters)	X	30Amp 40Amp 50Amp 60Amp	X		Flat rate
Three Phase: (Domestic Credit meter) ≤ 100A	X	40Amp 60Amp 80Amp 100Amp	X		*Note: IBT BLOCK 1) 0 - 350 kWh 2) 351 – 600 kWh 3) > 600kWh Flat rate to be phased in
Three Phase: (Domestic Pre-paid meter) ≤ 100A	X	40Amp 60Amp 80Amp 100Amp	X		*Note: IBT BLOCK 1) 0 - 350 kWh 2) 351 – 600 kWh 3) > 600kWh Flat rate to be phased in
Three Phase: (Commercial Credit meter) ≤ 100A	X	40Amp 60Amp 80Amp 100Amp	X		Flat Rate
Three Phase: (Commercial Pre-Paid meter) ≤ 100A	X	40Amp 60Amp	X		Flat Rate

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		80Amp 100Amp			
Economic Pre-paid: - ≤ 100A	<u>X</u>	40Amp 60Amp 80Amp 100Amp	X		Flat Rate
Time of Use Tariff (.70kVA)	<u>X</u>	<u>X</u>	X	X	X
Service Charge (per month) for MV and LV consumers	<u>X</u>	<u>X</u>	X	X	X
Medium Voltage Metering Points (11000V) >500kVA	<u>X</u>	<u>X</u>	X	X	X
Low Voltage Metering Points (400V) >70kVA ≤ 500kVA	<u>X</u>	<u>X</u>	X	X	X
Small Customer <100kVA	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>

9.2.14 A basic level of service will be provided free to qualifying households with a total gross income level which is below a determined amount, and according to further specified criteria, as set out in the Indigent policy and determined by Council from time to time.

9.2.15. An infrastructure basic charge for electricity will be levied on a monthly basis on all properties or meters. The fixed Infrastructure charge is a non-escalating monthly fee which covers the capital contribution due for a specific capital infrastructure expenditure. A fixed cost charged for a specific loan undertaken for the upgrading of Bulk electrical infrastructure. It is not affected by the annual tariff increase.

9.2.16. A network charge will be levied on all erven or units not connected to the electricity network but can reasonably be connected to the service. The Network Charge for Serviced land will be calculated on a standard 60Amp connection size and be applicable to all vacant erven.

9.2.17. Time of Use customers will be charged at High season tariffs from June to August and Low Season tariffs from September to May. Peak, Standard and Off-peak time slots will be as per the time schedules published by Eskom annually. Reactive energy charges on Time of use accounts will only be applicable within high season periods.

9.2.18. Each Time-of Use consumer must nominate the Maximum demand that they intend to draw from the Overstrand municipal electricity network. This nominated figure is known as the Notified Maximum Demand (NMD) and is measured in kVA.

9.2.19. The use of tariffs E5A10 "Exceed NOTIFIED MAXIMUM DEMAND (NMD) per kVA Per month".

Each Time-of-Use consumer must nominate the Maximum Demand that the consumer intends to draw from the Overstrand Municipal Electricity Network. This nominated figure is known as the Nominated Maximum Demand (NMD) and is measured in kVA.

Upon exceeding this NMD, the consumer will be warned that he/she has exceeded the NMD and upon exceeding such NMD again within the next 12 months, the consumer will be required to pay the charge per kVA as indicated under tariffs E5A10 as the case may be. Each subsequent exceeding of the NMD will be charged similarly. When the NMD has not been exceeded in any 12 consecutive months, the consumer will then only receive a warning upon the next time the NMD is exceeded, after which the required tariff will again be instituted as shown above.

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The consumer may increase his/her NMD and would be required to pay the associated tariffs as indicated under E15, where appropriate. A consumer may increase his NMD as many times as is needed within one financial year, but may only decrease the NMD once within any Financial Year.

- 9.2.20. Overstrand Municipality allows for approved SSEG customers to feed electricity back into our electricity network. Customers however need to be net consumers (in monetary value) who purchase more electricity than they feed back (over a consecutive 12 month period). This period will be in line with the Municipal financial year and all excess credit accumulated by the customer within this period will be forfeited by them. Credit from feed-back may only be used for kwh charges and may not be played off against any other municipal services.
- 9.2.21 All upgrades will be network permitted and subject to the relevant approval from the Electrical department.
- 9.2.22 All prepaid residential single-phase customers above 30 Amp will be given the opportunity to change their connection size at the prescribed annual rate. They may choose to change their connection size to one of the following:
- 30Amp
 - 40Amp
 - 50Amp
 - 60Amp
- 9.2.23 All other non-standard connection sizes will be dealt with as and when needed by the electrical department.
- 9.2.24 Customers will be allowed to downgrade their connection size without providing a COC or changing a circuit breaker. Should the municipality however be called out for the overloading of the meter more than once, a call-out fee will be charged (per visit) and the customer will be required to change their main circuit breaker and provide a COC. Should the customer refuse to do so, they will be changed back to a suitable connection size to prevent any further overload.
- 9.2.25 All post-paid customers who wish to downgrade from 60Amp to 30-, 40- or 50Amp, will be required to change to prepaid.
- 9.2.26 Qualifying customers may upgrade as many times as they require at the annual approved rate but may only downgrade once in a financial year.
- 9.2.27 Changing between different connection sizes will be network permitted, and these tariffs will not apply to customers within RDP areas.
- 9.2.28 All RDP and UISP housing will be provided with a 30Amp single phase supply. The standard supply connection for all other properties will be 60Amp Single Phase
- 9.2.29 All indigent and Lifeline customers will remain on their existing connection size or have the option to downgrade to 30Amp, free of charge. Subsidy for indigent customers will be the equivalent of 30Amp.
- 9.2.30 Lifeline tariffs will only be available to pre-paid customers whose connection is ≤30Amp with a maximum average consumption of 350 kwh measured over a period of 12 months. This tariff is only available to informal dwellings in informal settlements.
- 9.2.31 As per National Regulations, the approval of SSEG systems (for own use or grid export) are to be based on the size of the municipal connection. The size of the system may not exceed the size of the municipal connection. As such, a minimum connection size for all properties with approved SSEG systems will be determined and no applications will be accepted that do not adhere to these requirements.
- 9.2.32 Capacity charges for Uilenkraalsmond will be calculated at 30Amp.
- 9.2.33 Wheeling energy through the Municipal network are permitted and based on the published tariffs. The requirements for wheeling energy are contained in the wheeling of energy policy.

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9.3. Water

- 9.3.1. The categories of water consumers as set out in clause 9.3.4 shall be charged at the applicable tariffs as approved by the Council in each annual budget.
- 9.3.2. The first 10kℓ of water consumption per month shall only be supplied pro rata free of charge to domestic water consumers who qualify for the indigent grant.
- 9.3.3. Because water is a scarce national resource, and this Municipality is committed to the prudent conservation of such resources, the tariff levied for consumption of water shall escalate according to the volume of water consumed.
- 9.3.4. The tariffs for consumption of purified water shall be based on the levels reflected in the following table:-

Category of Consumer	Basic Fixed Charge (Rand/meter/month)	Unit Charge per kℓ	Level of Consumption (Rand/kℓ/month)
NORMAL TARIFF			
Single Residential Flats Group Housing (including Townhouse Developments) Retirement Villages Guest Houses	X	X	HOUSEHOLD 0 - 6 kℓ 7 - 18 kℓ 19 - 45 kℓ 46 - 60 kℓ >60 kℓ
Indigent Households	X	X	HOUSEHOLD 0 - 10 kℓ 11 - 18 kℓ 19 - 45 kℓ 46 - 60 kℓ >60 kℓ
Churches Caravan Parks Boutique Hotels and Hotels Other Consumers	X	X	NON-HOUSEHOLD 0 - 18 kℓ 19 - 45 kℓ 46 - 60 kℓ >60 kℓ
RESTRICTION TARIFF 1 (LEVELS 2 & 3 WATER RESTRICTIONS) PLUS 30% on Normal Tariff)			
Single Residential Flats Group Housing (including Townhouse Developments) Retirement Villages Guest Houses	X	X	HOUSEHOLD 7 - 18 kℓ 19 - 45 kℓ 46 - 60 kℓ >60 kℓ
Indigent Households	X	X	HOUSEHOLD 0 - 10 kℓ 11 - 18 kℓ 19 - 45 kℓ 46 - 60 kℓ >60 kℓ
Churches Caravan Parks Boutique Hotels and Hotels Other Consumers	X	X	NON-HOUSEHOLD 0 - 18 kℓ 19- 45 kℓ 46 - 60 kℓ >60 kℓ

OVERSTRAND MUNICIPALITYTARIFF POLICY

RESTRICTION TARIFF 2 (LEVELS 4 & 5 WATER RESTRICTIONS) PLUS 60% on Normal Tariff)			
Single Residential Flats Group Housing (including Townhouse Developments) Retirement Villages Guest Houses	X	X	HOUSEHOLD 7 - 18 kℓ 19- 45 kℓ 46 - 60 kℓ >60 kℓ
Indigent Households	X	X	HOUSEHOLD 0 - 10 kℓ 11 - 18 kℓ 19 - 45 kℓ 46 - 60 kℓ >60 kℓ
Churches Caravan Parks Boutique Hotels and Hotels Other Consumers	X	X	NON-HOUSEHOLD 0 - 18 kℓ 19 - 45 kℓ 46 - 60 kℓ >60 kℓ
RESTRICTION TARIFF 3 (LEVEL 6 WATER RESTRICTION) PLUS 100% on Normal Tariff)			
Single Residential Flats Group Housing (including Townhouse Developments) Retirement Villages Guest Houses	X	X	HOUSEHOLD 7 - 18 kℓ 19 - 45 kℓ 46 - 60 kℓ >60 kℓ <i>T 1 / 015</i>
Indigent Households	X	X	HOUSEHOLD 0 - 10 kℓ 11 - 18 kℓ 19 - 45 kℓ 46 - 60 kℓ >60 kℓ
Churches Caravan Parks Boutique Hotels and Hotels Other Consumers	X	X	NON-HOUSEHOLD 0 - 18 kℓ 19 - 45 kℓ 46 - 60 kℓ >60 kℓ

9.3.5. A basic charge per water meter or unit in the municipal area, as determined by the Council from time to time, may be charged against all water consumers.

9.3.6. An infrastructure basic charge for water will be levied on a monthly basis on all erven or units.

9.3.7. An availability charge will be levied on all erven or units not connected to the water network but can reasonably be connected to the service.

9.3.8. Allocation of RUEs to categories of Household consumers:

Clinics – Outpatients	☐ 1 RUE
Flats	☐ 1 RUE per residential unit
Guest houses and B & B's	☐ 1 RUE

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Household related consumers that do not fall in one of the above household consumer categories	☐ Upon application the Engineering & Financial Departments will assess the validity within the tariff's structural framework.
Old Age Homes, Hostels & Boarding School	☐ 1 RUE per 7 Beds
Retirement Villages, Hospital & Hospice	☐ 1 RUE per 1 residential unit ☐ 1 RUE per 7 Frail care beds
Single Residential erven	☐ 1 RUE
Townhouse and group developments	☐ 1 RUE per unit ☐ Townhouse/Group Developments must apply should they require more than 1 rue during development phase) ☐ RUE's are only applicable from date of application and approval

9.3.9. The number of water basic and infrastructure charges for non-household consumers shall be coupled to the number of commercial sewage basic and infrastructure charges. The owner has the option to select to be charged either one commercial unit, or for the respective individual number of lettable sections.

9.3.10. The tariffs for consumption of irrigation and raw water shall be based on the levels reflected in the following table: -

Category of Consumer	Basic Charge (Rand/meter/month)	Level of Consumption (Rand/kiloliter/month)
Use and pump water	X	80 – 90 minutes
Small Holdings	X	(i) 0 – 70 kℓ (ii) > 70 kℓ

9.3.11. Wet Industries –

9.3.11.1. Commercial and Sport (Customers must apply for this tariff)

Detail	Basic Charge (Rand/meter/month)	Unit Charge / kℓ	Level of Consumption (Rand/kiloliter/month)
Normal Tariff	X	X	(i) 0 – 500 kℓ (ii) 501 – 1 000 kℓ (iii) > 1 000 kℓ
Restriction Tariff 1 (levels 2 & 3 water restrictions) PLUS 30% of Normal Tariff	X	X	(i) 0 – 300 kℓ (ii) 301 – 700 kℓ (iii) > 700 kℓ
Restriction Tariff 2 (levels 4 & 5 water restrictions) PLUS 60% of Normal Tariff	X	X	(i) 0 – 250 kℓ (ii) 251 – 500 kℓ (iii) > 500 kℓ
Restriction Tariff 3 (level 6 water restrictions) PLUS 100% of Normal Tariff	X	X	(i) 0 – 100 kℓ (ii) > 100 kℓ

9.3.11.2. Industry - Marine (Customers must apply for this tariff)

Detail	Basic Charge (Rand/meter/month)	Unit Charge / kℓ	Level of Consumption (Rand/kiloliter/month)
Normal Tariff	X	X	(i) 0 – 5 800 kℓ (ii) > 5 800 kℓ
Restriction Tariff 1 (levels 2 & 3 water restrictions)	X	X	(i) 0 – 5 800 kℓ (ii) > 5 800 kℓ

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PLUS 30% of Normal Tariff			
Restriction Tariff 2 (levels 4 & 5 water restrictions) PLUS 60% of Normal Tariff	X	X	(i) 0 – 5 800 kℓ (ii) >5 800 kℓ
Restriction Tariff 3 (level 6 water restrictions) PLUS 100% of Normal Tariff	X	X	(i) 0 – 5 800 kℓ (ii) >5 800 kℓ

9.3.12. The tariffs for consumption of Treated Effluent water shall be based on the levels reflected in the following table: -

Detail	Basic Charge (Rand/meter/month)	Unit Charge / kℓ	Level of Consumption (Rand/kiloliter/month)
Hermanus Golf Club	X	X	As per agreement
Schools, municipal sport grounds & project sport grounds as per agreement		X	As per Agreement
Curro Holdings		X	250kℓ free per day
Other		X	

9.3.13. Restriction Tariff

- 9.3.13.1. When level 1 water restrictions are implemented by the Directorate Infrastructure Services, no restriction tariffs will be implemented.
- 9.3.13.2. When level 2 water restrictions are implemented by the Directorate Infrastructure Services, level 1 restriction tariffs will be implemented.
- 9.3.13.3. When level 3 water restrictions are implemented by the Directorate Infrastructure Services, level 1 restriction tariffs will remain applicable.
- 9.3.13.4. When level 4 water restrictions are implemented by the Directorate Infrastructure Services, level 2 restriction tariffs will be implemented.
- 9.3.13.5. When level 5 water restrictions are implemented by the Directorate Infrastructure Services, level 2 restriction tariffs will remain applicable.
- 9.3.13.6. When level 6 water restrictions are implemented by the Directorate Infrastructure Services, level 3 restriction tariffs will be implemented.

9.4. Refuse Removal

- 9.4.1. A separate fixed monthly refuse removal charge shall apply to each category of users based on the costs of the service concerned and the applicable level of service, which can vary from once a week up to 7 times a week.
- 9.4.2. The fixed basic charge will be based on the number of removals per week.
- 9.4.3. An availability charge will be levied on all erven/units where no building plan has been approved. -
- 9.4.4. The tariff for refuse removal for residential units will be one removal per household per week.
- 9.4.5. Household refuse collection is the responsibility of the Municipality in the urban areas and only where a service cannot be rendered, a private contractor can

OVERSTRAND MUNICIPALITY TARIFF POLICY

do the collection per agreement with the municipality, in which case the Municipality will be entitled to charge a tariff for utilisation of the landfill site.

9.5. Sewage

9.5.1. The categories of users as set out below, shall be charged monthly at the applicable tariff as approved by Council in each annual budget: -

- (i) Domestic (including Semi Permanent Caravan Sites);
- (ii) Hotels, Hostels, Hospitals, Old Age Homes and Group Housing;
- (iii) Guest Houses and Bed & Breakfast Establishments;
- (iv) Shops and Offices;
- (v) Low Cost Housing Schemes;
- (vi) Schools;
- (vii) Caravan Parks with communal ablution facilities;
- (viii) Departmental Municipality;
- (ix) Consumers with a conservancy tank.

9.5.2. A monthly basic charge shall be levied on all developed properties or units within urban areas, irrespective of the type of service available.

9.5.3. A sewage **usage charge** will be levied on all properties or units that produce sewage or have a water meter. This charge will be levied as follows:

- (i) SEWAGE – SINGLE AND INTERMEDIATE RESIDENTIAL (Dwelling houses and Duplex apartments)

The sewage volume will be deemed to be 70% of water consumption, up to a maximum of 35kl of sewage per month (70% of 50kl water per month).

- (ii) SEWAGE – GENERAL RESIDENTIAL (Blocks of apartments and Residential Buildings)

Sewage volume will be deemed to be 90% of water consumption per individual unit up to a maximum of 45kl of sewage per month (90% of 50kl water per month).

- (iii) SEWAGE – GUEST HOUSES AND BED & BREAKFAST ESTABLISHMENTS

Sewage volume will be deemed to be 70% of water consumption per individual unit.

- (iv) ALL OTHER USERS (Including Commercial, Industrial, School, Sport, etc.)

The sewage volume will be deemed to be 90% of water consumption.

The 90% may be adjusted by the Municipal Manager as appropriate to the consumer. The Municipal Manager may also institute a cap on the volume of sewage if appropriate to the consumer.

- (v) SEWAGE–CONSUMERS WITH NO WATER METER OR NO MUNICIPAL WATER USE

Sewage volume will be charged as **one additional basic fee per RUE to compensate for the use of the sewer system in the absence of a water meter reading to calculate the sewerage volume.**

9.5.4. 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 purification.

9.5.5. A monthly infrastructure charge will be levied on all properties or units.

- 9.5.6. (i) Consumers with conservancy or septic tanks that cannot connect to the network, may only apply to have their tariff changed at the beginning of a financial year before 30 September, or with a change in occupancy status (ownership/registration or new occupancy), which took place after 30 September.

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- (ii) In case of conservancy tanks or septic tanks, the municipality reserves the right to change the tariff option should it become apparent that the sewer consumption is more than the water consumption for more than two consecutive months.

- 9.5.7. The sewage basic and infrastructure charge shall be levied on the owner's account, whilst the consumption portion of the charge shall be levied on the same account as where the water consumption is charged.
- 9.5.8. The number of sewage basic and infrastructure charges for non-household consumers shall be coupled to the number of commercial water basic and infrastructure charges. The owner has the option to select to be charged either one commercial unit or the total number of lettable sections.
- 9.5.9. A sewage availability charge shall apply to serviced vacant or undeveloped land.

9.6. Minor tariffs

- 9.6.1. All minor tariffs shall be standardised within the municipal region.
- 9.6.2. All minor tariffs shall be approved by the Council in each annual budget and shall, when deemed appropriate by the Council, be subsidised by property rates and general revenues, particularly when the tariffs will prove uneconomical when charged to cover the cost of the service concerned, or when the cost cannot be determined accurately, or when the tariff is designed purely to regulate rather than finance the use of the particular service or amenity.
- 9.6.3. Minor tariffs may include fees for the following: -

A	Administration	▪ Access to information ▪ Administration Costs ▪ Advertisements / Advertising ▪ Bank cost on foreign accounts ▪ Deposit ▪ Duplicate Accounts ▪ Duplicate Pay Day Slip ▪ Facsimiles ▪ Interest on Accounts in Arrear ▪ Laminated documents	▪ Photocopies ▪ Placard / Poster Costs ▪ Section 62 Appeals ▪ Tender Objections ▪ Top Management Consultation ▪ Top Management Deposit ▪ Trace of Direct Deposits
B	Building Control	▪ Administration / Viewing Request, Filing retrieval and Copying of Plans ▪ Building Plans ▪ Demolition application ▪ Heritage Investigations	▪ Plan Printing Fees ▪ Plan Scrutiny Fees ▪ Plan validity extension ▪ Re-inspection fees ▪ Signage
C	Cemeteries	▪ Grave-depths ▪ Indication of grave	▪ Plot Cost ▪ Wall of Remembrance
D	Business License	▪ Application for extended Liquor hours ▪ Duplicates ▪ License- Formal	▪ License - Informal ▪ Liquor License ▪ Re-inspection Fee
E	Commercial Filming/Photographing	▪ Animals ▪ Application Fee ▪ Area required for production and catering ▪ Cancellation Fee	▪ Environmental Control Officer ▪ Permits ▪ Vehicles off Public Roads per Parking Bay
F	Credit Control & Debt Collecting	▪ Administration fee ▪ Notices ▪ Sheriff fee	▪ SMS ▪ Tracing fee

OVERSTRAND MUNICIPALITYTARIFF POLICY

		▪	
G	Development Contributions	▪ Water ▪ Electricity ▪ Sewerage ▪ Roads ▪ Sanitation	▪ Storm water ▪ Solid Waste ▪ Off Grid Developments ▪ Evaluations/Investigations Levies
H	Electricity	▪ Builders' connection ▪ Call-out fee ▪ Cancellation Fee ▪ Capital Contributions ▪ Casual Supplies ▪ Change to SSEG or Time of Use ▪ Change of Circuit Breaker ▪ Commission of Bulk Meter ▪ Connection and Disconnection of Service ▪ Consumer Deposits ▪ Contractor inspections ▪ Conversion of meters ▪ Credit Control and Debt Collection ▪ Damaged cables ▪ Damaged meter ▪ Deposits cables etc. ▪ Development Contribution ▪ Erection & Removal of Banners ▪ Fee recalculation – no access ▪ Hire of temporary distribution kiosk ▪ Hire of Sleeve Space for fiber optic cable	▪ Illegal Connection/Tampering Fee ▪ Illuminated Signs ▪ Small Scale Embedded Generation (SSEG) ▪ Meter Testing ▪ Meter Verification ▪ MV Switching ▪ Public Lighting & CCTV ▪ Removal of meter ▪ Replacement ▪ Repositioning of Meter ▪ Service Connections ▪ Special Meter Readings ▪ Sundry Services ▪ Tariff change ▪ Unsafe/illegal connections per visit ▪ Upgrading extension Fee ▪ Way leave
I	Fire Services & Disaster Management	▪ Assistance of motor vehicle accidents and rescues ▪ Burn Permits ▪ Events ▪ Extinguishing of Fires ▪ Fire Prevention inspections ▪ Fire Safety	▪ Plot Clearing ▪ Re-inspection Fee under the By-law ▪ Special Services ▪ Standby at fire scene
J	Housing	▪ Administration	▪ Rental
K	Law Enforcement	▪ Business & Other Events ▪ Bylaw on outdoor advertising ▪ Impoundment of Informal Traders (Hawkers) goods ▪ Impoundment of illegal Advertising/Agent boards ▪ Inspection Fees ▪ Impoundment of Abandoned/Obstructing Items ▪ Pound Fee Cattle ▪ Pound fee Dogs and Cats ▪ Pound fee Horses	▪ Pound fee other animals ▪ Pound fee Pigs ▪ Pound Fee Poultry ▪ Pound fee Sheep and Goats ▪ Pound fee Shopping Trolley ▪ Re-inspection Fee ▪ Removal of illegal structure ▪ Storage Fee
L	Libraries	▪ Damage or lost Library material ▪ Deposits ▪ Facsimiles ▪ Laminated documents ▪ Lost Cards ▪ Penalty for Late Return	▪ Photocopies ▪ Rental of Library Amenities ▪ Scanning ▪ Special Requests ▪ Subscription ▪ Visitors Fee (Handling)
M	Municipal Buildings	▪ Deposits ▪ Rental of Amenities	▪ Rental of Equipment

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N	Off-Grid Developments/Units	Development Contribution	
O	Operational Cost	Street Signage	
P	Parking Fees	* Metered Parking	* Monthly Parking Permit
Q	Property Administration	- Application lease/ purchase/ Encroachment - Leases	- Memorial Benches - Radio Mast
R	Public Works	- Felling and Pruning of Trees - Private Work - Sale of Miscellaneous Items - Storm Water Drainage	- Street Signage - Tar and Patch Work - Vehicle Entrances
R	Recreational Amenities	- Affiliated Members - Beaches - Boat Launching - Boat License/Permits - Caravan Parks - Change Rooms - Clubhouses - Commercial Fishing Vessels - Community Halls - Day Camping Site - Deposit - Entrance Fee - Formal Shop Rental - Frank Robb Hut - Hawker Stalls - Informal Trader under cover rental - Kelp Collectors, Whale Watching and Shark Diving	- Leases of stalls/containers - Non-Affiliated Members - Office Rental - Open Spaces - Parking - Passenger Boats - Plett House - Public Open Space - Recreational Fishing Vessels - Rental Units Kleinmond - Rental Wet core Stands - Schuss Houses - Spaces for Sport - Sport Events - Sport Grounds - Support Services - Use of Tractor
T	Roads	Capital Contributions	Development Contribution
U	Refuse Removal	- Asbestos Sheet removal - Baboon Resistant Bins - Deposits - Rental of Bulk Containers	- Self-Dumping - Replacement of lock on baboon resistant wheelie bin - Weigh Bridge weighing vehicles
V	Sewage	- Capital Contributions - Connection of tanks - Development Contribution	- Disposal - Tank Services - Testing of tanks
W	Storm water	Development Contribution	
X	Swimming Pool	- Entrance Fee - Galas	Training session
Y	Town Planning	- Advertising Cost - Application Fee - Closure of Public Place - Contravention - Penalty - Demolition of Administrative Penalty - Departure - Deposit – Appeal - Determination of Zoning - Exemption ito Section 26 - Extension of Time	- Formal Structure - Informal Structures - Land use planning Fee - Permission ito Zoning Scheme - Relaxation of Title Deed - Registered Letter - Removal of Title Deed Restrictions - Search Fee - Section 30(2) Certification/Clearance - Spatial Development Framework - Sub-division - Zoning Certificate

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Z	Traffic	▪ Business and Other Events ▪ Disabled Parking Tokens ▪ Driver's Licenses ▪ Escorting and Other Services ▪ Hiring Traffic cones ▪ Impoundment of Boats ▪ Impoundment of Public Transport Vehicles ▪ Learner's Licenses ▪ Parking Meters ▪ Professional Driver's Permits	▪ Removal of Vehicles ▪ Roadworthy Certificates ▪ Storage Fees ▪ Taxi Rank Tokens ▪ Traffic Cones ▪ Towing Charge ▪ Vehicle Registration ▪ Wheel clamping fee
AA	Valuation (Property Information)	▪ Access to Information ▪ Clearance Certificates ▪ Deeds Office Registrations ▪ Extract from Valuation Roll	▪ Revaluation ▪ Valuation Certificates ▪ Valuation Roll ▪ Voters' Roll
BB	Water	▪ Administration Fee – recalculation no meter access ▪ Call-out Fee ▪ Capital Contributions ▪ Connection & Disconnection ▪ Consumer Deposits ▪ Convert to water flow restrictor meter ▪ Credit Control and Debt Collection ▪ Damaged Water Meter; Water main & Service Connection ▪ Development Contribution ▪ Final meter reading ▪ Irrigation Water ▪ Illegal Connection/Tampering Fee	▪ Meter Testing ▪ Meter verification ▪ Rebates ▪ Reconnection ▪ Registration of borehole ▪ Removal of meter ▪ Repair of meter ▪ Replacement of Damage meter ▪ Repositioning of meter ▪ Service Connections ▪ Special Meter Readings ▪ Still-off" inspections ▪ Sundry Services ▪ Temporary connections
CC	Wayleaves and the use of Municipal Road Reserves for the Installation of services	▪ Administration and Supervision Fee ▪ Roadway Trench Fee ▪ Remedying, Repairing and Cleaning	

9.6.4. The Municipal Manager shall maintain a list of all minor services indicating their unit of service for the purposes of determining tariffs, fees, charges and levies. Such list shall be reviewed annually together with the proposed tariffs, fees charges and levies.

10. NOTIFICATION OF TARIFFS, FEES AND SERVICE CHARGES

- 10.1. After a draft budget as required by the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003) has been tabled, the Municipal Manager must invite the local community to submit representations for consideration by the Council. Such invitation includes the draft resolutions on taxes and tariffs proposed.
- 10.2. After approval of the budget, the Council will give notice of all tariffs approved at the annual budget meeting at least 30 days prior to the date that the tariffs become effective.
- 10.3. A notice stating the purport of the council resolution, date on which the new tariffs shall become operational and invitation for objections will be advertised by the Municipality.
- 10.4. All tariffs approved must have been considered at the annual budget meeting.

11. IMPLEMENTING AND PHASING-IN OF THE POLICY

- 11.1. The principle contained in this Policy will be reflected in the various budget proposals submitted to the Council on an annual basis, service by-laws as promulgated and

OVERSTRAND MUNICIPALITYTARIFF POLICY

adjusted by the Council from time to time and the Tariff By-laws referred to in section 75 of the Act.

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

12. PROCEDURES AND ACCOUNTABILITY

- 12.1. The Municipal Manager shall ensure that procedures to manage all aspects of this Policy are prepared in the form of a manual, reviewed regularly and that these are formally adopted by him/her for implementation. These procedures will include aspects in this Policy and subscribe to sound principles of internal control.
- 12.2. The Directors and Managers shall ensure compliance with the procedures as approved from time to time by the Municipal Manager to give effect to the provisions of this Policy.

13. IMPLEMENTATION AND REVIEW PROCESS

This policy will come into effect on 01 July 2026 and will be reviewed at least annually or when required by way of a Council resolution.

14. SHORT TITLE

This policy shall be called the **Tariff Policy of the Overstrand Municipality**.

POLICY SECTION:	DIVISIONAL MANAGER: REVENUE MANGEMENT
CURRENT UPDATE:	29 MAY 2025
PREVIOUS REVIEW:	11 DEC 2024
PREVIOUS REVIEW:	31 MAY 2024
PREVIOUS REVIEW:	31 MAY 2023
PREVIOUS REVIEW:	31 MAY 2022
PREVIOUS REVIEW:	26 MAY 2021
PREVIOUS REVIEW:	27 MAY 2020
PREVIOUS REVIEW:	29 MAY 2019
PREVIOUS REVIEW:	30 MAY 2018
PREVIOUS REVIEW:	31 MAY 2017
PREVIOUS REVIEW:	25 MAY 2016
PREVIOUS REVIEW:	28 MAY 2015
PREVIOUS REVIEW:	28 MAY 2014
PREVIOUS REVIEW	29 MAY 2013
PREVIOUS REVIEW	30 MAY 2012
PREVIOUS REVIEW:	31 AUG 2011
PREVIOUS REVIEW:	04 MAY 2011
PREVIOUS REVIEW:	26 MAY 2010
PREVIOUS REVIEW:	27 MAY 2009
APPROVAL BY COUNCIL:	31 MAY 2006



**CUSTOMER CARE, CREDIT CONTROL AND
DEBT COLLECTION POLICY**

OVERSTRAND MUNICIPALITY
CUSTOMER CARE, CREDIT CONTROL & DEBT COLLECTION

P R E A M B L E

Whereas section 96 of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) requires a municipality to adopt, maintain and implement a credit control, debt collection and customer care policy;

And whereas section 97 of the Systems Act prescribes what such policy must provide for;

Now therefore the Municipal Council of the Municipality of Overstrand adopts the Customer Care, Credit Control and Debt Collection Policy as set out in this document: -

:

OVERSTRAND MUNICIPALITY
CUSTOMER CARE, CREDIT CONTROL & DEBT COLLECTION

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OVERSTRAND MUNICIPALITY
CUSTOMER CARE, CREDIT CONTROL & DEBT COLLECTION

1. DEFINITIONS

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: -

“Act”	The Local Government Act: Municipal Systems Act 2000 (Act No 32 of 2000) as amended from time to time.
“arrears”	means any amount which is due, owing and payable and which remains unpaid by the due date;
“Authorised representative”	the person or instance legally appointed by the Council to act or to fulfil a duty on its behalf.
“Basic service”	the amount or level of any municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety of the environment and for the purposes of this Policy are restricted to the delivery of electricity, refuse, sewerage and water services.
“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.
“Child-headed household”	a household where all the occupants of a residential property are younger than 18 years old, i.e. a child-headed household is a household consisting only of children.
“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 Overstrand.
“Credit control” and debt collection”	the functions relating to the collection of any monies due and payable to the Municipality.
“Closely connected person”	any immediate relative of the person namely spouse, child, parent, parent-in-law, life partner.
“customer”	any occupier of any property to which the Municipality has agreed to supply services or already supplies services to, or if there is no occupier, then the owner of the property (including registered indigent household).
“defaulter”	a person who owes money to the Municipality in respect of a municipal account after the due date for payment has expired.
“Director”	the person in charge of the civil and/or electrical component(s) of the Municipality and includes any person: - (a) acting in such position; and (b) to whom the Director has delegated a power, function or duty in respect of such a delegated power, function or duty.
“equipment”	a structure, pipe, pump, wiring, cable, meter, machine or any fittings.
“household”	all persons who are jointly living on a stand or site on a permanent basis and who receive electricity and/or water from one meter, regardless of whether the person rents or owns the property.
“Income”	Income is the gross sum of all monthly income from all sources, including wages, salaries, profits, dividends, pensions, rentals, board & lodging, interest received, grants or investment income and other forms of earnings received by every person residing on the property.
“indigent”	a household which is not financially capable of paying for the delivery of basic services and meeting criteria determined by Council from time to time.
“interest”	a levy with the same legal priority as service fees and calculated on the first day of the new month on all arrear amounts older than the most recent monthly service account in respect of assessment rates and service levies at a standard rate as approved by Council.

OVERSTRAND MUNICIPALITY
CUSTOMER CARE, CREDIT CONTROL & DEBT COLLECTION

<i>“Municipality”</i>	the institution that is responsible for the collection of funds and the provision of services to the customers of Overstrand.
<i>“Municipal account” or “billing”</i>	the proper and formal notification by means of a statement of account, to persons liable for monies levied and indicating the net accumulated balance of the account, specifying charges levied by the Municipality, or any authorised and contracted service provider, in the format of, but not limited to: - (a) show the levies for assessment rates and/or building clause; and (b) <i>“monthly account”</i> rendered monthly and shows the levies for assessment rates and/or building clause, availability charge, sewerage, refuse removal, electricity, water, sundries, housing rentals and instalments, as well as the monthly instalment for annual services paid monthly.
<i>“Municipal Manager”</i>	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.
<i>“Municipal services”</i>	those services provided by the Municipality such as, amongst others the supply of water and electricity, refuse removal, sewerage treatment, and for which payment is required by the Municipality or not.
<i>“occupier”</i>	any person who occupies any property or part thereof, without any regard to the title under which he/she so occupies the property – in process of phasing out from 01/07/2010.
<i>“owner”</i>	(a) the person in whom the legal title to the property is vested. (b) a person mentioned below may for the purposes of this Policy 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 curatorship; (vi) a person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to 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 the lessee; (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; (c) in the case where the Council is unable to determine the identity of such person, the person who is entitled to the benefit of such property or any building thereon; (d) in the case of a property for which a lease agreement of 30 years or more has been entered into, the lessee thereof; (e) regarding:- (i) a portion of land delineated on a sectional title plan registered in terms of the Sectional Titles Act, 1986 (Act No 95 of 1986), and without restricting the above mentioned stipulations, the developer or body corporate of the communal property; or (ii) a portion as defined in the Sectional Titles Act, the person in whose name that portion is registered under a sectional title deed, including the legally appointed representative of such person; (i) any legal entity, including but not limited to:-

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	(i) a company registered in terms of the Companies Act, 2008 (Act No 71 of 2008), a trust <i>inter vivos</i>, trust <i>mortis causa</i>, a closed corporation registered in terms of the Closed Corporations Act, 1984 (Act No 69 of 1984), and any voluntary organisation; (ii) any local, provincial or national government, (iii) any council, board or entity established in terms of any legislation applicable to the Republic of South Africa; and (iv) any embassy or other foreign entity. (ii) in the case of property owned by the Council and which has been alienated, but which has not been transferred to the person to whom it has been alienated, such person from the date of the alienation concerned; and (iii) in the case of property owned by or under the control or management of the Council while held under a lease or any express or tacit extension thereof or under any other contract or under a servitude or right analogous thereto, the person so holding the right to the immovable property.
"premises" or "property"	any portion of land, the external surface boundaries of which are delineated on: - (a) a general plan or diagram registered in terms of the Land Survey Act, 1927 (Act No 9 of 1927) or in terms of the Deeds Registry Act, 1937 (Act No 47 of 1937); or (b) a sectional plan registered in terms of the Sectional Titles Act, 1986 (Act No 95 of 1986); which is situated within the area of jurisdiction of the Municipality.
"Residential"	means improved property that is: (a) used predominantly (60% or more) for residential purposes, with not more than two dwelling units per property. (b) a unit registered in terms of the Sectional Title Act 95 of 1986, used predominantly (60% or more) for residential purposes, and includes any unit in the same Sectional Title Scheme registered in the name of the same owner which is used together with the residential unit as if it were one property, for example a garage or store room. (Any such grouping shall be regarded as one residential property for rate rebate or valuation purposes.) or (c) owned by a share-block company and used predominantly (60% or more) for residential purposes, or (d) a residence used for residential purposes situated on property used for or related to educational purposes.

2. GENERAL OBJECTIVES:

The objectives of this Policy are to: -

- 2.1 provide a framework within which the Municipality can exercise its executive and legislative authority with regard to credit control and debt collection;
- 2.2 ensure that all monies due and payable to the Municipality are levied and collected in a financially sustainable manner;
- 2.3 provide a framework for customer care and indigent support;
- 2.4 describe credit control measures and sequence of events;
- 2.5 outline debt collection and credit control procedures and mechanisms; and
- 2.6 set realistic targets for credit control and debt collection.

3. PRINCIPLES

- 3.1 The administrative integrity of the Municipality must be maintained at all costs. The democratically elected councillors are responsible for the approval of the policy, while it is the responsibility of the Municipal Manager to ensure the execution of this policy.
- 3.2 All customers must complete an official application form, formally requesting the Municipality to connect them to service supply lines. Existing customers may be required to complete new application forms from time to time, as determined by the Municipal Manager.

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- 3.3 Application forms, agreements and documents relating to this Policy must be available in Afrikaans and English. Officials designated to control and managed these documents must be able to explain the contents thereof in the three languages of the Western Cape.
- 3.4 A copy of the application form, conditions of services and extracts of the Council's Customer Care, Credit Control and Debt Collection Policy and By-Laws must be handed to every customer on request at such fees as may be prescribed by Council.
- 3.5 Billing is to be accurate, timeous and understandable as far as possible.
- 3.6 The customer is entitled to reasonable access to pay points and to a variety of reliable payment methods which will include cash, debit or credit card, electronic fund transfer, debit order and bank order payments.
- 3.7 The customer is entitled to an efficient, effective and reasonable response to appeals, and should suffer no disadvantage during the processing of a reasonable appeal.
- 3.8 Enforcement of payment must be prompt, consistent and effective.
- 3.9 Unauthorised consumption, connection and reconnection, the tampering with or theft of meters, service supply equipment and the reticulation network and any fraudulent activity in connection with the provision of municipal services will lead to disconnections, charges, penalties, loss of rights and/or criminal prosecutions. A certificate reflecting the nature and extent of the unauthorized activity must be issued by a duly qualified person to substantiate the claim.
- 3.10 Incentives and disincentives may be used in collection procedures.
- 3.11 The collection process must be cost-effective.
- 3.12 Results will be regularly and efficiently reported and monitored.
- 3.13 Application forms may be used to, *amongst others*, categorise customers according to credit risk and to determine relevant levels of services and deposits required.
- 3.14 Targets for performance in both customer service and debt collection will be set and pursued and remedies implemented for non-performance.
- 3.15 Where practicably possible the Customer Care and Debt Collection Policies will be handled independently of each other and the organisational structure will reflect the separate functions.
- 3.16 The principle of providing services instead of payment for arrear accounts is supported.
- 3.17 Customers that meet council's indigent criteria must be identified and supported.
- 3.18 UISP customers who occupied the allocated area already, will be charged the required deposits retrospectively.
- 3.19 Council reserves the right to increase/decrease deposits once a year to reflect consumption patterns for the preceding 12 months, to be equal to twice the average consumption during the preceding 12 months.

4. PERFORMANCE EVALUATION

This is addressed in the SDBIP and the Municipal Performance Management System.

5. REPORTING

- 5.1 The Chief Financial Officer (Director: Finance) 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 Act, read with section 100(c). This report shall contain particulars on: -
 - (a) Cash collection statistics, showing high-level debt recovery information (number 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, state, institutional and other such divisions.
 - (b) Performance on all areas against targets agreed to in paragraph 5 of this policy document.
- 5.2 If in the opinion of the Chief Financial Officer, the Municipality 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 he/she agrees with the Chief Financial Officer, immediately move for a revision of the budget according to realistically realisable income levels.

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- 5.3 The Executive Mayor, as supervisory authority, shall report at intervals of 3 months to Council as contemplated in section 99(c) of the Act.

6. CUSTOMER CARE

6.1 Objective

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

6.2 Communication and feedback

- 6.2.1 The Municipality will, within its financial and administrative capacity, conduct an annual process of compiling and communicating its budget, which will include targets for credit control and debt collection. This process will include the effort to ensure that the residents and customers understand the costs involved in the service provision, the reasons for payment of service tariffs and the manner in which monies raised from the customers are utilised.
- 6.2.2 Council will endeavour to distribute a regular newsletter (also available on the website), which will give prominence to customer care and debt collection issues.
- 6.2.3 Ward councillors will give feedback at ward meetings, at which customer care and debt collection issues will be given prominence.
- 6.2.4 The press will be encouraged to give prominence to Council's customer care, credit control and debt collection issues, and may be invited to council or committee meetings where these are discussed.
- 6.2.5 The residents and users of services will be encouraged to give feedback through the established mechanisms to the Municipality regarding the quality of services and the performance of service providers.

6.3 Metering

- 6.3.1 The Municipality will endeavour, within practical and financial constraints, to provide meters to every paying customer for all measurable services.
- 6.3.2 All meters will be read monthly, as far as possible. If the meter is not read monthly, the consumption may be estimated in terms of Council's operational procedures.
- 6.3.3 If any meter is not accessible for meter reading, the customer must apply and pay to have the meter moved out to the borderline and convert the electricity meter to a pre-paid meter.
- 6.3.4 Customers must: -
- (a) safeguard and maintain service meters in a readable condition;
 - (b) notify the Municipality when services are no longer required at a particular service delivery point;
 - (c) maintain credit and pre-payment meters; and
 - (d) supply the Municipality with accurate information with regard to the supply of services or applications for indigent cases.
- 6.3.5 Customers are entitled to request verification of meter readings at the prescribed tariff.
- 6.3.6 Customers are entitled to request testing of meters for accuracy within reason. If the test reveals the meter to register outside the norm as prescribed for the service in question (Electricity or Water), the meter will be replaced, and the customer's account will be adjusted accordingly. The adjustment may not exceed a period of six (6) months, preceding the date on which the metering equipment was found to be inaccurate. If the outcome shows that the meter was not defective, the consumer is liable for payment for the cost of the testing

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- as well as for the removal and re-installation thereof at the prescribed tariff as well as for other amounts outstanding.
- 6.3.7 Customers must give notice of at least 48 hours to the Municipality should a final reading or discontinuation of service be required. When a customer vacates a property and a final reading of the meter is not possible due to no access, an estimated consumption will be used by the Municipality and the final account rendered accordingly.
- 6.3.8 If a service is metered but it cannot be read due to financial and/or human resource constraints or circumstances beyond the control of the Municipality or its authorised agent, and the customer is charged for an estimated consumption, the account following the reading of the metered consumption must articulate the difference between the actual consumption and the average consumption, and the resulting credit or debit adjustments.
- 6.3.9 The Municipality may apply debt collection as a percentage (at least 60%) on the pre-payment electricity system, to ensure collection of all arrear debt on the account of the customer.

6.4 Accounts and billing

- 6.4.9 The Municipality will as far as possibly render to its customers on the billing system an understandable and accurate statement, which will consolidate all service costs and subsidies granted in terms of this Policy for that property.
- 6.4.10 Accounts will be produced in accordance with the meter reading cycle and due dates will be linked to the statement date.
- 6.4.11 The customer's municipal account shall be credited for energy generated by the embedded generator and exported to the network in the amount/s reflected in the annual tariff relating to the import and export of electrical energy for embedded generation. Small scale embedded generator customers (SSEG) will be billed as follows:
- (a) The service charge and all energy and maximum demand charges, as applicable, will be billed on the monthly electricity account.
 - (b) A credit will be passed for export of energy monthly against the normal monthly electricity account.
 - (c) Customers will not be compensated if the monthly export reflects a credit balance. A credit balance for export will be carried forward to the following month.
 - (d) In the instance where an export credit exists on 30 June, this credit will be forfeited.
 - (e) At the time that the customer ceases to be on the small-scale embedded generation tariff, any remaining credit balance for export, will not be refunded to the customer.
 - (f) The municipality shall not be obliged to grant credit to the customer for export not received onto the electrical grid due to unavailability of the grid or for any other reason.
- 6.4.12 If no official complaint in writing is received by the 15th of the month it will be considered that the account delivered is correct.
- 6.4.13 Accounts will be rendered monthly in cycles of approximately 30 days at the address last recorded with the Municipality or its authorised agent.
- 6.4.14 It is the customer's responsibility to ensure that his/her postal address and all other required details are correct.
- 6.4.15 Should an owner have an e-mail address stated on the clearance application form, during and subsequent to the transfer of the property into his or her name, said e-mail address shall take preference over a postal address provided on the said application. The email address shall be regarded as the default address for all correspondence inclusive of the monthly account send to that owner until otherwise advised in writing.
- 6.4.16 (a) Accounts are delivered monthly. It is the customer's responsibility to enquire from the Municipality should an account not be received in

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order to ensure timely payment and to obtain a duplicate account when the account is not delivered during the normal billing cycle.

- (b) Customers residing outside the borders of the Republic of South Africa will receive only electronic accounts, unless a local address is supplied.

6.4.17 Settlement or due dates will be as indicated on the statement and are normally as follows: -

- (a) Monthly accounts are payable before or on the due date in accordance with the specific account billing (invoicing) cycle as indicated on the account, or the first working day thereafter should it fall on a weekend or public holiday, of the month following the month of the statement of the account.
- (b) Large Power and Time of Use electricity customer accounts are payable on or before the 15th of each month, or the first working day thereafter should the 15th be on a weekend.
- (c) Annual accounts are payable on or before the 30th of September of each year.
- (d) Accounts of councillors and employees may be deducted from their salaries/allowances on a monthly basis; alternatively, they may sign a debit order for deduction of the monthly account off their bank account.
- (e) Staff arrears will be dealt with in accordance with Schedule 2(10) of Local Government: Municipal Systems Act 32 of 2000 and in terms of any procedures, method or actions referred to in this Policy. Notwithstanding any other procedure, method or action that may be taken in terms of this Policy, the Municipality shall deduct any outstanding amount from such staff members' salary after this 3 (three) month period. Outstanding arrears will be settled out of any annual bonus due to the staff member.
- (f) All staff joining the Municipality must, within 30 days, sign an agreement to pay arrears.
- (g) Where the Municipality provides temporary employment to members of the community who are in arrears with payments for municipal rates and services, they will be required to enter into a written agreement to pay up to a maximum of 30% of their gross remuneration towards the arrear debt.
- (h) In accordance with Schedule 1(12A) of the Local Government: Municipal Systems Act 32 of 2000; a Councillor of the Municipality may not be in arrears to the Municipality for rates and service charges for a period longer than 3 months. Notwithstanding any other procedure, method or action that may be taken in terms of this Policy, the Municipality shall deduct any outstanding amount from such Councillors' remuneration after this 3 (three) month period.

6.4.18 Where an account is not settled in full, any lesser amount tendered and accepted shall not be deemed to be in full and final settlement of such an account.

6.4.19 Where any payment made to the Municipality, or its authorised representative, by negotiable instrument is subsequently dishonoured by a bank, the Municipality or its authorised agent: -

- (a) may recover the average bank charges incurred relating to dishonoured negotiable instruments, together with an administration fee, against the account of the customer.
- (b) shall regard such an event as a default on payment and services may be discontinued should a valid payment by cash, a bank-guaranteed cheque or electronic fund transfer not be made by the date provided by the authorized official;
- (c) may insist on cash, debit order or electronic fund transfer payments for all future accounts;

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- (d) may only consider application for re-instatement of debit order/cheque after twelve months, except in instances where the Divisional Manager: Revenue Management, or delegated official, authorises otherwise.
- 6.4.20 The Municipality must issue a duplicate account or any acceptable alternative to a customer on request, at a cost determined by Council from time to time.
- 6.4.21 The registered owner of a property being leased is at his/her own cost entitled to obtain a copy of the account of a lessor and to be informed if a lessee is in arrears with his/her service charges within 60 days.
- 6.4.22 All contracts for service delivery with tenants will be phased out over a period of time and all new service contracts will only be with the owners of the property.
- 6.4.23 Opening of tenant accounts will only be allowed when:
 - (a) the customer is an indigent household, and the property is registered in the name of another person;
 - (b) the customer is a contractor for municipal projects
- 6.4.24 When tenants are in default, the service contract with the tenant will be cancelled and services transferred to the owner.
- 6.4.25 The amount which the Municipality may recover from the tenant or occupier of a property where there exists only an owners account, is limited to the amount of rent or other money due and payable, but not yet paid, by the tenant or occupier to the owner of the property
- 6.4.26 The tenant or occupier of a property must, on request from 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 determined by the Municipality.

6.5 Payment facilities and methods

- 6.5.9 The Municipality will operate and maintain suitable payment facilities, which facilities will be accessible to all customers.
- 6.5.10 The Municipality will, at its discretion, allocate a payment between service debts. A debtor does not have the right to indicate that the payment is for a specific portion of the account.
- 6.5.11 The Municipality may, in terms of section 103 of the Act and with the consent of a customer, approach an employer of the customer to secure a debit or stop order arrangement.
- 6.5.12 The Municipality will endeavour to appoint a variety of agents (supermarkets, SA Postal Service, etc.) for the receipt and transfer of payments to the Municipality. The customer will acknowledge in the customer agreement that the use of customer agents in the transmission of payments to the Municipality is at the risk of the customer – also the time lapse for transfer of the payment.
- 6.5.13 The Municipality will, in the event of notices sent to customers, as well as in the instance of services having been disconnected or restricted, only accept cash or electronic fund transfer / direct deposit into the Municipality's bank account, or payment at any one of the nominated cash receipting points or agents of the Municipality. Documented proof must be sent via e-mail to the sender as stated on the Overstrand Municipality's notice document, during office hours, not later than 16:00.

6.6 Incentives for prompt payment (Annexure "A")

- 6.6.1 The Council may, to encourage prompt payment and/or to reward regular payers, from time to time consider incentives for the prompt payment of accounts or payment by debit or stop order.
- 6.6.2 If introduced, the cost associated with the incentive scheme will be reflected in the operational budget as additional expenditure.

6.7 Feedback, enquiries, appeals and service complaints

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- 6.7.1 Within its administration and financial ability, the Municipality will establish: -
- (a) Decentralised complaints/feedback offices.
 - (b) A centralised complaints database to enhance co-ordination of complaints, their speedy resolution and effective communication with customers.
 - (c) Appropriate training for officials dealing with the public to enhance communications and service delivery; and
 - (d) The introduction of a regular article in the newsletter to inform customers on the safe and economic use of services.
- 6.7.2 If a customer is convinced that his/her account is inaccurate, he/she can lodge a query, together with supporting documentation and proof, with the Municipality before due date for investigation of this account, and where necessary the relevant alterations.
- 6.7.3 In the interim the debtor must pay an average based on previous consumption where such history of the account is available. Where no such history is available, the debtor is to pay an estimate provided by the Municipality before payment due date until the matter is resolved.
- 6.7.4 The relevant department will investigate and endeavour to inform the debtor within 14 days of the outcome of the investigation and the measures that have been or will be taken to correct the situation.
- 6.7.5 Failure to make such agreed interim payment or payments will result in the customer forming part of the normal credit control procedures.
- 6.7.6 A customer may appeal against the finding of the Municipality in terms of sub clause (6.7.4).
- 6.7.7 An appeal and request in terms of sub clause (6.7.6) must be made and lodged with the Municipality within 21 (twenty-one) days after the customer became aware of the finding referred to in sub clause (4) and must: -
- (a) set out the reasons for the appeal.
 - (b) be accompanied by any security determined for the testing of a measuring device, if applicable;
 - (c) Appeal deposits in accordance with approved tariffs for the review of water rebate applications, will be levied to the customer's municipal account, in the instance of a dismissal of the appeal.

6.8 Customer assistance programs

6.8.1 Water leakages:

- (a) If the leakage is on the customer's side of the meter, the customer will be responsible for payment of the full account.
- (b) Water leakage discount will not be considered in the instance of irrigation systems.
- (c) A customer will qualify for a Water Leakage Discount upon application on the prescribed form within 90 days after the leak has been repaired, which application will only be regarded as a valid application if complete information and documentation as prescribed is received and: -
 - (i) the leak was repaired within 10 working days since its detection; or any further leakages was prevented effectively after detection, with reference to the subsequent consumption patterns.
 - (ii) the customer applied only once in a cycle of **[30] 18** months for a discount; and in the instance where a customer experience a second leak within the **[30] 18** months period as mentioned in above, the customer may apply on the prescribed form within 60 days after the leak has been repaired, which application will

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only be regarded as a valid application if the customer is prepared to convert to a flow restrictor meter at cost of the customer.

- (iii) proof of repair and costs as well as the date of repair, or a sworn affidavit from any person who has repaired the leak, has been submitted, or plumbers report as well as the date of the repair.
- (d) Discount for consumption over the period that the leak was present will be calculated by comparing the average consumption over a corresponding period. Any consumption above the average will be charged at the rebate tariff applicable, subject to a maximum period of 3 months.
- (e) A discount will be applicable on the excess sewer consumption charge as calculated.
- (f) A discount will be applicable on the excess sewer consumption charge as calculated if the customer prove that the excess water did not go through the sewer system.
- (g) It is the responsibility of the customer to control and monitor his/her consumption.

6.8.2 Rate rebates:

- (a) The municipal council may grant rate rebates annually to certain categories of ratepayers in accordance to the Municipality's Property Rates Policy and By-Laws.
- (b) Rate rebates will be subject to certain criteria as determined by Council from time to time.

6.8.3 Arrangements for payment of arrears (Annexure "B"):

- (a) Customers whose municipal accounts become in arrears may enter into a written arrangement for settlement of the arrears with the Municipality. Such customers may be requested to complete a new application and agreement for Municipal Services.
- (b) If required, customers with arrears must agree to the conversion to a pre-payment electricity meter and a flow limiter water meter. If and when implemented, the cost of which, and the arrears total, will be paid off either by: -
 - (i) adding the debt to the arrears bill and repaying it over the agreed period; or
 - (ii) adding the debt as a surcharge to the pre-paid electricity cost and repaying it with each purchase of electricity at a percentage rate (at least 60%), until the debt is liquidated.
- (c) In the case of the customer who is not a natural person, an organ of state, a local authority, a public company or a public corporation, the major shareholder or member will be obligated to guarantee the debt of the customer.
- (d) Council reserves the right to raise the deposit/security requirement of debtors who seek arrangements and/or other stipulations it may deem necessary.

6.9 Subsidy for indigent households

Please refer Overstrand Municipality, Indigent Policy

6.10 Additional subsidy categories

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- 6.10.1 Subject to an equitable share contribution received from National Treasury, Council may provide, free of charge to a customer, basic services as determined from time to time.
- 6.10.2 Rebates on property rates may be granted to categories of properties or owners in accordance with Council's Property Rates Policy.

6.11 Customer categories

- 6.11.1 Customers will be categorised according to specific classifications based on amongst others the type of entity, applicable tariffs and risk levels of the provision of services. Processes for credit control, debt collection and customer care may differ from category to category, as deemed appropriate from time to time by the Municipal Manager.

6.12 Deceased Estates/Abandoned Properties

- 6.12.1 the death certificate of the deceased person must be presented;
- 6.12.2 proof from the Registrar of Estates should be obtained that a deceased estate is not liable for any claims;
- 6.12.3 if the estate will be liable for claims, a claim should be laid against the said estate;
- 6.12.4 if no estate is registered but a death certificate was obtained, such debts should be written off with effect from the date of death;
- 6.12.5 if a subsequent new tenant/owner/authorised person qualify for indigent subsidies, the total outstanding amount should be written off;
- 6.12.6 in the instance that the new tenant/owner/authorised person will not qualify for a subsidy, the new tenant/owner/authorised person shall be responsible to pay the outstanding amount on the account from the date of death of the deceased person, up to the current date, or to arrange for a settlement agreement;
- 6.12.7 child headed families, where the parents are both deceased and only unemployed minor children stays in the dwelling, a social worker report must be obtained in order for the debt to be written off. The child headed family may apply for indigent subsidy on the account of the deceased owner;
- 6.12.8 **In the case of a deceased property owner**, the authorised person(s) of the family members may give permission with the submission of an affidavit to identify the responsible occupier of the property, to be responsible for the payment of the municipal account on the property. This occupier may apply for indigent subsidy. A tenant account will be opened and property rates will also be levied on the tenants account.
- 6.12.9 **If the owner has passed away or abandoned the property** and another person who resides on the property, applies for indigent subsidy, but has no contact with the registered owner and/or the family members, the applicant must submit an affidavit that he/she takes responsibility for the municipal account and an tenants account will be opened.

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7. CREDIT CONTROL POLICY

7.1 Objective

- 7.1.1 To implement procedures which ensure the collection of debt, meeting of service targets and the prevention of escalation in arrear debt.
- 7.1.2 To facilitate financial assistance and basic services for the community's poor.
- 7.1.3 To provide incentives for prompt payment.
- 7.1.4 To limit risk levels by means of effective management tools.

7.2 Service applications and agreements

- 7.2.1 All customers of services will be required to sign an agreement governing the supply and cost of municipal services. On default by a tenant, the owner will be the debtor of last resort except where the Municipality is the owner of the property.
- 7.2.2 Prior to signing these agreements, customers will be entitled to access the policy documents. Also available on the official website at: www.overstrand.gov.za.
- 7.2.3 On the signing of the agreement when requested thereto, customers will receive a copy of the agreement for their records.
- 7.2.4 Customers will accept responsibility in the agreement for administration costs of collection, interest and penalties in the event of delayed and/or non-payment.
- 7.2.5 The Municipality may refuse to supply services to an applicant should such applicant owe monies to the Municipality regarding a previous period when he/she was rendered services by the Municipality, until such debt has been settled in full. Should the applicant prove to the Chief Financial Officer that he/she is unable to pay, the application will be dealt with in terms of Council's Indigent Subsidy Scheme.
- 7.2.6 The Municipality will read the meters within the period stipulated in the agreement after notification of change in ownership or application for the supply of services and render an account within the normal cycle applicable to the property.
- 7.2.7 Existing customers may be required to sign new agreements in the following instances:
 - (a) Any change of service profile;
 - (b) With any instruction given or actual disconnection or restriction of services or any legal action taken;
 - (c) Any form of tampering with service networks or meters etc (as mentioned in Section 7.5.1 below);
 - (d) As determined by the Municipal Manager from time to time.
- 7.2.8 Should a customer fail to enter into such agreement with Council or to provide the security described in clause 7.6, Council may: -
 - (a) hold the customer liable for all outstanding debt on services for the property; and/or
 - (b) restrict or discontinue the supply of Municipal services.
- 7.2.9 The Municipality shall open only one account per property for the rates, fixed levies and service charges.
- 7.2.10 All arrangements may be subject to periodic review.
- 7.2.12 Debtors who default on two occasions in respect of arrangements, will be denied the privilege of making further arrangements, and the full amount will be payable. Interest will be calculated on the first day of the new month on all arrear amounts older than the most recent monthly service account, taking any payments into consideration.
- 7.2.13 An amount of at least the monetary value of the most recent 3 months accounts must be settled before a recommendation by the Senior Accountant: Collections can be made for further arrangements in excess of the two

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occasions mentioned above, to be considered by the Divisional Manager:
Revenue Management, based on current circumstances.

7.3 Right of access to premises

- 7.3.1 The owner and/or occupier of a property is to allow an authorised representative of the Municipality access at all reasonable hours to the property in order to read, inspect, install or repair any meter or service connection for reticulation, or to disconnect, stop or restrict, or reconnect the provision of any service.
- 7.3.2 The owner is responsible to ensure that all meters installed on his/her property are easily accessible.
- 7.3.3 The owner is responsible for the cost of relocating a meter if satisfactory access is not possible.
- 7.3.4 If a person fails to comply to any requirements, the Municipality or its authorised representative may: -
 - (a) by written notice require such person to restore access at his/her own expense within a specified period.
 - (b) without prior notice restore access and recover the cost from such person if it is the opinion that the situation is a matter of urgency.

7.4 Enforcement mechanisms

- 7.4.1 Interest may be raised as a charge on all accounts not paid by the due date in accordance with applicable legislation.
- 7.4.2 The Municipality shall restrict or discontinue the supply of services or implement any other debt collection actions necessary due to late or non-payment of accounts, relating to any customer, owner or property.
- 7.4.3 Council reserves the right to deny or restrict the sale of electricity or water to customers who are in arrears with their rates or other municipal charges.
- 7.4.4 Upon the liquidation of arrears, or the conclusion of acceptable arrangements for term payments, the service will be reconnected as soon as conveniently possible.
- 7.4.5 The administration cost of the restriction or disconnection, and the reconnection, will be determined by tariffs approved by Council, and will be payable by the customer.
- 7.4.6 If a person is indigent a pre-paid electricity meter must be installed, and a flow limiter water meter may be installed free of charge.
- 7.4.7 The deposit(s) of any defaulter will be adjusted and brought into line with relevant tariffs and policies of Council.
- 7.4.8 Defaulters' deposits will be reviewed annually on request, based on the debtor's Municipal payment record, indicating no default, over the preceding 12 (twelve) months, excluding customers with current arrangements. The deposit will be adjusted to the minimum deposit required in terms of the approved Tariff Schedule.
- 7.4.9 Defaulters' deposits will be reviewed immediately, where the account was settled in full, and a debit order is signed to prevent late payments.
- 7.4.10 In accordance with Section 102 of the Municipal Systems Act, the Municipality may
 - Consolidate any separate accounts of persons liable for payments to the municipality: -
 - (a) Credit a payment of such a person against any account of that person; and
 - (b) Implement any of the debt collection and credit control measures provided for in Chapter 9 of the Act in relation to any arrears on any of the accounts of such a person.

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7.5 Theft and fraud

- 7.5.1 Any person (natural or juristic) found to be illegally connected or reconnected to municipal services, tampering with meters, the reticulation network or any other supply equipment or committing any unauthorised act associated with the supply of municipal services, as well as theft of and damage to Council property, will be prosecuted and/or liable for costs at the prescribed tariffs as determined from time to time.
- 7.5.2 The Municipality has the right to obtain authorisation from the Magistrate for the imposition of fines for the offences as mentioned in paragraph 7.5.1 above.
- 7.5.3 The Municipality may terminate and/or remove the electricity supply of services to a customer should such conduct as outlined above, be detected and certified.
- 7.5.4 The Municipality may install a water flow restrictor meter to a customer should such conduct as outlined above, be detected and certified.
- 7.5.5 The total bill owing, including administration cost, assessment of unauthorised consumption and discontinuation and reconnection fees, and increased deposits as determined by Council if applicable, will be due and payable before any reconnection can be sanctioned.
- 7.5.6 Council will maintain monitoring systems and teams in order to identify and monitor customers who are undertaking such illegal actions.
- 7.5.7 Council reserves the right to lay criminal charges and/or to take any other legal action against both vandals and thieves.
- 7.5.8 Any person failing to provide information or providing false information on his application for or other document pertaining to the supply of services to the Municipality may face immediate disconnection of services.

7.6 Customer screening and securities

- 7.6.1 Security deposits may be required. The minimum deposit being the equivalent of amounts fixed from time to time by the Municipality.
- 7.6.2 Applicants who are not natural persons, organs of state, local authorities, public companies or public corporations must supply details of their directors, members, partners or trustees and at least the main shareholder must in his/her personal capacity guarantee the payment of the applicant's municipal account and in the case of a trust, all the trustees in their personal capacity.
- 7.6.3 On the termination of the agreement the amount of the deposit, less any outstanding amount due to the Municipality, will be refunded to the customer.

7.6 Contractors who tender to the Municipality

- 7.6.3 The Supply Chain and Procurement Management Policy and Tender Conditions of the Municipality will include the following: -
 - (a) When inviting tenders for the provision of services or delivery of goods, potential contractors may submit tenders subject to a condition that consideration and evaluation thereof will necessitate that the tenderer obtain from the Municipality a certificate stating that all relevant municipal accounts owing by the tenderer and/or its directors, owners or partners have been paid or that suitable arrangements (which include the right to set off in the event of non-compliance) have been made for payment of any arrears.
 - (b) No tender will be allocated to a person/contractor until a suitable arrangement for the repayment of arrears has been made. No further debt may accrue during contract period.
 - (c) Tender Conditions will include a condition allowing the Municipality to deduct any moneys owing to the Municipality from contract payments.
 - (d) A tenderer will be required to declare all the municipal account numbers for which it is responsible and/or partially responsible.

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7.7 Pre-payment metering system

7.7.3 The Municipality will use its pre-payment metering system to: -

- (a) link the provision of electricity by the Municipality to a “pre-payment” system comprising, pre-payment of electricity units; and
- (b) a payment in respect of arrears comprising all accrued municipal taxes and other levies, tariffs and charges in respect of services such as water, refuse removal, sanitation and sewage.
- (c) To load an auxiliary on the “pre-payment” system in order to allocate a portion of the rendered amount to the customers arrear account for other services.
- (d) To enforce satisfactory arrangements with customers in arrears by blocking access to pre-payment electricity purchases.
- (e) Amounts tendered for the purchase of pre-payment electricity will not be refunded after the pre-payment meter voucher has been issued or in case of purchasing against an incorrect meter number.

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8. DEBT COLLECTION

8.1 Objective

- 8.1.1 To provide procedures and mechanisms to collect all the monies due and payable to the Municipality arising out of the supply of services and annual levies, in order to ensure financial sustainability and delivery of municipal services in the interest of the community.

8.2 Personal contact

- 8.2.1 Personal and Telephonic contact / Agents calling on customers: -
- (a) Council, or its agent, may make personal contact with arrear debtors to encourage their payment via electronic, SMS, telephonic or any other officially recognised communication method.
 - (b) Such contact is not a right for debtors to enjoy and disconnection of services and other collection proceedings will continue in the absence of such contact for whatever reason.
 - (c) Services as contemplated in 8.2.1(a) will be rendered at a charge as determined during the annual budget process.

8.3 Interruption of service

- 8.3.1 Customers who are in arrears with their municipal accounts and who have not made payments with the Municipality will have their supply of electricity, water and other municipal services, suspended, restricted or disconnected.
- 8.3.2 Customers who have submitted mobile phone numbers can be notified via SMS at the applicable tariff, if their accounts are not settled on or before the due date.
- 8.3.3 The disconnection or restriction of services, as mentioned in section 7.4.2, may be enforced should the account remain in arrears after the expiring of the 14 (fourteen) days' notice of restriction of services.
- 8.3.4 Council reserves the right to deny or restrict the sale of electricity or water to customers who are in arrears with their rates or other municipal charges, or who do not honour their arrangements.
- 8.3.5 Upon the liquidation of arrears, including the additional levies in terms of clauses 8.3.6 and 8.3.7, or the conclusion of acceptable arrangements for term payments, the services will be reconnected as soon as conveniently possible.
- 8.3.6 The cost of notice of restriction/disconnection and the reconnection, will be determined by tariffs approved by Council, and will be payable by the customer.
- 8.3.7 The deposit of any defaulter will be adjusted and brought into line with relevant policies of Council (refer to Annexure "B").

8.4 Legal process (Annexure "A") - (Use of attorneys/Use of credit bureaus)

- 8.4.1 The Municipality may, when a debtor is in arrears, commence legal process against that debtor, which process could involve final demands, summonses, court trials, judgements, garnishee orders and as last resort, sales in execution of property.
- 8.4.2 The Municipality will exercise strict control over this process to ensure accuracy and legality within it and will require regular reports on progress from staff responsible for the process or outside parties, be they attorneys or any other collection agents appointed by Council.
- 8.4.3 The Municipality will establish procedures and codes of conduct with such outside parties.
- 8.4.4 In the case of employed debtors, garnishee orders, are preferred to sales in execution, but both are part of the Municipality's system of debt collection procedures.

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- 8.4.5 All steps in the credit control procedure will be recorded for the Municipality's records and for the information of the debtor.
- 8.4.6 All administration costs of this process will be for the account of the debtor.
- 8.4.7 Individual debtor accounts are protected and are not the subject of public information. However, the Municipality may release debtor information to credit bureaus and the property owner in respect of his/her lessee(s). This release will be in writing or by electronic means and will be covered in the agreement with customers.
- 8.4.8 The Municipality may consider the cost effectiveness of the legal process and will receive reports on relevant matters and report to the Executive Mayor.
- 8.4.9 Upon recommendation from the Municipal Manager, Council may consider the use of agents and innovative debt collection methods and products. Cost effectiveness, the willingness of agents to work under appropriate codes of conduct and the success of such agents and products will be part of the agreement Council might conclude with such agents or service providers.
- 8.4.10 Customers will be informed of the powers and duties of such agents and their responsibilities, including their responsibility to observe agreed codes of conduct.
- 8.4.11 Any agreement concluded with an agent or product vendor shall include a clause whereby breaches of the code of conduct by the agent or vendor will constitute termination of the contract.
- 8.4.12 If, after the due date an amount due for rates is unpaid by the owner of the property, the Municipality may recover the amount, in whole or in part, from the tenant or occupier of the property, after it has served written notice on the tenant or occupier. The Municipality may recover the outstanding amount despite any contractual obligation to the contrary on the tenant or occupier.
- 8.4.13 If, after the due date an amount due for rates is unpaid by the owner of the property, the Municipality may recover the amount, in whole or in part, from the agent of the owner, if this is more convenient for the Municipality, after it has served written notice on the agent. The agent must on request from the Municipality, provide a statement reflecting all payments made to the agent for the owner during a period determined by the Municipality.
- 8.4.14 At any stage while the debt is outstanding, all reasonable steps shall be taken to ensure that the ultimate sanction of a sale-in execution is avoided or taken as a last resort. Overstrand Municipality, however, has total commitment to a sale-in execution should the debtor fail to make use of the alternatives provided for by the Municipality from time to time. This is also applicable to all debt and includes all debt which is a charge against a property as referred to in this policy.

As part of the recovery process the Chief Financial Officer may determine a reserve price to be recovered in terms of arrears, equal to the municipal property value or outstanding debt, whichever is the lowest. In the instance that sales statistics / prices of properties sold in the past 12 months, in the immediate area of the particular property prove that there is no market demand for similar properties, that the reserve price, to be recovered in terms of arrears as mentioned, may be lowered with up to 50%. The remaining outstanding debt more than the net proceeds of the auction will be written off, in terms of the prescriptions of this policy.
- 8.4.15 Adjustments on the accounts will only be calculated for three years. (Prescription Act, 1969 (Act 68 of 1969)).

8.5 Cost of collection

All costs of legal processes including interest, penalties, service discontinuation costs and legal costs associated with customer care or credit control, wherever applicable, are for the account of the debtor and should reflect at least the cost of the particular action.

Collection costs on indigent clients, will be kept to a minimum by re-setting the pre-paid electricity debt collection percentage to 90%.

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8.6 Clearance Certificate

- 8.6.1 On the sale of any property in the municipal jurisdiction, Council will cause the delay of the registration of transfer until all rates, service and sundry charges and any estimated amounts for the duration of a certificate in connection with the property are paid, by withholding a clearance certificate. The municipality will issue such clearance certificate on receipt of an application on the prescribed form from the conveyancer.
- 8.6.2 All payments will be allocated to the registered seller's municipal accounts and all refunds will be made to such seller.
- 8.6.3 No interest shall be paid in respect of these payments.
- 8.6.4 The Municipality will only issue a clearance certificate once a completed prescribed application form from the conveyancer has been received.
- 8.6.5 Where any residential or non-residential debtor has entered into an arrangement with the Municipality in respect of the arrears on a property, the prescribed certificate as referred to in Section 118 of the Systems Act, will not be issued until such time as the full outstanding amount has been paid.

8.7 Irrecoverable debt

- 8.7.1 Debt will only be considered as irrecoverable if it complies with the following criteria: -
- (a) all reasonable notifications and cost-effective legal avenues have been exhausted to recover a specific outstanding amount; or
 - (b) any amount equal to or less than R5 000.00, or as determined by Council from time to time, will be considered too small, after having followed basic checks, to warrant further endeavours to collect it; or
 - (c) the cost to recover the debt does not warrant the further action; or
 - (d) the amount outstanding is the residue after payment of a dividend in the rand from an insolvent estate; or
 - (i) there is a danger of a contribution; or
 - (ii) no dividend will accrue to creditors; or
 - (e) a deceased estate has no liquid assets to cover the outstanding amount following the final distribution of the estate; or
 - (iv) where the estate has not been reported to the Master and there are no assets of value to attach; or
 - (f) it has been proven that the debt has prescribed; or
 - (g) the debtor is untraceable or cannot be identified so as to proceed with further action; or
 - (i) the debtor has emigrated leaving no assets of value to cost effectively recover Councils' claim; or
 - (h) it is not possible to prove the debt outstanding; or
 - (i) a court has ruled that the claim is not recoverable; or
 - (j) the outstanding amount is due to an irreconcilable administrative error by the Municipality.
 - (k) After the transfer of a property, outstanding debt on the previous owner account older than 2 years.
- 8.7.2 All debtors who qualify and are registered as indigent, will have their arrears written off once during ownership of the property.

8.8 Abandonment of claims

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- 8.8.1 The Municipal Manager must ensure that all avenues are utilised to collect the Municipality's debt.
- 8.8.2 There are some circumstances, as contemplated in section 109(2) of the Act, that allow for the valid termination of debt collection procedures, such as: -
 - (a) The insolvency of the debtor, whose estate has insufficient funds.
 - (b) A balance being too small to recover, for economic reasons considering the cost of recovery.
 - (c) Where Council deems that a debtor or group of debtors are unable to pay for services rendered.
- 8.8.3 The Municipality will maintain audit trails in such an instance, and document the reasons for the abandonment of the action or claim in respect of the debt.

9. SHORT TITLE

This Policy shall be called the **Customer Care, Credit Control and Debt Collection Policy Overstrand Municipality**.

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CUSTOMER CARE AND DEBT COLLECTION – ANNEXURE “A”

10.1. INCENTIVE MEASURES

- 10.1.1. Incentive measures may be implemented as per Council resolution.
- 10.1.2. Where a customer is prepared to pay off the capital amount on an outstanding account, older than one (1) year, in one payment, the Municipal Manager will approve the write off of all interest charged with regard to afore mentioned period;
- 10.1.3. An agreement to pay off the debt not older than one (1) year, must be signed at the time of the implementation of the incentive referred to in 10.1.2.
- 10.1.4. In the instance where a customer is prepared to pay off the total amount of an outstanding account in one payment, then the Municipal Manager will approve the write off all interest charged to date for the total period.
- 10.1.5. If a customer sells their property and apply for a clearance certificate to benefit from the Incentive, in this instance the Incentive will not be applicable.

10.2. DEBT COLLECTION

- 10.2.1. Should annual accounts remain unsettled after 30 September of the applicable year, notice will be given to the owner/customer that the amount owed must be settled within fourteen (14) days, failure of which it will be handed over for collection, including legal proceedings.
- 10.2.2. Should monthly accounts remain unsettled after the due date, notice will be given to the owner/customer that the amount owed must be settled within fourteen (14) days, failure of which will lead to restriction/disconnection of services, including legal proceedings.
- 10.2.3. All debtors regarding houses in rental, selling and self-build schemes, without any capital debt, which are still registered in the name of the Municipality, should be notified in writing that if satisfactory arrangements for transfer of the property into his/her name are not made within one (1) month, the property concerned will be put up for sale by Council at a public auction.
- 10.2.4. Upon handing over of accounts for collection, details of employers and work addresses of the debtors should be made available to the attorneys as far as possible for the purposes of garnishee orders.
- 10.2.5. Attorneys should report to the Revenue Department on a monthly basis on the progress made and the cost aspect regarding each debtor.
- 10.2.6. Attorneys should pay monies collected over to the Municipality monthly.

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11. ARRANGEMENTS FOR PAYMENT – ANNEXURE “B”

11.1. DEBT FOR WHICH ARRANGEMENTS CAN BE MADE

Arrangements for the payment of outstanding debt can be made according to the procedures described hereafter.

11.2. CONCLUSION OF AGREEMENT

11.2.1 Regardless of the stipulations of sections 11.3.1. and 11.3.2, if a customer cannot pay his/her account with the Municipality then the Municipality may enter into an extended term of payment, only the Chief Financial Officer may consider and approve any extension on these arrangements on receipt of a written recommendation by the Divisional Manager: Revenue Management.

11.2.2 The customer must: -

- (a) sign an acknowledgement of debt;
- (b) sign a consent to judgement;
- (c) in the case of a company, trust or closed corporation, supply the guarantee as prescribed in clause 6.8.3(c) of the Policy.
- (d) submit proof of income on the prescribed form;
- (e) pay the current portion of the account in cash;
- (f) customer deposits may be adjusted to the higher of the sum of twice the average consumption during the preceding 12 months or the minimum deposit required in terms of the approved Tariff Schedule
- (g) acknowledge liability of all costs incurred; and

11.3. ARRANGEMENTS THAT CAN BE ENTERED INTO:

11.3.1. Residential Customers:

- (a) 1st default within a 12-month period:
 - (i) 10% of the outstanding amount plus cost of the credit control actions together with the current account is payable immediately.
 - (ii) The balance is payable over a maximum period of twelve months.
 - (iii) First offence in 2 years – no deposit increase will be applicable and if already charged, will be reversed on application.
 - (iv) Customer deposits may be adjusted to the higher of the sum of twice the average consumption during the preceding 12 months or the minimum deposit required in terms of the approved Tariff Schedule.
- (b) 2nd default within a 12-month period:
 - (i) An amount of at least the monetary value of the most recent 3 months accounts must be settled before a recommendation by the Senior Accountant: Collections can be made for further arrangements to be considered by the Divisional Manager: Revenue Management, based on current circumstances of the customer.
- (c) 3rd default within a 12-month period:
 - (i) Metered services will be discontinued or restricted and the account will be handed over for legal proceedings.
- (d) An amount of at least 20% of the arrears, plus the current account be settled before a recommendation by the Divisional Manager: Revenue Management can be made for further consideration of arrangements in excess of the two occasions mentioned above, to be considered by

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the Chief Financial Officer, based on current circumstances of the customer.

11.3.2. Non-residential Customers:

- (a) 1st default within a 12-month period: -
 - (i) 50% of the outstanding amount plus cost of the credit control actions.
 - (ii) The balance is payable over a maximum period of three months.
 - (iii) First offence in 2 years – no deposit increase will be applicable and if already charged, will be reversed on application.
 - (iv) Customer deposits will be adjusted to the higher of the sum of three times average consumption during the preceding 12 months or the minimum deposit required in terms of the approved Tariff Schedule.
- (a) 2nd default within a 12-month period: -
 - (i) Full outstanding amount plus cost of credit control actions.
 - (ii) No arrangements will be allowed.
 - (iii) Customer deposits will be adjusted to the higher of the sum of four times average consumption during the preceding 12 months or the minimum deposit required in terms of the approved Tariff Schedule.

11.3.3. Government Departments – Customer Accounts:

- (a) 1st default within a 12-month period: -
 - (i) 3 weeks' notice – no arrangements
 - (ii) First offence in 2 years – no deposit increase will be applicable and if already charged, will be reversed on application.
 - (iii) Customer deposits will be adjusted to the sum of three times average consumption during the preceding 12 months.
- (b) 2nd default within a 12-month period: -
 - (i) 2 weeks' notice – no arrangements.
 - (ii) Customer deposits will be adjusted to the sum of four times average consumption during the preceding 12 months.

11.3.4. Government Departments – Rates & Taxes:

- (a) 1st default within a 12-month period: -
 - (i) Final demand and legal action in terms of "The Institution of Legal Action against Certain Organs of State Act, 2002 (Act No 40 of 2002)".

11.3.5. Administration:

Where a person has been placed under administration the following procedures will be followed: -

- (a) The debt as at the date of the administration court order will be placed on hold and collected in terms of the court order by the administrator's dividend.
- (b) The administrator is to open a new account on behalf of the debtor. No account is to be opened or operated in the debtor's name as the debtor is not entitled to accumulate debt.
- (c) Until such time as this new account is opened, the debtor is to be placed on limited services levels. The customer will be compelled to install a pre-paid electricity meter and flow limiter water meter, should one not already be in place. The Municipality will be entitled to recover the cost of the basic services by means of purchases made on the pre-paid meter.

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- (d) Should there be any default on the current account, the supply of services is to be limited or terminated, and the administrator handed over for the collection of this debt.

11.3.6. Indigent:

All customers (including any other occupants), qualifying as indigent and who accumulated any arrear debt after any relief has been granted, will repay that debt as follows: -

By instalments over 24 months, in addition to monthly service charges, with immediate payment of the cost of the credit control action taken.

There are no limitations on debtors at any time to pay amounts in excess of arrangements towards outstanding debt, then prescribed above.

12. IMPLEMENTATION AND REVIEW PROCESS

This policy will come into effect on 01 July 2025 and will be reviewed at least annually or when required by way of a Council resolution.

POLICY SECTION:	DIVISIONAL MANAGER: REVENUE MANGEMENT
CURRENT UPDATE:	29 MAY 2025
PREVIOUS REVIEW:	31 MAY 2024
PREVIOUS REVIEW:	26 JULY 2023
PREVIOUS REVIEW:	28 JUNE 2023
PREVIOUS REVIEW:	31 MAY 2023
PREVIOUS REVIEW:	29 JUNE 2022
PREVIOUS REVIEW:	31 MAY 2022
PREVIOUS REVIEW:	24 AUG 2021
PREVIOUS REVIEW:	26 MAY 2021
PREVIOUS REVIEW:	30 SEPT 2020
PREVIOUS REVIEW:	27 MAY 2020
PREVIOUS REVIEW:	29 MAY 2019
PREVIOUS REVIEW:	30 MAY 2018
PREVIOUS REVIEW:	31 MAY 2017
PREVIOUS REVIEW	25 MAY 2016
PREVIOUS REVIEW	28 MAY 2015
PREVIOUS REVIEW	28 MAY 2014
PREVIOUS REVIEW	25 SEPT 2013
PREVIOUS REVIEW	29 MAY 2013
PREVIOUS REVIEW	30 MAY 2012
PREVIOUS REVIEW	04 MAY 2011
PREVIOUS REVIEW	26 MAY 2010
PREVIOUS REVIEW	27 MAY 2009
PREVIOUS REVIEW:	30 MAY 2007
APPROVAL BY COUNCIL:	30 JUN 2006



INDIGENT POLICY

OVERSTRAND MUNICIPALITY

INDIGENT POLICY

PREAMBLE

Whereas section 96 of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) requires a municipality to adopt, maintain and implement a credit control, debt collection and customer care policy;

And whereas section 97 of the Systems Act prescribes that such policy must provide for “provision for indigent debtors that is consistent with its rates and tariff policies and any national policy on indigents.”

Now therefore the Municipal Council of the Municipality of Overstrand adopts the Indigent Policy as set out in this document:

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OVERSTRAND MUNICIPALITYTARIFF POLICY

1. DEFINITIONS

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: -

<i>“Authorised representative”</i>	The person or instance legally appointed by the Council to act or to fulfil a duty on its behalf.
<i>“Basic service”</i>	the amount or level of any municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety of the environment and for the purposes of this Policy are restricted to the delivery of electricity, refuse, sewerage and water services.
<i>“Chief Financial Officer”</i>	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.
<i>“Council” or “municipal council”</i>	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 Overstrand.
<i>“customer”</i>	Any occupier of any property to which the Municipality has agreed to supply services or already supplies services to, or if there is no occupier, then the owner of the property (including registered indigent household).
<i>“defaulter”</i>	A person who owes money to in respect of a municipal account after the due date for payment has expired.
<i>“Household”</i>	Any customer living on a stand or site on a permanent basis and who receive electricity and/or water from one meter, regardless of whether the person rents or owns the property.
<i>“Income”</i>	Income is the gross sum of all monthly income of the occupier received from all sources, including wages, salaries, profits, dividends, pensions, interest received, or investment income received by the occupier including income received by spouses/partners. In the instance where a spouse/partner is no longer part of the household, the applicant must submit an affidavit to declare that (i) the spouse/partner is on a permanent basis no longer part of the household; and (ii) the relationship with the spouse/partner was ended. Discretionary grants/contributions and Government Support (including Child Support grants) will not be added as a financial contribution towards the Occupier's income. Particulars of any Government Support grants received by any Occupier must be declared in the affidavit.
<i>“Indigent”</i>	A household which qualifies in terms of clause 5.
<i>“interest”</i>	A levy with the same legal priority as service fees and calculated on all amounts in arrears in respect of assessment rates and service levies at a standard rate as approved by Council.
<i>“Municipal account” or “billing”</i>	the proper and formal notification by means of a statement of account, to persons liable for monies levied and indicating the net accumulated balance of the account, specifying charges levied by the Municipality, or any authorised and contracted service provider, in the format of, but not limited to: - (a) show the levies for assessment rates and/or building clause; and <i>“Monthly account”</i> rendered monthly and shows the levies for assessment rates and/or building clause, availability charge, sewerage, refuse

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	removal, electricity, water, sundries, housing rentals and instalments, all as well as the monthly instalment for annual services paid monthly
<i>“Municipality”</i>	The institution that is responsible for the collection of funds and the provision of services to the customers of Overstrand.
<i>“Occupier”</i>	A person, including such person’s spouse/life partner, who occupies any premises or part thereof and is primarily responsible for financially supporting and maintaining the household, without regard to the title under which he or she so occupies the premises and includes – (a) any person in actual occupation of those premises; (b) any person legally entitled to occupy those premises; (c) in the case of those premises being subdivided and let to lodgers or various tenants, the person receiving the rent payable by such lodgers or tenants whether on the person’s own account or as agent for any person entitled thereto or interested therein; (d) any person having the charge of or management of those premises, and includes the agent of any such person when the person is absent from the Republic of South Africa or his whereabouts are unknown; or (e) the owner of those premises.
<i>Quota/Seasonal worker</i>	Any person who is employed by an employer for an aggregate period of at least one to three months over a 12 -month period with the same employer and whose work is interrupted by reason of a seasonal variation in the availability of work
<i>“The Act”</i>	The Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) as amended from time to time.

2. OBJECTIVES OF POLICY

The objectives of this Policy are to: -

1. provide a framework within which the Municipality can exercise its executive and legislative authority regarding the implementation of financial aid to indigent households in respect of their municipal account.
2. determine the criteria for qualification of indigent households.
3. ensure that the criteria are applied correctly and fairly to all applicants.
4. allow the Municipality to conduct in loco visits to the premises of applicants to verify the actual status of the household.
5. allow the Municipality to maintain and publish the register of names and addresses of account holders receiving subsidies.
6. Provide for the right of appeal to the Municipal Manager.

3. SUBSIDY FOR INDIGENT HOUSEHOLDS

a. A basic level of services will be provided to qualifying households with:

- (i) a total gross income which is below a determined amount, and
- (ii) according to further specified criteria, as determined by the Municipality from time to time.

b. Indigence subsidies will be funded from the equitable share contribution made by National Treasury and as provided for in the municipal budget. The subsidy can only be credited to the qualifying customers’ accounts until the amount received by the Municipality from National Treasury and provided for in the municipal budget for this purpose, has been exhausted,

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whereupon no further credits will be made until further national funds for this purpose are received or additional funds has been provided for in the municipal budget.

- c. Subsidised services are refuse removal, sewerage and consumption service charges.
- d. Customers who qualify for an indigent subsidy must convert to pre-payment electricity meter, except for areas where electricity is not supplied by Overstrand Municipality, and a flow limiter water meter may be installed, free of charge for these customers.
- e. If a customer's consumption or use of the municipal service is less than the subsidised amount of the service, the subsidy will be limited to the lesser amount. The unused portion, if any, may not be accrued by the customer and will not entitle the customer to cash or a rebate in respect of the unused portion.
- f. If a customer's consumption or use of a municipal service is in excess of the subsidised service, the customer will be obliged to pay for such excess consumption at the applicable rates.
- g. All customers who qualify for an indigent subsidy will be considered placed on restricted service levels in order to limit further escalation of debt.
- h. Where applicable, indigent customers may be exonerated from a portion of their arrear debt.
- i. An indigent customer must immediately request de-registration by the Municipality or its authorised agent if his/her circumstances have changed to the extent that he/she no longer meets the criteria.
- j. An indigent customer may, at any time, request de-registration.
- k. A list of indigent customers will be maintained and may be made available to the general public, subject to the Promotion of Access to Information Act ("PAIA") and/Protection of Personal Information Act ("POPI Act").
- l. The applicant may not be the registered owner of more than one property. This exclusion will not be applicable if the second property is an undeveloped stand in a wetland area and where development of the erf is impossible.
- m. Councillors and municipal officials do not qualify for any benefit in terms of this Policy, except for Temporary employees/EPWP workers not appointed on a permanent basis, who qualify for the subsidy according to the Indigent criteria as set out in section 5 below retrospectively from 1 July 2023.
- n. The costs in respect of the informal settlements in connection with supply charges and 70 kWh for electricity will be recovered from the equitable share.

4. PRINCIPLES OF POLICY

- a. The administrative integrity of the Municipality must be maintained at all costs. The democratically elected councillors are responsible for the approval of this policy, while it is the responsibility of the Municipal Manager to ensure the execution of this policy.
- b. Applicants must complete an official application form, which is to be submitted together with the supporting documents as specified in this policy.
- c. Application forms, agreements and documents relating to this Policy must be available in Afrikaans, English and isiXhosa.
- d. The customer is entitled to an efficient, effective and reasonable response to appeals, and should suffer no disadvantage during the processing of a reasonable appeal.
- e. Compliant applications received before the 15th of a particular month will be considered for subsidy for that account levied for the month.

5. CRITERIA OF SUBSIDY

The subsidy for needy households is recognised for purposes of receiving an indigent subsidy.

- i) The total income of the Occupier may not be more than four times the Government State Old Age pension amount plus R1 per month.

The following grants should not be added to the qualifying income threshold:

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- (a) additional grant for persons older than 70 years
 - (b) disability grant
 - (c) war veteran's grant
 - (d) care dependency grant
 - (e) foster child grant
 - (f) child support grant
 - (g) grant-in-aid
 - (h) social relief of distress
 - (i) the municipal manager shall have the discretion to allow a deduction of contributions to a medical aid fund from the total income of the Occupier in the case of pensioners older than 60 years.
 - (j) If the applicant is a seasonal/quota worker the income limits shall be calculated over a period of one year to approximate a monthly income.
- ii) Average monthly units purchase of electricity over the previous 3 months may not exceed 500 kWh.
- iii) Average monthly consumption of water over the previous 3 months may not exceed 20 kl, or
A flow limiter meter will be installed immediately on application for a flow limiter meter and flow will be limited to a maximum of 20 kl per month.
- iv) Occupy the property as his/her primary residence.
- v) Must be a South African citizen; and
- vi) The recipient of an indigent benefit in terms of this policy must not be the registered owner of more than one property, except if the second property is an undeveloped stand in a wetland area where development of the erf is impossible.
- vii) The property must only be used for residential purposes.
- viii) Beneficiaries of a government funded human settlement initiative who are the occupant(s) of the property will be registered as indigents automatically effective from the date of this policy but will be required to re-apply after a period of one year.

If any of the above criteria is not complied with, the household will immediately be given notice and will lose the status of "indigent" and the subsidy will be forfeited. However, should the criteria in (ii) and (iii) above not be complied with, the household **will be given written notice** and will be allowed an opportunity to comply with the conditions set out in (ii) and (iii) within a period of three months of the date of the letter failing which will result in the household losing his/her indigent status and the subsidy will be forfeited.

Subsidy

- (i) 100% of the basic levy and capacity charge - 30Amp for electricity for one service point per month.
- (ii) 100% of the basic levy for water for one service point per month.
- (iii) 100% of the basic levy for sewage for one service point per month.
- (iv) 100% of 1 X vacuum tanker service after hours, per annum.
- (v) 100% of the basic levy for refuse removal for one service point per month.
- (vi) 100% of all the availability charges on an undeveloped property received as beneficiary of a government funded human settlement initiative provided that the subsidy will be granted for a period of two years from date of registration or until development of the property is commenced with, whichever is first.
- (vii) The first 70_kWh in the tariff block 0-350 of electricity per month shall be free of charge.
- (viii) 10 kl of water.
- (ix) 7 kl of water consumption for sewerage, or 1 x vacuum tanker per month if not able to connect to the sewer; and
- (x) R11.84 in regard of Infrastructure Levy.

6. APPLICATION FOR A SUBSIDY

A. Applications for indigent subsidy must be submitted on the prescribed application form and must be accompanied by the following documentation: -

- (i) the latest municipal account of the account holder.
- (ii) proof of the applicant's identity and an affidavit confirming responsibility for the account in the instance where the applicant is not the account holder, but reside on the property, and a letter from account holder.
- (iii) In the instance of a deceased estate, indigent applications will be considered in accordance with requirements for Deceased Estates as stipulated in the Overstrand Customer Care, Credit Control and Debt Collection Policy, inclusive of submission of the executors letter, or letter of authority from the Master/Court and a letter from the relatives of the deceased confirming responsibility for the account and In the instance of a child headed household, also a report from a social worker,
- (iv) proof of the total gross household income, e.g. a letter from his/her employer, salary slip/envelope, pension card, unemployment insurance fund (UIF) card
- (v) in the case of a beneficiary of a government funded human settlement initiative, a confirmation of the beneficiary status must be obtained from the Municipality's Housing Department.

B. Incomplete forms or forms without the required documentation attached thereto will be rejected.

7. SWORN STATEMENT

The applicant must complete the sworn statement that forms part of the application form. Failure to do so will render the application invalid.

8. CONVERSION OF CONVENTIONAL ELECTRICITY METER

The applicant must agree to the conversion to pre-payment electricity meter and flow limiter water meter. Refer clause 3(d) of Policy.

9. PUBLICATION OF NAMES

The applicant must grant permission for the Municipality to publish his/her name and address on a list of account holders receiving subsidies in terms of this Policy. Refer clause 3(k) of Policy.

10. FALSE OR MISLEADING INFORMATION

A person who provides false information will be disqualified and be refused further participation in the subsidy scheme. In addition, he/she may be held liable for the immediate repayment of any subsidies already granted and legal action may be instituted against the guilty party/parties. A person who provides misleading information may only apply again for Indigent Subsidy after a period of 12 months.

11. CALCULATION OF SUBSIDY

- a. The subsidies below will be funded from the "equitable share" contribution received from National Treasury, plus an amount from the Municipality's own income as budgeted for in the financial year in question. The subsidies will only be granted to qualifying households to the extent that the above-mentioned funds are available for allocation.
- b. The accounts of qualifying applicants are credited monthly by the subsidies calculated in section 5.

12. VERIFICATION AND AMNESTY PERIOD

The Municipality reserves the right to send officials and/or representatives of the Municipality to the household or site of the recipient(s) of a subsidy at any reasonable time with the aim of carrying out an ongoing audit on the accuracy of the information provided.

Further verification may, among other measures, include the use of an electronic indigent verification system and the submission of the indigent register to an external assurance provider for independent verification and testing of indigent status. This process shall be undertaken at least once per annum.

13. DURATION OF SUBSIDY

- a. If an application is approved, the subsidy will be applicable up until the equitable share contribution made from the National Governments' fiscus and as provided for in the municipal budget is depleted.
- b. The municipality will at least annually, verify the status of the indigent households to confirm that the requirements as per the indigent policy are still met. The subsidy will be cancelled with immediate effect in the absence of proof that the criteria is still met. Pensioners older than 60 years will not be required to re-apply annually, instead the municipality will verify their indigent status every three years.
- c. If the Municipality obtains information that indicates that the circumstances of the applicant have changed to such an extent that he/she no longer qualifies for the subsidy, the Municipality reserves the right to cancel the subsidy immediately.
- d. If any of the criteria, as set out in 5, is not complied with anymore, the onus is on the recipient of the subsidy to notify the Municipality within 7 days after such criteria is no longer complied with. If a recipient cannot write, a designated official must be informed in person.
- e. If any of the above criteria is not complied with, the household will immediately be given notice and will lose its Indigent status, and the subsidy will be forfeited.
- f. In the case of misrepresentation or false declaration, including subsidy recipients of qualifying properties, the Municipality reserves the right to refuse the approval of the subsidy and to recover any subsidy amount if already granted and may institute appropriate legal action civil or otherwise, against guilty party(ies).

14. ACCOUNTS IN ARREAR

Applicants, whose municipal accounts show arrear amounts at the time of the application for a subsidy, will have to make arrangements with the Municipality for paying off the amounts in arrears.

15. REGISTER

- a. The Municipality will compile a register of households that qualify as "indigent".
- b. The register will be updated continually and reconciled with the relevant subsidy account in the general ledger on a monthly basis.
- c. The Chief Financial Officer must report monthly to the Municipal Manager and Quarterly to Council on the total number of registered indigents qualifying for free basic services.

16. ENCOURAGEMENT

Councillors should encourage ratepayers/customers in their various wards to apply for participation in the indigent subsidy scheme.

Public awareness is key to maintaining fairness and ensuring that all qualifying beneficiaries are registered, and will be done through:

- Public education drives as part of the annual budget process;

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- Social media posts and information sharing on the municipality's website, monthly bulletin and through bulk sms's
- Community outreach programmes and house visits

17. STAKEHOLDERS

Stakeholders will include the following parties:

- Council
- Ward Committee Workers
- Municipal Officials
- Community
- Cooperative Governance and Traditional Affairs (CoGTA)
- National Treasury; and
- Others as may be identified

The address and department details responsible for the implementation and application of the Indigent Policy will be:

Official: Senior Accountant Collections

Tel: 028 313 8000

E-mail: enquiries@overstrand.gov.za

18. REVIEW AND IMPLEMENTATION PROCESS

This policy will come into effect on 01 July 2026.

This policy will be reviewed at least annually or when required by way of a Council resolution.

POLICY SECTION:	DIVISIONAL MANAGER: REVENUE MANGEMENT	
CURRENT UPDATE	25 SEPT 2025	
PREVIOUS REVIEW	29 MAY 2025	
PREVIOUS REVIEW	25 SEPT 2024	
PREVIOUS REVIEW	31 MAY 2024	
PREVIOUS REVIEW	01 FEB 2024	
PREVIOUS REVIEW	26 JULY 2023	



SPECIAL RATING AREA POLICY

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OVERSTRAND MUNICIPALITY – SPECIAL RATING AREA POLICY

1. DEFINITIONS

In this Policy words or expressions shall bear the meaning assigned to them and, unless the context otherwise indicates –

"Additional rate"	means a rate as contemplated in sections 19(1)(d) and 22(1)(b) of the MPRA read together with section 10 of the Municipality's Property Rates Policy and section 12(2) of the Municipality's Special Ratings Area By-law, which Additional Rate shall be determined on an annual basis by the Municipality and shall be a debt due to the Municipality by the registered owner of a property within the SRA, and collected in the same manner as other property rates imposed by the Municipality.
"applicant"	means any owner who makes an application for the determination of a special rating area in accordance with Chapter 1 of the By-law, or if a management body is established in terms of section 10 thereof, any reference to "the Applicant" means the management body.
"Business plan"	means a motivation report, implementation plan and term budget as contemplated in section 10 of the By-law.
"By-law"	means the Overstrand Municipality: Special Rating Area By-law.
"CFO"	means the Chief Financial Officer
"Companies Act"	means the Companies Act, 2008 (Act No. 71 of 2008), as amended or replaced;
"Council"	means the Council of the Overstrand Municipality
"IDP"	means Integrated Development Plan
"majority"	means the majority of property owners as contemplated in 6.5 and 6.6 of the Policy.
"Management body"	means the management body of a special rating area to be established in accordance with the provisions of section 11 of the By-law; "owner" has the meaning assigned to it in section 1 of the Property Rates Act;
"non-profit company"	defined as a non-profit company with members as defined in section 1 of the Companies Act No 71 of 2008
"Policy"	means the Policy for the determination of special rating areas, or any other policy adopted by the Council in relation to special rating areas, as in force from time to time.
"Property Rates Act"	means the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004);
"Rateable property"	has the meaning assigned to it in section 1 of the Property Rates Act.
"Special rating area" or "SRA"	means a special rating area approved by the Council in accordance with the provisions of section 22 of the Property Rates Act;
"Steering committee"	means the steering committee of a special rating area to be established in accordance with the provisions of paragraph 9.1.1 of the Policy;
"Term budget"	means the budget of the management body contemplated in section 6 of the By-law.

2. INTRODUCTION

- 2.1 This Policy for the establishment of special rating areas must be read together with the Property Rates Act and the By-Law.
- 2.2 All words and phrases defined in the Property Rates Act and the By-law have the same meaning in this Policy.
- 2.3 In the event of any conflict between the provisions of the By-law and the provisions of this Policy, the By-law prevails.
- 2.4 The Policy should at all times be read together with the Rates Policy of Overstrand Municipality.

OVERSTRAND MUNICIPALITY – SPECIAL RATING AREA POLICY

3. AIM OF THE POLICY

This Policy aims to –

- 3.1 set out Council's position on special rating areas and the factors that will influence Council's decision whether or not to determine a particular special rating area,
- 3.2 provide guidance to members of the local community and to decision- makers within the Overstrand Municipality in relation to the establishment of special rating areas,
- 3.3 strike an appropriate balance between facilitating self-funded community initiatives that aim to improve and/or upgrade neighborhoods by making use of a non-profit company ("**NPC**") structure as contemplated in the Companies Act, which is referred to in the By-law as "the management body"; and ensure commitment to good, fair and transparent governance by the management body as defined in the By-law, by implementing a transparent process when appointing service providers to improve and/or upgrade the special rating area in the public areas and ensuring that these improved and/or upgraded services are not provided for private properties.

4. EXCLUSION

This Policy does not apply to privately-owned property developments.

5. POLICY STATEMENT

- 5.1 The special rating area model is based on international best practice. It is aimed at preventing the degeneration of towns and the consequential urban decay, and facilitating their upliftment, economic growth and sustainable development.
- 5.2 The purposes of a special rating area are to –
 - 5.2.1 enhance and supplement the **municipal services** provided by the Overstrand Municipality.
 - 5.2.2 facilitate investment in the special rating area.
 - 5.2.3 facilitate a co-operative approach between the Municipality and the private sector in the provision of municipal services.
 - 5.2.4 halt the degeneration and facilitate the upliftment of distressed business and mixed-use areas; and
 - 5.2.5 promote economic growth and sustainable development and in this way assist the Council in the fulfilment of its objects and developmental duties as set out in its Integrated Development Plan ("**IDP**").
- 5.3 The Overstrand Municipality recognises special rating areas as a potential tool for assisting it to fulfill its constitutional and statutory obligations to allow property owners within a geographical area to improve and upgrade their area by means of a property rate in addition to the standard property rate.
- 5.4 The Overstrand Municipality does not see its role as advocating or initiating the establishment of special rating areas, but rather facilitating the process with guidance and advice and assisting and helping to capacitate management bodies

OVERSTRAND MUNICIPALITY – SPECIAL RATING AREA POLICY

6. FACTORS CONSIDERED WHEN DETERMINING A SPECIAL RATING AREA

The Council will consider determining a special rating area where the requirements of section 22 of the Property Rates Act are complied with, including that-

- 6.1 the purpose of the special rating area is to allow an additional rate to be levied on property in the defined area to raise funds for improving or upgrading the area.
- 6.2 the special rating area will not be used to reinforce existing inequities in the development of the Overstrand's area of jurisdiction.
- 6.3 the determination of the special rating area is consistent with the IDP.
- 6.4 residential special rating areas mean an area in which more than 40% (forty percent) of the rates base value consists of Residential Property as defined in the Municipalities Rates Policy.
- 6.5 any residential special rating area must comply fully with the provisions of the By-law, save that, with reference to the majority support, the applicant must provide written proof to the Council that owners of rateable property within the boundary of the special rating area who own not fewer than 50% (fifty percent) plus 1 in number of such properties, approve the formation of the special rating area. Each owner shall have one vote for purposes of supporting the special rating area.
- 6.6 any non-residential special rating area must comply fully with the provisions of the By-law, save that, with reference to the majority support, the applicant must provide written proof to the Council that owners of rateable property within the boundary of the special rating area who own not fewer than 50% (fifty percent) plus 1 in number of such properties, approve the formation of the special rating area;
- 6.7 the procedural requirements of section 22 of the Property Rates Act as well as the By-law and the Policy, are complied with, including the community consultation requirement, as determined by the CFO;
- 6.8 the proposed improvement or upgrade has been clearly and fully defined;
- 6.9 the proposed improvement or upgrade can be clearly and logically linked to a geographical area, the boundaries of which can be clearly determined;
- 6.10 there is evidence that it will be financially viable to use a special rating area to raise funds for the proposed improvement or upgrade.
- 6.11 Overstrand is satisfied with the institutional arrangements proposed in respect of the special rating area; and
- 6.12 ultimately, the decision whether or not to determine a special rating area rest with the Council in its sole discretion.

7. APPLICABILITY OF THE OVERSTRAND MUNICIPALITIES RATES POLICY AND OTHER POLICIES

- 7.1 The Overstrand Municipality's rates policy applies with the necessary changes to this Policy. In particular, and without limiting the generality of the afore-going, Section 17 of the Property Rates Act, the exemptions, rebates and reductions set out in the Rates Policy apply with the necessary changes in relation to the levying of an additional rate for special rating area purposes.
- 7.2 Notwithstanding the provisions of paragraph 7.1 above, when the Municipality grants a partial rebate as set out in the Rates Policy, the relevant property owner will be granted a full (100%) rebate in relation to the additional rate.

OVERSTRAND MUNICIPALITY – SPECIAL RATING AREA POLICY

- 7.3 Other policies approved by the Council apply with the necessary changes to the collection of additional rates in terms of the Policy, the By-Law and section 22 of the Property Rates Act, including, but not limited to, the Overstrand Municipality Credit Control and Debt Collection Policy.

8. PROCESS

This Policy sets out –

- 8.1 the institutional arrangements for special rating areas (paragraph 9),
- 8.2 the establishment principles (paragraph 10),
- 8.3 the information to be included in the business plan which needs to be submitted to the Overstrand Municipality in order to motivate a request for determination of a special rating area (paragraph 11),
- 8.4 the annual requirements for Special Rating Areas (paragraph 12),
- 8.5 the amendment and/or extension of term for special rating area (paragraph 13 and paragraph 14),
- 8.6 the dissolution requirements which must be followed (paragraph 15) and
- 8.7 the financial arrangements (paragraph 16).

9. INSTITUTIONAL ARRANGEMENTS

Section 22 of the Property Rates Act is not prescriptive as to the structural arrangements which need to be put in place to administer a special rating area. The structural arrangements that will be supported by the Overstrand Municipality are the following:

9.1 Administration by a NPC

- 9.1.1 The ratepayers within the special rating area must establish and participate in an appropriate structure to carry out planning, contracting, financial control and administrative functions within the special rating area, in order to manage and implement the services and upgrades.
- 9.1.2 This structural arrangement does not entail ratepayers *setting* the additional rate, which under law can only be done by the Council.
- 9.1.3 Councilors who are actively involved in pursuing and promoting the establishment of a special rating area must recuse themselves when Council considers the application for establishment of a special rating area.
- 9.1.4 Amongst other reasons, because funds collected by government are placed in the hands of the private sector through this structural arrangement, the requirements set out in this Policy must be met.
- 9.1.5 The functions of the structure would include:
 - (a) determining the funding required each year (paragraph 16.2),
 - (b) appointing contractors subject to the procurement process applicable to the Municipality to effect the improvement/s or upgrade/s and
 - (c) receiving the additional rate collected by the Overstrand Municipality and expending the funds in accordance with the approved business plan.

OVERSTRAND MUNICIPALITY – SPECIAL RATING AREA POLICY

9.2 Structural requirements:

- 9.2.1 Before Overstrand Municipality will consider allowing ratepayers in a special rating area to carry out administrative and other functions in relation to the area, the Steering Committee must establish a non-profit company ("**NPC**") in terms of the Companies Act for that purpose.
- 9.2.2 The inaugural memorandum of incorporation ("**MOI**") of the NPC must be aligned with the prescribed format determined by the CFO; and any amendments thereto must be approved by the CFO.
- 9.2.3 The NPC must be managed in terms of the Companies Act, and must also comply with any other legislation as a result of the financial connection to Council.
- 9.2.4 The NPC must have at least 3 (three) directors, each with specific portfolio(s) aligned with the business plan.
- 9.2.5 The Executive Mayor will appoint councilor(s) as director(s) and alternate director(s) as representative(s) of the Municipality, who shall attend and participate in, but not vote at meetings of the management body, to the board of the management body in accordance with sections 11(4) and 11(5) of the By-law. The director(s) appointed by the Executive Mayor will not have the powers and duties of directors as set out in the Companies Act and the management body's MOI.
- 9.2.6 The NPC must give a written notice to all the affected property owners within the special rating area of the intention to hold a members meeting within six months of the establishment of the NPC and thereafter an annual general meeting ("**AGM**") (paragraph 12.2) on the date stated in the notice by advertising in one English and one Afrikaans daily newspaper and must also give notice in a community (local) newspaper to accommodate other official languages where applicable; and
- 9.2.7 The purpose of the meetings referred to in paragraph 9.2.6 will be to, amongst other items on the agenda:
 - (a) appoint directors, other than the director(s) appointed in terms of paragraph 9.2.5;
 - (b) amend the NPC's MOI if required and with prior written consent of the CFO; and
 - (c) approve the following year's budget and implementation plan (paragraph 16.2).

10. ESTABLISHMENT PRINCIPLES OF A SPECIAL RATING AREA

The process for establishing special rating areas as set out in Chapter 1 of the By-law, must be followed.

10.1 Initiation Phase

- 10.1.1 The applicant must form a steering committee that is representative of property owners within the proposed special rating area.
- 10.1.2 The Steering Committee must keep a comprehensive portfolio of evidence of the establishment process.
- 10.1.3 The Steering Committee must meet with the CFO before commencing with the establishment process to ensure that the special rating area is the appropriate vehicle.

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- 10.1.4 All documents relating to the establishment process must be approved by the CFO before circulating them to the public.
- 10.1.5 After the Steering Committee confirms in writing that it will engage in the pursuit of establishing a special rating area it must supply the Overstrand Municipality with a map depicting the boundaries of the special rating area.
- 10.1.6 The Overstrand Municipality will extract a property database which the Steering Committee, with the assistance of the Municipality, must verify as correct. Any anomalies must be reported to the Municipality for remedial action.
- 10.1.7 All properties except municipal properties predominantly used for municipal purposes or properties exempted from paying property rates or receiving partial rates relief (paragraph 7.1) will form part of the property database of the proposed special rating area.
- 10.1.8 After the **[Overstrand Municipality]** CFO has prepared a total arrears profile of the area and is satisfied with the outcome thereof the Steering Committee may proceed with the establishment process.
- 10.1.9 The Steering Committee will be required to conduct an urban management survey (only one survey per property owner) of not less than **[20%] 25%** of properties in the database (proportional split in terms of the usage code is required). **[In addition, a random sample of people within the area, which is equal in number to not less than 5% of the properties in the database, is also required.]** Where a reduction in the number of survey forms is required, it may be motivated for consideration by the CFO.
- 10.1.10 The Steering Committee must consult with the respective Overstrand Municipality Directorate(s) regarding the current service(s) provided and the levels thereof as well as the SRA anticipated service(s) and level thereof.
- 10.1.11 The Steering Committee must compile a business plan in accordance with the provisions of paragraph 11 of this Policy.

10.2 First Public Meeting

- 10.2.1 The public meeting must be conducted in accordance with section 5 of the By-law.

10.3 Obtaining Support

- 10.3.1 Support may only be obtained after the public meeting and on the consent form provided by the Overstrand Municipality. The process of obtaining support must be concluded within 30 days after the public meeting.
- 10.3.2 All support forms must be filed and cross-referenced to the property database in terms of paragraph 10.1.6 of the Policy to verify the accuracy thereof.
- 10.3.3 Any property owner that wants to object to the establishment of a special rating area or to the provisions of the business plan can do so by indicating it on the consent form. The objector will be required to submit an objection letter once an application for the establishment of a special rating area is submitted to Council.

10.4 Application

- 10.4.1 An application must be submitted in terms of paragraph 11 of this Policy.
- 10.4.2 The application must be advertised in terms of paragraph 9.2.6 and also set a date for a second public meeting to occur not more than twenty days or less than seven days before the objection period closes.

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10.4.3 Prior to submitting an application the Steering Committee will be required to set up a website that displays the following:

- application letter
- business plan
- urban management perception report
- public meeting presentations and minutes
- By-law
- Policy
- SRA frequently asked questions
- notices; and
- blank consent / objection form.

10.4.4 The special rating area application must be submitted by 30 September of the financial year preceding the establishment of the special rating area. The CFO may extend this date if a properly motivated request is received. This will depend on Council's ability to accommodate the late application within the budget process.

10.5 Objections

10.5.1 **[Consents and o]** Objections will be considered only if they are submitted to Council by the last day specified in the application notice.

10.5.2 Property owners objecting to the establishment of a special rating area in terms of paragraph 10.3.3 must do so in writing and include a motivation for their objection.

10.5.3 The Steering Committee must engage with all the objectors and provide them and Council with minutes of these meetings. The objector/s will be allowed to respond to the minutes.

10.5.4 Any property owner who wants to make oral representations for submission to Council in terms of section 7(4) of the By-law will be assisted by an official to document this for inclusion in the report to be considered by Council.

10.6 Inaugural Phase

10.6.1 The process and appointment of all service providers must be communicated to the property owners on the NPC's website and in newsletters.

10.6.2 The application form to become a member of the NPC must also be available on the website.

10.6.3 Any special rating area that is approved more than nine months prior to the effective date may:

10.6.3.1 delay the implementation of the special rating area and commence with year two of the business plan. This will imply that the term is effectively reduced by one year; or

10.6.3.2 implement the original business plan.

11. BUSINESS PLAN CONTENT

The business plan comprises of the following:

- a motivation report
- an implementation plan and
- a term budget.

11.1 Motivation report

The motivation report must contain the following:

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11.1.1 Introduction:

- 11.1.1.1 an executive summary of the improvement or upgrade proposed for the special rating area as set out in the business plan;
- 11.1.1.2 an explanation of how the proposed improvement or upgrade is linked to the geographical area of the proposed special rating area;
- 11.1.1.3 an explanation of why the proposed special rating area will not reinforce existing inequities in the development of the Overstrand Municipality;
- 11.1.1.4 an explanation of how the special rating area, if determined, will be consistent with the Overstrand Municipalities IDP as per the Service Departments' business plans;
- 11.1.1.5 an explanation of the institutional arrangements proposed in relation to the special rating area;

11.1.2 Vision

11.1.3 Mission

11.1.4 Goal

11.1.5 A diagram clearly indicating the boundaries of the proposed special rating area.

11.1.6 Proposed management structure:

- composition of special rating area board including allocation of portfolios; and
- operational arrangements.

11.1.7 Services:

11.1.7.1 Service providers to be appointed as contemplated in paragraphs 2.1.4 and 9.6.1.

11.1.8 Financial Impact:

- provide details regarding the calculation of the additional rate;
- provide details of criteria to qualify for exemption from paying the additional rate as per paragraph 10.1.7

11.1.9 A list of all rateable properties within the proposed special rating area, contact details of all property owners and the value of each property as set out in the Council's general valuation roll. Differentiation between categories of properties, as provided for in section 8 of the Property Rates Act, must be considered.

11.1.10 Proof of the consent of the majority of the members of the local community in the proposed special rating area who will be liable for paying the additional rate.

11.1.11 Proof of the notice of the public meeting or meetings contemplated in the By-law.

11.1.12 Minutes of the public meeting or meetings; and

11.1.13 Compilation date.

11.2 Implementation plan

The implementation plan is a schedule of goals to implement improvements or upgrades as per the motivation report and must at least address the following:

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- 11.2.1 Milestones;
- 11.2.2 Tasks per milestone;
- 11.2.3 Start and finish date per task;
- 11.2.4 Assign responsibility per goal, milestone & task; and
- 11.2.5 Performance indicators per milestone.

11.3 Term budget

- 11.3.1 The budget for the proposed improvements or upgrades must at least address the following:
 - 11.3.1.1 an annual budget per line item commencing on 1 July of the first year and ending on 30 June of the last year of the term; and
 - 11.3.1.2 a budget split for the provision of improvements or upgrades between the different categories of properties.
- 11.3.2 subject to the provisions of the Property Rates Act, the additional rate in any category of property must not exceed 25% of the municipal property rate. Any deviation must be fully motivated to Council for consideration.

12. ANNUAL REQUIREMENTS

- 12.1 The NPC must confirm the property data base which the Steering Committee must verify as correct or report anomalies to the Overstrand Municipality for remedial action.
- 12.2 The NPC must hold its AGM before 31 December as per the MOI requirements.
- 12.3 Within two months of the end of each financial year the NPC must provide the CFO with its Audited Financial Statements for the immediately preceding year.
- 12.4 Within three months after the AGM the NPC must provide Council with its audited Financial Statements for the immediately preceding year and an Annual Report on its progress in carrying out the provisions of the Business Plan in the preceding year to improve and upgrade the Special Rating Area.
- 12.5 The NPC must submit an annual budget and implementation plan for comment by the CFO before approval at the AGM (paragraph 16.2), and ensure that -
 - 12.5.1 the quantum of financial reserves is not less than two months of revenue received from the Overstrand Municipality in terms of the approved budget per SRA except if these funds have been duly allocated to a project.
 - 12.5.2 the implementation plan is aligned with the proposed budget.
- 12.6 The submission of the annual budget and implementation plan as referred to in paragraph 12.5 will be subject to approval by Council during the municipalities annual budget process.
- 12.7 The NPC must by 31 January each year provide the CFO with a mid- year performance scorecard based on the activities set out in the implementation plan.
- 12.8 The NPC will within one month after the AGM provide the CFO with draft minutes of the AGM to ensure compliance with the legal requirements.

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13. AMENDMENT TO THE BUSINESS PLAN

- 13.1 In the event that a NPC seeks to amend the boundaries of the SRA and/or the business plan content then the procedures set out in section 14 of the By-law must be followed and submitted by 30 September.
- 13.2 The following factors, although not limited to, must be addressed in the motivation:
- explanation of impact on costs, budget and implementation plan expectations
 - cross subsidisation by existing members
 - fairness and equity
 - affordability and sustainability of the existing SRA
 - intention of the legislation prescribing that all property owners; must be allowed to participate in the formation of a SRA
 - priorities of the new area may differ from the existing SRA priorities; and
 - arrears profile
- 13.3 The boundary changes must not affect the vested rights of existing property owners as per the Business Plan.
- 13.4 Boundary changes are subject to the following criteria:
- 13.4.1 Obtaining by special resolution the support from existing NPC members at a members meeting before expansion is pursued;
- 13.4.2 Determining the profile of the new total SRA as it could change from non-residential to residential and vice versa;
- 13.4.3 Obtaining the required majority support from the property owners in the new area only, based on the determination referred to in paragraph 13.4.2.
- 13.4.4 Any geographical boundary changes must be continuous with the existing SRA geographical area.
- 13.5 Property owners in the new area must follow the establishment process as per Chapter 1 of the By-law.

14. EXTENSION OF THE SRA TERM

In the event that a NPC seeks to extend the term of the special rating area for a further period then the procedures set out in section 15 of the By-law must be followed.

15. DISSOLUTION

The special rating area may be dissolved by resolution of the Council in terms of section 16 of the By-law. Thereafter the management body may be wound up in terms of the provisions of section 16 of the By-law and the NPC's MOI.

16. FINANCIAL CONTROL

- 16.1 As stated in the By-law, the amount of any additional rate levied in a special rating area is determined by Council. The additional rate is imposed by the Council, is a debt

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owing to the Overstrand Municipality and is payable and collected in the same manner as other property rates imposed by the Council.

- 16.2 The NPC must submit an annual budget as approved at an AGM or Special General Meeting ("**SGM**") to the Overstrand Municipality by 31 January, with appropriate motivation including an implementation plan for the next financial year, and the Council will consider the recommendation during its budgeting process.
- 16.3 Before the Overstrand Municipality will pay over any additional rate collected to the NPC, the NPC and the Overstrand Municipality must have concluded a written finance agreement regulating, amongst other things:
- 16.3.1 the mechanisms and manner of payment;
- 16.3.2 how the additional rate is to be held by the NPC;
- 16.3.3 any parameters relating to expenditure; and
- 16.3.4 any obligations on the NPC to take out and maintain appropriate insurance.
- 16.4 The CFO may request a forensic audit should he deem it necessary.
- 16.5 The CFO may request a special board meeting.
- 16.6 The CFO may amend the percentage retained as a provision for bad debt for SRA's with high arrears, as contemplated in the Finance Agreement concluded between the Overstrand Municipality and each SRA, should he/she deems it necessary.

17. COMMENCEMENT AND IMPLEMENTATION

- 17.1 This Policy will come into effect on **1 July 2026**.
- 17.2 Where the Overstrand Municipality is legally empowered to do so, requirements set out in this Policy may be imposed as conditions attached to the determination of a special rating area.
- 17.3 This Policy and its implementation must be reviewed annually.

18. COSTS

Unless otherwise agreed by the Municipal Manager or his/her nominee, the Overstrand Municipality shall not be liable for any costs incurred by ratepayers within the relevant proposed special rating area in respect of the implementation of the steps set out in this Policy and in the By-law.

19. SHORT TITLE

This policy will be referred to as the **Special Rating Area Policy of the Overstrand Municipality**.

POLICY SECTION:	DIVISIONAL MANAGER : REVENUE MANGEMENT
CURRENT UPDATE:	29 MAY 2025
PREVIOUS REVIEW:	31 MAY 2024
PREVIOUS REVIEW:	31 MAY 2023
PREVIOUS REVIEW:	31 MAY 2022
PREVIOUS REVIEW:	26 MAY 2021
PREVIOUS REVIEW:	27 MAY 2020
PREVIOUS REVIEW:	29 MAY 2019
PREVIOUS REVIEW:	30 MAY 2018

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PREVIOUS REVIEW:	31 MAY 2017
APPROVAL BY COUNCIL:	25 MAY 2016



ASSET MANAGEMENT POLICY

GENERAL EXPLANATORY NOTE:

[] Words in bold type in square brackets indicate omissions from existing enactments.

 Words underlined with a solid line indicate insertions in existing enactments.

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1. OBJECTIVE

- 1.1. To ensure the effective and efficient control of the municipality's assets through:
 - 1.1.1 proper recording of assets from authorisation to acquisition and to subsequent disposal;
 - 1.1.2 providing for safeguarding procedures;
 - 1.1.3 setting proper guidelines as to authorised utilisation; and
 - 1.1.4 prescribing for proper maintenance.
- 1.2. To assist officials in understanding their legal and managerial responsibilities with regard to assets.

2. BACKGROUND

- 2.1. The proper utilization and management of its assets is one of the prime mechanisms by which a municipality can fulfil the constitutional objects for:
 - 2.1.1 Delivery of sustainable services;
 - 2.1.2 Promotion of Social and economic development;
 - 2.1.3 Promoting a safe and healthy environment and,
 - 2.1.4 Providing for the basic needs to the community.
- 2.2. The municipality has a legal and moral obligation to ensure it implements policies to provide for the effective and efficient usage of its assets over the useful life thereof.
- 2.3. The asset management policy deals with the municipal rules required to ensure the enforcement of appropriate stewardship of assets.
- 2.4. Stewardship has three components being the:
 - 2.4.1. Management, utilization and control by municipal officials;
 - 2.4.2. Financial administration by the Director: Finance, and
 - 2.4.3. Physical administration by the Manager: Expenditure & Asset Management.
- 2.5. Statutory provisions exist to protect public property against arbitrary and inappropriate management or disposal by a municipality.
- 2.6. Accounting standards are set to ensure the appropriate financial treatment for property, plant or equipment. The requirements of these accounting standards include:
 - 2.6.1. The compilation of asset registers recording all assets controlled by the municipality;
 - 2.6.2. Accounting treatment for the acquisition, disposal, recording and depreciation of property, plant or equipment, and
 - 2.6.3. The standards to which these financial records must be maintained.

3. DEFINITIONS

“Accounting Standards Board”	<i>was established by the Public Finance Management Act to set standards of Generally Recognized Accounting Practice (GRAP) as required by the Constitution of the Republic of South Africa.</i>
“Amortization”	<i>is the systematic allocation of the depreciable amount of an intangible asset over its useful life.</i>
“Assets”	<i>are resources controlled by the municipality as the result of past events and from which future economic benefits or future service potential are expected to flow to the municipality and for the purpose of this policy refers to property, plant and equipment but excludes Investment Properties.</i>
“Assets below capitalization threshold”	<i>are items of assets that are not significant enough for financial recognition but are valuable enough to warrant special safeguarding, previously referred to as Control Items.</i>
“Asset categories”	<i>are the asset categories as per the Overstrand Asset Register.</i>
“Basic Municipal Services”	<i>means the amount or level of any municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety of the environment and for this Policy includes, but is not restricted to electricity, refuse collection, sanitation, local roads, storm water drainage, fire services and water services.</i>
“Capitalization”	<i>is the recognition of expenditure as an Asset in the Financial Asset Register.</i>
“Carrying amount”	<i>is the amount at which an asset is included in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment thereon.</i>
“Cost”	<i>is the amount of cash or cash equivalents paid or the fair value of the other consideration given or received to acquire an asset at the time of its acquisition or construction.</i>
“Cost of acquisition”	<i>is all the costs incurred in bringing an asset item to the required condition and location for its intended use.</i>
“Depreciation”	<i>is the systematic allocation of the depreciable amount of an asset over its useful life.</i>
“Depreciable amount”	<i>is the cost of an asset, or other amount substituted for cost in the financial statements, less its residual value.</i>
“Director”	<i>is the “head of each Directorate” that has the functional accountability for and control of the physical management of a particular set of assets in order to achieve the municipality’s strategic objectives relevant to that directorate. The execution of this responsibility will require the relevant asset manager to control the acquisition, utilization, management and disposal of this set of assets to optimize the achievement of these objectives.</i>

“Disposal”	<i>in relation to a capital asset, includes: (a) the demolition, dismantling or destruction of the capital asset; or (b) any other process applied to a capital asset which results in loss of ownership of the capital asset otherwise than by way of transfer of ownership.</i>
“Fair value”	<i>is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm’s length transaction.</i>
“Finance Lease”	<i>is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.</i>
“Financial asset register”	<i>is the control register recording the financial and other key details for all municipal assets recognized in accordance with this policy.</i>
“Fixed Asset”	<i>(also referred to as a “non-current asset”) is an asset with an expected useful life greater than 12 months and includes moveable and immovable assets.</i>
“Grantor”	<i>is the entity that grants the right to use the service concession asset to the operator.</i>
“Heritage Assets”	<i>are assets defined as culturally, environmental, historical, natural, scientific, technological or artistic significant and are held indefinitely for the benefit of present and future generations. Examples are works of art, historical buildings and statues.</i>
“Immovable Assets”	<i>are fixed structures such as roads, tied to the land, as well as immovable property – land and buildings, meaning it cannot physically be moved somewhere else. A plant that is built-in to the fixed structures and is an essential part of the functional performance of the primary asset is considered an immovable asset (though it may be temporarily removed for repair).</i>
“Impairment loss” of a cash-generating asset	<i>is the amount by which the carrying amount of an asset exceeds its recoverable amount.</i>
“Impairment loss” of a non-cash-generating asset	<i>is the amount by which the carrying amount of an asset exceeds its recoverable service amount.</i>
“Infrastructure assets”	<i>are defined as any assets that are part of a network of similar assets. Examples are roads, water reticulation schemes, sewerage purification and trunk mains.</i>
“Intangible assets”	<i>are defined as identifiable non-monetary assets without physical substance.</i>
“Investment properties”	<i>are defined as properties that are acquired for economic and capital gains.</i>
“Mandated Function”	<i>involves the delivery of a public service by an operator on behalf of a grantor that falls within the grantor’s mandate.</i>

“Minor Assets”	<i>are moveable assets with the exception of items specifically excluded in Annexures 1, 2 & 3 of this Policy</i>
“Movable Assets”	<i>are the stock of equipment owned or leased by the municipality such as office equipment and furniture, motor vehicles and mobile plant.</i>
“Operator”	<i>is the entity that uses the service concession asset to provide a mandated function subject to the grantor’s control of the asset.</i>
“Organ of State”	<i>in terms of this policy, means – (a) a national department or national public entity; (b) a provincial department or provincial public entity; (c) a municipality or municipal entity; or (d) any other organ of state within the meaning assigned to "organ of state" in section 239 of the Constitution.</i>
“Other assets”	<i>are defined as assets utilized in normal operations. Examples are plant and equipment, motor vehicles and furniture.</i>
“Prescribe”	<i>means as prescribed by the Minister of Finance by regulation.</i>
“Property, plant or equipment” (PPE)	<i>Means tangible assets that: (a) are held by a municipality for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and (b) are expected to have a useful life extending for more than one financial year.</i>
“Recoverable amount”	<i>is the amount that the municipality expects to recover from the future use of an asset, including its residual value on disposal.</i>
“Residual value”	<i>is the net amount that the municipality expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.</i>
“Service concession arrangement”	<i>is a contractual arrangement between a grantor and an operator in which: (a) the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time; and (b) the operator is compensated for its services over the period of the service concession arrangement.</i>
“Service concession asset”	<i>is an asset used to provide a mandated function in a service concession arrangement that: a) is provided by the operator which: i. the operator constructs, develops, or acquires from a third party; or ii. is an existing asset of the operator; or b) is provided by the grantor which: i. is an existing asset of the grantor; or ii. is an upgrade to an existing asset of the grantor.</i>
“Useful life”	<i>is either:</i>

	(a) <i>the estimated period of time over which the future economic benefits or future service potential embodied in an asset are expected to be consumed by the municipality, or</i> (b) <i>the estimated total service potential expressed in terms of production or similar units that is expected to be obtained from the asset by the municipality.</i>

4. STATUTORY AND REGULATORY FRAMEWORK

- 4.1. This policy must comply with all relevant legislative requirements including:
- 4.1.1 The Constitution of the Republic of South Africa, 1996
 - 4.1.2 Municipal Structures Act No 117 of 1998
 - 4.1.3 Municipal Systems Act No 32 of 2000
 - 4.1.4 Division of Revenue Act (enacted annually)
 - 4.1.5 Municipal Finance Management Act No 56 of 2003
 - 4.1.6 Local Government: Municipal Asset Transfer Regulations, 2008
- 4.2. Also, this policy must comply with the standards specified by the Accounting Standards Board. The relevant currently recognized accounting standards include:
- 4.2.1 GRAP 5 Borrowing Costs
 - 4.2.2 GRAP 11 Construction Contracts
 - 4.2.3 GRAP 12 Inventories
 - 4.2.4 GRAP 13 Leases
 - 4.2.5 GRAP 16 Investment property
 - 4.2.6 GRAP 17 Property, Plant and Equipment
 - 4.2.7 GRAP 21 Impairment of Non-Cash Generating Assets
 - 4.2.8 GRAP 26 Impairment of Cash Generating Assets
 - 4.2.9 GRAP 31 Intangible Assets (Previously GRAP 102)
 - 4.2.10 GRAP 32 Service Concession Arrangements: Grantor
 - 4.2.11 GRAP 100 Discontinued Operations
 - 4.2.12 GRAP 103 Heritage Assets
 - 4.2.13 GRAP 110 Living and Non-Living Resources
- 4.3. This policy does not overrule the requirement to comply with other policies such as Supply Chain Management policy, Budget policies, **[or]** the Administration of Immovable Property policy, **the Canine (K9) Retirement & Adoption policy or other applicable policies.**

5. RESPONSIBILITIES AND ACCOUNTABILITIES

- 5.1. **The Municipal Manager** is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets.
- 5.2. **The Municipal Manager** must take all reasonable steps to ensure that:
- 5.2.1 the municipality has and maintains a management, accounting and information system that accounts for the assets of the municipality;
 - 5.2.2 the municipality's assets are valued in accordance with standards of GRAP;
 - 5.2.3 the municipality has and maintains a system of internal control of assets, including an asset register, and
 - 5.2.4 the Directors comply with this policy.

5.3. The Director: Finance is responsible to the Municipal Manager to ensure that the financial investment in the municipality's assets is properly recorded.

5.3.1. The Director: Finance must take all reasonable steps to ensure that:

- a) appropriate systems of financial management and internal controls are established and carried out diligently;
- b) the financial and other resources of the municipality are utilized effectively, efficiently, economically and transparently;
- c) any unauthorized, irregular or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct, are prevented;
- d) the systems, processes and registers required to substantiate the financial values of the municipality's assets are maintained to standards sufficient to satisfy the requirements of all statutes;
- e) financial processes are established and maintained to ensure the municipality's financial resources are optimally utilized through appropriate asset plans, budgeting, purchasing, maintenance and disposal decisions;
- f) the Municipal Manager is appropriately advised on the exercise of powers and duties pertaining to the financial administration of assets, and
- g) the Directors are appropriately advised on the exercise of their powers and duties pertaining to the financial administration of assets.

5.3.2. The Director: Finance may delegate or otherwise assign responsibility for performing these functions but will remain accountable for ensuring these activities are performed.

5.4. The Directors must take all reasonable steps to ensure that:

- 5.4.1 appropriate systems of physical management and controls are established and carried out for assets in their areas of responsibility;
- 5.4.2 the municipal resources assigned to them are utilized effectively, efficiently, economically and transparently;
- 5.4.3 the assets under their control are appropriately safeguarded and maintained to the extent necessary and that risk management systems are in place and applied;
- 5.4.4 any unauthorized, irregular or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct, are prevented;
- 5.4.5 their asset management systems and controls can provide an accurate, reliable and up to date account of assets under their control;
- 5.4.6 they are able to justify that their asset plans, budgets, purchasing, maintenance and disposal decisions optimally achieve the municipality's strategic objectives;
- 5.4.7 the purchase of assets complies with all municipal policies and procedures, including the procurement of items from the correct budget allocation;
- 5.4.8 all moveable property, plant and equipment is duly processed and identified when it is received into his/her stewardship;
- 5.4.9 all moveable assets received into his/her stewardship are appropriately safeguarded against inappropriate use or loss. This will include control over the physical access to these assets and regular asset counts to ensure any losses have not occurred. Any known losses should be immediately reported to the Director: Finance, and
- 5.4.10 assets are appropriately utilized for the purpose for which the municipality acquired them.
- 5.4.11 The Director may delegate or otherwise assign responsibility for performing these functions but will remain accountable for ensuring these activities are performed.

5.5 Safeguarding of assets.

Directors shall be directly responsible for the physical safeguarding of any fixed asset controlled or used by the department in question.

In exercising this responsibility, Directors shall adhere to the stipulations of this policy as well as any other written directives issued by the municipal manager to the department in question, or generally to all departments, in regard to the control of or safeguarding of the municipality's fixed assets.

6. FINANCIAL MANAGEMENT

6.1 Approval to acquire Property, Plant or Equipment

Funds [Money] can only be spent on a capital project if:

- 6.1.1 the **funds have [money has]** been appropriated in the capital budget, and the future annual operations and maintenance needs have been calculated and have been budgeted for in the operations budget;
- 6.1.2 the project, including the total cost and funding sources, has been approved by Council;
- 6.1.3 the Director: Finance confirms that funding is available for that specific project, and
- 6.1.4 the Supply Chain Management prescripts/procedures have been adhered to.

6.2 Funding period of capital projects

The acquisition of assets will not be funded over a period longer than the useful life of that asset.

6.3 Disposal of assets (excluding immovable property – land and buildings covered under the Administration of Immovable Property Policy)

- 6.3.1 The municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of an asset needed to provide the minimum level of basic municipal services, unless such asset is obsolete or surplus to requirements or beyond a state of good repair or being replaced and provided that the delivery of the minimum level of basic municipal services must not be compromised as a result of the disposal of the asset.
- 6.3.2 The decision that a specific asset is not needed to provide the minimum level of basic municipal services, may not be reversed by the municipality after that asset had been sold, transferred or otherwise disposed of.
- 6.3.3 The disposal of an item of property, plant or equipment must be fair, equitable, transparent, competitive and cost effective and comply with a prescribed regulatory framework for municipal supply chain management and the Supply Chain Management Policy of the municipality.
- 6.3.4 The transfer of assets to another municipality, municipal entity, national department or provincial department is excluded from these provisions, provided such transfer is being done in accordance with a prescribed regulatory framework.
- 6.3.5 Directors shall report in writing to the Director: Finance on all fixed assets controlled or used by the department concerned, which such Director wishes to alienate by public auction or public tender. The Director: Finance shall thereafter consolidate the requests received from the various departments and shall promptly report such consolidated information to the council or the municipal manager of the municipality, as the case may be, recommending the process of alienation to be adopted.
- 6.3.6 Fixed assets identified to be disposed of by means of auction / tender must have been considered for impairment.
- 6.3.7 Once the fixed assets are alienated, the Director: Finance shall de-recognize the asset from the accounting records and the fixed asset register.

6.3.8 All gains and losses realized on the alienation of fixed assets shall be accounted for according to section 11.13 below (Accounting treatment on disposal).

6.3.9 Disposal of immovable property – land and buildings is dealt with in terms of the Overstrand Administration of Immovable Property Policy.

6.3.10 Disposal of Living Resources is dealt with in terms of the Overstrand Municipality's Canine (K9) Retirement and Adoption Policy.

6.4 Loss, Theft, Destruction or Impairment of assets

6.4.1 Directors shall ensure that any incident of loss, theft, destruction, or material impairment of any asset controlled or used by the department in question is promptly reported in writing to the Director: Finance, to the internal auditor, and – in cases of suspected theft or malicious damage – also to the South African Police Service.

6.4.2 Directors shall further ensure that all the required insurance claim documentation and information is promptly submitted to the Director: Finance in terms of the prescribed claims procedures.

7. INTERNAL CONTROLS

7.1 Financial Asset registers

7.1.1 Establishment and Management of the Financial Asset Register:

- a) The Director: Finance will establish and maintain the Asset Register containing key financial data on each item of Assets that satisfies the criterion for recognition.

7.1.2 Contents of the Financial Asset Register:

- a) The fixed asset register shall be maintained in the format determined by the Director: Finance, which format shall comply with the requirements of generally recognized accounting practice (GRAP) and any other accounting requirements which may be prescribed.
- b) Directors under whose control any fixed asset falls shall promptly provide the Director: Finance in writing with any information required to compile the fixed asset register and shall promptly advise the Director: Finance in writing of any material change which may occur in respect of such information.

7.1.3 Internal Controls over the Financial Asset Registers:

- a) Controls around the asset registers should be sufficient to provide Directors with an accurate, reliable and up to date account of assets under their control to the standards specified by the Director: Finance and required by relevant legislation.
- b) These controls will include the physical management and recording of all acquisitions, assignments, transfers, losses and disposals of assigned assets as well as regular asset counts and systems audits to confirm the adequacy of controls.
- c) The Municipal Manager shall ensure that the municipality maintains a fixed asset identification system which shall be operated in conjunction with its computerized fixed asset register.

7.2 Responsibilities: Physical Receipting and Management

7.2.1 The Manager: Expenditure & Asset Management will undertake at least an annual count of assets as part of the annual reporting process.

7.2.2 The date of acquisition of assets is deemed to be the time when legal title or control passes to the municipality.

- 7.2.3 The date of acquisition of assets may vary for different categories of assets but will be the point of time when the asset is in the final condition and location as intended for use by the Director.
- 7.2.4 A Director must advise the Director: Finance, in writing, of capital work-in-progress at the end of the financial year.
- 7.2.5 A Director must advise the Director: Finance, promptly in writing whenever capital work-in-progress is completed, for inclusion in the Asset Register.

7.3 Transfers between Directorates

- 7.3.1 Permanent transfers to another Directorate:
 - a) A Director retains managerial accountability and control for a particular asset unless:
 - i. another Director agrees in writing to accept responsibility for the assets, and
 - ii. the Director: Finance endorses the transfer.
 - b) The Finance Directorate must appropriately amend the Financial Asset register by accounting for all approved transfers.
 - c) The Director to whom the asset is transferred must assume accountability for the transferred asset.
- 7.3.2 Relocation or Re-assignment of Assets:
 - a) A Director must ensure that assets are appropriately safeguarded for loss, damage or misuse wherever it is located. Safeguarding includes ensuring reasonable physical restrictions.
 - b) A Director must advise the Director: Finance, in writing, whenever an asset is permanently relocated or reassigned from the location (or base) or cost centre recorded in the Financial Asset Register.
 - c) A Director must advise the Director: Finance, in writing, whenever an asset is temporarily relocated or reassigned from the location (or base) or cost centre recorded in the Financial Asset Register. In this case, the Director must also advise the Director: Finance when the asset is returned. In the case of assets being utilized in the normal course of operations away from its base, such as vehicles, reporting is not necessary.

7.4 Verification of moveable fixed assets

- 7.4.1 Directors shall, at least once during each year, undertake a comprehensive verification of all moveable fixed assets controlled or used by the department concerned.
- 7.4.2 Directors shall promptly and fully report in writing to the Director: Finance, in the format determined by the Director: Finance, all relevant results of such moveable fixed asset verification. The resulting reports shall be submitted by the Directors, to the Director: Finance, by not later than 30 days after the last day of the period in question.

7.5 Insurance of fixed assets

- 7.5.1 The Municipal Manager shall ensure that movable fixed assets are insured at least against fire and theft, and that all municipal buildings are insured at least against fire and allied perils.
- 7.5.2 If the municipality operates a self-insurance reserve, the Director: Finance shall annually determine the contribution to be made to the self-insurance reserve.

7.6 Recovery of loss

- 7.6.1 A Claims and Asset Loss Control Committee, appointed by the Accounting Officer, must be established to investigate all losses and to consider the

settlement of third-party insurance claims falling within the relevant excess limits.

- 7.6.2 The Claims and Asset Loss Control Committee must comprise of a representative from Legal Services, **Human Resources (Labour Relations)** Finance (Asset Management) and the senior manager within whose vote the transaction occurs or a senior official as representative for his/her department or division.
- 7.6.3 Where applicable, the matter must be referred to the relevant Department in order to institute disciplinary action in order to recover any possible loss in incidents where negligence or misconduct may be suspected.

8. MANAGEMENT OF ITEMS BELOW CAPITALIZATION THRESHOLD

- 8.1 The Director Finance has identified asset items which will not be capitalized. These assets are qualitative and quantitatively immaterial and the costs to maintain these assets were considered and found to exceed the economic benefit if considered over the life cycle of the assets. Three types of assets were defined as per the annexures hereto.
- 8.2 The requirements to manage assets below threshold include:
- Receipting and bar-coding of these items.
 - Maintaining and updating a register.
 - Regular asset counts by the assigned person to ensure these assets below threshold are being appropriately safeguarded.
 - Recording and reporting of any disposal, transfer or loss of assets below threshold by the assigned official to the Die and adjustment of the assets below threshold register.
- 8.3 Assets below threshold will **not** be:
- capitalized as an asset,
 - depreciated,
 - revalued,
 - recorded in the financial asset register, or
 - otherwise treated as an asset.
- 8.4 On an annual basis, the Director: Finance will review the listing of items not capitalized in order to ensure that the effect of the treatment is not material in any aspects.

9. MANAGEMENT AND OPERATION OF ASSETS

9.1 Accountability to manage assets

- Each Director is accountable to ensure that municipal resources assigned to him are utilized effectively, efficiently, economically and transparently.
- Directors need to manage assets under their control to provide the required level of service or economic benefit at the lowest possible long-term cost.

9.2 Reporting on Impeding Issues

- Each Director should report to the Municipal Manager on issues that will significantly impede the assets capability to provide the required level of service or economic benefit.

10. CLASSIFICATION & COMPONENTS

10.1 Classification of assets

10.1.1 Any asset recognized as an asset under this policy will be classified according to categories as per the Overstrand Asset Register.

10.1.2 All fixed assets should be classified under the following headings in the Asset Register:

a) Property, plant and equipment:

- land (not held as investment property)
- buildings (not held as investment property)
- community assets (resources contributing to the general well-being of the community)
- infrastructure assets (assets which are part of a network of similar assets)
- other assets (ordinary operational resources, consisting of Furniture, Equipment and Vehicles)

b) Heritage Assets

- heritage assets (culturally, environmental, historical, natural, scientific, technological or artistic significant assets)

c) Investment property

- investment assets (resources held for capital or operational gain)

d) Intangible Assets

- non-monetary assets without physical substance such as computer software, licenses etc.

e) Leased Assets

- asset financed through a lease arrangement such as cell phone contracts or finance leases

f) Service Concession asset

- is the asset used in a service concession agreement in order to provide services to the public within the juristic boundaries of the municipality
- Examples hereof include water treatment plants being operating by a third party or a toll road operated by a third party if the conditions of GRAP 32 are met

g) Living and Non-Living Resources

- Assets that undergo biological transformation (living resources) or assets that occur naturally and that are not extracted (non-living resources)

10.1.3 The Director: Finance may agree to subdivide these classifications further. This decision will be noted as an amendment to the Asset Register of the Overstrand Municipality.

10.2 Treatment of Major Components

10.2.1 All parts of an asset that is significant to the cost of the item as a whole shall be treated as a separate major component and each major component shall be treated as described below.

10.2.2 A Director may, with agreement of the Director: Finance, treat other non-significant parts as major components of an item of property plant or equipment as a separate asset for the purposes of this policy.

10.2.3 These major components may be defined by its physical parameters (e.g. a reservoir roof) or its financial parameters (e.g. a road surface).

10.2.4 In agreeing to these treatments the Director: Finance must be satisfied that these components:

- *have a significantly different useful life or usage pattern to the main asset,*

- *align with the asset management plans,*
- *justify the costs of separate identification,*
- *have probable future economic benefits or potential service delivery associated with the asset which will flow to the municipality,*
- *is such that the cost of the asset to the municipality can be measured reliably,*
- *is such that the municipality has control over the asset,*
- *the item is not listed as an expense or asset below threshold in the appendixes hereto, and*
- *is such that the asset is expected to be used during more than one financial year.*

10.2.5 Once a major component is recognized as a separate asset, it may be acquired, depreciated and disposed of as if it was a separate asset.

11. ACCOUNTING FOR ASSETS

11.1 Recognition of assets

- An item of property, plant or equipment will be recognized as an asset when:
 - *it is probable that future economic benefits or potential service delivery associated with the asset will flow to the municipality,*
 - *the cost of the asset to the municipality can be measured reliably,*
 - *the municipality has control over the asset,*
 - *the item is not listed as an expense or asset below threshold in the appendixes hereto, and*
 - *the asset is expected to be used during more than one financial year.*

11.2 Initial measurement

- An item of property, plant or equipment that qualifies for recognition as an asset should be initially measured at its “cost of acquisition”.
- This “cost of acquisition” usually includes the following:
 - *Purchase costs (less any discounts given)*
 - *Delivery costs*
 - *Installation costs*
 - *Professional fees for architects, engineers and attorneys*
 - *Import duties*
 - *Non-refundable taxes*
 - *Site development costs*
 - *Contractor fees*

11.3 Donations or exchanges

Where an item of property plant or equipment is acquired at no cost, or for a nominal cost, it will be initially measured at its fair value as at the date of acquisition and included in the asset register if the item is considered an asset other than asset below threshold or expense.

11.4 Recognition threshold

The municipality does not utilize a recognition threshold but has rather identified items that are insignificant and thus would not be capitalized. The listing of items and methodology for identifying such items are listed in the appendixes hereto.

11.5 Carrying amount of assets

Subsequent to initial recognition as an asset, an item of property, plant or equipment should be carried at its cost of acquisition less any accumulated depreciation and accumulated impairments.

11.6 Depreciation

- All fixed assets, except land and heritage assets, shall be depreciated.
- The depreciable amount of an item of property, plant or equipment should be allocated on a systematic basis over its useful life.
- The depreciation method used should reflect the pattern in which economic benefits or potential service provisions are consumed by the municipality.
- The depreciation charge for each period will be recognized as an expense against the budget of the relevant Director unless it is included in the carrying amount of another asset.
- The depreciation method used shall reflect the pattern in which the assets future economic benefits or service potential are expected to be consumed by the municipality.
- A variety of depreciation methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include the straight-line method, the diminishing balance method and the units of production method. Straight-line depreciation results in a constant charge over the useful life if the asset's residual value does not change. The diminishing balance method results in a decreasing charge over the useful life. The units of production method results in a charge based on the expected use or output. The entity selects the method that most closely reflects the expected pattern of consumption of the future economic benefits or service potential embodied in the asset. That method is applied consistently from period to period unless there is a change in the expected pattern of consumption of those future economic benefits or service potential.
- The depreciation method will be the straight-line method unless otherwise agreed to in writing by the Director: Finance.
- Depreciation shall be calculated from the day the fixed asset is available for use (GRAP 17).
- Directors, acting in consultation with the Director: Finance, shall ensure that reasonable budgetary provision is made annually for the depreciation of all applicable fixed assets controlled or used by the department in question or expected to be so controlled or used during the ensuing financial year.
- The procedures to be followed in accounting and budgeting for the amortization of intangible assets shall be identical to those applying to the depreciation of other fixed assets.

11.7 Initial determination of useful life

- Directors need to determine the useful life of a particular item or class of asset through the development of a strategic asset management plan. The determination of useful life should be developed as part of any pre-acquisition planning that would consider, inter alia, the following factors:
 - The program that will optimize the expected long-term costs of owning that asset,
 - Economic obsolescence because it is too expensive to maintain,
 - Functional obsolescence because it no longer meets the municipality's needs,
 - Technological obsolescence,
 - Social obsolescence due to changing demographics, and
 - Legal obsolescence due to statutory constraints.
- The Table of Useful Lives is provided in the MFMA Local Government Capital Asset Management Guideline. These should be used as a guide to the minimum useful lives only because actual asset lives experienced greatly exceed those recommend lives.

11.8 Review of useful life

- Only the Director: Finance may amend the useful operating life assigned to any fixed asset, and when any material amendment occurs, the Director: Finance shall inform the council of the municipality of such amendment.
- The Director: Finance shall amend the useful operating life assigned to any fixed asset if it becomes known that such asset has been materially impaired or improperly maintained to such an extent that its useful operating life will not be attained, or any other event has occurred which materially affects the pattern in which the asset's economic benefits or service potential will be consumed.
- The useful life of an item of property, plant or equipment should be reviewed only when there is an indicator that the current useful lives are not appropriate. Annually the Director: Finance will review a list of circumstances that could indicate the need to revise the useful lives of assets. If any indicators require useful lives to change and these revised expectations are significantly different from previous estimates, then the depreciation charge for the current and future periods should be adjusted and the additional depreciation expenses shall be debited to the department or vote controlling or using the fixed asset in question. The indicators are listed under impairment indicators.

11.9 Review of depreciation method

- The depreciation method applicable to property, plant or equipment should be reviewed annually, and if there has been a significant change in the expected pattern of economic benefits or potential service delivery from those assets, the method should be changed to reflect the changed pattern.
- When such a change in depreciation method is necessary the change should be accounted for as a change in accounting and the depreciation charge for the current and future periods should be adjusted.

11.10 Subsequent expenditure on property plant or equipment

- Subsequent expenditure relating to an item of property, plant or equipment that meets the definition of an asset should be added to the carrying amount of the asset when such expenditure will increase the useful life of the asset or increase the efficiency of the asset or reduce the cost of operating the asset, resulting in financial or service delivery benefits.
- All other expenditure should be recognized as an expense in the period in which it occurred.
- Before allowing the capitalization of subsequent expenditure, the Director: Finance must be satisfied that this expenditure will significantly:
 - increase the life of that asset beyond that stated in the asset register, or
 - increase the quality of service provided by that asset beyond the existing level of service, or
 - increase the quantity of services that asset can provide, or
 - reduce the future assessed costs of maintaining that asset.
 Expenditure that is proposed to be capitalized must also conform to recognition criteria for assets and should also be appropriately included in the approved capital budget.

11.11 Impairment of assets

The accounting treatment relating to impairment losses is outlined as follows in **GRAP 21 & 26**:

The carrying amount (Book value) of an item or a group of identical items of property, plant and equipment should be reviewed periodically in order to assess whether or not the recoverable amount has declined below the carrying amount.

Recoverable amount is the amount that the municipality expects to recover from the future use of an asset, including its residual value on disposal. When such a decline has occurred, the carrying amount should be reduced to the recoverable amount. The amount of the reduction should be recognized as an expense immediately.

The recoverable amount of individual assets, or groups of identical assets, is determined separately and the carrying amount reduced to recoverable amount on an individual asset, or group of identical assets, basis. However, there may be circumstances when it may not be possible to assess the recoverable amount of an asset on this basis, for example when all of the plant and equipment in a sewerage purification work is used for the same purpose. In such circumstances, the carrying amount of each of the related assets is reduced in proportion to the overall decline in recoverable amount of the smallest grouping of assets for which it is possible to make an assessment of recoverable amount.

The following may be indicators that an item of PPE has become impaired:

- The asset has been damaged.
- The asset has become technologically obsolete.
- The asset remains idle for a considerable period either prior to it being put into use or during its useful life.
- Land is purchased at market value and is to be utilized for subsidized housing developments, where the subsidy is less than the purchase price.

Example:

An example of where the municipality has suffered an impairment loss is the purchase of land for an amount of R 5 000 000. The land will be utilized for new subsidized housing developments. If at year end the expectation is that the Municipality will receive only R 1 000 000 by way of subsidies an impairment loss of R4 000 000 needs to be recognized. The recoverable amount (R 1 m) is calculated as being the larger of:

- **Net Selling price** of the land which is the amount obtainable from the sale of the market in an arm's length transaction between knowledgeable, willing parties, less the cost of disposal.
- **Value in use** of the land which is the present value of the estimated future net cash inflows expected from the continuing use of the asset and from its disposal at the end of its useful life.

The following steps will have to be performed regularly during the year to account for impairment losses:

- Directorates will identify and inform Finance Department - Asset Control of assets that:
 - Are in a state of damage at year end.
 - Are technologically obsolete at year end. This can be facilitated if Directorates require Finance Department - Asset Control, to supply them with a Fixed Asset Register pertaining to major assets showing the remaining useful lives of assets. The Directorates can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout.
 - Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life.
 - Are subject to impairment losses because the subsidies to be received in exchange for assets are less than the carrying amounts. An example of this is Land that is purchased at market value and is to be utilized for subsidized housing developments.
- The recoverable amounts of these assets need to be calculated by calculating the Net selling Price per asset as defined above.

- The impairment loss per asset needs to be calculated as the difference between the Net selling price and the book value of the asset.
- The impairment loss needs to be accounted for by identifying the relevant funding source.
- The carrying amount of an asset should be reviewed annually to assess whether or not the recoverable amount has declined below the carrying amount.
- When such a decline has occurred, the carrying amount should be reduced to the recoverable amount.
- The amount of the reduction should be recognized as an impairment expense immediately, unless it reverses a previous revaluation in which case it should be charged to the Revaluation Reserve.
- For assets providing economic benefits, the recoverable amount is the net present value of future ownership.
- For assets providing future service delivery, the recoverable amount is the remaining proportional to its useful life, service capacity or quality of service that is not intended to be restored by normal maintenance programs.

11.12 Subsequent increase in recoverable amount

- A subsequent increase in the recoverable amount of an asset, previously written down due to a decline in the carrying amount, should be written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.
- The amount written back should be reduced by the amount that would have been recognized as depreciation had the write-down or write-off not occurred.

11.13 Accounting treatment on Disposal

- An item of property, plant or equipment should be eliminated from the Statement of Financial Position, on disposal or when the asset is permanently withdrawn from use and no future economic benefits or potential service delivery is expected from its disposal, in accordance with GRAP 100.
- Gains or losses arising from the retirement or disposal of an item of property, plant or equipment should be determined as the difference between the actual or estimated net disposal proceeds and the carrying amount of the asset and should be recognized as revenue or expense in the Statement of Financial Performance.
- All gains realized on the alienation of fixed assets shall be appropriated annually to the municipality's Capital Replacement Reserve (except in the cases outlined below), and all losses on the alienation of fixed assets shall remain as expenses on the Statement of Financial Performance of the department or vote concerned. If, however, both gains and losses arise in any one financial year in respect of the alienation of the fixed assets of any department or vote, only the net gain (if any) on the alienation of such fixed assets shall be appropriated.

11.14 Reinstatement, maintenance and other expenses

Only expenses incurred in the enhancement of a fixed asset (in the form of improved or increased services or benefits flowing from the use of such asset) or in the material extension of the useful operating life of a fixed asset shall be capitalized.

Expenses incurred in the maintenance or reinstatement of a fixed asset shall be considered as operating expenses incurred in ensuring that the useful operating life of the asset concerned is attained, and shall not be capitalized, irrespective of the quantum of the expenses concerned.

Expenses which are reasonably ancillary to the bringing into operation of a fixed asset may be capitalized as part of such fixed asset. Such expenses may include but need not be limited to import duties, forward cover costs, transportation costs, installation, assembly and communication costs.

The following matrix will assist in distinguishing capital expenditure from maintenance expenditure: -

Capital Expenditure	Maintenance
▪ Acquiring a new asset ▪ Replacing an existing asset ▪ Enhancing an existing asset so that its use is expanded ▪ Further developing an existing asset so that its original useful life is extended	▪ Restoring an asset so that it can continue to be used for its intended purpose ▪ Maintaining an asset so that it can be used for the period for which it was initially intended.

11.15 Assets held under leases

Finance leases are leases, which in effect transfer all risks and rewards associated with the ownership of an asset from the lessor to the lessee. Assets held under finance leases are capitalized by the municipality and reflected as such in the FAR. It will be capitalized at its leased value at commencement of the lease, which will be the price stated in the lease agreement. The asset is then depreciated over its expected useful life.

Operating leases are those leases which do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due. Assets held under operating leases are not accounted for in the asset registers of the municipality.

11.16 Investment property

Investment assets shall be accounted for in terms of GRAP 16 and shall not be classified as property, plant and equipment for purposes of preparing the municipality's statement of position.

Investment assets shall comprise land or buildings (or parts of buildings) or both held by the municipality, as owner or as lessee under a finance lease, to earn rental revenues or for capital appreciation or both.

Investment assets shall be recorded in the fixed assets register in the same manner as other fixed assets, but a separate section of the fixed assets register shall be maintained for this purpose.

Decide on which accounting model, cost or fair value, the municipality will apply to investment property.

Fair value

Investment assets shall not be depreciated but shall be annually valued to determine their fair (market) value. Investment assets shall be recorded in the Statement of Financial Performance at such fair value. Adjustments to the previous year's recorded fair value shall be accounted for as either gains (revenues) or losses (expenses) in the accounting records of the department or service controlling the assets concerned.

If the council of the municipality resolves to construct or develop a property for future use as an investment property, such property shall in every respect be accounted for

as an ordinary fixed asset until it is ready for its intended use – where-after it shall be re-classified as an investment asset.

11.17 Fixed assets treated as inventory

Any land or buildings owned or acquired by the municipality with the intention of selling such property in the ordinary course of business, or any land or buildings owned or acquired by the municipality with the intention of developing such property for the purpose of selling it in the ordinary course of business, shall be accounted for as inventory, and not included in either property, plant and equipment or investment property in the municipality's statement of position.

Such inventories shall, however, be recorded in the fixed assets register in the same manner as other fixed assets, but a separate section of the fixed assets register shall be maintained for this purpose.

11.18 Recognition of heritage assets in the fixed asset register

Heritage assets shall be carried at their cost values. If no original costs or fair values are available in the case of one or more or all heritage assets, the Director: Finance may, if it is believed that the determination of a fair value for the assets in question will be a laborious or expensive undertaking, record such asset or assets in the fixed asset register without an indication of the costs or fair value concerned.

For Statement of Financial Performance purposes, the existence of such heritage assets shall be disclosed by means of an appropriate note.

11.19 Other write-offs of fixed assets

The only reasons for writing off fixed assets, other than the alienation of such fixed assets, shall be the loss, theft, and destruction or material impairment of the fixed asset in question.

In every instance where a not fully depreciated fixed asset is written off, the Director: Finance shall immediately debit to such department or vote, as additional depreciation expenses, the full carrying value of the asset concerned.

11.20 General maintenance of fixed assets

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

11.21 Service Concession arrangements

A service concession arrangement is governed through a contractual arrangement between the municipality and an independent third party (operator). It involves the creation and / or use of an existing municipal asset to provide services to the general public. The asset can be provided by the municipality, or the arrangement can specify that the operator must create a new asset for purposes of providing the services on behalf of the municipality (grantor).

If the municipality provides the asset (i.e. it is an existing asset that the operator uses), no liability needs to be created in relation to the assets used by the operator. However, in the case that the operator has to create a new asset in order to fulfill the obligations of the agreement, an asset and liability need to be created in order to account for the asset.

Assets held under a concession agreement must be separately disclosed similarly to assets acquired through a lease agreement.

The assets held under the service concession agreement is under the control of the Director: Infrastructure and Planning and such director must report annually to the CFO of the status of the asset, such as any impairments, replacement parts, improvements etc. to the service concession assets. These assets would be disclosed in terms of the requirements of GRAP 32: *Service Concession Arrangements: Grantor*.

12. FINANCIAL DISCLOSURE

Assets must be disclosed, in respect of each class of property, plant and equipment, in accordance with Generally Recognized Accounting Practice.

13. IMPLEMENTATION AND REVIEW PROCESS

This policy will come into effect as from **1 July 2026 [2025]**

This policy will be reviewed at least annually or when required by way of a Council resolution.

14. SHORT TITLE

This policy will be known as the Asset Management Policy of the Overstrand Municipality.

POLICY SECTION:	DIVISIONAL MANAGER: EXPENDITURE, ASSETS, FLEET AND LOGISTICS MANAGEMENT
CURRENT UPDATE	[29 MAY 2025]
PREVIOUS UPDATE	29 MAY 2025
PREVIOUS UPDATE	31 MAY 2024
PREVIOUS REVIEW	31 MAY 2023
PREVIOUS REVIEW	31 MAY 2022
PREVIOUS REVIEW	26 MAY 2021
PREVIOUS REVIEW	27 MAY 2020
PREVIOUS REVIEW	29 MAY 2019
PREVIOUS REVIEW	30 MAY 2018
PREVIOUS REVIEW	31 MAY 2017
PREVIOUS REVIEW	25 MAY 2016
PREVIOUS REVIEW	28 MAY 2015
PREVIOUS REVIEW	28 MAY 2014
PREVIOUS REVIEW	29 MAY 2013
PREVIOUS REVIEW	30 MAY 2012
PREVIOUS REVIEW	04 MAY 2011
APPROVAL BY COUNCIL	26 MAY 2010
APPROVAL BY EXECUTIVE MAYOR:	10 DEC 2004

APPENDIX 1: REVISION OF ASSET CAPITALISATION THRESHOLD

Introduction

The municipality reviewed the Asset Management Policy and has determined that the capitalization threshold needed to be revised in order to ensure compliance with the GRAP requirements and to align the budgeting process with the requirements of GRAP. Based on the revision of the capitalization threshold it has decided that the most suitable approach would be to identify assets for which their value or use does not justify the cost to maintain the assets in the register.

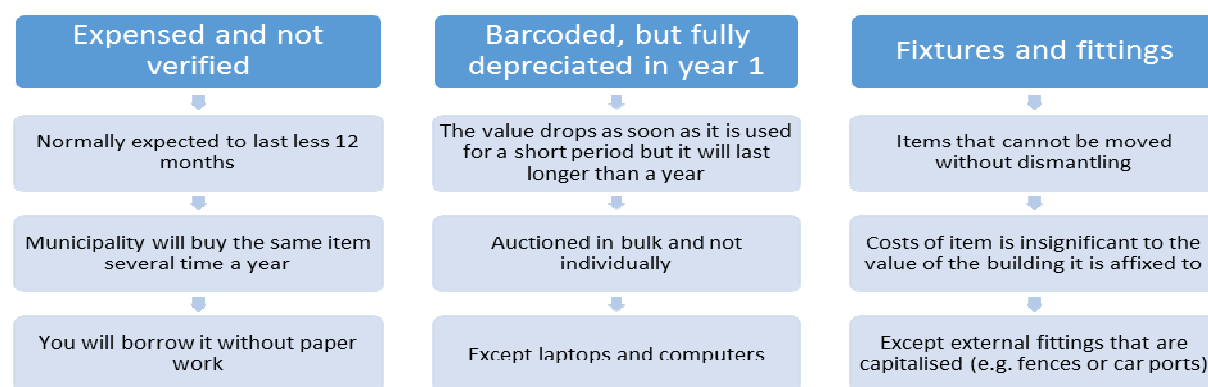
The GRAP discussion paper on materiality states the following: "Information in the financial statements is therefore relevant when it meets these information needs. The relevance of information is affected by its nature and materiality." This implies that certain information would not be relevant to the users of financial statement due to its value or nature. Furthermore, the discussion paper also states: "Materiality establishes a threshold, which may include a cut-off point, or criteria which are used in making certain decisions. Materiality in itself is not a characteristic that information must have to be useful to users. "The municipality followed a qualitative materiality approach rather than a purely quantitative approach in order to identify items that are considered not material.

Management of assets within an asset register is a costly exercise and certain assets economic benefits have been noted to be exceeded by the annual cost to maintain these assets within the register. For this reason the municipality has taken an approach to identify assets that fall within this category where the management cost of the assets exceeds their economic benefits.

Materiality

The full cost price of all assets that would not be included in the AFS as at 1 April 2016 was extracted and compared to materiality. The accumulative cost of all these assets listed in annexures 1-3 amounted to less 30% of materiality and thus accepted as reasonable. Materiality was based on the 2015 balance for Property, plant and equipment as utilized by the auditors during the audit of 2014/15. Annually the assets with that fall within this category will be extracted and compared to the prior year's materiality to ensure that the threshold application does not result in any material deviation from the standards of GRAP.

Decision Tree



All items not falling in the above categories would be considered assets and would be included in the asset register.

Three different types of assets were identified that require amendment in the approach due to the revised capitalization approach. These are:

- 1) Items with expected useful lives of less than 12 months expensed immediately
- 2) Items that are considered assets, but will not be included in the asset register due to the fact that the costs to maintain these assets in the final asset register would exceed the value/economic benefits of the assets (Assets below threshold)
- 3) Items that are capital in nature but would not be included in the asset verification process as the items are affixed to buildings and thus would no longer be considered movable assets.

1) Items that are expected to be consumed within 12 months (Items not barcoded)

Characteristics of asset type

Many purchased goods are expected to be consumed within 1 year, but due to the usage of the asset, the lifespan might be prolonged. In example, a stapler is not really expected to last more than a year as wear and tear on the items are quite excessive. However, certain staff members have indicated that their staplers could last several years. The fact that a single item lasts longer than a year does not negate from the expectation that the item would be consumed within 1 year.

OR

Another consideration in this category is the replacement or purchase rate. If the item is expected to be purchased multiple times in a single year, the item is not considered to be an item that would last for longer than 1 year. In example, despite the fact that spanners could be durable, they are often purchased throughout the year with new spanners being purchased at a regular interval. Due to the regular repurchase rate, the item is not considered to last for longer than a year despite its durable nature.

OR

The final consideration for items that fall within this category is the control over the ability to transfer assets. Some assets are of such a minute significance to a department, that when assets are transferred between users, formal asset transfer documentation would not be maintained. Example, if employee 1 is willing to borrow his wrench to employee 2 without asking for written confirmation of the transfer of the wrench since the inherent value of the item does not justify any audit trail of the transfer.

OR

The item is a plastic or wood stackable table / chair used at a community hall.

For control purposes, these items are not barcoded and will be purchased through an expense account (operational budget) Cost Code / B-key,

For ease of reference, examples of items that fall within this category:

- All stationery items excluding heavy duty versions thereof (any item titled machine, would not fall within this category e.g. Binding Machine, Laminating Machine) including calculators and other small items
- Any boxes, and containers designed to retain stationary (such as buddi-drawers, pen holders, paper racks)
- All bins and disposal containers
- Any camp site bedroom furniture such as beds and bedding
- Small appliances such as kettles, toasters, fans with a warrantee of 1 year
- Any computer accessories such and keyboards, mouse, laptop bags, dongles (UPS's and external hard drives are excluded from this)
- Fire extinguishers as their service interval requires exchanging of these items several times a year
- Hand tools that are normally transported in bulk (i.e. small tools that would be transported with other tools in toolboxes)
- Cleaning items such as buckets, mops, brooms etc. (excluding machines used to clean items such as dish washers and vacuum cleaners)
- Safety equipment that is frequently replaced, similar to helmets, goggles, gloves etc.
- Crockery, cutlery and other kitchen utensils

The approved listing of items that serve as examples of this category is listed in Annexure 1.

(Please note the difference from the next section 2 below, where “the Items below Capitalization Threshold Cost Code / B-key” is expected to last longer than 12 months and these Items will be barcoded.)

2) Items below capitalization threshold that will be barcoded but not included in the asset register (previously referred to as control items)

These items will be barcoded and counted during the verification, but due to the insignificant value of these items, will not be included in the final asset register for annual maintenance such as depreciation, impairments and other value-based adjustments. The items would be recorded as assets but fully depreciated in the first year of purchase. The items are generally used both in the office and the home and thus control needs to be established to reduce the probability of items being taken home for personal use.

In the accounting records of the municipality, the assets would be purchased directly against operational expenditure based on the requirements of mSCOA. This is more practical as the full impact of the purchase must be accounted for against the expenditure rather than to retain the costs of the items within the capital maintenance system. This process is followed to ensure depreciation is not accelerated and to ensure that the asset register agrees to capital acquisitions on an annual basis.

Characteristics of asset type

These are items that are used on a daily basis. In fact, the items are used so frequently, that the frequent use is the determining factor in establishing the useful lives of the assets. These items might be designed to be durable, but the usage thereof results in rapid wear and tear. Items such as chairs, printers, microwaves, drills, angle grinders etc. are used so frequently, that their values are diminished after the first 6 months of use.

AND

The items are normally sold in bulk at auctions as bidders will not be interested in buying single items as the unit price too low to justify single sales. Often the items prices are based on the value of the components (e.g. copper or scrap metal price) rather than the resale value of the items.

BUT

Some items that fall within this category are exceptions to the rule as their value lies in an extended use, despite the diminished return on purchase price after the first use. The items specifically excluded from the listing are:

- Items purchased through means of a finance lease contract (example multi-function printers)
- Computer towers or laptops as their lifespans can easily be extended through refurbishing the assets at a fraction of their original cost
- Industrial or heavy-duty tools or equipment that are designed to last for longer

These items are purchased from the Operational Budget allocation (B-key) for Assets less than threshold.

For ease of reference, examples of items that fall within this category:

- All chairs except stackable plastic chairs
- Tables that are being used by multiple users (public and internal) (e.g. training tables, library tables, visitors' tables, community halls etc.)
- Medium sized kitchen equipment such as microwaves, urn's, hydro boil systems

Explanatory comments on the characteristics:

- Desks are used every day, but the usage of a desk does not automatically reduce the value of the desk. Thus a desk does not fall within this category.
- Various power tools would also fall within this category. Industrial sized power tools will be excluded.
- Despite judgement that needs to be applied, the general consensus by an informed member of public should also come to the same conclusion as to the treatment of the item. Classification of items as assets below threshold or fully capitalised assets should not be based on budgetary requirements, but rather on the nature of the item and the municipality's intended use or the manner in which the municipality aims to control the item.

The approved listing of items that serve as examples of this category is listed in Annexure 2.

3) Items of capital nature affixed to buildings

When these items are purchased, the purpose is to enable or increase the productivity of the users, rather than to increase the value of the buildings that the items would be affixed to. Despite its purpose, the items are often deemed to increase the value of the buildings that it is affixed to as it is considered an investment in the building.

When a sales agreement is entered into, the fixtures must be retained to the building, unless otherwise stated. Fixtures are, however, often a hindrance to many potential buyers and considered a burden rather than an additional value added to the building. More often than not, items such as air-conditioners need to be completely replaced, and built-in cupboards, shelving are not in the correct location as per the intention of any potential owners. The municipality has opted to classify fixtures and fittings as repairs and maintenance to the buildings, as new fixtures could only allow the buildings value to be reinstated (example carpets being replaced) rather than increase the value of the buildings. Fixtures are capitalized as part of the initial cost of a new building; all cost thereafter is treated as maintenance.

When the fixtures added to the building is considered against the value of the building, the fixtures are often inconsequential (has no significant impact) to the value of the building as a whole and accordingly, the capitalization of fixtures is not considered of additional value.

External fixtures, such as fences, car ports, etc. are items that are not part of the building itself and thus improve the value of the land, these items are for practical reasons **capitalized against the buildings (premises)** as land is not depreciated and any external structures will incur wear and tear.

These items are purchased from the Operational Budget allocation (B-key) for Building Maintenance.

For ease of reference, examples of items that fall within this category:

- Whiteboards permanently affixed to walls
- Air-conditioners (affixed to the buildings / walls)
- Shelving and cupboards affixed to walls or ceiling
- Office partitioning (i.e. dividers used to split rooms) when these are bolted down.
- And stands or holders that are affixed to the property (e.g. projector fittings)

The approved listing of items that serve as examples of this category is listed in Annexure 3.

Annexure 1: Items expected to be consumed within 12 months

The following list of items is approved to only be purchased via the operational cost code / B-key for expenditure, and these items will not be barcoded:

Description	Description
Bait pump	Jump starters
Banners	Kettles
Bar and foot stools	Label printing machine
Batteries	Lamps
Beds and mattresses	Laser Distance Meter
Bedside furniture	Laser Presentation Remote
Bins (All)	Letter Opener
Boxes - money, tender, CV's etc	Lifting Bag
Buddy drawers	Measuring wheels, tapes
Calculators	Microphones (All)
CD Racks	Modems
Chairs (Plastic stackable)	Nozzle
Chargers (including industrial)	Paper trays
Clipboards	Pool brooms, brushers
Cylinders (Fire / Gas / Oxygen / Etc)	Pots and pans
Docking Stations	Protective Clothing
Drip torch	Routers
Extension leads	Soldering bolt
Fans	Speakers (office use)
First aid and medic kits	Spotlight
Flashlight, torch	Standpipe
Foam branch	Telephones
Gazebos and tents	Toolbox incl. tools
Hand Control Divider	Wi-Fi Access Point
Hard Drive (External)	Wind meter
Headphones	Woodchipper
Heaters	Wrench

Annexure 2: Items barcoded, but bought through assets below threshold (control items) budget cost code / B-key (operational expenditure)

The following list of items is approved to only be purchased via the assets below threshold vote. The items must be barcoded and verified annually:

Description	Description
Air conditioner (not fixed to the building / wall)	Ladders (All)
Air gun	Lighting System
Alcohol Tester	Link Stick
Angle grinder	Lockers
Audio and video recorders	Megaphone
Benches (All)	Meter Wheel
Bicycles	Microscope
Binoculars	Microwave
Blood Pressure Monitor	Mitre Saw
Cameras	Mobile Dash Light
Case: Mayors chains	Monitors for PC's (excluding Televisions)
Cash Drawer, register	Nail Gun
Cell Phone	Optical Camera
Chairs and Couches (All, except plastic stackable)	Ottoman
Circular Saw	PH Meter
Coffin Hoist	Piano Chair
Colorimeter	Polisher
Cut-off Saw	Punch Heavy Duty
Decoder	Radio - for communication
Decontamination Pack	Refracto Meter
Drawing board	Rotary saw
Drill set	Safe – Loose Standing
DVD, Tape Players	Sander Machine
Electric Spray Gun	Scale (Weight)
Electrical saw	Scanner
Electrical Screwdriver	Sound Bar
Examination table	Speakers (Auditorium, etc. Not office use)
External hard drives	Spectro Photometer
Fire Body Siren	Spine board
Flip charts	Spotlight Scope
FM/AM Radio	Spray trolley
Gas Burners (1 or 2 plate)	Stands (All)
Grease Pump	Stapler Heavy Duty
Griller	Stretcher
Guillotine	Table (Foldable - steel)
Hand drill	Table (Learner/Training)
Heat gun	Table (Wooden / plastic in community halls)
Hose Washer	Tester battery car
Hot plate/tray	Timing Light
Jack trolley	Tripods (All)
Jigsaw	Trolleys (All)

Description	Description
Turbidi meter	Vice grip – steel (heavy duty)
Typewriter	Water cooler/dispenser
Urn – Loose Standing	Winch and winch bracket
Vacuum cleaner	Wood Stage

Annexure 3: Items considered furniture and fitting and treated as maintenance of existing buildings

The following list of items is approved to only be purchased via the maintenance cost codes / B-keys as the items are mounted to a building:

Description	Description
Air conditioner (fixed to the building / wall)	Pigeonhole With Credenza
Boards (All)	Projector Screen
Bookcase bolted to floor or wall	Safe – Wall Mounted
Clocking devices	Screen (Other)
Cupboard – built in	Shelving, wood and steel
Divider Stand	Strobe Lights
Extractor fan	Swing Cabinet (IT) – Wall Mounted
Flagpole	Urn – Wall Mounted
Jet master	Workstation divider
Key cabinet	

Capital Expenditure	Operational Expenditure (Maintenance)
▪ Acquiring a new asset ▪ Replacing an existing asset ▪ Enhancing an existing asset so that its use is expanded ▪ Further developing an existing asset so that its original useful life is extended	▪ Restoring an asset so that it can continue to be used for its intended purpose ▪ Maintaining an asset so that it can be used for the period for which it was initially intended.



TRAVEL & SUBSISTENCE POLICY

GENERAL EXPLANATORY NOTE:

[] Words in bold type in square brackets indicate omissions from existing enactments.

_____ Words underlined with a solid line indicate insertions in existing enactments.

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1. PURPOSE

The purpose of this policy is to set out general rules for the payment of subsistence and travelling allowances or costs for the attendance of approved events **outside the municipal area of Overstrand**.

2. OBJECTIVES OF THE POLICY

The objectives of this policy are to:

- 2.1. Ensure that municipal employees and Councillors adhere to procedures when arranging for travel, lodging, meals and other expenses;
- 2.2. Ensure that municipal employees and Councillors are reimbursed for reasonable expenses incurred for travel, conferences, meetings and meals as a result of conducting authorized municipal business;
- 2.3. Ensure that payments made by the municipality are for the actual and necessary expenses incurred for municipal business in **adherence with National Treasury's prescribed Cost Containment Measures**; and
- 2.4. Ensure that municipal employees and Councillors will receive reimbursements in a timely manner.

3. LEGISLATIVE FRAMEWORK

This policy is developed and guided by the following:

- 3.1. South African Revenue Services (SARS) Interpretation Notices & other Notices;
- 3.2. Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA);
- 3.3. South African Local Government Association (SALGA);
- 3.4. Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998);
- 3.5. Income Tax Act, 1962 (Act No. 58 of 1962);
- 3.6. Overstrand Municipality Cost Containment Policy;
- 3.7. RSA Department of National Treasury: National Travel Policy; and
- 3.8. RSA Department of National Treasury: Cost Containment Measures related to Travel and Subsistence.

This Policy must be read in conjunction with any of the Municipality's approved related policies, practices and standard operating procedures addressing specific issues essential for a full understanding of this Policy and which are not dealt with adequately herein.

4. SCOPE OF APPLICATION

This Policy is applicable to –

- 4.1. all Councillors of the Overstrand Municipality, and
- 4.2. all officials of the Overstrand Municipality, travelling on official business and as such are formal travellers of the Overstrand Municipality.

IMPORTANT - No payments will be made to applicants for employment interviews in terms of the scope of this policy.

5. DEFINITIONS

For the purpose of this policy, except where clearly indicated otherwise, the words and expressions set out below have the following meaning:-

<i>“Accommodation”</i>	The rental of lodging facilities while away from the traveller’s place of residence while on authorized official duty.
<i>“Accounting Officer” / “Municipal Manager”</i>	The person appointed by the Council as Municipal Manager in terms of section 82 of the Municipal Structures Act, 1998 (Act 117 of 1998) and as defined in the Municipal Finance Management Act, 2003 (Act 56 of 2003), including any person acting in that position or to whom authority is delegated.
<i>“Air Travel”</i>	Travel by airline on official duty.
<i>“Car Rental”</i>	The rental of a vehicle for a short period of time by a traveller for official purposes.
<i>“Chief Financial Officer”</i>	The person appointed in terms of section 80(2)(a) of the MFMA and includes any person acting in that position or to whom authority is delegated.
<i>“Council”</i>	The Overstrand municipal council, as referred to in section 157 of the Constitution of the Republic of South Africa, 1996; and section 18 (3) of the Municipal Structures Act, 1998 (Act 117 of 1998).
<i>“Councillor”</i>	of the Overstrand Municipal Council.
<i>“Day”</i>	A completed period of twenty-four hours away from normal place of domicile and employment of official business of the Municipality.
<i>“Director”</i>	An official appointed by the Council in terms of section 56 of the Municipal Systems Act, 2000 (Act 32 of 2000) to head a Directorate of the municipality and shall include any person acting in that position.
<i>“Domestic Travel”</i>	Travel within the boundaries of the Republic of South Africa.
<i>“Essential User Transportation Allowance”</i>	Transportation allowance paid in accordance with the Essential User Transport Allowance Scheme to employees participating in the scheme.
<i>“Executive Management Team”</i>	Officials appointed in terms of Section 82 of the Local Government Structures Act, 1998 (Act 117 of 1998) (Structures Act) and section 56 of the Local Government Municipal Systems Act, 2000 (Act 32 of 2000).
<i>“Executive Mayor”</i>	The Executive Mayor of the Overstrand Municipality elected in terms of section 55 of Municipal Structures Act, 1998 (Act 117 of 1998) and shall include any person acting in that position.
<i>“Fixed Transportation Allowance”</i>	Transportation allowance linked directly to the managerial post level of the incumbent, also referred to as the “Old Perk Scheme”.
<i>“Host”</i>	The person or institution who has extended an invitation to the Municipality to delegate a Councillor and / or an Official to attend an event which is regarded as official business.
<i>“Incidentals”</i>	Any minor expenses normally associated with business travel.
<i>“International Travel”</i>	Travel to a location beyond the territorial boundaries of the Republic of South Africa.

<i>“Municipality”</i>	Overstrand Municipality, established in terms of sections 12 and 14 of the Structures Act.
<i>“Official”</i>	A person employed by the Municipality.
<i>“Official Business”</i>	For the purposes of this policy refers to the attendance by Councillors and / or Officials of congresses, conferences, seminars, training, meetings, workshops, roadshows, etc. related to the duties and functions of the Municipality, subject thereto that such attendance has been duly authorised in terms of the delegated authority.
<i>“Place of Work”</i>	The place where the principal duties of the Councillor or Official are performed.
<i>“Sponsored Trip”</i>	A trip where the total cost, or a portion thereof is sponsored by another organisation or third party other than the Municipality. (For the purposes of this policy such proportion of the total cost of the trip must be included in the application forms).
<i>“Subsistence allowance”</i>	An amount of money paid by the Municipality to a traveller for expenditure incurred in respect of personal subsistence and incidental costs (for example refreshments, snacks, drinks and newspapers but excludes any personal recreation such as visits to a cinema, theatre, nightclubs or sight-seeing).
<i>“Travel Allowance”</i>	An amount paid to a traveller for the use of his or her own private motor vehicle in respect of travelling expenses for business purpose.
<i>“Traveller”</i>	Any Councillor or Official travelling away from his or her normal place of domicile and employment on official business of the Overstrand Municipality.

6. AUTHORISATION

- 6.1. For purposes of implementing this policy:
 - 6.1.1. **Only the Municipal Manager** may authorize any travel to be undertaken by the Executive Mayor and Directors, provided the expenses to be incurred are on the approved budget of the municipality.
 - 6.1.2. **Only the Executive Mayor** may authorize any travel to be undertaken by public office bearers and the Municipal Manager, provided the expenses to be incurred are on the approved budget of the municipality.
 - 6.1.3. **Only Directors** may authorize any travel to be undertaken by employees in the respective Directorate, provided the expenses to be incurred are on the approved budget of the municipality.
- 6.2. Authorization as per paragraph 6.1 must be obtained **prior** to an occasion by any traveller who travels on the business of the municipality.
- 6.3. An invitation to attend a workshop, meeting or related event is not an automatic authorization to attend such workshop or event. The required authorization must still be obtained from the Municipal Manager or Executive Mayor or Director as the case may be.
- 6.4. No Councillor and / or Official of the Overstrand Municipality may go on any official business travel without the prior authorization as provided for in paragraph 6.1 above.

7. GENERAL

- 7.1. Municipal delegates or travellers to any conference, workshop or meeting must ensure that they arrive on time and attend until the conclusion of such event. If any traveller fails to do so, the Executive Mayor, the Municipal Manager or Director, as the case may be, may recover all allowances and disbursements paid to enable such delegate or traveller to attend such event, provided that such delegate or traveller is afforded the opportunity to submit reasons for not being able to be present from the commencement to conclusion of such event.
- 7.2. The contents of this policy will not be regarded as conditions of employment but as a reimbursement for travelling and subsistence expenditure incurred or deemed to be incurred for the attendance of events for official purposes.
- 7.3. Travellers should plan official travel in advance. They should obtain approval and make a booking / reservation at least seven (7) working days prior to departure for domestic travel and fourteen (14) working days prior to international travel.
- 7.4. Accommodation, flights and vehicle rental arrangements will be based on the most cost-effective option in relation to the proximity of the venue, traffic, availability and other cost factors.
- 7.5. All efforts should be made to minimize the costs for the municipality i.e. by travelling together in one vehicle, minimizing overnight stay where possible, etc:

- 7.5.1. Delegations to the same event, conference, consultation or meeting may only exceed three (3) travellers or persons appointed on grounds of policy considerations if approved in advance by the **Municipal Manager**.
- 7.5.2. Where multiple travellers attend approved events, inclusive of meetings, they must make arrangements for up to four (4) people to travel together in one vehicle.
- 7.5.3. Any deviation from paragraph 7.5.2 must be approved in writing by the Director / Municipal Manager / Executive Mayor as the case may be, **prior** to the date of departure, based on **valid reasons** as motivated in a submission.
- 7.5.4. The most cost-effective mode of transport should be used at all times, domestically and internationally.
- 7.6. In the event that the traveller must attend an early morning meeting, in a distant location within South Africa, consideration could be given to allow the travelling to take place a day before the event, subject to the approval of such travel by the **Municipal Manager** in terms of the delegated authority to do so.
- 7.7. In the event of direct payments made by travellers for traveling and accommodation, refunds will only be made on condition that the expense was pre-approved in accordance with the stipulations of this policy and that all aspects of this policy have been complied with.
- 7.8. A claim for subsistence and travelling cannot be made at the municipality as well as another institution for attending the same event. Such action shall lead to disciplinary action.
- 7.9. Any claim must be submitted on the official claim form with the necessary vouchers where specific expenses are claimed.
- 7.10. Sufficient documentation must be attached to the application for the trip e.g., official invitation, agenda or programme, itinerary, details of sponsor and amount, etc.
- 7.11. Any claim containing false information will lead to disciplinary steps being instituted and payments thus made may be recovered from any money payable by the municipality to the person who submitted the claim.
- 7.12. In the event of a traveller combining personal travelling either prior to or after a business trip, it must not lead to additional expenditure for the Municipality or impair the work performance of the traveller. NO costs incurred during the personal part of the trip will be for the account of the Municipality.
- 7.13. The Municipality distances itself from any private reservations made by the traveller. The arrangement is solely between the traveller and the relevant service provider. Thus, the processing of related payments through the Municipality's official payment system will not be allowed.
- 7.14. The traveller must safeguard Municipal information and assets while travelling and must avoid compromising that security.
- 7.15. The traveller should maintain personal travel documents such as a passport. The cost for obtaining such travel documents is for the traveller's own account.

8. EXCLUSIONS

The following expenses shall explicitly not be covered by the Municipality:

- 8.1. Any expenses covered by a host extending an invitation;

- 8.2. Alcoholic beverages;
- 8.3. Expenses of a personal nature, such as private telephone calls and personal recreation such as visits to a cinema, theatre, nightclub or sight-seeing, etc;
- 8.4. In instances where costs are incurred in entertaining external business associates, contacts, clients or potential investors:
 - 8.4.1. Where the traveller receives an entertainment allowance, the costs must be claimed against such entertainment allowance; and
 - 8.4.2. All expenses shall fall outside the scope of this policy, unless specific written pre-approval as to the nature and estimated cost of the expenditure to be incurred, together with a reason(s) why such costs need to be incurred, was obtained from the Municipal Manager for any such expenditure. prior to submission of the claim.

9. AIR TRAVEL – Domestic and International

- 9.1. The Municipality must, as far as possible, make use of the improved upfront discounted flights which the National Treasury has negotiated on behalf of all three spheres of government, unless lower air travel rates can be negotiated.
- 9.2. For domestic trips both major and low-cost airlines may be utilized. All travellers should use discounted economy class (best fare on the day) where possible. In the event where discounted economy class tickets are not available, special authorization as provided for in paragraph 6.1 must be obtained to book full economy tickets.
- 9.3. Business class tickets may be considered for domestic and international trips under the following scenarios, including amongst others:
 - 9.3.1. Travellers with special needs based on medical grounds (e.g. deep vein thrombosis, varicose veins, recent surgery and pregnancy). In these instances, a medical certificate noting the medical need and the applicable period of time must be provided. If it is a long-term condition, an updated doctor's certificate should be presented on an annual basis to confirm that the condition still exists;
 - 9.3.2. Where economy class tickets are not available, travellers are not allowed to book business class tickets unless otherwise approved in terms of paragraph 6.1, where it has been confirmed that the permitted airline class was full and no other applicable flights are available;
 - 9.3.3. Disabled persons can be accommodated in business class upon receipt of approval provided for in paragraph 6.1.
- 9.4. For domestic trips preference will be given to airlines which operate direct flights between Cape Town and the end destination.
- 9.5. For international trips all major airlines may be utilized where the most economical airline is chosen on quotation basis.
- 9.6. For international trips the comparison of more expensive direct flights from Cape Town versus cheaper indirect flights should always be performed. When choosing a flight, consideration should also be given to the traveller's ability to function optimally when arriving at their destination, especially when travelling across time zones.
- 9.7. For special trips requiring the use of helicopters or chartered aircrafts, special authorization by the Executive Mayor or Municipal Manager or their delegated nominees is required

9.8. Amendments to Air tickets:

- 9.8.1. Travellers should limit the number of amendments to air tickets as far as possible;
- 9.8.2. The costs associated with amendments is subject to the rules of the particular ticket and can include penalty fees;
- 9.8.3. The costs incurred as a result of amendments requested by the traveller for his / her convenience or lack of planning will be for the traveller's personal account;
- 9.8.4. The costs of amendments as a result of revised business requirements or any other circumstances outside the traveller's control will be incurred by the relevant line department.

9.9. Baggage Allowance:

- 9.9.1. The traveller must acquaint him- or herself with the baggage policy of the airline that he / she will be travelling on. The baggage policy provides information on the prescribed baggage allowance and the cost for baggage in instances where the airline charges separately for baggage;
- 9.9.2. Based on the class of travel, the airline will prescribe the specific number of pieces of luggage that will be allowed as well as the weight and size per piece;
- 9.9.3. The reimbursement for any excess baggage is subject to the traveller obtaining approval for exceeding the baggage allowance due to valid business reasons, prior to the trip.

10. **ACCOMMODATION AND MEALS – Domestic and International**

When travelling to a destination outside the boundaries of the Overstrand Municipality in circumstances requiring absence from the office for longer than 24 hours, the following may be utilised and claimed (the time of departure from residence or office up until the time of arrival back at residence or office shall be used for purposes of calculating the length of absence):

10.1. Accommodation

- 10.1.1. The National Treasury, on behalf of all three spheres of government, has negotiated improved upfront discounted accommodation rates. Therefore, municipalities have been requested to utilize these agreements to assist in their respective cost containment measures, unless other service providers that offer lower rates can be utilized.
- 10.1.2. Travellers who travel on the business of the municipality, where the business unavoidably entails one or more nights to be spent away from home, may stay in a hotel, motel, guesthouse or bed and breakfast establishment:
 - a) Where the distance to and from the venue in total, exceeds 500 kilometers;
 - b) Any deviation from paragraph (a) must be motivated in writing by the traveller, **recommended by the relevant Director** or Executive Mayor, as the case may be, and must be approved in writing by the Municipal Manager, **prior** to any reservations being made, and prior to the date of departure, based on valid reasons.
- 10.1.3. The actual cost of accommodation will be borne by the municipality, subject to a maximum of 4-star rating for the accommodation itself in respect of domestic travel. Where such accommodation is available, the maximum rate per night (including Tourism Levy) for a single room will be payable as follows:
 - a) Graded Hotel or Boutique Hotel:
 - (i) Room Only : R1'360-00 (incl VAT);
 - (ii) Room & Breakfast : R1'470-00 (incl Vat);
 - (iii) Room, Breakfast & Dinner : R1'700-00 (incl VAT)
 - b) Graded Bed & Breakfast, County Houe or Guest House:
 - (i) Room Only : R1'090-00 (incl VAT);
 - (ii) Room & Breakfast : R1'260-00 (incl Vat);

- (iii) Room, Breakfast & Dinner : R1'460-00 (incl VAT)
 - c) Graded Self-Catering Establishment:
 - (i) Room Only : R1'360-00 (incl VAT).
 - 10.1.4. If no such accommodation is available, higher rating accommodation can be used subject to the prior written approval of the **Municipal Manager or the Executive Mayor, as applicable.**
 - 10.1.5. If a traveller stays with a relative or friend, no accommodation expense may be claimed, but the traveller may claim a subsistence allowance per day as per par. 12.1.2(a) of this policy.
 - 10.1.6. The location of the accommodation should not be more than 20 km from the venue of the event, unless prior written approval is obtained from the Municipal Manager or Executive Mayor.
 - 10.1.7. Where advance payments have to be made to the establishment based on “pro-forma” invoices in order to secure the reservation, it is the responsibility of the traveller to obtain the valid Tax Invoice from the establishment on or before departure and to submit it to the Creditor Section within 7 working days of returning from the event.
- 10.2. Meal Expenses – Domestic Trips
- 10.2.1. Travellers will not be entitled to be reimbursed for (a) meals(s) and / or incidental expenses within the area of jurisdiction of the Overstrand Municipality.
 - 10.2.2. Where the cost of meals has not been included in the cost of overnight accommodation, receipts for the meals for domestic trips paid for by the traveller must be kept and attached to the claim form. The maximum amount allowable per meal is:
 - a) Breakfast = R120-00;
 - b) Lunch = R170-00 (if not provided / included at the event);
 - c) Dinner = R190-00.
- 10.3. Meal Expenses – International Trips
- These meals will be covered in terms of the SARS rates applicable to the country being visited.
- 10.4. No-Shows and Cancellations
- 10.4.1. It is the responsibility of the traveller to notify the accommodation establishment of any cancellations of reserved accommodation as soon as he / she becomes aware of the fact.
 - 10.4.2. Each accommodation establishment has different conditions / rules in terms of cancellations. Last-minute cancellations may result in the payment of a cancellation fee. The traveller must familiarize him- / herself with the cancellation policy of the specific establishment.
 - 10.4.3. The traveller should inform the accommodation establishment if he / she expects to be arriving later than the expected arrival time to ensure that the reservation is not cancelled, or a cancellation fee is charged.
 - 10.4.4. If the traveller does not check in at the accommodation establishment without any prior notification. any no-show cost charged is regarded as fruitless and wasteful expenditure.
 - 10.4.5. The traveller could be responsible for any fruitless expenditure incurred due to a now-show or late cancellation where it was in his / her ability to cancel the booking on time.

11. USE OF VEHICLES

11.1. Hired Vehicles:

- 11.1.1. Shall be applied for, quantified and paid for by the Municipality.
- 11.1.2. May only be obtained when the traveller is on official municipal business where air travel was involved, and other modes of transport are not available, too costly or impractical.
- 11.1.3. Requires prior approval in accordance with paragraph 6.1.
- 11.1.4. May not be used for private purposes or for travel from the municipal offices.
- 11.1.5. Any fines, penalties and administration fees payable as a result of the contravention of any traffic rules and regulations while driving a hired vehicle will be for the traveller's personal account and must be settled within thirty (30) days of receipt of the fine or penalty.
- 11.1.6. Only travellers with a valid South African driver's license may hire vehicles; where the traveller who hires a vehicle, is not in possession of such license, he or she may be held personally liable for all damages and may be subject to disciplinary action by Council; the responsibility and related costs of obtaining an international driving permit, where required, rests with the traveller.
- 11.1.7. Only "A" or "B" category vehicles may be rented, unless it is more cost-effective to hire a more expensive vehicle, for example, when the number of representatives involved could justify the hire of a micro-bus, for groups of 5 (five) or more travellers. The latter to be approved in advance by the Executive Mayor or Municipal Manager, according to the provisions as provided for in paragraph 6.1.
- 11.1.8. For physically handicapped travellers who are only able to drive a particular type of vehicle and those in possession of a driver's license restricted to automatic vehicles, the most suitable vehicle may be obtained.
- 11.1.9. Chauffeur driven vehicles may not be used. Travellers who are unable to drive must utilize either a shuttle service or another mode of public transport.
- 11.1.10. The traveller should book a rental vehicle for the period that is actually required for official business only as the car rental companies charge a full daily rate for a 24-hour cycle or part thereof.
- 11.1.11. For car rental inspections the traveller should verify and complete the quality check card prior to leaving the car rental premises, both on collection and return of the rental vehicle. The traveller must ensure that all scratches, chips, dents, windscreen and cracks are marked on the card and signed off by the car rental attendant. Failure to complete the quality check card could result in the traveller being held personally responsible for any damages.
- 11.1.12. The traveller must take every reasonable precaution to safeguard a rental or fleet vehicle against damage, theft or irregular use while driving it and when it is parked.
- 11.1.13. The traveller must ensure that the rental vehicle is returned within the specified rental period as it can be regarded as stolen if the vehicle is not returned in time without any notification to the car rental company. The traveller will be held responsible for the additional charges for the late return of the vehicle, unless approved in terms of the provisions provided for in paragraph 6.1 upon submitting sound reason(s) by the traveller.
- 11.1.14. If the traveller needs to extend the rental period for official business purposes, the traveller must obtain the required approval in terms of the provisions provided for in paragraph 6.1 and inform the car rental company accordingly.
- 11.1.15. If the traveller extends his / her stay for personal reasons, the charges will be for the traveller's personal account. The car rental company must be informed of the arrangement and the car must be returned. The traveller must enter into a separate rental agreement for the period of private travel for personal usage.

11.2. Private Vehicles

- 11.2.1. The boundaries of the Overstrand Municipality shall be used to determine payment

for travel outside such boundaries by means of private transport for officials who are in receipt of a fixed transportation allowance, or where such an allowance has been factored into the total cost of employment package of the official concerned. In such cases, only the applicable cost per kilometer will be paid as updated from time to time. Should the destination of the trip be outside the boundaries of the Municipality, the distance for the cost per kilometer will be measured from place of residence or place of work, whichever is the nearest to the place of the approved event.

- 11.2.2. Councillors using private transport outside the boundaries of the Overstrand Municipality will be reimbursed according to the guidelines issued by the relevant National Department as updated from time to time.
- 11.2.3. Travellers in receipt of a fixed transportation allowance, or where such an allowance has been factored into the total cost of remuneration package of the traveller concerned, travelling on official municipal business within the boundaries of the Overstrand Municipality but outside a radius of 15 km from their normal place of work, will be reimbursed for such travelling at the prevailing AA-Running Cost km tariff, calculated from their normal place of work or residence, which-ever is the nearest to the place of the approved destination.
- 11.2.4. Those employees who are in receipt of an Essential User Transportation Allowance shall be reimbursed in accordance with the applicable Scheme. The travelling distance shall be calculated from their place of work or residence, which-ever is the nearest to the place of the approved destination.
- 11.2.5. Those travellers who are not in receipt of a travel allowance shall be reimbursed according to the latest prescribed SARS km tariff, calculated from their place of work or residence, which-ever is the nearest to the place of the approved destination.
- 11.2.6. A traveller who uses private transport rather than air travel shall be paid the lower of the following two options:
 - a) Cash equivalent of 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 plus the cost of a hired vehicle to get to the traveller's destination; or
 - b) Actual cost per kilometer as determined according to the rate applicable to the traveller, on condition that such person may not claim subsistence costs for a longer period than would have been applicable in the case of air travel.
- 11.2.7. A claim submitted by a traveller, when travelling outside the municipal area of the Overstrand with private transport on official municipal affairs, will be considered for re-imbursement, subject to the following conditions:
 - a) that the trip is for an approved official event;
 - b) that no other municipal transport was available to officials not in receipt of a transportation allowance at the time of the travel, as confirmed with the Executive Mayor, relevant Director or Municipal Manager;
 - c) that the use of private transport is pre-approved by the Mayor, relevant Director or Municipal Manager.

12. SUBSISTENCE ALLOWANCE – Domestic and International

12.1. Domestic Travel

- 12.1.1. A traveller may claim a daily subsistence allowance as provided for in this policy with the understanding that all authorized personal expenses are covered by the subsistence allowance. No further expenses, with the exception of certain business expenses (see paragraph 13 below), may be claimed.
- 12.1.2. A daily subsistence allowance will only be applicable where-
 - a) official business unavoidably entails **one or more nights to be spent away from home**, a subsistence allowance as amended by SARS from time to time, will apply in respect of domestic travel; or
 - b) where the traveller will be on official business for a **period exceeding 8 hours, without being away from home for one or more nights**, an allowance as

- amended by SARS from time to time, will apply in respect of domestic travel;
- c) No daily subsistence allowance will be payable to representatives that will be attending courses, training or meetings where lunch will be provided, but without being away from home for one or more nights.

12.1.3. A traveller of the municipality must obtain approval for his or her subsistence allowance, as provided for in this policy, before embarking on any official trip.

12.1.4. No subsistence allowance will be paid, and no traveller will be entitled to a subsistence allowance, if the trip or travel is not related to the official business of the municipality. All travel on business of the municipality must be approved as such before a traveller is entitled to a subsistence allowance.

12.2. International Travel

12.2.1. When traveling in countries other than in South Africa on specially authorized Municipal business, the expenses actually incurred for accommodation and official transport will be payable.

12.2.2. The daily subsistence allowance is to cover all meals, transport for private use and other incidental costs, this subsistence allowance for international travel will be in accordance with SARS Foreign Travel 1.1 List of Daily Maximum amount per Country, as amended by SARS from time to time, available on the SARS website under Legal Counsel / Secondary Legislation / Income Tax Notices as per the relevant year.

12.2.3. No additional claim in respect of such costs will therefore be paid, except for entertainment by full-time Councillors or the Executive Management Team, of official guests, clients, potential clients, investors or potential investors which is to be dealt with as “entertainment allowance” claims.

13. **MISCELLANEOUS EXPENSES – Domestic and International**

13.1. Items that may be considered for approval, subject to proof of payment being provided, where expenditure is incurred within the boundaries of the Republic of South Africa during a period of absence is as follows:-

13.1.1. Parking fees while travelling;

13.1.2. Toll fees;

13.1.3. Bus / Taxi fares.

13.2. Items that may be considered for approval, where expenditure is incurred outside the boundaries of the Republic of South Africa during a period of absence are as follows:-

13.2.1. Reasonable Laundry costs;

13.2.2. Parking / Bus fares;

13.2.3. Transport costs to and from official meetings;

13.2.4. Visas (for the shortest available period);

13.2.5. Inoculations;

13.2.6. Specialized tours / entries to events related to the travelling;

13.2.7. Copying and printing of relevant documentation.

14. **SPONSORED TRIPS – Domestic and International**

14.1. A trip shall be regarded as sponsored when the full / partial cost of the trip is borne by an institution other than the Overstrand Municipality. Such sponsored proportion of the total cost of the trip must be declared in the application for the trip.

14.2. Travelling and Subsistence payable by the Overstrand Municipality will be calculated as the difference between the amounts claimable per this policy less the monetary value of the sponsored amounts.

15. **TRAVEL INSURANCE**

- 15.1. Travellers, where the necessary travel and special leave forms have been duly authorized in accordance with paragraph 6.1, will be insured by the municipality in terms of its current approved policies, practices and standard operating procedures. The insurance shall cover, inter alia, the following:
- 15.1.1. medical expenses and assistance services;
 - 15.1.2. personal accident, including death and disability, as well as repatriation and evacuation;
 - 15.1.3. luggage;
 - 15.1.4. travel documents; and
 - 15.1.5. personal liability.
- 15.2. Insurance cover is only for the period that the traveller is away from home or place of work on a trip relating to municipal business.
- 15.3. Private vehicles and contents thereof will not be covered under this Policy.
- 15.4. Hired vehicles are automatically covered for both Super Waiver Damage and Theft by the vehicle rental company.

16. GIFTS AND PROMOTIONAL GOODS

- 16.1. Where appropriate, the traveller may offer gifts to their hosts.
- 16.2. The gifts in question shall be provided by the municipality, through the appropriate department, in conjunction with the Department of Communication.
- 16.3. Suitable promotional and marketing products shall be supplied, on request, by the appropriate department of the Municipality in conjunction with the Department of Communication.
- 16.4. Gifts received by officials are subject to the guidelines as set out on the Gift Policy for Officials.
- 16.5. Gifts received by Councillors should be declared to the Speaker.

17. DEVIATION

Any deviation from this policy for whatsoever reason must be authorized by the Municipal Manager.

18. TRAVEL AND SUBSISTENCE ALLOWANCE CLAIM FORM

- 18.1. The official Travel and Subsistence Allowance claim form, as prescribed by the Chief Financial Officer must be used with regard to Travel and Subsistence Allowance applications (NOTE: The relevant Director must authorize the trip in the provided space **PRIOR** to undertaking the trip and approve the payment of the expenses incurred in the provided space **AFTER** the trip).
- 18.2. All travel and subsistence claims will only be reimbursed after the trip has been undertaken, unless prior approval is obtained from the Municipal Manager to, in highly exceptional circumstances, make a provisional payment in advance.
- 18.3. Travel & Subsistence allowances will be paid with the next salary run, provided it was submitted to the Salary Office before the relevant deadline. Requests may be submitted to the Salary Office to pay these claims together with the weekly wage payment, but after the

expenses was incurred as stipulated in Section 18.2 above.

19. IMPLEMENTATION AND REVIEW PROCESS

This policy will come into effect on **1 July 2025**;

This policy will be reviewed at least annually or when required by way of a Council resolution.

20. SHORT TITLE

This policy shall be known as the Travel and Subsistence Policy of the Overstrand Municipality.

POLICY SECTION:	DIVISIONAL MANAGER: EXPENDITURE, ASSETS, FLEET AND LOGISTICS MANAGEMENT
CURRENT UPDATE	[29 MAY 2025]
<u>PREVIOUS UPDATE</u>	<u>29 MAY 2025</u>
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APPROVAL BY COUNCIL	26 MAY 2010
APPROVAL BY EXECUTIVE MAYOR:	10 DEC 2004



PETTY CASH POLICY

GENERAL EXPLANATORY NOTE:

[] Words in bold type in square brackets indicate omissions from existing enactments.

_____ Words underlined with a solid line indicate insertions in existing enactments.

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1. INTRODUCTION

The accounting officer of a municipality is responsible for the management of the expenditure of the municipality in an effective and controlled manner. This includes Petty Cash, which is a small amount of funds that is minor in the form of cash, used for expenditure where it is impractical to obtain prior quotations due to the nature of the goods, monetary value and / or services required.

Therefore the Overstrand Municipality adopts the following Petty Cash Policy.

2. OBJECTIVES OF THE POLICY

Compliance with the regulatory framework in terms of the relevant legislation is required. The objectives of the policy are to ensure that:

- a) Goods and / or services are procured by the municipality in accordance with an authorised process only;
- b) The municipality has and maintains an effective Petty Cash system of expenditure control;
- c) Sufficient Petty Cash is available when required; and
- d) The items to be procured are approved Petty Cash items.

3. LEGISLATIVE FRAMEWORK

- a) Local Government: Municipal Finance Management Act, No 56 of 2003 (MFMA)
- b) Overstrand Municipality Supply Chain Management Policy (specifically Paragraph 15 – Petty cash and direct purchases).

4. DEFINITIONS

Accounting Officer:	The person appointed by council in terms of section 54A2 of the Local Government: Municipal Systems Act, No 32 of 2000, also known as the Municipal Manager, and defined in terms of section 60 of the MFMA.
Chief Financial Officer:	The person designated in terms of section 80(2)(a) of the MFMA and includes any person acting in that position or to whom authority is delegated.
Petty Cash:	A relatively small amount of cash kept at hand for making immediate payments for miscellaneous small expenses.
Petty Cash Float:	The total sum of Petty Cash which has been granted to a Petty Cash Officer.
Petty Cash Officer:	An employee made responsible for the day-to-day operating of the Petty Cash Float.
Reconciliation:	Is the process of comparing information, for example cash spent, compared with the relevant documentation and receipts.
Sub-advances:	A relatively small amount of cash made available by the Petty Cash Officer on request to buy miscellaneous small items.

5. RESPONSIBILITY AND ACCOUNTABILITY

The key responsibilities in terms of Section 65 of the MFMA are:

Accounting Officer (Municipal Manager)-

- 5.1 The Accounting Officer of a municipality is responsible for the management of the expenditure of the municipality.
- 5.2 The Accounting Officer must for the purpose of paragraph 5.1 take all reasonable steps to ensure:
- (a) that the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds;
 - (b) that the municipality has and maintains a management, accounting and information system which:
 - (i) recognises expenditure when it is incurred;
 - (ii) accounts for creditors of the municipality; and
 - (iii) accounts for payments made by the municipality;
 - (c) that the municipality has and maintains a system of internal control in respect of creditors and payments;
 - (d) that payments by the municipality are made:
 - (i) directly to the person to whom it is due unless agreed otherwise for reasons as may be prescribed; and
 - (ii) either electronically or by way of non-transferable cheques, provided that cash payments and payments by way of cash cheques may be made for exceptional reasons only, and only up to a prescribed limit;

The Municipal Manager may delegate authority to the Chief Financial Officer.

6. PETTY CASH POLICY

6.1 General Policy

- (a) The use of a petty cash float (**a float may not exceed R10 000-00**) is strictly confined to **individual cash purchases of up to a maximum of R1 000-00**. The Chief Financial Officer may approve petty cash purchases up to R2000;
- (b) The petty cash float is only to be used for non-recurring expenditure of an ad-hoc nature with a maximum of 15 sub-advances per Department per month; except in instances with the explicit pre-approval of the Chief Financial Officer.
- (c) **The same goods / services may not be purchased out of Petty Cash within a 60-day period**, unless it is of an insignificant value and the demand for the year is less than or equal to R2 000;
- (d) A register of Petty Cash purchases must be maintained for each department;

- (e) The expenditure with regard to petty cash purchases **shall not be deliberately split into more than one transaction to avoid the said limit**;
- (f) The petty cash float is **not to be used** for any of the following:
 - (i) the cashing of cheques;
 - (ii) loans to any person whatsoever;
 - (iii) payment of personal remuneration to any person whatsoever, whether for fees, salaries, wages, travel allowance as part of remuneration, honorarium or other reason, unless authorized by the Chief Financial Officer;
 - (iv) for instalment invoices such as rental of equipment or open orders, even if the amount falls within the specified limit;
 - (v) fuel.
- (g) Other cash floats may also be established for the purpose of providing change for a cash register, or any other purpose approved by the Chief Financial Officer. Use of such floats is restricted to the purpose for which they were established and does not form part of the scope of this policy;
- (h) The Accounting Officer, or delegated official, may conduct internal audits to evaluate compliance with this policy, and
- (i) Any purchase violating the true meaning of petty cash transactions will be regarded as a deviation from the accepted accounting practices in the use of Petty Cash and shall constitute a serious offence under the Disciplinary Code, unless authorized by the Chief Financial Officer;

6.2 Establishing and Operating a Petty Cash Float

- (a) To establish a new petty cash float or increase an existing advance, a written application must be made to the Chief Financial Officer by the relevant Manager of a department.
- (b) A request for the establishment of an advance will indicate the position of a senior administrative employee to be held responsible for the control over the petty cash float within the relevant department.
- (c) The senior administrative employee mentioned under paragraph 6.2(b) will be responsible for the security and set arrangements in place to ensure safe custody of funds in the office.
- (d) The minimal security arrangement that will be acceptable is that the float must be kept in a locked box which will be kept in a locked filing cabinet or safe.
- (e) When an advance is approved, the Accountant: Creditors will advise the relevant Department accordingly and request that the senior administrative employee mentioned under paragraph 6.2(b) collect the advance. This establishing/initial advance will be charged to a "Petty Cash Advances – Position/Dept" in the General Ledger and not against any expenditure votes. A register of advances is thus maintained per Ledger Account for the purpose of accounting for all petty cash floats.

6.3 Security of Petty Cash Floats and Documentation

- (a) The cash on hand and used petty cash vouchers are to be kept in a locked box for which there must be two keys. One key is to be retained by the petty cash officer (on his / her person) normally responsible for the petty cash and the other to be kept by a senior administrative employee mentioned under paragraph 6.2(b) in a sealed envelope in the office safe or other secure place, to be used only in an emergency.
- (b) The locked petty cash box must be kept in a secure place when not in use and must be removed and returned by the responsible staff member only. At no stage must staff other than the responsible administrative / clerical staff member have access to the storage place of the petty cash box.
- (c) Under no circumstance are keys to be left in the lock to the petty cash box, cabinet or safe.
- (d) If the responsible Petty Cash Officer is either going on leave or is leaving the Municipality's employment, the Petty Cash Officer must perform a reconciliation and compile a Summary Claim Cover Page before possession of Petty Cash can be handed over.

The Summary Claim Cover Page must be signed by both the Petty Cash Officer and the recipient in order to verify that the amount in cash correspond with the balance on the Summary Claim Cover Page.

When the Petty Cash is returned to the Petty Cash official, the same processes must be undertaken.

6.4 Completing a Cash Purchase Claim Form

- (a) Petty cash stationery is available from the Expenditure Section (Financial Services). The form consists of two parts:
 - (i) Cash Purchase Claim page
 - (ii) Cash Purchase Record page
 - (iii) Receipt for cash advance (Only when appropriate, refer paragraph on Sub-Advances).
- (b) All details entered on the Cash Purchase Claim must appear on the Cash Purchase record page.
- (c) The Cash Purchase Claim must be completed as follows:
 - (i) description and cost of the goods/services purchased
 - (ii) purchaser's name in print and signature
 - (iii) correct vote- or unique / short number with an adequate budget to be charged
 - (iv) signature of the Officer in Charge of Petty Cash.
- (d) Original receipts and other valid documentation as required must be attached as proof of payment with the signature of an appropriate financial delegate on this documentation. The receipt and invoice must be in a formal business format. When a vendor's printed invoice is used as a receipt, the invoice must clearly indicate that it has been paid.

- (e) A financial delegate cannot authorise a cash purchase claim where he or she is the purchaser.

6.5 Sub-Advances to Staff Members

- (a) If it is necessary to make an initial sub-advance to a staff member, a receipt for cash advance must be completed. The receipt for cash advance form must be completed as follows:
 - (i) description and *estimated* cost of the goods/services purchased;
 - (ii) purchaser's name in print and signature;
 - (iii) correct vote- or unique / short number with an adequate budget to be charged;
 - (iv) signature of the Petty Cash Officer.
- (b) In order to receive an initial sub-advance, the relevant staff member must submit an approval notice (authorized by a delegated official) to the Petty Cash Officer.
- (c) On completion of the purchase the recording-, documentation- and authorization requirements will be as stated in paragraph 6.4.
- (d) **All such sub-advances must be accounted for within 24 hours**, by submitting original receipts and other applicable documentation required attached as proof of payment (with the approval signature on the documentation). Where this cannot be achieved, the buyer will be liable to pay back the advance without any delay or if not possible, such advance to be deducted from the individual's salary and of which the individual agrees in writing to the deduction when completing the receipt for cash advance form.
- (e) No more than one advance will be made to any one individual at a time.

6.6 Out-of-Pocket Payments

- (a) Where a staff member has made a purchase from own funds and seeks reimbursement from the petty cash, supporting documentation must be provided to substantiate the claim which must be submitted within 10 working days from date of incurring the expense.
- (b) The responsibility to ensure that the purchase will be in accordance with all the prescriptions of this policy will be the sole responsibility of the purchaser of such item(s).
- (c) The recording-, documentation- and authorization requirements will be as stated in paragraph 6.4 above.

6.7 Reimbursement of Petty Cash Floats

- (a) A petty cash float is operated on the basis that expenditure from the float is periodically reimbursed. Such reimbursement requires-
 - (i) returning the cash level of the petty cash float to its original level, and;
 - (ii) charging the expenditure which has been made to the correct expenditure vote.

- (b) Accordingly, **at any point of time**, the sum of the cash on hand, i.e. remaining unspent, plus the cash advances for un-finalised purchases, plus the completed cash purchase claim forms, updated on the Summary Cash Purchase Claim form, shall equal the level of the petty cash advanced to a Department.
- (c) Completed Cash Purchase Claim forms, with attached cash register slips, etc., must be submitted to the Expenditure Section for reimbursement after the Summary Claim Cover Page and attached documentation have been authorised by a financial delegate.
- (d) Reimbursement of claims where supporting documentation as prescribed in this policy is absent / missing, must be declined.
- (e) The prescribed Summary Cash Purchase Claim Form as well as other relevant forms attached to it must be completed in full.
- (f) The most recently completed Cash Purchase Claim Form must record the reconciliation of the petty cash float. The Accountant: Creditors will decline reimbursement of claims where this is not supplied.
- (g) A petty cash float must never be reimbursed with funds derived from any other source whatsoever.

6.8 Shortages and losses

- (a) The holder of the Petty Cash float will be held accountable for any shortages and / or losses unless there is physical evidence of breaking in and no act or omission on the part of the relevant official contributed to the loss.
- (b) Any shortages in respect of a petty cash float must be reimbursed immediately by the responsible petty cash officer.
- (c) Where a petty cash float is stolen the incident must be promptly reported to the Chief Financial Officer in the required format and a case be logged at the South African Police Services.

6.9 Internal Controls

- (a) Random surprise Petty Cash counts / audits must be conducted by the relevant Manager / Senior Manager throughout the financial year.
- (b) Petty Cash reconciliations to the General Ledger must be reconciled and replenished before 30 June of every year (financial year-end).

6.10 Procedure where a Petty Cash Float is Repaid / Cancelled

When an advance is no longer required, a departmental memorandum must be submitted, signed by the Manager of the relevant Department, to the Accountant: Creditors, with the balance of cash on hand and completed and authorized Cash Purchase Claim forms. The most recently completed Cash Purchase Claim form will record the reconciliation of the petty cash float.

The Cashier must issue a receipt to the person delivering the cash.

7. IMPLEMENTATION AND REVIEW PROCESS

This policy will come into effect on 1 July **2026 [2025]**.

This policy will be reviewed at least annually or when required by way of a Council resolution.

8. SHORT TITLE

This policy shall be called the Petty Cash Policy of the Overstrand Municipality.

POLICY SECTION:	DIVISIONAL MANAGER: EXPENDITURE, ASSETS, FLEET AND LOGISTICS MANAGEMENT
CURRENT UPDATE	[29 MAY 2025]
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PREVIOUS REVIEW	30 MAY 2012
PREVIOUS REVIEW	04 MAY 2011
APPROVAL BY COUNCIL	26 MAY 2010



PAYDAY POLICY

GENERAL EXPLANATORY NOTE:

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1. PURPOSE

The purpose of the policy is to regulate the date on which Councillors and Employees of the Overstrand Municipality will receive their remuneration and / or allowances.

2. OBJECTIVES OF THE POLICY

The objectives of this Policy are to:-

- a) Establish a consistent payment routine for the payment of remuneration and / or allowances; and
- b) Provide information as to when remuneration and / or allowances will be paid.

3. DEFINITIONS

For the purpose of this policy, except where clearly indicated otherwise, the words and expressions set out below have the following meaning:

<i>“Councillor”</i>	A member of the Overstrand Municipal Council.
<i>“Permanent Employee”</i>	An official or worker appointed with paid leave and other entitlements / benefits in a position with unlimited duration.
<i>“Contractual Employee”</i>	A worker appointed on a fixed duration full-time or part-time basis for a period exceeding twelve (12) months to undertake and complete a specific task.
<i>“Temporary Employee”</i>	A worker appointed on a full-time or part-time basis for a maximum period not exceeding twelve (12) months to undertake and complete a specific task.
<i>“Seasonal Employee”</i>	A worker who is employed to work on a cyclical basis for a full season not exceeding a continuous period of six (6) months.

4. LEGISLATIVE FRAMEWORK

This Policy must be read in conjunction with the:-

- a) Remuneration of Public Office Bearers Act (Act 20 of 1998, as amended);
- b) Basic Conditions of Employment Act (Act 75 of 1997, as amended); and
- c) Organisational Rights Collective Agreement (as amended)

5. SCOPE OF THE POLICY

This Policy applies to all:-

- a) Councillors;
- b) Permanent employees;
- c) Contractual employees;
- d) Temporary employees; and
- e) Seasonal workers.

6. POLICY PRINCIPLES

6.1 Councillors and Permanent employees

- a) For newly elected Councillors and newly appointed permanent employees, payday for the first month will be on the last working day of the month;
- b) Thereafter, payday will be on the 25th day of each month, or the last working day before the 25th should the 25th day of the month fall on a:-
 - Saturday;
 - Sunday
 - Monday;
 - Public Holiday; or
 - Day after a public holiday.
- c) For the month of December in every year, payday will be three (3) working days before the 25th, with the exception of circumstances as set out in paragraphs 6.1(a), 6.1(b) and 6.1(d).
- d) For outgoing Councillors and resigning / dismissed / retiring permanent employees, payday for the last month will be on the last working day of the month, but no later than 7 working days after the last day on which work was performed if not exiting on the last working day.
- e) For employees who are on unauthorised / unpaid leave, and do not have sufficient annual leave days available to cover the period between payday and actual end of the month, payday will fall on the last working day of the month. This aims to eliminate the risk these employees pose for owing council money, should they not return to work for the duration of the month.
- f) For any amount of money owed to Council in respect of (e) above, or any other irrecoverable salary related amount of money, a report will be submitted to the Municipal Public Accounts Committee (MPAC) for consideration in terms of the regulations on Fruitless and Wasteful Expenditure.

6.2 Contractual employees

Payday for Contractual employees will be aligned to payment dates of Permanent Employees, but no later than 7 working days after the last day on which work was performed. Employment contracts and attendance registers must be aligned accordingly.

6.3 Temporary employees and Seasonal workers

Temporary employees and Seasonal Workers will, as far as possible, be paid on a weekly, fortnightly or monthly basis, as specified in their appointment letters, within 7 working days after the last day on which work was performed as per their approved timesheets. Temporary employees who elect to be paid on a monthly basis, will be paid in accordance with the monthly remuneration dates for Temporary employees, except if otherwise communicated.

6.4 Payment of additional allowances

6.4.1 Travel & Subsistence allowances will be paid with the next salary run, provided it was submitted to the salary office before the relevant deadline. Requests may be submitted to the salary office to pay these claims together with the weekly wage payment, but after the expenses were incurred (as stipulated in Sections 18.2 & 18.3 of the approved Travel & Subsistence policy). Submission of these weekly payment requests must reach the salary office by Wednesdays before 10h00.

6.4.2 Long Service allowances will be paid with the salary run of the month in which the employee qualifies for this allowance, provided it was submitted to the salary office before the relevant deadline. Requests may be submitted to pay these claims together with the weekly wage payment, given that this payment date is after the qualifying date. Submission of these weekly payment requests must reach the salary office by Wednesdays before 10h00.

6.4.3 Acting allowances will be paid with the salary run of the month after the acting was performed.

6.4.4 Any backdated remuneration approved for payment shall be calculated and processed with the next scheduled salary run, provided that all required supporting documentation has been submitted to the salary office before the relevant deadline.

7. IMPLEMENTATION AND REVIEW PROCESS

This policy will come into effect on 1 July 2026 [2025].

This policy will be reviewed at least annually or when required by way of a Council resolution.

8. SHORT TITLE

This policy shall be called the Payday Policy of the Overstrand Municipality.

POLICY SECTION:	DIVISIONAL MANAGER: EXPENDITURE, ASSETS, FLEET AND LOGISTICS MANAGEMENT
CURRENT UPDATE	<u>[29 MAY 2025]</u>
<u>PREVIOUS UPDATE</u>	<u>29 MAY 2025</u>
PREVIOUS UPDATE	31 MAY 2024
PREVIOUS REVIEW	31 MAY 2023
PREVIOUS REVIEW	31 MAY 2022
PREVIOUS REVIEW	26 MAY 2021
PREVIOUS REVIEW	27 MAY 2020
PREVIOUS REVIEW	29 MAY 2019
PREVIOUS REVIEW	30 MAY 2018
PREVIOUS REVIEW	31 MAY 2017
PREVIOUS REVIEW	25 MAY 2016
PREVIOUS REVIEW	28 MAY 2015
PREVIOUS REVIEW	28 MAY 2014
APPROVAL BY COUNCIL	28 NOVEMBER 2000 (Resolution)

**OVERSTRAND
MUNICIPALITY**



**SUPPLY CHAIN
MANAGEMENT POLICY**

OVERSTRAND
MUNICIPALITY



SUPPLY CHAIN MANAGEMENT POLICY,
adopted in terms of section 111 of the
LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, NO. 56 OF
2003
and the
MUNICIPAL SUPPLY CHAIN MANAGEMENT REGULATIONS, NOTICE 868 OF 30
MAY 2005, as amended

MUNICIPAL SUPPLY CHAIN MANAGEMENT POLICY

LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003

The Council of the Overstrand Municipality resolved on 25 June 2008 in terms of Section 111 of the Local Government: Municipal Finance Management Act (no. 56 of 2003) to adopt the following as the Supply Chain Management Policy of the municipality.

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POLICY STATEMENT AND OBJECTIVES

- 1 Section 111 of the Local Government: Municipal Finance Management Act, 56 (MFMA) requires each municipality and municipal entity to adopt and implement a Supply chain Management Policy, which give effect to the requirements of the Act.
- 2 In addition, the Preferential Procurement Policy Framework Act requires an Organ of State to determine its Preferential Procurement Policy and to implement it within the framework prescribed.
- 3 The objectives of this Policy are:
 - 1) to give effects to section 217 of the Constitution of the Republic of South Africa by implementing a system that is fair, equitable, transparent, competitive and cost effective;
 - 2) to comply with applicable provisions of the Municipal Finance Management Act including Municipal Supply Chain Management Regulations published under GN868 in Government Gazette 27636, 30 May 2005 and any National Treasury Guidelines issued in terms of the MFMA and regulations pertaining thereto; and
 - 3) to acknowledge the provisions of:
 - a) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003);
 - b) The Competitions Act 1998 (Act No. 89 of 1998)
 - c) the Construction Industry Development Board Act, 2000 (Act No.38 of 2000);
 - d) the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);
 - e) the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);
 - f) the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000);
 - g) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);
 - h) the Prevention and Combating of Corrupt Activities Act, 2000 (Act No. 12 of 2004);
 - i) the Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000)

1 Definitions

In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) has the same meaning as in the Act, and –

<i>“Accounting Officer”</i>	means a person appointed by the Municipality in terms of Section 82 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) and who is the head of administration and also the Municipal Manager for the Municipality.
<i>“Act” or “MFMA”</i>	means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);
<i>“Budget Holder”</i>	Means the person/s accountable for expenditure from, and income to a particular budget. Each budget holder is responsible for the control of his/her budget and for the general financial administration of his/her area of responsibility. The Budget Holder is responsible to authorise expenditure from their budget up to a total of their budget allocation.
<i>“Capital Asset”</i>	means a) any immovable asset such as land, property or buildings; or b) any movable asset that can be used continuously or repeatedly for more than one year in the production or supply of goods or services, for rental to others or for administrative purposes, and from which future economic benefit can be derived, such as plant, machinery and equipment.
<i>“CFO”</i>	means Chief Financial Officer of the Municipality or Director of Finance in this instance;
<i>“CIDB”</i>	means Construction Industry Development Board
<i>“close family member”</i>	a person's spouse, whether in a marriage or in a customary union according to indigenous law, domestic partner in a civil union, or child, parent, brother, sister, whether such a relationship results from birth, marriage or adoption
<i>“closing date”</i>	means the time and day specified in the bid documents and/or advertisement of the receipt of bids.
<i>“competitive bidding process”</i>	means a competitive bidding process referred to in paragraph 12(1)(c) of this Policy;
<i>“competitive bid”</i>	means a bid in terms of a competitive bidding process;
<i>“Construction Works”</i>	means any work in connection with: c) the erection, maintenance, alteration, renovation, repair, demolition or dismantling of or addition to a building or any similar structure; d) the installation, erection, dismantling or maintenance of a fixed plant; e) the construction, maintenance, demolition or dismantling of any bridge, dam, canal, road, railway, sewer or water reticulation system or any similar civil engineering structure; or f) the moving of earth, clearing of land, the making of an excavation, piling or any similar type of work.
<i>“Consultant”</i>	means a person or entity providing services requiring knowledge based expertise
<i>“contract”</i>	means the agreement that results from the acceptance of a bid by the Municipality;
<i>“Contract Owner”</i>	means the deputy director, senior manager or manager, as the case may be, that is ultimately accountable for all activities during the life cycle of the contract. The Contract Owner can also be seen as the Budget holder.
<i>“day(s)”</i>	Means calendar days unless the context indicates otherwise;
<i>“delegation”</i>	in relation to a duty, includes an instruction a request to perform, or to assist in performing the duty.
<i>“Direct purchase”</i>	means the procurement of goods and/or services whereby only one written quote is required to be obtained.
<i>“director”</i>	means a manager referred to in section 56 of the Municipal Systems Act.
<i>“emergency”</i>	an emergency is an unforeseeable and sudden event with harmful or potentially harmful consequences for the municipality which requires urgent action to address.
<i>“emerging enterprise”</i>	means an enterprise which is owned, managed and controlled by previously disadvantaged persons and which is overcoming business impediments arising from the legacy of apartheid.
<i>“essential community services”</i>	means (in Local Government context) as published in Government Gazette numbers 18043 of 6 June 1997; Government Gazette number 18276 of 12 September 1997; Government Gazette number 18439 of 21 November 1997; Government Gazette number 18761 of 27 March 1998; Government Gazette number 22670 of 21 September 2001; Government Gazette number 27104 of 24 December 2004; Government Gazette number 28076 of 28 July 2006; Government Gazette number 29987 of 22 June 2007; Government Gazette number 30805 of 29 February 2008: i. Municipal traffic services and policing.

	ii. Municipal health iii. Municipal security. iv. Supply and distribution of water. v. Generation, transmission and distribution of power. vi. Firefighting. vii. The following parts of sanitation services: a) Maintenance and operation of water borne sewerage systems, including pumping stations and the control of discharge of industrial effluent into the system; b) Maintenance and operation of sewerage purification works; c) Collection of refuse of an organic nature; d) Collection of infectious refuse from medical and veterinary hospitals or practices; e) Collection and disposal of refuse at a disposal site; f) Collection of refuse left uncollected for fourteen (14) days or longer, including domestic refuse and refuse on public roads and open spaces.
<i>"final award"</i>	in relation to bids or quotations submitted for a contract, means the final decision on which a bid or quote is accepted;
<i>"financial interest"</i>	means where a municipal staff member is a close family member of a person who is the owner, partner, principal shareholder or member, manager or who serves on the board of directors, etc of a tendering enterprise;
<i>"financial year"</i>	means a twelve-month period ending 30 June of every year.
<i>"formal written price quotation"</i>	means quotations referred to in paragraph 12(1)(b) of this Policy;
<i>"Granting of Rights"</i>	means the granting by the Overstrand Municipality of the right to use, control or manage capital assets in circumstances where sections 14 and 90 of the MFMA and Chapters 2 and 3 of the Municipal Asset Transfer Regulations do not apply. In other words, where the granting of such rights does not amount to "transfer" or "disposal" of the asset and which includes leasing, letting, hiring out, etc., of the capital asset.
<i>"Head: Supply Chain Management"</i>	Any post on the approved organisational structure to whom the [entire] SCM Unit reports to functionally
<i>"IDP"</i>	means Integrated Development Plan;
<i>"in the service of the state"</i>	means to be – a member of – a) any municipal council; b) any provincial legislature; or c) the National Assembly or the National Council of Provinces; d) a member of the board of directors of any municipal entity; e) an executive member of the accounting authority of any national or provincial public entity; or f) an official of any national or provincial department, national or provincial public entity or institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999); g) a member of the accounting authority of any national or provincial public entity; or h) an employee of Parliament or a provincial legislature;
<i>"long term contract"</i>	means a contract with a duration period exceeding one (1) year and does not have the same meaning as contracts of a long term nature referred to in paragraph 22(1)(b)(i) of this policy;
"long term nature"	means a contract as defined by section 33(1) of the Municipal Finance Management Act imposing financial obligations on the Municipality beyond the first three years covered in the approved annual budget and includes income-generating contracts with a duration period longer than three (3) years;
<i>"list of accredited prospective providers"</i>	means the list of accredited prospective providers which the Overstrand Municipality must keep in terms of paragraph 14 of this policy;
"material irregularity"	means any non-compliance with, or contravention of, legislation, policy prescript, fraud, theft or a breach of a fiduciary duty identified during a procurement process which may render the procurement process not fair, equitable, transparent, competitive and cost effective;
<i>"municipality"</i>	means the Overstrand Municipality;
<i>"notice boards"</i>	means the official notice boards at the municipal offices and libraries;
<i>"other applicable legislation"</i>	means any other legislation applicable to municipal supply chain management, including – a) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000); b) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003); c) the Construction Industry Development Board Act, 2000 (Act No.38 of 2000); d) the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);

	e) the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000); f) the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998); g) the Prevention and Combating of Corrupt Activities Act, 2000 (Act No. 12 of 2004); h) the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003): Municipal Supply Chain Management Regulations; i) the Preferential Procurement Regulations j) The Competitions Act 1998 (Act No. 89 of 1998), 2017
"Policy"	means the Supply Chain Management Policy of the Overstrand Municipality;
"quotation"	means a stated price that a supplier expects to receive for the provision of specified services, works or goods;
"Regulations"	means the Local Government: Municipal Finance Management Act, 2003, Municipal Supply Chain Management Regulations published by Government Notice 868 of 30 May 2005; as amended.
"SDBIP"	means Service Delivery and Budget Implementation Plan;
"single provider"	Sole supplier - One and Only (Alone of its kind) Supplier (Oxford Dictionary). If such goods or services are produced or available from a single provider only. There is no competition and only one provider exists in South Africa (for example, sole distribution rights);
"small business"	means a separate and distinct business entity, including cooperative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy mentioned in column 1 of the Small Business Classification Schedule, and which can be classified as a micro-, a very small, a small or a medium enterprise by satisfying the criteria mentioned in columns 3,4 and 5 of the Schedule opposite the smallest relevant size or class as mentioned in column 2 of the Schedule.
"supply chain management practitioner[s]"	means any post on the approved organisational structure where the primary function is at least one of the six systems of supply chain management and includes the Chief Financial Officer and the Head: Supply Chain Management;
"survivalist enterprise"	means a business set up by people unable to find a paid job or get into an economic sector of their choice. Income generated from these activities usually falls far short of even a minimum income standard, with little capital invested, virtually no skills training in the particular field and only limited opportunities for growth into a viable business. This category is characterised by poverty and the attempt to survive.
"tender"	means a 'bid' or a 'quotation' in relation to a Competitive Bidding Process;
"tender box"	means the specified tender box at the offices of Overstrand Municipality, Magnolia Avenue, Hermanus.
"Treasury guidelines"	means any guidelines on supply chain management issued by the Minister in terms of section 168 of the Act
"validity period"	means the period for which a bid is to remain valid and binding as stipulated in the relevant tender document.
<i>Reckoning of number of days: When any particular number of days is prescribed for the doing of any act, or for any other purpose, the same shall be reckoned exclusively of the first and inclusively of the last day, unless the last day happens to fall on a Sunday or on any public holiday, in which case the time shall be reckoned exclusively of the first day and exclusively of every such Sunday and public holiday.</i>	
<i>Words importing the singular shall include the plural and vice versa and words importing the masculine gender shall include females and words importing persons shall include companies, closed corporations and firms, unless the context clearly indicates otherwise.</i>	
<i>All amounts / limits stated in this document shall be deemed to be inclusive of Value Added Tax (VAT).</i>	

CHAPTER 1: IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

2 Supply Chain Management Policy

- 1) All officials and other role players in the Supply Chain Management system of the Municipality must implement this Policy in a way that –
 - a) gives effect to –
 - (i) section 217 of the Constitution; and
 - (ii) Part 1 of Chapter 11 and other applicable provisions of the Act;
 - (iii) Regulations pertaining to Supply Chain Management.
 - b) is fair, equitable, transparent, competitive, cost effective. and complies with –
 - (i) the Regulations; and
 - (ii) any minimum norms and standards that may be prescribed in terms of section 168 of the Act;
 - c) is consistent with other applicable legislation;

- d) does not undermine the objective for uniformity in Supply Chain Management Systems between organs of state in all spheres; and
 - e) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.
- 2) This Policy applies when the Municipality –
- a) procures goods or services; **including income-generating contracts**
 - b) disposes of goods no longer needed; **including the letting of fixed assets**
 - c) selects contractors to provide assistance in the provision of municipal services including circumstances where Chapter 8 of the Municipal Systems Act applies.
 - d) Selects 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 the Act.
- 3) This Policy, except where provided otherwise, does not apply in respect of:
- a) the procurement of goods and services contemplated in section 110(2) of the Act, including –
 - (i) water from the Department of Water Affairs or a public entity, another municipality or a municipal entity;
 - (ii) electricity from Eskom or another public entity, another municipality or a municipal entity; and
 - (iii) or any other such entities.

3 Adoption, Amendment, and Implementation of the Supply Chain Management Policy

- 1) The Accounting Officer must –
 - a) at least annually review the implementation of this Policy; and
 - b) when the Accounting Officer considers it necessary, submit proposals for the amendment of this Policy to Council.
- 2) If the Accounting Officer submits proposed amendments to Council that differs from the model policy issued by the National Treasury, the Accounting Officer must –
 - a) ensure that such proposed amendments comply with the Regulations; and
 - b) report any deviation from the model policy to the National Treasury and the Provincial Treasury.
- 3) When amending this supply chain management policy the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.
- 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 implements the supply chain management policy.

4 Delegation of supply chain management powers and duties

- 1) Council hereby delegates all powers and duties to the Accounting Officer **[which are necessary]** to enable the Accounting Officer –
 - a) to discharge the supply chain management responsibilities conferred on Accounting Officers in terms of –
 - (i) Chapter 8 or 10 of the Act; and
 - (ii) this Policy;
 - b) to maximize administrative and operational efficiency in the implementation of this Policy;
 - c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this Policy; and
 - d) to comply with his or her responsibilities in terms of Section 115 and other applicable provisions of the Act.

- 2) Section 79 of the Act applies to the sub delegation of powers and duties delegated to the Accounting Officer in terms of sub-paragraph (1).
- 3) The Accounting Officer may not sub-delegate any supply chain management powers or duties to a person who is not an official of the Municipality or to a committee that 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 26 of this Policy.

5 Sub-delegations

- 1) The Accounting Officer may in terms of section 79 of the Act sub-delegate any supply chain management powers and duties, including those delegated to the Accounting Officer in terms of this Policy, but any such sub-delegation must be consistent with sub-paragraph (2) of this paragraph and paragraph 4 of this Policy.
- 2) The power to make a final award –
 - a) above R10 million (Incl. VAT), may not be sub-delegated by the Accounting Officer;
 - b) above R300 000 (Incl. VAT), but not exceeding R10 million (Incl. VAT) may be sub-delegated, but only to a bid adjudication committee of which the Chief Financial Officer is the chairperson and directors are members;
 - c) not exceeding R300 000 (Incl. VAT) may be sub-delegated as per Council's delegations, attached as Annexure A, pertaining to the procurement of goods and services.
- 3) An official or bid adjudication committee to which the power to make final awards has been sub-delegated in accordance with sub-paragraph (2) must within five days of the end of each month submit to the official referred to in sub-paragraph (4) a written report containing particulars of each final award made by such official or committee during that month, including–
 - a) **[contract numbers and description of goods, services or infrastructure projects;]**
 - b) the name of the person to whom the award was made;
 - c) **[the B-BBEE level of contribution claimed;]**
 - d) the amount of the award; and
 - e) the reason why the award was made to that person.
- 4) **[A written report referred to in sub-paragraph (3) must be submitted to the Accounting Officer, in the case of an award by a bid adjudication committee of which the Chief Financial Officer and directors are members.]**

A written report referred to in sub-paragraph (3) must be submitted –

 - a) **to the Accounting Officer, in the case of an award by –**
 - (i) **the Chief Financial Officer;**
 - (ii) **a director; or**
 - (iii) **a bid adjudication committee of which the Chief Financial Officer or a director is a member; and**
 - b) **to the Chief Financial Officer or the senior manager responsible for the relevant bid, in the csse of an award by the –**
 - (i) **a manager referred to in sub-paragraph 2(c).**
- c) The awards scheduled must be published on Council's website in terms of Section 75(g) of the Act).
- 5) Sub-paragraphs (3) and (4) of this policy do not apply to procurement out of petty cash.
- 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 26 of this Policy. Also refer to paragraph 4(4) and 5(2)(a) of this Policy.

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

6 Oversight role of council

- 1) 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 this Policy and the supply chain management policy of any municipal entity under the sole or shared control of the municipality, to the council of the municipality; and
 - b) Whenever there are serious and material problems in the implementation of this Policy, immediately submit a report to Council.
- 3) The Accounting Officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the mayor of the municipality.
- 4) The reports must be made public in accordance with section 21A of the Local Government Municipal Systems Act 32, 2002.

7 Supply Chain Management Unit

- 1) The Overstrand Municipality has established a Supply Chain Management Unit to implement this Policy.
- 2) The Chief Financial Officer is administratively in charge of the supply chain management unit which operates under the direct supervision of the Head: Supply Chain Management, to whom this duty has been sub-delegated in terms of Section 82 of the Act.

8 Training of Supply Chain Management officials

The training of officials involved in implementing this Policy should be in accordance with relevant legislation, including Treasury guidelines on supply chain management.

CHAPTER 2: SUPPLY CHAIN MANAGEMENT SYSTEM

9 Format of Supply Chain Management system

- 1) This Policy provides systems for –
 - a) demand management;
 - b) acquisition management;
 - c) logistics management;
 - d) disposal management;
 - e) risk management; and
 - f) performance management.

Part 1: DEMAND MANAGEMENT

10 System of Demand Management

- 1) [The Accounting Officer must establish and implement an appropriate demand management system in order to ensure that the resources required by the Municipality support its operational commitments and its strategic goals outlined in the Integrated Development Plan, the Budget and the Service Delivery and Budget Implementation Plan.
- 2) The Demand Management Plan must be developed in conjunction with the IDP, Service Delivery and Budget Implementation Plan (SDBIP) and annual budget.

- 3) All user departments are required to submit their draft Demand Management plans to the Supply Chain Management Unit by 31 December in terms of the IDP and Budget processes.
- 4) The Demand Management Plan must be submitted to and approved by the Accounting Officer or his or her delegate by 30 June of each year.
- 5) The Demand Management Plan must be reviewed regularly and submitted to the Accounting Officer or his delegate on a monthly basis.
- 6) Demand management must be co-ordinated by SCM officials of the Municipality in consultation with budget holders.
- 7) The outcome of this activity should be a detailed planning document that outlines what goods, works or services should be procured, the manner in which they should be procured as well as the timelines to execute the procurement functions.]
- 8) Demand management provides for an effective system to ensure that the resources required to support the strategic operational commitments of the municipality are delivered at the correct time, at the right price and at the right location, and that the quantity and quality satisfy the needs.
- 9) The municipality's Integrated Development Plan (IDP) is a comprehensive strategy document setting out how the municipality intends to tackle its development challenges in a financial year. The IDP provides the basis that the resources of the municipality will be allocated and on which the budget is based.
- 10) To achieve effective demand management, the Head: Supply Chain Management shall continuously ensure:
 - a) That efficient and effective Supply Chain Management systems and practices are implemented to enable the municipality to deliver the required quantity and quality of services to the public;
 - b) The establishment of uniformity in policies, procedures, documents and contract options and the implementation of sound systems of control and accountability;
 - c) The development of a professional supply chain management system which results in continuing improvement in affordability and value for money, based on total cost of ownership and quality of procurement as competition amongst suppliers is enhanced;
 - d) In dealing with suppliers and potential suppliers, the municipality shall respond promptly, courteously and efficiently to enquiries, suggestions and complaints.

11) Major Activities

Demand management is the beginning of the supply chain management process and the major activities associated with identifying demand are:

- a) establishing requirements;
- b) determining needs; and
- c) deciding on appropriate procurement strategies.
- d) Demand management accordingly shall involve the following activities:
 - e) understanding the future needs;
 - f) identifying critical delivery dates;
 - g) identifying the frequency of the need;
 - h) linking the requirement to the budget;
 - i) conducting expenditure analyses based on past expenditure;
 - j) determining requirements (including the internal capacity to implement);
 - k) conducting commodity analyses to check for alternatives; and
 - l) conducting industry analyses.

Part 2: ACQUISITION MANAGEMENT

11 System of Acquisition Management

- 1) The Accounting Officer must implement the system of acquisition management set out in this Part in order to ensure –
 - a) that goods and services are procured by the Municipality in accordance with authorised processes only;
 - b) that expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Act;
 - c) that the threshold values for the different procurement processes are complied with;
 - d) that bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation; and
 - e) that any Treasury guidelines on acquisition management are properly taken into account.
- 2) When procuring goods or services contemplated in section 110(2) of the Act, the Accounting Officer must, subject to paragraph 2(3), make public the fact that such goods or services are procured otherwise than through the Municipality's supply chain management system, including -
 - a) the kind of goods or services; and
 - b) the name of the supplier.

12 Range of procurement processes

- 1) Goods and services may only be procured by way of –
 - a) petty cash purchases in terms of Council's Petty Cash Policy and direct purchases for procurement transactions with a value up to R2 000 (Incl. VAT);
 - b) formal written price quotations for procurement of a transaction value over R2 000 (Incl. VAT) up to R300 000 (Incl. VAT); and
 - c) a competitive bidding process for procurement above a transaction value of R300 000 (Incl. VAT).
- 2) The Accounting Officer may, in writing -
 - a) lower, but not increase, the different threshold values specified in sub-paragraph (1); or
 - b) direct that –
 - (i) formal written price quotations be obtained for any specific procurement of a transaction value lower than R300 000 (Incl. VAT); or
 - (ii) a competitive bidding process be followed for any specific procurement of a transaction value lower than R300 000 (Incl. VAT).
- 3) Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy. When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

13 General preconditions for consideration of written quotations or bids

- 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; and
 - (iii) tax reference number and VAT registration number, if any;

- b) has authorised the Municipality to verify any of the documentation referred to in sub-paragraph (a) above; and
- c) has indicated –
 - (i) whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;
 - (ii) if the provider is not a natural person, whether any of its directors, managers, principal shareholder or stakeholders are in the service of the state, or has been in the service of the state in the previous twelve months; or
 - (iii) whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in sub-paragraph (ii) is in the service of the state or has been in the service of the state in the previous twelve months.

14 Lists of accredited prospective providers

- 1) The Accounting Officer must –
 - a) keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements through formal written price quotations; and
 - b) at least once a year through newspapers commonly circulating locally, the website and any other appropriate ways, invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers; and
 - c) The listing criteria for prospective suppliers are:
 - (i) Service/product providers must submit their applications on the prescribed form and be accompanied by the following documentation **where applicable**:
 - (a) Proof of company/close corporation registration (CIPC);
 - (b) The company and the owner/director(s)/member(s)/shareholder(s)/partners proof of municipal account(s) not older than 3 months;
 - (c) Certified ID copy(ies) of the owner/director(s)/member(s)/shareholder(s)/partners of the company;
 - (d) A valid Tax Compliance Status (TCS) Pin;
 - (e) The owner/company's bank confirmation letter **/cancelled cheque** or a copy thereof if the Credit Order Instruction on the form is not stamped by the bank;
 - (f) Proof of VAT registration, where applicable;
 - (g) Certificate of Acceptability for Food Premises;
 - (h) Proof of registration at the Construction Industry Development Board (CIDB), where applicable;
 - (i) Accreditation certificate if selling IT equipment;
 - (j) An originally certified copy of a valid B-BBEE status level verification certificate. Exempted Micro Enterprises (EME's) and Qualifying Small Enterprises (QSE's) may submit an originally certified Sworn Affidavit as per their sector codes.
 - 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.

15 Petty Cash and Direct Purchases

- 1) The following shall be applicable for all purchases not exceeding R2 000 (Incl. VAT)
- 2) Conditions for petty cash purchases –

- a) Petty cash purchases are limited to R1 000 per transaction.
 - b) The Chief Financial Officer may approve petty cash purchases up to R2 000.
 - c) Only officials duly delegated in terms of [delegation 4.2.81.1 of] the Delegations of Power may authorise purchases from petty cash.
 - d) Each department is allowed a maximum of 15 petty cash transactions per month.
 - e) Petty cash purchases are to be used for ad-hoc goods/services and not routinely occurring needs.
 - f) The same goods/services may not be purchased again out of petty cash within a 60-day period, unless it is of an insignificant value and the demand for the year is less than or equal to R2 000. E.g. ad-hoc courier services.
 - g) A register of petty cash purchases must be maintained for each department:
requiring monthly reconciliation reports from each manager 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”
- 3) The conditions for the procurement of goods by means of written quotations referred to in paragraph 12(1)(a) of this Policy for minor items that are purchased for up to R2,000 (Incl. VAT), are as follows:
- a) written quotations for transactions must be obtained from at least one prospective supplier or service provider preferably from, but not limited to, suppliers or service providers whose names appear on the list of accredited prospective providers of the Municipality provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria set out in paragraph 14(1)[(b).] (c) and (d) of this Policy;
 - b) if a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider.
- 4) The practice of splitting orders to circumvent the formal written price quotation process through petty cash or direct purchases are not permissible.

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[Deleted by amendment dated 31 January 2024]

17 Formal written price quotations

- 1) The conditions for the procurement of goods or services through formal written price quotations for amounts above R2,000 (Incl. VAT) up to R300,000 (Incl. VAT) 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)(c) and (d) of this Policy.
 - 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 must record the names of the potential providers and their written quotations.
- 2) A designated official referred to in sub-paragraph (1)(c) must by the 3rd of each month report to the Chief Financial Officer on any approvals given during the preceding month by that official in terms of that sub-delegation.

18 Procedures for procuring goods or services through formal written price quotations

- 1) The procedure for the procurement of goods or services through formal written price quotations is as follows:
 - a) all requirements in excess of R30,000 (Incl. VAT) that are to be procured by means of formal written price quotations must, in addition to the requirements of paragraph 17, be advertised for at least seven days on the website and an official notice board of the Municipality;
 - b) when using the list of accredited prospective providers, the Accounting Officer must promote on-going competition amongst providers **including [by]** inviting providers to submit quotations on a rotation basis;
 - c) **the accounting officer must take all reasonable steps to ensure that the procurement of goods and services through formal written price quotations is not abused and includes –**
 - (i) quotations received must be evaluated on a comparative basis taking into account unconditional discounts;
 - (ii) quotations must be awarded based on compliance to specifications, conditions of contract, ability and capability to deliver the goods and services and the preference points system will apply in terms of the Preferential Procurement Policy for quotations up to R300 000 (Incl. VAT);
 - d) the Accounting Officer or Chief Financial Officer must on a monthly basis be notified in writing of all formal written price quotations accepted by an official acting in terms of a sub-delegation;
 - e) the Chief Financial Officer must set requirements for proper record keeping of all formal written price quotations accepted on behalf of the municipality;

19 Competitive bids

- 1) Goods or services above a transaction value of R300 000 (Incl. VAT) may only be procured through a competitive bidding process, subject to paragraph 11(2) of this Policy.
- 2) No requirement for goods or services above an estimated transaction value of R300 000 (Incl. VAT), 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.

20 Process for competitive bidding

- 1) The procedures for the following stages of a competitive bidding process are as follows:
 - a) Compilation of bidding documentation is detailed in paragraph 21;
 - b) Public invitation of bids is detailed in paragraph 22;
 - c) Site meetings or briefing sessions are detailed in paragraph 22;
 - d) Handling of bids submitted in response to public invitation is detailed in paragraph 23;
 - e) Evaluation of bids is detailed in paragraph 28;
 - f) Award of contracts is detailed in paragraph 29;
 - g) Administration of contracts is detailed in paragraph 6 of Council's Contract Management Policy
 - h) Proper record keeping: Original and legal copies of all tender documentation must be kept in a secure place for reference purposes.

21 Bid documentation for competitive bids

- 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 (CIDB), in the case of a bid relating to construction, upgrading, refurbishment of buildings or infrastructure.
 - b) include the preference points system to be used as contemplated in the Preferential Procurement Regulations, 2022, 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) if the value of the transaction is expected to exceed R10 million (Incl. VAT) –
 - (i) if the bidder is required by law to prepare annual financial statements for auditing, its audited annual financial statements –
 - (a) for the past three years; or
 - (b) since its establishment if established during the past three years;
 - (ii) 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 calendar days;
 - (iii) particulars of any contracts awarded to the bidder by the municipality 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; and
 - e) stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law;
- 2) A fee, **published on the municipality's tariff list**, 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 for tenders in excess of R300 000 (Incl. VAT).
- 3) Tenders to be evaluated on functionality:
- a) The Municipality must indicate in the tender documents if the tender will be evaluated on functionality.
 - b) The evaluation criteria for measuring functionality must be objective.
 - c) The tender documents must specify-
 - (i) evaluation criteria for measuring functionality.
 - (ii) the points for each criterion and, if any, each sub-criterion; and
 - (iii) minimum qualifying score for functionality,
 - d) The minimum qualifying score for functionality for a tender to be considered further-
 - (i) must be determined separately for each tender; and
 - (ii) may not be so-
 - (a) low that it may jeopardise the quality of the required goods or services; or
 - (b) high that it is unreasonably restrictive.
 - e) Points scored for functionality must be rounded off to the nearest two decimal places.
 - f) A tender that fails to obtain the minimum qualifying score for functionality as indicated in the tender documents is not an acceptable tender.
 - g) Each tender that obtained the minimum qualifying score for functionality must be evaluated further in terms of price and the preference point system and any objective criteria envisaged.
 - h) **The functionality assessment must be performed by at least three persons and be scored independently.**

22 Public invitation for competitive bids

- 1) The procedure for the invitation of competitive bids is as follows:
- a) Any invitation to prospective providers to submit bids must be by means of a public advertisement:
 - (i) in newspapers commonly circulating locally,

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- (ii) on the notice boards at selected offices of the Municipality,
 - (iii) on the website of the Municipality,
 - (iv) on the e-Tender Publication Portal of the National Treasury
 - (v) on the i-Tender website of the CIDB for construction procurement related transactions or
 - (vi) any other appropriate ways (which may include an advertisement in the Government Tender Bulletin).
- 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 (Incl. VAT), or which are of a long term nature **[(in excess of three years)]**, or 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to sub-paragraph (2) of this policy;
 - (ii) a statement that bids may only be submitted on the bid documentation provided by the Municipality;
 - (iii) a statement that bids will only be considered if it was deposited into the bid box indicated in the bid invitation;
 - (iv) the required CIDB contractor category and grading designation for construction procurement, date, time and venue of any proposed site meetings or briefing sessions, provided that site meetings / information sessions may not be scheduled within 7 days of the date on which a bid advertisement is placed.
- 2) The Accounting Officer may determine a closure date for the submission of bids which is less than the required 30 or 14 days, 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) The notice shall further state that all bids for the contract must be submitted in a sealed envelope on which it is clearly stated that such envelope contains a bid and the contract title and contract or bid reference number for which the bid is being submitted.
- 4) The period for which bids are to remain valid, irrevocable, and open for acceptance must be indicated in the bid documents and must not exceed 180 days.
- 5) The Accounting Officer, or his/her duly appointed delegate, shall when the evaluation or adjudication of a bid is envisaged to go beyond the validity period as stipulated in the bid documentation, request bidders to extend the validity of their bids. Bidders may either accept or reject the extended validity period and those who do not wish to extend the validity period would be regarded as non-responsive and would be excluded from further evaluation.
- 6) Communication with bidders before the closing date:
- a) **[The budget holder must approach the chairperson of the Bid Specification Committee, if necessary, to consider authorisation in writing, of communication with bidders prior to bids closing.]**
All communication with bidders or potential bidders must be authorised by the Chairperson of the Bid Specification Committee and the communication must be performed by an official in the Supply Chain Management Unit.
 - b) 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 where possible, that] communicated to** all **prospective** bidders to whom bid documents have been issued, **and** are advised in writing per e-mail or by fax of such amendments or of the extension clearly reflecting the new closing date and time. For this reason, officials and authorised service providers 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.
 - c) All amendments must be approved by the Accounting Officer or the relevant delegated director prior to the closing date of the bid invitation. The communication of the minutes of site meetings is not subject to this requirement.

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- 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 on the same date and as soon as possible after the period for the submission of bids has expired; and
 - b) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price;
 - c) No information, except the provisions in sub-paragraph (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.
 - e) **No bidder may submit more than one bid (offer) for the same tender. Failure to adhere to this requirement will disqualify all bids submitted. This does not apply to alternative offers submitted for a tender.**
 - 2) Stamping of bids and reading out of names:
 - a) As each bid is opened the name of the bidder and the amount – if practical – shall be read out.
 - b) An official shall date-stamp the bid or quotation and all enclosures related to prices, delivery periods and special conditions.
 - c) 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.
 - d) In instances where only one bid has been received the words “and only” shall be endorsed on such bid.
 - e) 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.
 - f) A bid will not be invalidated if the amount in words and the amount in figures do not correspond, where there is a discrepancy, the amount in words shall be read out at the bid opening and shall be deemed to be the bid amount.
 - 3) Late Bids
 - a) Bids or quotations arriving after the specified closing time shall not be considered and where practicable and cost effective shall be returned to the bidder unopened with a letter explaining the circumstances.
 - b) 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.
 - 4) 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, 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 cancels it by submitting a later dated bid or quotation before the extended closing date.
 - 5) Cancellation of tender/s:
 - a) The Municipality may, before the award of a tender, cancel a tender invitation if-
 - (i) due to changed circumstances, there is no longer a need for the goods or services specified in the invitation.
 - (ii) funds are no longer available to cover the total envisaged expenditure.
 - (iii) no acceptable tender is received; or
 - (iv) there is a material irregularity in the tender process.

24 Negotiations with preferred bidders and communication with prospective providers and bidders

- 1) The Accounting Officer may negotiate the final terms of a contract, including market related prices, 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;
 - d) does not lead to a lower price in respect of sale of land / goods.
- 2) Minutes of such negotiations must be kept for record purposes and as far as practical be made part of the final contract.
- 3) No unauthorised 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, official, or authorised service provider 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, 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 chairperson of the Bid Adjudication Committee. A bid [or quotation] in respect of which unauthorised communication has occurred may be disqualified.
 - c) [The budget holder must approach] The SCM member of the Bid Evaluation Committee, as determined in paragraph 28(2), must authorise all communication [to consider authorising an employee or authorised consulting service provider,] in writing, to communicate with a bidder during the period mentioned in subsection (b) above for the purpose of:-
 - (i) Obtaining an explanation and verification of declarations made in the bid response;
 - (ii) confirming technical particulars and the compliance thereof with specifications;
 - (iii) clarifying delivery times/quantities;
 - (iv) extending the validity period of a bid;
 - (v) clarifying any other commercial aspect;
 - (vi) for the submission of substantiating documents;
 - (vii) any other clarifications
 - d) In all cases where authority has been granted to communicate with bidders in terms of paragraph (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. All communication with bidders must be performed by an official in the Supply Chain Management Unit.

25 Two-stage bidding process

- 1) A two-stage bidding process is allowed for –
 - a) large complex projects; or
 - 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.

26 Committee system for competitive bids

- 1) A committee system for competitive bids is hereby established, consisting of the following committees for each transaction or cluster of transactions as the Accounting Officer may determine:
 - a) a bid specification committee;
 - b) a bid evaluation committee; and
 - c) a bid adjudication committee;
- 2) The Accounting Officer appoints the members of each committee, taking into account section 117 of the Act, and
- 3) The Accounting Officer may 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 27, 28 and 29 of this Policy; and
 - b) any other applicable legislation.
- 5) The Accounting Officer may apply the committee system to formal written price quotations.

27 Bid Specification Committees

- 1) The appropriate bid specification committee must compile the specifications for each procurement transaction for goods or services by the Municipality, depending on the department involved.
- 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 (SANAS) with which the equipment or material or workmanship should comply;
 - c) must, where possible, be described in terms of performance required and / or 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 trademark, 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 the preference points system for which points may be awarded as set out in the prevailing Preferential Procurement Regulations; and
 - g) must be approved by the Accounting Officer or the relevant delegated director 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, including, but not limited to:-
 - a) a delegated supply chain management practitioner;
 - b) the budget holder from the Directorate for whom the bid is called; and
 - c) the chairperson to be appointed by the Accounting Officer.
 - d) any other officials appointed by the Accounting Officer.
- 4) The Committee may, when appropriate, include external specialist advisors.
- 5) 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.

28 Bid Evaluation Committees

- 1) A Bid Evaluation Committee must –
 - a) evaluate all bids in accordance with –
 - (i) the specifications for a specific procurement; and
 - (ii) the points system set out in terms of the Preferential Procurement Policy;
 - b) evaluate each bidder's ability to execute the contract;
 - c) check in respect of the recommended bidder whether municipal rates and taxes and municipal
 - d) service charges are not in arrears for more than three months;
 - e) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter; and
- 2) A Bid Evaluation Committee must as far as possible be composed of:-
 - a) the budget holder or officials from departments requiring the goods or services
 - b) at least one delegated supply chain management practitioner, and
 - c) the chairperson to be appointed by the Accounting Officer
 - d) any other official appointed by the Accounting Officer

29 Bid Adjudication Committees

- 1) A 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 be composed of at least four directors of the municipality which must include –
 - a) the Chief Financial Officer or, if the Chief Financial Officer is not available, another manager reporting directly to the Chief Financial Officer and designated by the Chief Financial Officer;
 - b) a senior supply chain management practitioner; and
 - c) a technical expert in the relevant field who is an official of the municipality, if the municipality has such an expert.
- 3) The Accounting Officer must appoint the chairperson of the committee. If the Chairperson is unable to chair the meeting, the members of the committee who are present must elect one of them to preside at the meeting.
- 4) A quorum for the Adjudication Committee shall be 50%+1 members and must include the Chief Financial Officer and the senior supply chain management practitioner.
 - a) In the event of an equality of votes the chairperson shall have a casting vote over and above a deliberate vote.
- 5) The chairperson of the Bid Evaluation Committee and the budget holder, or their delegates, must be present at the Bid Adjudication Committee meetings without voting rights, to clarify issues that were dealt with in the Bid Evaluation Committee meetings.
- 6) A technical expert in the relevant field, who is an official, if such an expert exists, may attend the meeting as an advisor for clarification purposes. This official will not have voting rights at the Bid Adjudication Committee meeting.
- 7) Neither a member of a bid evaluation committee, nor an advisor or person assisting the bid evaluation committee, may be a member of a bid adjudication committee.

- 8) If the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee –
 - a) 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 for more than three months, 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 (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.
- 9) 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.
- 10) The Accounting Officer must comply with Section 114 of the Act within 10 working days–
 - a) If a tender other than the one recommended in the normal course of implementing the supply chain management policy is approved, the Accounting Officer must, in writing, notify the Auditor-General, the Provincial Treasury and the National Treasury of the reasons for deviating from such recommendation.
 - b) Subsection (1) does not apply if a different tender was approved in order to rectify an irregularity.

30 Procurement of Banking Services

- 1) A contract for banking services –
 - a) must be procured through competitive bids;
 - b) must be consistent with section 7 of the Act; and
 - c) may not be for a period of more than five years at a time.
- 2) The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.
- 3) The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper in terms of paragraph 22(1).
- 4) Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

31 Procurement of Information- and Communication Technology (ICT) related goods or services

- 1) The Accounting Officer may request the State Information Technology Agency (SITA) to assist with the acquisition of ICT 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 ICT needs if –
 - a) the transaction value of ICT related goods or services required in any financial year will exceed R50 million ; or
 - b) the transaction value of a contract to be procured whether for one or more years exceeds R50 million.
- 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 Council, the National Treasury, the Provincial Treasury and the Auditor-General.
- 5) The Municipality is required to follow the following process before inviting proposals for a new financial management system:

- a) National and Provincial Treasury should immediately be informed of any intention to replace the accounting or billing system currently operating at the municipality;
- b) The submission should include a comprehensive motivation with specific reasons for why it is deemed necessary to replace the existing financial system;
- c) A copy of the service level agreement with minutes of the meetings between the municipality and the current service provider (financial system vendor) during the previous twelve months must be made available;
- d) The organisational structure, specifically for the IT department/function, clearly indicating management capacity and responsibility for operating the financial system, must be submitted;
- e) An assessment should be done to determine which modules of the existing financial system are being utilised by the municipality and reasons must be provided for modules not in operation. In cases where an existing system is not an ERP system the municipality must provide details of any other systems utilised by the municipality;
- f) The date on which the existing financial system was implemented, the procurement and implementation costs and the current operational costs thereof must be disclosed;
- g) A technical assessment must be undertaken on the server and network requirements of the new financial system and a copy of such report should be submitted; and
- h) Copies of all IT strategies, policies and procedural documents including the IT disaster recovery plan must be made available.

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

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

33 Procurement of goods necessitating special safety arrangements

- 1) The acquisition and storage of goods in bulk (other than water), which necessitate special safety arrangements, including gasses and fuel, should be avoided wherever possible.
- 2) Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the official duly authorised in terms of the Occupational Health and Safety Act, 1993 (Act No. 85 of 1993).

34 Proudly SA Campaign

- 1) The Municipality supports the Proudly SA Campaign to the extent that, as far as possible, preference is given to procuring local goods and services as per Council's Preferential Procurement Policy

35 Appointment of consultants

- 1) The Accounting Officer may procure consulting services provided that any National Treasury guidelines and CIDB requirements in respect of consulting services are taken into account when such services are procured.
- 2) Consultancy services must be procured through competitive bids if:
 - a) the value of the contract exceeds R300 000 (Incl. VAT); or

-
- b) the period of the contract exceeds one year.
 - 3) In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of –
 - a) all consultancy services provided to an organ of state in the last five years; and
 - b) any similar consultancy services provided to an organ of state in the last five years.
 - 4) The Accounting Officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the Municipality.
 - 5) A municipality or municipal entity may only appoint consultants if an assessment of the needs and requirements confirms that the affected municipality or municipal entity does not have the requisite skills or resources in its full -time employ to perform the function.
 - 6) An accounting officer must adopt a fair and reasonable remuneration framework for consultants taking into account the rates -
 - a) determined in the "Guideline on fees for audits undertaken on behalf of the Auditor - General of South Africa ", issued by the South African Institute of Chartered Accountants;
 - b) set out in the "Guide on Hourly Fee Rates for Consultants ", issued by the Department of Public Service and Administration; or
 - c) as prescribed by the body regulating the profession of the consultant.
 - 7) The tender documentation for the appointment of consultants must include a paragraph that the remuneration rates will be subject to negotiation, not exceeding the applicable rates mentioned in sub -regulation (2).
 - 8) When negotiating cost -effective consultancy rates for international consultants, the accounting officer may take into account the relevant international and market –determined rates.
 - 9) When consultants are appointed, an accounting officer must -
 - a) appoint consultants on a time and cost basis with specific start and end dates;
 - b) where practical, appoint consultants on an output- specified basis, subject to specific measurable objectives and associated remuneration;
 - c) ensure that contracts with consultants include overall cost ceilings by specifying whether the contract price is inclusive or exclusive of travel and subsistence disbursements;
 - d) ensure the transfer of skills by consultants to the relevant officials of a municipality or municipal entity;
 - e) undertake all engagements of consultants in accordance with the Municipal Supply Chain Management Regulations, 2005 and the municipality or municipal entity's supply chain management policy; and
 - f) develop consultancy reduction plans to reduce the reliance on consultants.
 - 10) All contracts with consultants must include a fee retention or penalty paragraph for poor performance.
 - 11) A municipality or municipal entity must ensure that the specifications and performance are used as a monitoring tool for the work to be undertaken and are appropriately recorded and monitored.
 - 12) The travel and subsistence costs of consultants must be in accordance with the national travel policy issued by the National Department of Transport, as updated from time to time.
 - 13) The contract price must specify all travel and subsistence costs and if the travel and subsistence costs for appointed consultants are excluded from the contract price, such costs must be reimbursed in accordance with the national travel policy of the National Department of Transport.

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

- 1) The Accounting Officer may –
 - a) dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –
 - (i) in an emergency;
 - (a) Circumstances that warrant emergency dispensation, includes but are not limited to -
 - (i) the possibility of human injury or death;
 - (ii) the possibility of damage to property;
 - (iii) failure to take necessary action may result in the municipality not being able to render an essential community service;
 - (iv) the interruption of services related to communication facilities or support services critical to the effective functioning of the municipality as a whole; or
 - (v) the eminent possibility of serious damage occurring to the natural environment.
 - (b) The prevailing situation, or imminent danger, should be of such a scale and nature that it could not readily be alleviated by interim measures, in order to allow time for the formal tender process.
 - (c) Procurement in the case of emergencies must be explicitly approved verbally or in writing by the **Municipal Manager** **Accounting Officer** or delegated **official** prior to incurring the expenditure (before issuing an instruction to the supplier).
 - (ii) if such goods or services are produced or available from a single provider only;
 - (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
 - (iv) acquisition of animals for zoos and/or nature and game reserves; or
 - (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes including, but not limited to:-
 - (a) ad-hoc repairs to plant and equipment where it is not possible to ascertain the nature or extent of the work required in order to call for bids;
 - b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature; and
 - c) may condone any irregular expenditure incurred in contravention of, or that is not in accordance with a requirement of this Policy and which is not also a contravention of the Municipal Supply Chain Management Regulations (GG 27636 of 30 May 2005), provided that such condonation and the reasons therefore shall be reported to Council at the next ensuing meeting.
- 2) The Accounting Officer must record the reasons for any deviations in terms of sub-paragraphs (1)(a) and (b) of this policy and report them to the next Council Meeting and include as a note to the annual financial statements.
- 3) Sub-paragraph (2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of this policy.
- 4) A Deviation process may be followed in the following cases:
 - a) Where the Municipality followed a competitive bidding process for Tenders no acceptable bids were received.
 - b) Where the Municipality followed a competitive bidding process for Formal Written Quotations and no quotations were received.
 - c) When a Deviation process is followed in terms of paragraphs (a) and (b) above the same specification must be used as in the original Tender or Formal Written Quotation.

37 Unsolicited bids

- 1) In accordance with Section 113 of the Act there is no obligation to consider unsolicited bids received outside a normal bidding process.
- 2) The Accounting Officer may decide in terms of Section 113(2) of the Act to consider an unsolicited bid, only if –
 - a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
 - b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages;
 - c) the person who made the bid is the sole provider of the product or service; and
 - d) the reasons for not going through the normal bidding processes are found to be sound by the Accounting Officer.
- 3) If the Accounting Officer decides to consider an unsolicited bid that complies with sub-paragraph (2) of this policy, the decision must be made public in accordance with Section 21A of the Municipal Systems Act, together with –
 - a) reasons as to why the bid should not be open to other competitors;
 - b) an explanation of the potential benefits if the unsolicited bid was to be accepted; and
 - c) an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.
- 4) The Accounting Officer must submit all written comments received pursuant to sub-paragraph (3), including any responses from the unsolicited bidder to the National Treasury and the Provincial Treasury for comment.
- 5) The bid 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 bid adjudication committee to consider an unsolicited bid must be open to the public.
- 7) When considering the matter, the adjudication committee must take into account –
 - a) any comments submitted by the public; and
 - b) any written comments and recommendations of the National Treasury or the Provincial Treasury.
- 8) If any recommendations of the National Treasury or Provincial Treasury are rejected or not followed, the Accounting Officer must submit to the Auditor General, the Provincial Treasury and the National Treasury the reasons for rejecting or not following those recommendations.
- 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.

38 Combating of abuse of the supply chain management system

- 1) The Accounting Officer is hereby enabled to –
 - 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; 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 Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities 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 sub-paragraphs (1)(b)(ii), (e) or (f) of this policy.

Part 3: LOGISTICS, DISPOSAL, RISK AND PERFORMANCE MANAGEMENT

39 Logistics management

- 1) The Accounting Officer must establish and implement an effective system of logistics management, which must include -
- a) the monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;
 - b) the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
 - c) **[the placing of manual or electronic orders for all acquisitions other than those from petty cash prior to the receipt of goods and/or services. Orders must be issued by 31 July or within one month of contracts (excluding once-off contracts) becoming active, where possible;]**
 - d) **Purchase orders must be created with reference to requisitions where the supply source is either tenders or quotations.**
 - e) **All purchase orders will be captured on the municipality's financial system exclusive of VAT.**
 - f) **Standing orders may be used in cases where longer term arrangements, necessitating interim payments, are required.**
 - g) **The municipality shall not be liable for payment for any goods delivered or services rendered without an official order.**
 - h) before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract. Orders may be amended/issued where estimates are used to issue orders for rates/tariff-based contracts when it is impractical to determine the final amount upfront;

- i) 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;
- j) regular checking to ensure that all assets are properly managed and maintained in terms of Council's Asset Management Policy; and
- k) monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.
- l) Contracts will be implemented in terms of the requirements of Section 116 of the Act and Council's Contract Management Policy.

40 Disposal management

- a) Assets must be disposed of or leased in terms of the Municipal Asset Transfer Regulations, Overstrand Municipality's Asset Management Policy and Administration of Immovable Property Policy respectively.
- b) Although the prescribed procurement processes are followed in the disposal of assets and is thus exempt from the prohibitions of paragraph 44 of this policy in relation to the disposal of immovable assets for residential purposes only. As a result, the municipality is not prohibited from selling/disposing of immovable assets to persons in the service of the state where such sale/disposal is to be used for primary residential occupation.

- c) **Granting of Rights**

The granting of rights (where sections 14 and 90 of the MFMA do not apply) by the Overstrand Municipality, shall be executed strictly in accordance with Chapter 4 of the Municipal Asset Transfer Regulations and the Administration of Immovable Property Policy, as amended from time to time.

41 Risk management

The Accounting Officer must implement an effective system of risk management for the identification, consideration and avoidance of potential risks in the supply chain management system as per Council's Risk Management Policy.

42 Performance management

The Accounting Officer must implement an internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were followed and whether the objectives of this Policy were achieved in terms of the Performance Management System Implementation Policy.

Part 4: OTHER MATTERS

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

- 1) Irrespective of the procurement process followed, the municipality may not make any award above R30 000 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, the municipality must verify the bidder's tax compliance status. Where the recommended bidder is not tax compliant, the bidder should be notified of the non-compliant status and be requested to submit proof of tax compliance to the municipality within 7 working days or written proof from SARS that they have made arrangements to meet their outstanding tax obligations. The proof of tax compliance submitted by the bidder must be verified by the municipality via CSD or e-Filing. The municipality should reject a bid submitted by the bidder if such bidder fails to provide proof of tax compliance within the timeframe stated.
- 3) The municipality is not required to verify a suppliers' tax compliance status with SARS during the execution of any contract procured through the supply chain management system. Subject to subparagraphs (1) and (2), tax matters are only verified when the duly appointed delegated authority makes an award.

- 4) Sub-paragraphs (1) and (2) is applicable when contracts are amended by the duly appointed delegated authority as contemplated in paragraph 5.6 of the Contract Management Policy.
- 5) [Sub-paragraphs (1) and (2) is applicable when the cumulative value of transactions entered into with a supplier during a financial year is anticipated to exceed R30 000.]

44 Prohibition on awards to persons in the service of the state

- 1) Irrespective of the procurement process followed, no award may be made to a person in terms of this Policy –
 - a) who is in the service of the state;
 - b) that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
 - c) a person who is an advisor or consultant contracted with the Municipality whose prior or current obligations creates any conflict of interest or unfair advantage. [in respect of a contract that would cause a conflict of interest].

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

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

46 Ethical standards

- 1) A code of ethical standards for supply chain management practitioners and other role players involved in supply chain management is hereby established in accordance with sub-paragraph (2) 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 the supply chain management policy –
 - a) must treat all providers and potential providers equitably;
 - b) may not use his or her position for private gain or to improperly benefit another person;
 - c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350;
 - d) notwithstanding sub-paragraph (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 47(1) of this policy; or
 - (iii) any alleged breach of this code of ethical standards.
- 3) Declarations in terms of sub-paragraphs (2)(d) and (e) -
 - a) must be recorded in a register which the Accounting Officer must keep for this purpose;
 - (i) 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) A breach of the code of ethics must be dealt with as follows -
 - a) in the case of an employee, in terms of the disciplinary procedures of the Municipality envisaged in section 67(1)(h) of the Municipal Systems Act;
 - b) in the case a councillor, in terms of Schedule 1 of the Systems Act;
 - c) in the case a role player who is not an employee, or a councillor through other appropriate means in recognition of the severity of the breach; and
 - d) in all cases, financial misconduct must be dealt with in terms of Chapter 15 of the Act.

47 Inducements, rewards, gifts and favours to municipal officials and other role players

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

48 Sponsorships

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

49 Objections and complaints

Persons aggrieved by decisions or actions taken in the implementation of this supply chain management system, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action subject to the payment of applicable appeal deposit as per Council's approved tariffs.

50 Resolution of disputes, objections, complaints and queries

- 1) The Accounting Officer must appoint an independent and impartial person or persons, 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;
- 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 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 will 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.

51 Contracts providing for compensation based on turnover

- 1) 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.

52 Public-Private Partnerships

Public-Private Partnerships will be procured in terms of Part 2 of Chapter 11 of the Act.

53 Contract Management

Contracts will be implemented in terms of the requirements of Section 116 of the Act and Council's Contract Management Policy.

54 Transversal Contracts

All commodities, services and products covered by a transversal contract concluded by the National Treasury must be considered before approaching the market, to benefit from savings where lower prices or rates have been negotiated.

55 Framework for Infrastructure Delivery

1) The Infrastructure Delivery Management Project Processes

The project process of infrastructure delivery management contains control stage deliverables at the end of each stage. Table 1 outlines the stage deliverables that must be approved. The control stages are specific to project management processes; and outline and describe the stages in the life of a project from start to end. The specific stages are determined by the specific project's governance and control needs. The stages follow a logical sequence with a specified start and end.

The deliverable is considered to have passed through the relevant stage when it is approved and signed off. The project then moves on to the next sequential stage. It is expected that the municipality's process reflects an engagement between the Budget & Treasury Office, Engineers and Planners when developing and approving projects. It is also expected that there should be engagements with the National and Provincial Treasury where appropriate or where projects dictate so.

Table 1: Project stage deliverables

Stage		Project Stage Deliverables
No	Name	End of Stage Deliverables
1	Initiation	Initiation Report or Pre-feasibility Report (i) The Initiation Report defines project objectives, needs, acceptance criteria, organisation's priorities and aspirations, and procurement strategies, which set out the basis for the development of the Concept Report. Or (ii) A Pre-feasibility Report is required on Mega Capital Projects, to determine whether to proceed to the Feasibility Stage; where sufficient information is presented to enable a final project implementation decision to be made. Mega capital projects should be determined in the municipality's policy approved by the Municipal Council. Stage 1 is complete when the Initiation Report or Pre-feasibility Report is approved.
2	Concept	Concept Report or Feasibility Report (i) The Concept Stage presents an opportunity for the development of different design concepts to satisfy the project requirements developed in Stage 1. This stage presents alternative approaches and an opportunity to select a particular conceptual approach. The objective of this stage is to determine whether it is viable to proceed with the project, premised on available budget, technical solutions, time frame and other information that may be required. (ii) The Concept Report should provide the following minimum information: a) Document the initial design criteria, cost plan, design options and the selection of the preferred design option; or the methods and procedures required to maintain the condition of infrastructure, or the project. b) Establish the detailed brief, scope, scale, form and cost plan for the project, including, where necessary, the obtaining of site studies and construction and specialist advice. c) Provide an indicative schedule for documentation and construction, or maintenance services, associated with the project. d) Include a site development plan, or other suitable schematic layouts, of the works. e) Describe the statutory permissions, funding approvals and utility approvals required to proceed with the works associated with the project. f) Include a baseline risk assessment for the project and a health and safety plan, which is a requirement of the Construction Regulations issued in terms of the Occupational Health and Safety Act. g) Contain a risk report, need for further surveys, tests, investigations, consents and approvals, if any, during subsequent stages. (iii) A Feasibility Report must provide the following minimum information: a) Details regarding the preparatory work covering: • A needs and demand analysis with output specifications. • An options analysis. b) A viability evaluation covering: • A financial analysis. • An economic analysis, if necessary. c) A risk assessment and sensitivity analysis; d) A professional analysis covering: • A technology options assessment.

		• An environmental impact assessment. • A regulatory due diligence. e) An implementation readiness assessment covering: • Institutional capacity. • A procurement plan. Stage 2 is complete when the Concept Report or the Feasibility Report is approved.
3	Design Development	Design Development Report (i) The Design Development Report must, as necessary: a) Develop, in detail, the approved concept to finalise the design and definition criteria. b) Establish the detailed form, character, function and costings. c) Define the overall size, typical detail, performance and outline specification for all components. d) Describe how infrastructure, or elements or components thereof, are to function; and how they are to be safely constructed, be commissioned and be maintained. e) Confirm that the project scope can be completed within the budget or propose a revision to the budget. Stage 3 is complete when the Design Development Report is approved.
4	Design Documentation	Design Documentation (i) Design documentation provides: a) the production information that details performance definition, specification, sizing and positioning of all systems and components that will enable construction; b) the manufacture, fabrication and construction information for specific components of the work, informed by the production information. Stage 4 is complete when the Design Documentation Report is approved.
5	Works	Completed Works capable of being used or occupied (i) Completion of the Works Stage requires: a) Certification of the completion of the works in accordance with the provisions of the contract; or b) Certification of the delivery of the goods and associated services in accordance with the provisions of the contract. Stage 5 is complete when the Works Completion Report is approved.
6	Handover	Works which have been taken over by the user or owner; Completed Training; Record Information (i) The handover stage requires the following activities to be undertaken: a) Finalise and assemble record information which accurately reflects the infrastructure that is acquired, rehabilitated, refurbished or maintained; b) Hand over the works and record information to the user organisation and, if necessary, train end user staff in the operation of the works. Stage 6 is complete when the Handover/Record Information Report is approved.

7	Close-Out	Defects Certificate or Certificate of Final Completion; Final Account; Close-Out Report (i) The Close-Out Stage commences when the end user accepts liability for the works. It is complete when: a) Record information is archived; b) Defects certificates and certificates of final completion are issued in terms of the contract; c) Final amount due to the contractor is certified in terms of the contract; d) Close-Out Report is prepared by the Implementer and approved by the Municipality. Stage 7 is complete when the Close-out Report is approved.

56 Framework for Infrastructure Procurement

1) Introduction

The framework for infrastructure procurement outlines the minimum infrastructure procurement policy requirements for municipal planning and implementation. The strategic direction set in the Integrated Development Plan (IDP) informs the framework for infrastructure procurement. For example, procurement strategies must be aligned to the municipality's developmental and internal transformational needs, as specified in the IDP.

2) Minimum requirements for infrastructure procurement

- a) Infrastructure procurement must be undertaken in accordance with the Local Government Framework for Infrastructure Delivery and Procurement Management and all applicable infrastructure procurement related legislation.
- b) Infrastructure procurement must be implemented in accordance with the institutional Supply Chain Management System, which promotes differentiated procurement for infrastructure.
- c) Infrastructure procurement must be implemented in accordance with the procurement gates prescribed in paragraph 56 below.
- d) The accounting officer must ensure that a budget is available for the duration of the project, in line with MFMA provisions for capital and operating budgets.
- e) The accounting officer must ensure that cash flow management processes are in place to meet payment obligations within the time periods specified in the contract.
- f) Procurement gates provided in paragraph 56 below must be used as appropriate to:
 - (i) Authorise commencement of activities that lead to the next control gate;
 - (ii) Confirm conformity with requirements; and/or
 - (iii) Provide information to eliminate any cause of non-conformity and to prevent reoccurrence.
- 1) The authorisation to proceed to the next procurement gate must be given by a delegated person or body. The delegated person or body must be able to apply relevant built environment knowledge and skill to achieve the intended results required at the relevant procurement gate. The level of detail contained in the documentation on which a decision to proceed to the next procurement gate is made, must be sufficient to enable an informed decision.
- 2) The accounting officer must develop and implement effective and efficient emergency procurement procedures, including relevant approval delegation, in compliance with relevant legislation.
- g) The accounting officer must develop and implement an effective and efficient infrastructure disposal policy in line with the Municipal Asset Transfer Regulations. The institution may consider disposal strategies aligned to their internal disposal policy, prior to continuing with the procurement strategy.
- h) The accounting officer must keep records of Procurement Gate Approvals, in a manual or electronic format, with the following minimum requirements:
 - (i) Procurement gate;

- (ii) Delegated person/s or body;
 - (iii) Date on which the approval request was received;
 - (iv) Date on which the approval was actioned; and
 - (v) Signature of the delegated person or body.
- i) All assets must be recorded in the municipal asset register as required by the GRAP standards.

57 Infrastructure Procurement Gates (PG)

- 1) Procurement Gate 1
 - a) Initiate a procurement process
 - b) Minimum Requirement for Gate 1
 - (i) Establish and clarify the procurement need, aligned to the municipality's development and transformation priorities specified in the IDP.
 - (ii) Determine a suitable title for the procurement, to be applied as the project description.
 - (iii) Prepare the broad scope of work for the procurement.
 - (iv) Perform market analysis.
 - (v) Estimate the financial value of proposed procurement and contract for budgetary purposes, based on the broad scope of work.
 - (vi) Confirm the budget.
 - (vii) Compliance with section 33 of the MFMA with respect to community and stakeholder participation.
 - c) PG 1 is complete when a designated person or body makes the decision to proceed/not to proceed, with the procurement of the infrastructure.
- 2) Procurement Gate 2
 - a) Approve procurement strategy to be adopted.
 - b) Minimum Requirement for Gate 2
 - (i) Develop a procurement strategy aligned to the institutional procurement strategy.
 - (ii) Establish contracting and pricing strategy comprising of an appropriate allocation of responsibilities and risks; and the methodology for contractor payments.
 - (iii) Identify service required for works.
 - (iv) Decide on contracting strategy.
 - (v) Decide on form of contract.
 - (vi) Establish opportunities for promoting preferential procurement in compliance with legislative provisions and the Construction Sector Code.
 - c) PG 2 is complete when a delegated person or body approves the procurement strategy that is to be adopted.
- 3) Procurement Gate 3
 - a) Approve procurement documents
 - b) Minimum Requirements for Gate 3
 - (i) Prepare procurement documents that are compatible with:
 - (ii) Approved procurement strategies
 - (iii) Project management design documentation.
 - c) PG 3 is complete when the bid specification committee approves the procurement document.
- 4) Procurement Gate 4
 - a) Confirm that cash flow processes are in place to meet projected contractual obligations.

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- b) Minimum Requirement for Gate 4:
 - (i) Confirm that cash flow processes are in place to meet contractual obligations.
 - (ii) Establish control measures for settlement of payment within the time period specified in the contract.
 - c) PG 4 is complete when a delegated person or body confirms in writing that cash flow processes are in place; and control measures are established for the procurement to take place.
- 5) Procurement Gate 5
- a) Solicit tender offers.
 - b) Minimum Requirements for Gate 5
 - (i) Invite contractors to submit tender offers.
 - (ii) Receive tender offers.
 - (iii) Record tender offers.
 - (iv) Safeguard tender offers.
 - c) PG 5 is complete when tender offers received are recorded and safeguarded by a delegated person from the SCM unit.
- 6) Procurement Gate 6
- a) Evaluate tender offers premised on undertakings and parameters established in procurement documents.
 - b) Minimum Requirement for Gate 6
 - (i) Determine whether tender offers are complete.
 - (ii) Determine whether tender offers are responsive.
 - (iii) Evaluate tender submissions.
 - (iv) Review minimum compliance requirements for each tender.
 - (v) Perform a risk analysis.
 - (vi) Prepare a report on tender offers received, and on their achievement of minimum compliance.
 - c) PG 6 is complete when the chairperson of the Bid Evaluation Committee approves the BEC report.
- 7) Procurement Gate 7
- a) Award the contract.
 - b) Minimum Requirement for Gate 7
 - (i) Bid adjudication committee review of the BEC evaluation report.
 - (ii) Bid adjudication committee makes a recommendation of an award.
 - (iii) Accounting Officer approval of the tender process.
 - (iv) Notify successful tenderer and unsuccessful tenderers of the outcome.
 - (v) Sign contract document.
 - (vi) Formally accept tender offer.
 - c) PG 7 is complete when the Accounting Officer, or the Bid Adjudication Committee, where delegated, confirms that the tenderer has provided evidence of complying with all the requirements as stated in the tender data and formally accepts the tender offer in writing, and issues the contractor with a signed copy of the contract.
- 8) Procurement Gate 8
- a) Administer and monitor the contract.
 - b) Minimum Requirements for Gate 8:

- (i) Contract Management to:
 - (a) Capture contract award data.
 - (b) Administer contract in accordance with the terms and provisions of the contract.
- (ii) Financial Services to:
 - (a) Manage cash flow projection.
- (iii) User Department to:
 - (a) Ensure compliance with contractual requirements.
- c) PG 8 is complete when a delegated person captures the contract completion/termination data (close out reports and relevant documents), including payment certificates due.

58 Gateway Reviews

- 1) Gateway reviews for mega capital projects
 - a) The MFMA (Act 56 of 2003), section 19 (2) states: “Before approving a capital project in terms of subsection (1)(b), the council of a municipality must consider the projected cost covering all financial years from the start until the project is operational; and the future operational costs and revenue on the project, including municipal tax and tariff implications.”
 - b) The LGFIDPM prescribes the Gateway Review at the end of stage 2, as the minimum requirement to comply with section (i) above.
 - c) The focus of such a review must be on the quality of the documentation in the first instance, and thereafter on:
 - (i) Deliverability: the extent to which a project is deemed likely to deliver;
 - (ii) Expected benefits: within the declared cost, time and performance area;
 - (iii) Affordability: the extent to which the project’s level of expenditure and financial risk can be accepted, given the organisation’s overall financial position, both singly, and when considering its other current and projected commitments; and
 - (iv) Value for money: The optimum combination of whole life costs and quality (or fitness of purpose), to meet the user’s requirements.
 - d) A gateway review team must comprise of not less than three persons who are neither involved, nor associated with the project, but have a broad understanding of the subject matter.
 - e) A gateway review must be led by a person who has experience in the planning of infrastructure projects and is registered as a professional with a statutory council under the built environment professions. The members of the team must, as relevant, have expertise in the key technical areas, cost estimating, scheduling and implementation of similar projects.
 - f) It is the duty of the institution’s Accounting Officer or Authority to appoint a team responsible for the gateway review of his or her institution.
 - g) The gateway review team must base its findings primarily on:
 - (i) The information contained in the end-of-stage deliverable;
 - (ii) Supplementary documentation, if any, provided by key staff and obtained during an interview process; and
 - (iii) Interviews with key staff members and stakeholders.
 - h) The gateway review team must issue a report at the conclusion of a gateway review, which reflects the team’s assessment of the information at the end of a stage; and provides findings or recommendations on areas where further work should be undertaken to improve such information.
 - i) The gateway review findings must be classified by the gateway review team as:
 - (i) Critical: Findings that pose adverse effect to the project or package. Critical findings are findings related to the stage deliverable that are wholly unacceptable.

- (ii) Major: Findings that pose a potentially adverse effect to the project or package. Major findings are serious findings and are in direct violation of key legislation, e.g. The Constitution of the Republic of South Africa, the MFMA or the PPPFA.
- (iii) Minor: Findings that do not pose any adverse effect to the project or package. Minor findings indicate the need for improvement of practices and processes.
- j) A Stage 2 deliverable must not be approved until such time that all findings have been resolved.

59 Short title and commencement

This part of the policy is called the Overstrand Municipality **Supply Chain Management Policy**.

This policy will come into effect on **01 July 2026** and will be reviewed at least annually by way of a Council resolution.

POLICY SECTION:	DIVISIONAL MANAGER: SUPPLY CHAIN MANAGEMENT				
CURRENT UPDATE	2026/05/27	PREVIOUS REVIEW:	2020/05/27	PREVIOUS REVIEW:	2014/05/28
PREVIOUS REVIEW	2025/11/06	PREVIOUS REVIEW:	2020/03/25	PREVIOUS REVIEW:	2013/05/29
PREVIOUS REVIEW	2025/05/28	PREVIOUS REVIEW:	2019/06/26	PREVIOUS REVIEW:	2012/11/28
PREVIOUS REVIEW	2024/10/30	PREVIOUS REVIEW	2019/05/29	PREVIOUS REVIEW:	2012/06/26
PREVIOUS REVIEW:	2024/05/31	PREVIOUS REVIEW:	2018/05/30	PREVIOUS REVIEW:	2012/05/30
PREVIOUS REVIEW:	2024/02/28	PREVIOUS REVIEW:	2017/11/29	PREVIOUS REVIEW:	2011/11/30
PREVIOUS REVIEW:	2024/01/31	PREVIOUS REVIEW:	2017/05/31	PREVIOUS REVIEW:	2011/05/04
PREVIOUS REVIEW:	2023/05/31	PREVIOUS REVIEW:	2017/03/29	PREVIOUS REVIEW:	2010/05/26
PREVIOUS REVIEW:	2022/12/14	PREVIOUS REVIEW:	2016/05/25	PREVIOUS REVIEW:	2009/05/27
PREVIOUS REVIEW:	2022/05/31	PREVIOUS REVIEW:	2016/02/24	APPROVAL	2008/06/25
PREVIOUS REVIEW:	2021/05/26	PREVIOUS REVIEW:	2015/05/28		

DELEGATION OF POWERS AND DUTIES PARAGRAPH 4.2.81		
As far as contractual obligations are concerned: Personnel to be nominated in writing by the Municipal Manager, and/or Directors, subject to the under-mentioned criteria, and further subject to the municipality's Supply Chain Management Policy, financial regulations and council resolutions where applicable.		
4.2.81.1.	APPROVAL / AWARD / CANCELLATION OF QUOTATIONS, FORMAL QUOTATIONS AND TENDERS	
RAND VALUE (VAT inclusive)	LEVEL OF APPROVAL (With due regard to proper segregation of duties)	QUOTATIONS / TENDERS PROCESS FOLLOWED
Up to R2 000	A manager (Director) directly accountable to the Municipal Manager.	Petty cash Purchases in terms of the Petty Cash Policy AND / OR direct purchases
R2 000.01 – R30 000.00	A manager directly accountable to the Chief Financial Officer or a Senior Manager (Director).	Three (3) written price quotations in terms of Paragraph 17(1)(a) of the SCM Policy
R30 000.01 – R300 000.00	Head: Supply Chain Management	Formal written price quotations in terms of Paragraph 18(b) of the SCM Policy
R300 000.01 – R10 million	Bid Adjudication Committee	Competitive Bidding – committee system
> R10 million	Municipal Manager after recommendation from the Bid Adjudication Committee	Competitive Bidding – committee system
4.2.81.2	APPROVAL OF DEVIATIONS	
RAND VALUE (VAT inclusive)	LEVEL OF APPROVAL	
IN TERMS OF PARAGRAPH 36 ((1)(a)(i) TO (v)(a))		
>R0.00	Accounting Officer	
4.2.81.3	APPROVAL OF REQUESTS FOR PURCHASE ORDERS & MUNICIPAL STORE ISSUES	
Up to R2 000	Level of approval as delegated by relevant director	
R2 000.01 – R30 000.00	Post level T12 and higher	
R30 000.01 – R70 000.00	Post level T13 and higher	
> R70 000.00	Post level T16 and higher	
4.2.81.4	CERTIFICATION AND AUTHORISATION OF ALL PAYMENTS inclusive of where an official order has been issued in terms of sub-paragraph 4.2.81.3 above	
RAND VALUE (VAT inclusive)	LEVEL OF APPROVAL (With due regard to proper segregation of duties)	
R0 – R70 000.00	Post Level 13 and Higher	
R70 000.01 – R500 000.00	Post Level 16 and Higher	
> R 500 000.00	Municipal Manager & Directors	
Eskom Bulk Electricity Purchases	Manager: Electrical	
4.2.81.5	APPROVAL OF SPECIFICATIONS FOR COMPETITIVE BIDS, in terms of Paragraph 27(2)(g) of the SCM Policy	
Cryptic description of Power or Duty	Sub-delegated to	Remarks, Limitations or Conditions
Specifications for Competitive Bids must be approved prior to the publication of the invitation for bids in terms of paragraph 22 of the SCM Policy.	Directors	This delegation applies in so far as each director's responsibility for managing the respective votes of the municipality and to whom powers and duties for this purpose have been delegated in terms of Section 79 of the MFMA (Act 56 of 2003).
4.2.81.6	APPROVAL OF COMMUNICATION WITH PROSPECTIVE BIDDERS	
Cryptic description of Power or Duty	Sub-delegated to	Remarks, Limitations or Conditions
The budget holder must approach the bid specification committee to consider authorising communication with bidders prior to the closing date of tenders in terms of paragraph 22(6)(a) of the SCM Policy	Bid Specification Committee	This delegation applies in so far as the tender to which the communication relates and the members of the committee as appointed by the accounting officer
The budget holder must approach the bid evaluation committee to consider authorising communication with bidders after the closing of tenders in terms of paragraph 24(3)(c) of the SCM Policy	Bid Evaluation Committee	This delegation applies in so far as the tender to which the communication relates and the members of the committee as appointed by the accounting officer
4.2.81.7	APPROVAL OF EXPANSIONS / VARIATIONS / AMENDMENTS IN THE CONTRACT SUM OR PERIOD	
RAND VALUE (VAT inclusive)	LEVEL OF APPROVAL	PROCESS FOLLOWED
R0 – R300 000.00 (total inclusive of amendment)	Head: Supply Chain Management	NT Circular 62 Expansion / Variation
R300 000.01 – R10 million (total inclusive of amendment)	Bid Adjudication Committee	NT Circular 62 Expansion / Variation
R0 - unlimited	Municipal Manager with consent from Council	S116(3) Amendments
Cryptic description of Power or Duty	Sub-delegated to	Remarks, Limitations or Conditions
Extension of time for construction contracts.	Directors	The General Conditions of Contract for construction works makes provision in Sub-Clause 5.6.4 for the review and adjustment of the construction program.
Extension of delivery periods in respect of ad-hoc and specific term contracts.	Chief Financial Officer (Director: Finance)	Motivated applications for the extension of delivery periods in respect of ad hoc and specific term contracts may be considered favourably but are subject to the restriction that no price adjustments, which arise during the extended period, will be considered.

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

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

1. General Principles

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

Conflict of interest

- 4) An official or other role player involved with supply chain management –
 - a) must treat all providers and potential providers equitably;
 - b) may not use his or her position for private gain or to improperly benefit another person;
 - c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350;
 - d) must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
 - e) must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process, or in any award of a contract by the Municipality;
 - f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
 - g) must declare any business, commercial and financial interests or activities undertaken for financial gain that may raise a possible conflict of interest;
 - h) should not place him/herself under any financial or other obligation to outside individuals or organizations that might seek to influence them in the performance of their official duties; and
 - i) should not take improper advantage of their previous office after leaving their official position.

Accountability

- 5) Practitioners are accountable for their decisions and actions to the public.
- 6) Practitioners should use public property scrupulously.
- 7) Only accounting officers or their delegates have the authority to commit the Municipality to any transaction for the procurement of goods and / or services.
- 8) All transactions conducted by a practitioner should be recorded and accounted for in an appropriate accounting system. Practitioners should not make any false or misleading entries into such a system for any reason whatsoever.
- 9) Practitioners must assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system.

**OVERSTRAND MUNICIPALITY
SUPPLY CHAIN MANAGEMENT POLICY – ANNEXURE B**

- 10) Practitioners must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including
 - a) any alleged fraud, corruption, favouritism or unfair conduct;
 - b) any alleged contravention of the policy on inducements, rewards, gifts and favours to municipalities or municipal entities, officials or other role players; and
 - c) any alleged breach of this code of conduct.
- 11) Any declarations made must be recorded in a register which the accounting officer must keep for this purpose. Any declarations made by the accounting officer must be made to the **mayor** who must ensure that such declaration is recorded in the register.

Openness

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

Confidentiality

- 13) Any information that is the property of the Municipality or its providers should be protected at all times. No information regarding any bid / contract / bidder / contractor may be revealed if such an action will infringe on the relevant bidder's / contractor's personal rights.
- 14) Matters of confidential nature in the possession of officials and other role players involved in SCM should be kept confidential unless legislation, the performance of duty or the provisions of law requires otherwise. Such restrictions also apply to officials and other role players involved in SCM after separation from service.

2. Bid Specification / Evaluation / Adjudication Committees

- 1) Bid specification, evaluation and adjudication committees should implement supply chain management on behalf of the Municipality in an honest, fair, impartial, transparent, cost-effective and accountable manner.
- 2) Bid evaluation / adjudication committees should be familiar with and adhere to the prescribed legislation, directives and procedures in respect of supply chain management in order to perform effectively and efficiently.
- 3) All members of bid adjudication committees should be cleared by the accounting officer at the level of "CONFIDENTIAL" and should be required to declare their financial interest annually.
- 4) No person should-
 - a) interfere with the supply chain management system of the Municipality; or
 - b) amend or tamper with any price quotation / bid after its submission.

3. Combative Practices

- 1) Combative practices are unethical and illegal and should be avoided at all cost. They include but are not limited to:
 - a) Suggestions to fictitious lower quotations;
 - b) Reference to non-existent competition;
 - c) Exploiting errors in price quotations / bids;
 - d) Soliciting price quotations / bids from bidders / contractors whose names appear on the Register for Tender Defaulters.

**OVERSTRAND
MUNICIPALITY**



**CONTRACT MANAGEMENT
POLICY**

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1. PRE-AMBLE

All transactions undertaken by the Overstrand Municipality involves a contract whether explicitly agreed in writing or implicitly implied through actions.

Properly managed contracts by all stakeholders involved, can ensure that services are delivered within specifications as set and agreed by all during the specifications phase and at the agreed cost, (Inclusive of escalation clauses in contracts) time period and qualities of the goods and services procured.

All contracts must be managed throughout the contract Life Cycle, based on the level of management control appropriate for the classification of that contract.

Improperly managed contracts may impact negatively on service delivery. Adverse effects of ineffective contract management include but are not limited to:

- 1.1 goods and services outside of specification;
- 1.2 cost overruns;
- 1.3 poor suppliers-, buyer- or other stakeholder relations;
- 1.4 negative public perception, and
- 1.5 potentially complete service delivery failures.
- 1.6 irregular expenditure or un-authorized expenditure

Hence, good contract management by all stakeholders involved is essential for good financial management and will contribute greatly to the effectiveness and efficiency of service delivery. In effect it would give strategic direction to all directorates following a centralised strategy of contract management. This policy must be read in coincidence with the SCM Policy of the Overstrand Municipality.

2. DEFINITIONS:

In this Policy, unless the context indicates otherwise-

Accounting Officer <i>(in relation to a municipality)</i>	means the municipal official referred to in section 60 of the MFMA (2003); and include a person acting as the accounting officer.
Act or MFMA	Means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);
Circular 62	means communication from National Treasury by means of a Circular to enhance compliance and accountability to SCM Regulations and the MFMA of 2003.
Construction Industry Development Board (CIDB):	means the Construction Industry Development Board (CIDB), a national body established by an Act of Parliament (Act 38 of 2000) to oversee the sustainability and growth of construction enterprises across the country.
Contract	means the agreement that results from the acceptance of a bid by the Municipality (mutual agreement)
Contract Alteration	means changing technical writing or input errors to the agreement of the contract without changing the scope of contract.
Contract Amendment	means changing the scope, nature, duration, purpose or objective of the agreement or contract (In context of Circular 62 and section 116 (3) of the MFMA).
Contract Champion	means the official/s within a specific department, responsible for all day to day administrative and management activities (including performance management and dispute resolution) during the life cycle of the contract (with delegated powers to perform this function).
Contract Management	means the holistic term of all role players involved in an agreement (SLA/SDA) or contract and include the; SCM contract manager, contract director, contract owner, contract champion and supplier.
SCM Contract Manager	means the SCM official responsible for monitoring, regulating and reporting on all contract related activities as set out in Section 116 of the MFMA.
Contract Owner	means the deputy director, senior manager or manager, as the case may be, that is ultimately accountable for all activities during the life cycle of the contract. The Contract Owner can also be seen as the Budget holder.
Contract Director	Appointment according to sect 56 of the Systems Act
Delegation <i>(in relation to a duty)</i>	Includes an instruction or request to perform or to assist in performing the duty.
Force Majeure	Is the expression used to denote irresistible superior force which might cause damage or prevent the execution of an obligation, therefore suppliers is not liable for damages caused by force majeure or for failure to carry out a contract if prevented (Term and conditions in this regard will be determined by every individual contract/s).
Official <i>(In relation to a municipality)</i>	means: • an employee of a municipality; • a person seconded to a municipality to work as a member of the staff of the municipality; or • a person contracted by a municipality to work as a member of the staff of the municipality otherwise than as an employee.
Users	Means all officials as set out in the organogram of the Overstrand Municipality involved with contracts.
User Department	Refers to the official/s within the relevant department of a directorate, as set out in the organogram of the Overstrand Municipality responsible for contract management.

3. ABBREVIATIONS:

BEE	Black economic empowerment
B-BBEE	Broad-Based Black Economic Empowerment
GCC	means General Conditions of contract.
MSA	means Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000).
NT	means National Treasury established by section 5 of the Public Finance Management Act.
SCC	means Special Conditions of Contract.
SCM	means Supply Chain Management
SDA	means Service Delivery Agreement.
SLA	means Service Level Agreement.

4. OBJECTIVES:

- 4.1 To give effect to Section 217 of the Constitution of South Africa (1996) that stipulate:
 - 4.1.1 When an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is:
 - 4.1.1.1 equitable
 - 4.1.1.2 transparent
 - 4.1.1.3 competitive
 - 4.1.1.4 cost-effective and
 - 4.1.1.5 fair
- 4.2 The effective and efficient control of contracts procured through the SCM system ensuring:
 - 4.2.1 proper recording and enforcement of contracts throughout the contract life cycle (specifications to contract reviews);
 - 4.2.2 support to the demand management framework as set out in Circular 62 of National treasury (August 2012), optimizing proper planning, resulting in effective service delivery;
 - 4.2.3 management of Contract Performance;
 - 4.2.4 compliance with the regulatory framework;
 - 4.2.5 to assist officials in understanding their legal and managerial responsibilities with regards to contract management;
 - 4.2.6 the optimization of efficient and sustainable financial wellbeing of the municipality, resulting in lower cost drivers, and
 - 4.2.7 the continuous development of effective Management Information systems, resulting in strategic support and risk preventions.
- 4.3 To ensure that no contract procurement of goods and services (excluding land sales or rentals of Overstrand Municipal Assets, which are managed by Property Management Services), takes place outside of the SCM System.

5. STATUTORY AND REGULATORY FRAMEWORK FOR MANAGING CONTRACTS

5.1 Application and Framework of the Contract Management Policy

5.1.1 All officials and other role players in the Supply Chain Management system of the Overstrand Municipality must implement this Policy in a way that gives effect to:

5.1.1.1 Section 217 of the Constitution;

5.1.1.2 Section 116 of the MFMA;

5.1.1.3 Section 33 of the MFMA;

5.1.1.4 SCM Policy;

5.1.1.5 SCM Regulations

5.1.1.6 any other legislation pertaining to SCM.

5.1.2 This Policy applies when the Municipality:

5.1.2.1 procures goods or services;

5.1.2.2 disposes of goods no longer needed; and

5.1.2.3 selects service providers and suppliers to provide assistance in the provision of municipal services including circumstances where Chapter 8 of the Municipal Systems Act applies.

5.2 Adoption, Amendment and Implementation of the Contract Management Policy

5.2.1 The accounting officer must:

5.2.1.1 at least annually review the implementation of this Policy; and

5.2.1.2 when the accounting officer considers it necessary, submit proposals for the amendment of this Policy to Council;

5.2.1.3 in terms of section 62(1) (f) (IV) of the Act, take all reasonable steps to ensure that the Contract Management Policy is implemented.

5.3 Conditions of Contract

5.3.1 A contract or agreement procured through the Supply Chain Management System of the Municipality must:

5.3.1.1 be in writing;

5.3.1.2 stipulate the terms and conditions of the contract or agreement, which must provide for:

5.3.1.2.1 the termination of the contract or agreement in the case of non- or underperformance;

5.3.1.2.2 dispute resolution mechanisms to settle disputes between the parties;

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

5.3.1.2.4 any other matters that may be prescribed.

- 5.4 Administrative Capacity
 - 5.4.1 The relevant Director, with delegated powers from the Municipal Manager, must establish capacity in his/her directorate to assist the accounting officer in carrying out the duties set out in section 116(2) of the MFMA.
- 5.5 Management of Contracts
 - 5.5.1 The accounting officer and delegated officials must take all reasonable steps to:
 - 5.5.1.1 ensure that a contract or agreement procured through the supply chain management policy of the municipality is properly enforced;
 - 5.5.1.2 monitor on a monthly basis the performance of the contractor under the contract or agreement.
 - 5.5.1.3 administrate the contract with the necessary competencies and delegations, ensuring effective management of contracts.
 - 5.5.2 The Contract Owner must ensure that contract champions submit suppliers' performance reports to the SCM contract manager within 5 business days after the end of each month.
 - 5.5.3 The SCM Contract Manager submits a consolidated report to the relevant Director and Contract Owner within 15 business days after the end of each month for purposes of Section 116 (2)(b) of the Act.
 - 5.5.4 The SCM Contract Manager submits a consolidated report on the performance of contracts or agreements for purposes of Section 116 (2)(d), to the Accounting Officer within 15 business days of the end of each quarter.
- 5.6 Amendment of Contracts
 - 5.6.1 A contract or agreement procured through the supply chain management policy of the municipality may be amended by the parties, in exceptional circumstances in order to mitigate abuse, in perception after the fact to prevent financial inefficiencies and influencing financial sustainability.
 - 5.6.2 In terms of Section 116(3) of the MFMA, (56 of 2003), amendments (in compliance with SCM procedures), may only be made after:
 - 5.6.2.1 the reasons for the proposed amendment have been tabled in the council; and
 - 5.6.2.2 the local community has been given reasonable notice of the intention to amend the contract or agreement; and
 - 5.6.2.3 has been invited to submit representations to the municipality.
 - 5.6.3 Amendments of contracts where the expansion or variation is not more than (NT Circular 62):
 - 5.6.3.1 20% (construction related goods, services and/or infrastructure projects), and
 - 5.6.3.2 15% (all other goods and/or services) of the original value of the contract, must be submitted directly to the Contract Management Office for approval and further reference to the SCM committee system for approval.
 - 5.6.4 Amendments of contracts where the expansion or variation is more than the threshold prescribed by National Treasury (Circular 62), must be dealt with in terms of the provisions of section 116(3) of the MFMA, and are exempt from this process.

- 5.6.5 Amendments to the contract, without influencing the value or term of the contract, within the scope of the original terms and conditions, may be altered, provided that both parties have consensus on the amendment and the contract amendment is in writing and signed by both parties.
- 5.6.6 No agreement to amend or vary a contract shall be valid and of any force unless such agreement to amend or vary is entered into in writing and signed by the contracting parties.
- 5.6.7 Section 33 of the MFMA will apply when an amendment has budgetary implications for a term longer than the 3 (three) financial years of the current year's budget, (Section 116 (3) of the MFMA will be followed with section 33, when amending an existing contract for longer than 3 years). It remains the responsibility of the user department to give effect to section 33, following due process, as stipulated in Section 33 of the MFMA. The SCM Contract Management office will support the relevant user department in order to ensure that compliance to all SCM legislation is adhered to.
- 5.6.8 All expansions, variations or amendments to the contract sum or contract period must be approved by the delegated authority prior to implementation thereof.

6. MAINTENANCE AND CONTRACT ADMINISTRATION

- 6.1 Contract administration includes all administrative duties associated with a contract once it is adjudicated and implemented.
- 6.2 No rights in terms of an awarded contract will accrue before the SCM appeal period and/or appeal has been finalised.
- 6.3 The contract should be signed by all parties concerned (The relevant official should also ensure that the suppliers have the delegated powers to sign and amend the contractual agreement).
- 6.4 The contract will only be enforceable after all the signatures of the relevant parties are documented.
- 6.5 A signed service level agreement (if applicable) must be compiled and signed which will incorporate all the relevant sections of the tender documentation.
- 6.6 All once-off purchases shall have a specified end delivery date.

7. ROLES AND RESPONSIBILITIES OF OFFICIALS:

- 7.1 SCM Contract Manager:
 - 7.1.1 The SCM Contract Manager is the SCM official responsible for system administration, status and SCM performance reporting on all contracts related activities.
 - 7.1.2 For the purposes of **contract management** activities performed by the relevant role players, the SCM contract manager will monitor and report on the following activities:
 - 7.1.2.1 identification and classification of contracts for management purposes in terms of the SCM processes;
 - 7.1.2.2 recognition, measurement and disclosure;
 - 7.1.2.3 oversight of contract management as is provided for in this policy;
 - 7.1.2.4 document and information management;

- 7.1.2.5 relationship management;
- 7.1.2.6 performance management;
- 7.1.2.7 contract risk management.

7.2 Contract Champion

7.2.1 The contract champion is responsible for the following activities:

- 7.2.2.1 ensuring that all the necessary legal formalities in entering into the contract are adhered to;
- 7.2.2.2 ensuring that all applicable contract information is maintained in the applicable electronic contract system
- 7.2.2.3 ensuring that purchase orders are processed on the financial system in accordance with the pricing schedule;
- 7.2.2.4 maintaining adequate records (paper and/or electronic) in sufficient detail on an appropriate contract file to provide an audit trail;
- 7.2.2.5 inform the Asset Management section of the Expenditure Department of the location of newly procured assets for asset register and insurance purposes; and
- 7.2.2.6 where appropriate, in terms of Council's Delegations, authorise invoices due for payment.
- 7.2.2.7 to take appropriate action in consultation with the contract owner and the SCM contract manager, where a contractor is underperforming or is in default or breach of the contract.
- 7.2.2.8 ensure performance of suppliers is managed appropriately to the terms and conditions of the contract.

7.3 Contract Owner

7.3.1 The contract owner is responsible for ensuring that contract champions are assigned to all contracts.

7.3.2 The contract owner is ultimately responsible for management of the activities.

7.4 Contract Director

7.4.1 The contract director is responsible for signing of contracts with the relevant service provider, in line with the Delegation of Powers and Duties Policy.

7.4.2 The contract director is ultimately accountable for the contract.

8. RECORD KEEPING

- 8.1 Proper records regarding all aspects of the contract must be maintained and kept in accordance with relevant legislation.
- 8.2 All communication related to contracts must be linked to the master document on the electronic system, by the relevant official.
- 8.3 Safe custody of all contract documents must be enforced by all relevant users.

- 8.4 Contract Champions and Contract Owners are responsible for the electronic capturing of the contract information and maintenance thereof on the Contract Management system.
- 8.5 The original signed contract must be sent to the records department (by the contract management office) for safekeeping and storage.
- 8.6 The records department is responsible for the administration of archived contract documentation.

9. CONTRACTS HAVING BUDGETARY IMPLICATIONS BEYOND THREE FINANCIAL YEARS

Overstrand Municipality may not enter into any contract that will impose financial obligations beyond the three years covered in the annual budget for that financial year, unless the requirements of Section 33 of the Municipal Finance Management Act have been fully complied with.

10. RESOLUTION OF DISPUTES, OBJECTIONS, COMPLAINTS AND QUERIES:

The accounting officer is responsible to establish a dispute resolution mechanism as per paragraph 5.3.1.2.2 and also as required by section 116(1) of the MFMA and paragraph 50 of the SCM Policy.

11. CONTRACT PRICE ESCALATIONS:

- 11.1 An appropriate contract price adjustment formula or specified terms of escalation must be specified in the bid documents
- 11.2 Escalation notification must be in writing and presented before the implementation date thereof.
- 11.3 User departments are responsible to manage, verify and implement price escalations as per originally agreed terms and conditions set out in the specifications of the contract and keep proof of evidence to the newly agreed escalations on the system for all other relevant stakeholders to access.

12. PERFORMANCE ON CONTRACTS:

- 12.1 In terms of the SCM Policy and the Municipal Systems Act, the accounting officer must implement an internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were followed and whether the objectives of this Policy were achieved in terms of the Performance Management System Implementation Policy (Paragraph 9).
 - 12.1.1 Municipality's Performance:
 - 12.1.1.1 The municipality is required to pay creditors within 30 days of receiving all relevant invoice statements.
 - 12.1.1.2 The municipality is also required to create a favourable environment to receive services and goods without preventing the supplier to perform their duties.
 - 12.1.1.3 All parties involved must perform according to the terms and conditions of the relevant contract, while the contract is alive.
 - 12.2.1 Supplier Performance:
 - 12.2.1.1 The supplier of goods and services is required to perform as per terms and conditioned agreed upon and should inform the

municipality if circumstances prevent them to perform, with reasons provided, within 5 working days (to be included in all contracts).

12.2.1.2 For all relevant deviations from the agreed terms and conditions of any contract, the key performance indicators (KPI's) should be reviewed as well as the alignment with the strategic objectives established in the IDP.

12.2.1.3 Suppliers performance will be reviewed by Overstrand Officials on a monthly basis (every 25th of the month) giving effect to section 116 of the MFMA, 2003 and the Performance Management System Implementation Policy

12.2.1.4. Prescribed procedures to evaluate service providers must be complied with.

(Refer to the Performance Management Framework Policy)

THE FOLLOWING PROCEDURES NEED TO BE FOLLOWED:

1. The requirements of this policy must be included in the contract of the service provider.
2. The performance of the service provider under the contract or service level agreement must be assessed monthly by the Reporting Officer.
3. The assessment must be completed in the contract management system.
4. The Reporting Officer must complete the Service Provider Assessment on the contract management at the end of each month.
5. The quarterly assessment and reporting must be completed within 15 working days after the end of each quarter. (Refer to the Performance Management Framework Policy, paragraph 9.2.1).
6. The Reporting Officer must provide a copy of the assessment to the Service Provider at the end of each quarterly assessment period and on completion or termination of the contract.
7. Supply Chain Management Unit (Contract Management Office) will review the quarterly Service Provider assessments within 20 days after the end of each quarter and submit a summary report to the Accounting Officer.
8. The Accounting Officer need to develop the necessary forms and report structures to be utilised to manage the above processes. The forms and reporting requirements need to be reviewed on a regular basis.
9. In the instance of under-performance:
 - a. The Municipality will facilitate support interventions to service providers in the identified areas of underperformance
 - b. Service providers who have been identified as under-performing in identified areas must be informed of these support interventions.
 - c. The impact of support interventions must be monitored by the Reporting Officer.
 - d. Corrective action should be documented in writing within the contract management system
 - e. The records of the support interventions must be documented, signed by both parties and appropriately filed in the contract management system.

13. REVIEW OF CONTRACTS

- 13.1 In terms of section 116 (1) of the MFMA, a contract or agreement procured through the Supply Chain Management system must have a periodic review once every three years in the case of a contract or agreement that are longer than three years.
- 13.2 The contract owner or champion must conduct, as appropriate, within 3 months after the expiry of contracts, post contract reviews.

14 IMPLEMENTATION AND REVIEW PROCESS

This policy will come into effect on **1 July 2026**.

This policy will be reviewed at least annually or when required by way of a Council resolution.

POLICY SECTION:	DIVISIONAL MANAGER: SUPPLY CHAIN MANAGEMENT
CURRENT UPDATE	27 MAY 2026
PREVIOUS UPDATE	29 MAY 2025
PREVIOUS UPDATE	31 MAY 2024
PREVIOUS UPDATE	31 MAY 2023
PREVIOUS UPDATE	31 MAY 2022
PREVIOUS UPDATE	27 MAY 2021
PREVIOUS REVIEW	27 MAY 2020
PREVIOUS REVIEW	29 MAY 2019
PREVIOUS REVIEW	30 MAY 2018
PREVIOUS REVIEW	31 MAY 2017
PREVIOUS REVIEW	25 MAY 2016
PREVIOUS REVIEW	28 MAY 2015
PREVIOUS REVIEW	28 MAY 2014
APPROVAL BY COUNCIL	08 MAY 2013

**OVERSTRAND
MUNICIPALITY**



**INVESTMENT, LIQUIDITY & CASH
MANAGEMENT POLICY**

PREAMBLE

Whereas section 13 of the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003) determines that a municipality must introduce appropriate and effective investment arrangements;

And whereas a municipality must disclose its investment details;

And whereas councillors and officials as trustees of public funds, have an obligation to ensure that cash resources are managed as effectively, efficiently and economically as possible;

Now therefore the Overstrand Municipality adopts the following Investment, Liquidity & Cash Management Policy:

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OVERSTRAND MUNICIPALITY – INVESTMENT, LIQUIDITY & CASH MANAGEMENT POLICY

1. DEFINITIONS

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:-

“Accounting Officer”	a person appointed by the Municipality in terms of Section 82 of the Local Government: Municipal Structure Act, 1998 (Act No. 117 of 1998) and who is the head of administration and also the Municipal Manager for the Municipality.
“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.
“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 Overstrand.
“Councillor”	a member of the Municipal Council
“Investments”	funds not immediately required for the defraying of expenses and invested at approved financial institutions.
“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.
“municipality”	the institution that is responsible for the collection of funds and the provision of services to the customers of Overstrand.
“public funds”	all monies received by the municipality to perform the functions allocated to them.

2. OBJECTIVE OF POLICY

The objectives of the Policy are:-

- 2.1 to manage the liquidity and investments of the municipality in such a manner that it will not tie up the municipality's scarce resources required to improve the quality of life of the citizens;
- 2.2 to manage the liquidity and investments of the municipality in such a manner that sufficient cash resources are available to finance the capital and operating budgets

OVERSTRAND MUNICIPALITY – INVESTMENT, LIQUIDITY & CASH MANAGEMENT POLICY

of the municipality; and

- 2.3 to gain the highest possible return on investments during periods when excess funds are not being used, without unnecessary risk.

3. SCOPE OF POLICY

- 3.1 The Policy deals with:-
- 3.2 Responsibility / accountability;
- 3.3 Investment instruments;
- 3.4 Liquidity and Cash flow estimates;
- 3.5 Investment ethics and principles;
- 3.6 Investment procedures;
- 3.7 Other external deposits; and
- 3.8 Control over investments.

4. RESPONSIBILITY / ACCOUNTABILITY

- 4.1 The Municipal Manager as the Accounting Officer of the municipality is accountable for investment management.
- 4.2 The municipal council must approve a policy directing procedures, processes and systems required to ensure efficient and effective management of investments.
- 4.3 Efficient and effective investment management include:-
 - a. Accurately forecasting the institution's cash flow requirements.
 - b. Timing of the in- and outflow of cash.
 - c. Recognising the time value of money.
 - d. Taking any other action that avoids locking up money unnecessarily and inefficiently.
 - e. Avoiding bank overdrafts.

5. INVESTMENT INSTRUMENTS

- 5.1 The Minister of Provincial and Local Government may with the concurrence of the Minister of Finance by notice in the Gazette determine instruments or investments other than those referred to below in which Municipality may invest:-
 - a. Deposits with banks registered in terms of the Banks Act, 1990 (Act No 94 of 1990);

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- b. Securities issued by the National Government;
- c. Investments with the Public Investment Commissioners as contemplated by the Public Deposits Act, 1984 (Act No 46 of 1984);
- d. A municipality's own stock or similar type of debt; internal funds of a municipality which have been established in terms of a law to pool money available to the municipality and to employ such money for the granting of loans or advances to departments within a municipality, to finance capital expenditure;
- e. Bankers' acceptance certificates, negotiable certificates or deposits of banks;
- f. Long-term securities offered by insurance companies in order to meet the redemption fund requirements of municipalities; and
- g. Any other instruments or investments in which a municipality was under a law permitted to invest before the commencement of the Local Government Transition Act, 1996: provided that such instruments shall not extend beyond the date of maturity or redemption thereof.

6. LIQUIDITY AND CASH FLOW ESTIMATES

- 6.1 Before money can be invested, the Municipal Manager must determine whether there will be surplus funds available for the term of the investment.
- 6.2 In order to be able to make investments for any fixed term, it is essential that cash flow estimates be drawn up.
- 6.3 Provision must be made in the cash flow estimates for the operating and capital requirements of the municipality:-
 - a. The operating requirements must include provisions for:-
 - i. Payment of monthly salaries.
 - ii. Payment for bulk purchases of electricity and water.
 - iii. Interest on long-term loans.
 - iv. Maintenance of assets.
 - v. General expenditure.
 - vi. Expected daily and monthly income.
 - b. Capital requirement must provide for:-
 - i. The anticipated cash flow requirements for each capital project.
- 6.4 The minimum risk management measures that has to be implemented and adhere to in order to ensure that its current and future liquidity position is managed in a prudent manner, must include the following key elements to take into consideration when determining the liquidity requirement of Overstrand Municipality:

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- 6.4.1 To comply with statutory requirements, the following funds, reserves and provisions must be fully covered by unencumbered cash and investments;
 - 6.4.1.1 All earmarked or conditional grant transfers from spheres of Government or from Public Contributions made to Overstrand Municipality that have not yet been utilized;
 - 6.4.1.2 All funds not yet been utilised in relation to agency services provided on behalf of Provincial or National Government should also be treated as earmarked funds;
 - 6.4.1.3 All reserves stated by Overstrand Municipality on its Statement of Financial Position that have been established for the purposes of making provisions for a defined purpose.

Cognisance also needs to be taken of the external loan commitments and the servicing of capital and interest on these loans. Therefor provision should be made that Overstrand Municipality can meet its external loan/financial commitments together with the normal operational expenditure, as well as its liabilities to staff.

All investments ceded as security against long term loans need to be excluded from total cash and investment balances for calculation of the minimum liquidity level required.

In addition, a level of cash available for normal operational expenditure needs to be held in cash to ensure that, notwithstanding fluctuations in the monthly income levels of Overstrand Municipality, Overstrand Municipality will be in a position to meet its financial requirements. In this respect, the average monthly operational expenditure needs to be used as a guide of the minimum buffer required. At least **[two] three** month's operational expenditure should be available for liquidity cover.

The MFMA circular 71 stipulates the following two prescribed ratios to manage liquidity:

Cash/Cost Coverage Ratio (The norm range between 1 month to 3 months)

Interpretation of Results

This ratio should ideally not be less than 2 months. If a municipality has a ratio below the norm it would be vulnerable and at a higher risk in the event of financial "shocks/set-backs" and its ability to meet its obligations to provide basic services or its financial commitment is compromised. The results from this ratio should be viewed along with results from analysis on Debtor Management to fully assess Cash Flow Risk. The more cash reserves a municipality or municipal entity has available the lower the risk of it being unable to fund monthly fixed operational expenditure and to continue rendering services.

Current Ratio: Current Assets / Current Liabilities

(The norm range between 1.5 : 1 to 2 : 1)

Interpretation of Results

The higher the current Ratio, the more capable the Municipality or Municipal Entity will be to pay its current or short-term obligations and provide for a risk cover to

OVERSTRAND MUNICIPALITY – INVESTMENT, LIQUIDITY & CASH MANAGEMENT POLICY

enable it to continue operations at desired levels. A financial ratio under 1 suggests that the Municipality or Municipal Entity would be unable to pay all its current or short-term obligations if they fall due at any specific point.

7 INVESTMENT ETHICS AND PRINCIPLES

- 7.1 The Municipal Manager will be responsible for the investment of funds, and he/she has to steer clear of outside interference, regardless of whether such interference comes from individual councillors, agents or any other institution.
- 7.2 Under no circumstances may he/she be forced or bribed into making an investment.
- 7.3 No member of staff may accept any gift unless that gift can be deemed so small that it would not have an influence on his/her work or was not intended to do so, and can merely be seen as goodwill.
- 7.4 A certificate in respect of any gifts received should be furnished to the Municipality.
- 7.5 Interest rates offered should never be divulged to another institution.
- 7.6 Long-term investments should be made with an institution with at least a minimum BB- rating (where the BB- refers to a negative outlook in terms of the current Fitch Grading).
- 7.4 Short-term investments should be made with an institution with at least a minimum F1+ rating. The first and foremost objective for investments is the preservation and safety of the principal amount invested. It is a requirement that investments may only be made with institutions with a credit-worthy rating of F1+ (Fitch Grading) and better. Any investments made must be liquidated if an institution's credit-worthy rating falls below the level of F1+.
- 7.8 Not more than 50% of the funds that have become available for investing, on any given day, should be placed with a single institution if the available funds exceed R100m.
- 7.9 The maximum amount invested with a financial institution should not exceed 10% of the relevant institution's shareholder's funds (capital and reserves).
- 7.10 The municipality may not borrow money specifically for reinvestment, as this would mean interest rates would have to be estimated in advance, which can be seen as speculation with public funds.
- 7.11 If the Municipal Manager invests with financial institutions, he/she must ensure that such institutions are registered in terms of the Banks Act, 1990 (Act No 94 of 1990) and that they are approved financial institutions, as approved by the Reserve Bank of South Africa from time to time.
- 7.12 When making growth related investments, the Municipal Manager must obtain a guarantee that at least the capital amount invested is safe, and must exercise due diligence in this regard.

8 INVESTMENT PROCEDURES

After determining whether there is cash available for investment and fixing the maximum term of investment, the Municipal Manager must consider the way in which the investment is to be made.

8.1 Short-term investments:

- a. Quotations should be obtained from a minimum of three financial institutions (local banks), for the term of which the funds will be invested.
- b. Should one of the institutions offer a better rate for a term, other than what the municipality had in mind, the other institutions which were approached, should also be asked to quote a rate for the other term.
- c. Quotations should be obtained in writing or electronic medium.
- d. Quotations from institutions must include the following:-
 - i Name of institution;
 - ii Name of person quoting rates;
 - iii Period of the investment;
 - iv Relevant conditions; and
 - v Other facts, such as interest payable monthly or on maturation date.
- e. Once the required number of quotes has been obtained, a decision must be taken regarding the best terms offered and the institution with which funds are going to be invested.
- f. The best offer must under normal circumstances be accepted, with thorough consideration of investment principles.
- g. No attempt must be made to make institutions compete with each other as far as their rates and terms are concerned.
- h. The investment capital must only be paid over to the institution with which it is to be invested and not to an agent or third party.
- i. The financial institution where the investment is made must issue a confirmation stating the details of the investments.
- j. The Municipal Manager must make sure that the investment document, if issued, is a genuine document and issued by the approved institution.
- k. The financial institution, where the investment is made, must issue a certificate for each investment made stating that no commission has, nor will, be paid to any agent or third party, or to any person nominated by the agent or third party.
- l. The municipality must be given a monthly report on all investments.

OVERSTRAND MUNICIPALITY – INVESTMENT, LIQUIDITY & CASH MANAGEMENT POLICY

- m. The Municipal Manager must obtain information from which the creditworthiness of financial institutions can be determined. This must be obtained and analysed annually.

8.2 Long-term investments:

- a Written quotations must be obtained for all investments made for periods longer than twelve months.
- b The municipal council must approve all investments made for periods longer than twelve months after considering the cash requirement for the next three years.
- c The municipality must within 30 days after an investment with a term of 12 months or longer has been made, publish in a local newspaper in circulation within its area of jurisdiction, full details of any investments so made.

8.3. Withdrawals

All investment amounts withdrawn and not to be reinvested at the same institution at the time of withdrawal, shall be paid into the primary bank account.

All interest shall be paid into the primary bank account at the time of withdrawal of an investment, irrespective of the capital being reinvested.

9 OTHER EXTERNAL DEPOSITS

The principles and procedures set out above must apply to other investment possibilities subject to the applicable legislation, which is available to the municipality, including debentures and other securities of the state as well as other municipalities or statutory bodies in the Republic of South Africa, instituted under and in terms of any law.

10 CONTROL OVER INVESTMENTS

10.1 An investment register should be kept of all investments made. The following information must be recorded:-

- a. name of institution;
- b. capital invested;
- c. date invested;
- d. interest rate;
- e. maturity date;
- f. interest received;
- g. capital repaid; and
- h. balance invested.

10.2 The investment register and accounting records must be reconciled on a monthly

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basis.

- 10.3 The investment register must be examined on a weekly basis to identify investments falling due within the next week.
- 10.4 Interest, correctly calculated, must be received timeously, together with any distributable capital.
- 10.5 Investment certificates, if issued, must be kept in a safe place with dual custody.
- 10.6 The following documents must be safeguarded:-
- a. Fixed deposit letter or investment certificate;
 - b. Receipt confirmation for capital invested;
 - c. Copy of electronic transfer [or cheque requisition];
 - d. Schedule of comparative investment figures;
 - e. Commission certificate indicating no commission was paid on the investment; and
 - f. Interest rate quoted.

11 IMPLEMENTATION AND REVIEW OF POLICY

This policy shall be implemented on **1 July 2026** and shall be reviewed on an annual basis to ensure that it is in line with the municipality's strategic objectives and with legislation.

12 SHORT TITLE

This Policy shall be called the Investment, Liquidity & Cash Management Policy of the Overstrand Municipality.

POLICY SECTION:	DIVISIONAL MANAGER: FINANCIAL ACCOUNTING
CURRENT UPDATE:	27 MAY 2026
PREVIOUS UPDATE:	29 MAY 2025
PREVIOUS UPDATE:	31 MAY 2024
PREVIOUS UPDATE:	31 MAY 2023
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PREVIOUS REVIEW:	26 MAY 2021
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APPROVAL BY COUNCIL:	27 MAY 2009

**OVERSTRAND
MUNICIPALITY**



BUDGET POLICY

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OVERSTRAND MUNICIPALITY – BUDGET POLICY

PREAMBLE

In the spirit of the Municipal Finance Management Act, (No.56 of 2003), to modernise budget and financial management practices by placing local government finances on a sustainable footing in order to maximize the capacity of municipalities to deliver services to all residents, customers, users and investors, and,

Whereas chapter 4 of the Municipal Finance Management Act, (No 56 of 2003) determines that a municipality may, except where otherwise provided in the Act, incur expenditure only in terms of an approved budget; and within the limits of the amounts appropriated for the different votes in an approved budget,

Therefore the Overstrand Municipality adopts the budget policy set out in this document.

OVERSTRAND MUNICIPALITY – BUDGET POLICY

1. OBJECTIVES OF POLICY

- A. The policy sets out the budgeting principles which Overstrand Municipality will follow in preparing each annual budget. The policy aims to give effect to the requirements and stipulations of the Municipal Finance Management Act in terms of the planning, preparation and approval of the annual budgets.
- B. The policy shall apply to all the relevant parties within the Overstrand Municipality that are involved throughout the budget process.
- C. A Budget Steering Committee will be established to guide the budget process.
- D. Cost containment measures are to be applied in accordance with relevant legislation, when considering expenditure:

1) Use of consultants

This Policy is in line with section 35 of the **Municipal Cost Containment Regulations 2019** and the Overstrand Supply Chain Management Policy to ensure that resources of the municipality with regard to the use of consultants, are used effectively, efficiently and economically by implementing cost containment measures.

2) Vehicles used for political office –bearers

This Policy is in line with the stipulations of the Overstrand Travel and Subsistence Policy to ensure that resources of the municipality with regard to vehicles used for political office-bearers, are used effectively, efficiently and economically by implementing cost containment measures.

3) Travel and subsistence

This Policy is in line with the stipulations of the Overstrand Travel and Subsistence Policy, to ensure that resources of the municipality with regard to Travel and subsistence, are used effectively, efficiently and economically by implementing cost containment measures.

4) Domestic accommodation

This Policy is in line with the stipulations of the Overstrand Travel and Subsistence Policy, to ensure that resources of the municipality with regard to Domestic accommodation, are used effectively, efficiently and economically by implementing cost containment measures.

5) Credit cards

The accounting officer must ensure that no credit card or debit card linked to a bank

OVERSTRAND MUNICIPALITY – BUDGET POLICY

account of the municipality is issued to any official or public office bearer.

6) Sponsorships, events and catering

This Policy is in line with the stipulations of the **Municipal Cost Containment Regulations 2019**, to ensure that resources of the municipality with regard to Sponsorships, events and catering, are used effectively, efficiently and economically by implementing cost containment measures.

7) Communication

This Policy is in line with the stipulations of the **Municipal Cost Containment Regulations 2019**, to ensure that resources of the municipality with regard to Communication, are used effectively, efficiently and economically by implementing cost containment measures.

8) Conferences, meetings and study tours

This Policy is in line with the stipulations of the **Municipal Cost Containment Regulations 2019** and the Travel and Subsistence Policy, to ensure that resources of the municipality with regard to Conferences, meetings and study tours, are used effectively, efficiently and economically by implementing cost containment measures.

9) Other related expenditure items

This Policy is in line with the stipulations of the **Municipal Cost Containment Regulations 2019**, to ensure that resources of the municipality with regard to the following, are used effectively, efficiently and economically by implementing cost containment measures:

- i. All commodities, services and products covered by a transversal contract concluded by the National Treasury must be considered before approaching the market, to benefit from savings where lower prices or rates have been negotiated.
- ii. Municipal resources may not be used to fund elections, campaign activities, including the provision of food, clothing, printing of agendas and brochures and other inducements as part of, or during election periods or to fund any activities of any political party at any time.
- iii. Expenditure on tools of trade for political office bearers must be limited to the upper limits as approved and published by the Cabinet member responsible for local government in terms of the Remuneration of Public Office Bearers Act, 1998.
- iv. The municipality must avoid expenditure on elaborate and expensive office furniture.

OVERSTRAND MUNICIPALITY – BUDGET POLICY

- v. The municipality may only use the services of the South African Police Service to conduct periodical or quarterly security threat assessments of political office bearers and key officials and a report must be submitted to the speaker's office.
- vi. The municipality may consider providing additional time -off in lieu of payment for overtime worked. Planned overtime must be submitted to the relevant manager for consideration on a monthly basis. A motivation for all unplanned overtime must be submitted to the relevant manager.

2. BUDGET PRINCIPLES

2.1. Capital Budget

The capital budget refers to the allocations made to specific infrastructural projects and the purchase of equipment and other forms of assets, as classified per the Overstrand Asset Management Policy.

2.1.1 Basis of Calculation

- a. The current three year MTREF budget, including two future planning years in terms of the 5 year IDP, is the departure point in preparing the subsequent annual capital budget.
- b. The annual capital budget shall be based on realistically anticipated revenue, which should be equal to the anticipated capital expenditure in order to result in a balanced budget.
- c. The impact of the capital budget on the current and future operating budgets in terms of finance charges to be incurred on external loans, depreciation of fixed assets, maintenance of fixed assets and any other operating expenditure to be incurred resulting directly from the capital expenditure, should be carefully analyzed when the annual capital budget is being compiled.
- d. In addition, the council shall consider the likely impact of such operational expenses, net of any revenues expected to be generated by such items on future property rates and service tariffs.

2.1.2 Financing

Own Financing Sources

Own financing consists of the following sources:

- a. Unappropriated cash-backed surpluses from previous financial years, to the extent that such surpluses are not required for operational purposes and cash resources are adequate for cost coverage and liquidity ratio.
- b. Borrowing (External Loans)
- c. Proceeds on the sale of fixed assets, less cost to sell, in terms of the Asset Management-, Administration of Immovable Property- and Accounting policies.

OVERSTRAND MUNICIPALITY – BUDGET POLICY

Other Financing Sources (External)

The external funded capital budget shall be financed from external sources such as the following:

- a. Grants and subsidies as allocated in the annual Division of Revenue of Act.
- b. Grants and subsidies as allocated by Provincial government.
- c. Public contributions and donations.
- d. Any other external financing source secured by the local authority.

2.1.3 Process and responsible parties

The process to be followed in the compilation of the capital budget is as follows:

- a. The current 3 year MTREF budget is the departure point in preparing the subsequent annual capital budget.
- b. The CFO, in conjunction with the **Divisional Manager: Financial Accounting** and the **Manager: Budgets** and after consultation with the Budget Steering Committee sets the reasonable growth level of the capital budget to be financed out of own and external sources and determines affordability.
- c. The draft capital budget is compiled based on the projects that emanated out of the engagements with the different stakeholders.
- d. The CFO, together with the **Divisional Manager: Financial Accounting** and the **Manager: Budgets**, engage with the Directors and the **Divisional Manager: Strategic Support Services** in order to determine the priorities for a particular financial year and to determine the ranking of projects based on these priorities.
- e. The draft capital budget is submitted to the Budget Steering Committee for perusal and suggestions.
- f. The draft capital budget is tabled in Council at least 90 days (31 March) before the start of the new financial year.
- g. After the draft budget is tabled in Council, it is advertised for public comment for a period of 30 days.
- h. Once the comments from the public have been received, noted and considered, any amendments and the final budget are tabled in Council for final approval, at least 30 days (31 May) before the start of the financial year.

2.1.4 Implementation

OVERSTRAND MUNICIPALITY – BUDGET POLICY

- a. After the budget has been approved, the service delivery and budget implementation plan (SDBIP) is finalised.
- b. The SDBIP must be submitted to the Mayor within 14 days after aforementioned approval, for approval within a further 14 days.
- c. Each director indicates the intended spending for both capital and operating budgets.
- d. Cash flows are included in the Service Delivery and Budget Implementation Plan of the organisation.
- e. The SDBIP is monitored on a monthly basis.
- f. Each project manager uses the respective cost allocation and [unique] business key numbers as indicated on the capital budget.

2.2. Operational Budget

The operational budget refers to the funds that would be generated for the delivery of basic services, grants & subsidies and any other municipal services rendered. These funds are in turn used to cover the expenses incurred in the day to day running of the organization.

2.2.1. Basis of Calculation

- a. The zero based and incremental approach is used by budget holders in preparing the annual operating budget, depending on the type of revenue or expenditure.
- b. The annual operating budget shall be based on realistically anticipated revenue, which should at least be equal to the anticipated cash operating expenditure in order to result in a balanced budget.
- c. An income based approach shall be used where the realistically anticipated revenue would firstly be projected. The level of operating expenditure will then be based on the projected revenue, thus resulting in a balanced budget.

2.2.2. Financing

The operating expenditure shall be financed from the following sources:

Agency Services	Compensation received by the municipality for cost to provide the agency service should be recognised as receipts and not set-off against the expenditure. This compensation maybe in the form of commission, agency fees, contract fees, etc.

OVERSTRAND MUNICIPALITY – BUDGET POLICY

Interest, Dividend and Rent on Land	Consist of the income associated with ownership of interest-bearing financial instruments, such as bank deposits, loans extended to others, and bills and bonds issued by others. Dividends come in the form of receipts from shares and distribution of profits to the owner. Rent on land is the receipts due to ownership of land.
Operational Revenue	Operational revenue refers to all other income not elsewhere classified such as administrative fees, bad debts recovered, breakages, commission, discounts and early settlements, etc.
Rental from Fixed Assets	Operating lease income received by the municipality from external use. Distinction is made between rental income based on market related versus non-market related rates.
Sales of Goods and Rendering of Services	This category consist of sales and services rendered provided that the municipality produced or partially produced the good or service.
Service Charges	This group of accounts provides for the basic services delivered by municipalities.
Intercompany/Parent-subsidiary Transactions	Revenue generated due to exchange transactions between municipalities and their subsidiary municipal entities.
Licences or Permits	Granting of licences or permits associated with a regulatory function by government. Fees recognised under this category must result from a principle agreement. If the municipality act as an agent on behalf of provincial or national government the transaction need to be treated accordingly. Judgment need to be applied in deciding whether the "licence or permits" need to be classified as exchange or non-exchange revenue.
Fines, Penalties and Forfeits	This item consists of all compulsory receipts imposed by a court or quasi-judicial body. Out-of-court settlements are also included in this category. As with taxes, this item consists of unrequited, compulsory transactions. Thus, the recipient municipality does not provide anything in return for these receipts.
Licences or Permits	Granting of licences or permits associated with a regulatory function by government. Fees recognised under this category must result from a principle agreement. If the municipality act as an agent on behalf of provincial or national government the transaction need to be treated accordingly. Judgment need to be applied in deciding whether the "licence or permits" need to be classified as exchange or non-exchange revenue.
Property Rates	Property Rates means a municipal rate on property envisaged in section 229 (1)(a) of the Constitution read with the Municipal Property Rate Act 6 of 2004 as amended by the Municipal Property Rates Amendment Act, 2014. Rateable property means property on which a municipality may in terms of section 8 levy a rate and excludes impermissible rates as per section 17 of the Act.

OVERSTRAND MUNICIPALITY – BUDGET POLICY

Transfers and Subsidies	This category provides for of all unrequited, voluntary receipts from other parties. Thus an entry should be made under this item when the municipality does not provide anything of similar value directly in return for the transfer from the other party and the transfer is voluntary. {GRAP 23: Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.} This group of accounts provide for "operational and capital transfers and subsidies" received "in-kind or in monetary value".
Interest, Dividend and Rent on Land	Consist of the income associated with ownership non-exchange transactions.

2.2.3 Budget Categories

The following expenditure categories shall be accommodated in the operating budget:

Bad Debts Written Off	The irrecoverable debts that are written off during the financial year as approved by the Council allocated according to the type of service provided to the customer. This account would also include the write-off of accounts in terms of the debt prescription rules.
Bulk Purchases	Bulk purchases of electricity and water from Eskom (including alternative service providers) and Water Sources such as Water Boards and other providers.
Contracted Services	This group of accounts distinguishes between "Outsourced Services, Contractors and Professional and Special Services".
Depreciation and Amortisation	Depreciation is the systematic allocation of the cost of an asset from the Statement of Financial Position to Depreciation Expense on the Statement of Financial Performance over the useful life of the asset. Amortisation is the systematic allocation of the discount, premium or issue cost of a financial instrument over the life of the instrument, or an intangible asset over a certain period. Amortisation is the systematic allocation of the depreciable amount of an intangible asset over its useful life.
Employee Related Cost	This item includes all payments to employees defined below. Employee Related Cost distinguish between Senior Managers and Other Staff as Section 124(1)(c) of the MFMA required disclosures of the details of remuneration for all senior managers and the Standard of GRAP on Related Party Disclosure requires disclosure of key management personnel (GRAP 20 Related Party Disclosure - no effective date determined by the Minister thus IPSAS 20 Related Parties need to be applied. Key management personnel in the context of municipalities referring to the senior management group, including the chief executive (municipal manager).

OVERSTRAND MUNICIPALITY – BUDGET POLICY

Interest, Dividends and Rent on Land	This item includes the total value of interest payments, dividends and payment for the use of land owned by another party.
Inventory Consumed	The amount of inventories recognised as an expense during the period. GRAP 12.45(d) The amount of inventories recognised as an expense during the period, which is often referred to as cost of sales, consists of those costs previously included in the measurement of inventory that has now been sold, exchanged or distributed, and unallocated production overheads and abnormal amounts of production cost of inventories. GRAP 12.47
Remuneration of Councillors	Remuneration as determined by the Remuneration of Public Office Bearers Act, 1998 (Act No 20 of 1998). Salary of full/part time councillors including the Executive Mayor or Mayor, Speakers, Deputy Executive Mayor or Deputy Mayor, Members of the Executive Committee or Mayoral Committee, Whip and Chairperson of a sub-council, etc.
Operating Leases	An operating lease is a lease other than a finance lease. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Land use portion of a building finance lease must be recorded under Rental of Land.
Operational Cost	An operating expense is a day-to-day expense such as sales and administration, or research & development, accounting expenses, license fees, advertising, office expenses, utilities such as telephone, insurance, property management, travel and vehicle expenses.
Transfers and Subsidies	This category provides for of all unrequited payments made by the municipality. A payment is unrequited provided that the municipality does not receive anything of similar value directly in return for the transfer to another party. Both current and capital transfers are included in this item. Municipalities distinguish between transfers to provinces, district municipalities, departmental agencies and accounts, universities and Technicons, public corporations, private enterprises, foreign government and international institutions, non-profit organisations and households. This group of accounts provide for "operational and capital transfers and subsidies" made "in-kind or in monetary value".

2.2.4. Process

- a. The CFO, in conjunction with the **Divisional Manager: Financial Accounting** and the **Manager: Budgets**, and after consultation with the Budget Steering Committee, sets the reasonable growth level of the operational budget based on the current financial performance and the prevailing industry growth levels. (i.e. CPI).
- b. After the income has been determined, an acceptable growth level for the

OVERSTRAND MUNICIPALITY – BUDGET POLICY

operating expenditure is determined and the draft operating budget is discussed with the relevant Directors for their perusal and amendments.

- c. The draft operating budget is compiled based on the submissions from the engagements with the different stakeholders.
- d. The draft operating budget serves before the Budget Steering Committee for perusal and suggestions.
- e. The draft operating budget is tabled in Council at least 90 days (31 March) before the start of the new financial year.
- f. The draft SDBIP is tabled in Council at least 90 days (31 March) before the start of the new financial year.
- g. After the draft budget is tabled in Council, it is advertised for public comment for a period of 30 days.
- h. Once the comments from the public have been received, noted and considered, the final budget (inclusive of any amendments) is tabled in Council for adoption, at least 30 days (31 May) before the start of the financial year.
- i. Sect 25(1) of the Municipal Finance Management Act (56 of 2003) states that “if a municipal council fails to approve an annual budget, including revenue raising measures necessary to give effect to the budget, the Council must reconsider the budget and again vote on the budget, or on an amended version thereof, within 7 days of the Council meeting that failed to approve the budget.”

2.2.5. Implementation

- a. After the budget has been approved, the service delivery and budget implementation plan (SDBIP) is finalised.
- b. The SDBIP must be submitted to the Mayor within 14 days after aforementioned approval, for Mayoral approval with a further 14 days.
- c. Each director indicates the intended spending for both capital and operating budgets.
- d. Cash flows are included in the Service Delivery and Budget Implementation Plan of the organisation.
- e. The SDBIP is monitored on a monthly basis.
- f. Each directorate uses their respective vote numbers as indicated on the operational budget.

OVERSTRAND MUNICIPALITY – BUDGET POLICY

2.3. Adjustments Budgets

- 2.3.1 A general adjustments budget may be tabled once a year by 28 February.
- 2.3.2 The adjustments budget process shall be aligned to the annual budget in terms of consideration by the Budget Steering Committee.
- 2.3.3 The adjustments budget must be approved by Council before implementation.
- 2.3.4 Any consequential amendment of the SDBIP necessitated by the adjustments budget must be published together with the adjustments budget within 5 days after the Municipal Council has approved an adjustments budget.

2.3.5 Any other adjustments budgets may be tabled in terms of the relevant stipulations of the MFMA and within the timeframes as stipulated in the MBRR.

3. IMPLEMENTATION AND REVIEW OF POLICY

This policy shall be implemented on **1 July 2026** and shall be reviewed on an annual basis to ensure that it is in line with the municipality's strategic objectives and with legislation.

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PREVIOUS REVIEW:	30 MAY 2012
APPROVAL BY COUNCIL:	04 MAY 2011

**OVERSTRAND
MUNICIPALITY**



VIREMENT POLICY

ANNEXURE N 1/10

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OVERSTRAND MUNICIPALITY – VIREMENT POLICY

1 DEFINITIONS

“Accounting officer”	The municipal manager of a municipality is the accounting officer of the municipality in terms of section 60 of the MFMA
“Approved budget”	means an annual budget or adjustments budget approved by a municipal council.
“Basic Services”	means the following four services: Energy Sources, Water Management, Waste Water Management (Sewerage & Waste Water Treatment) and Waste Management, as contained in the mSCOA function segment
“Budget-related policy”	means a policy of a municipality affecting or affected by the annual budget of the municipality
“Chief financial officer”	means a person designated in terms of the MFMA who performs such budgeting, and other duties as may in terms of section 79 of the MFMA be delegated by the accounting officer to the chief financial officer.
“Capital Budget”	This is the estimated amount for capital items in a given fiscal period. Capital items are fixed assets such as infrastructure, facilities and equipment, the cost of which is normally written off (depreciated) over a number of fiscal periods
“Council”	means the council of a municipality referred to in section 18 of the Municipal Structures Act.
“Financial year”	means a 12-month year ending on 30 June.
Function Sub-Function	mSCOA Segment: This segment provides for the classification of budgets according to the function or service delivery objective and provides for the standardisation of functions and sub-functions across local government with due regard to specific service delivery activities and responsibilities of each individual municipality.
“Line Item”	an appropriation that is itemized on a separate line in the internal budget document for the purpose of greater control over expenditure, as contained in the mSCOA segment for Item Expenditure and Revenue, as revised from time to time.
“Operating Budget”	the Municipality’s financial plan, which outlines proposed expenditures for the coming financial year and estimates the revenues used to finance them.
“Ring Fenced Allocations”	an exclusive combination of line items grouped for specific purposes, such as Debt Impairment, Depreciation and Amortisation, Finance Charges and Provisions.
“Service delivery and budget implementation plan”	means a detailed plan approved by the mayor of a municipality in terms of section 53(1) (c) (ii) for implementing the municipality’s delivery of municipal services and its annual budget.
“Virement”	is the process of transferring an approved budget allocation from one operating line item or capital project to another, with the approval of the relevant Manager. To enable budget managers to amend budgets in the light of experience or to reflect anticipated
“Vote”	means one of the main segments into which a budget of a municipality is divided for the appropriation of funds for the different Directorates of the municipality; and which specifies the total amount that is appropriated for the purposes of the respective Directorates concerned.

2 ABBREVIATIONS

“CFO”	Chief Financial Officer
“GFS”	Government Financial Statistics
“IDP”	Integrated Development Plan
“MFMA”	Municipal Finance Management Act No. 56 of 2003
mSCOA	Municipal Standard Chart of Accounts
“SDBIP”	Service delivery and budget implementation plan

3 OBJECTIVE

To allow limited flexibility in the use of budgeted funds to enable management to act on occasions such as disasters, unforeseen expenditure or savings, etc. as they arise to [accelerate] **address** service delivery in a financially responsible manner. **Virements only relate to the current financial year / approved budget as the budgets for outers years' are indicative and subject to change with subsequent budget processes.**

4 VIREMENT CLARIFICATION

Virement is the process of transferring budgeted funds from one line item number to another, with approval of the relevant Director, and the CFO and Municipal Manager in certain instances, to enable budget managers to amend budgets in the light of experience or to reflect anticipated changes. (Section 28 (2) (c) MFMA)

5 FINANCIAL RESPONSIBILITIES

Strict budgetary control must be maintained throughout the financial year in order that potential overspends and / or income under-recovery within individual vote departments are identified at the earliest possible opportunity. (Chapter 4 of the MFMA) The Chief Financial Officer has a statutory duty to ensure that adequate policies and procedures are in place to ensure an effective system of financial control. The budget virement process is one of these controls. (Section 27(4) MFMA)

It is the responsibility of each manager or head of a directorate or activity to which funds are appropriated, to plan and conduct assigned operations so as not to expend more funds than budgeted. In addition, they have the responsibility to identify and report any irregular or fruitless and wasteful expenditure in terms of the MFMA sections 78 and 32.

6 VIREMENT RESTRICTIONS

- (a) A virement of funds between votes (Directorates) will not be allowed without approval in an adjustments budget.
- (b) Cumulative virements may not exceed a maximum of 10% of the total approved operating budget per Directorate.
- (c) A virement may not create new policy **or projects**, significantly vary from current policy **or approved projects** or **significantly** alter the approved **budgeted amounts** / outcomes / outputs, and as approved in the IDP for the current or subsequent years. (section 19 and 21 MFMA)
- (d) Virements **passed during an adjustments budget**, resulting in adjustments to the approved SDBIP need to be submitted to the Municipal Manager after an adjustments budget, with altered outputs and measurements for approval. (MFMA Circular 13 page 3 paragraph 3)
- (e) No virement request may be effected in the current year which will increase the approved budget in future financial years. [without the prior approval of the Municipal Manager and the Mayor.] This refers to expenditure such as entering into lease- or rental agreements for vehicles, photo copier's or fax machines, operational contracts.
- (f) No virement may be made where it would result in unauthorised expenditure. (section 32 MFMA)
- (g) No virement shall add to the staff establishment of the Municipality without the approval of the Municipal Manager.

- (h) Budget may only be transferred from Employee Related Cost if approved by the Municipal Manager and the Director: Finance.
- (i) If the virement relates to an increase in the work force establishment, then the Council's existing recruitment policies and procedures will apply.
- (j) Virements may not be made in respect of ring-fenced allocations.
- (k) Virements are not permitted from budgets allocated to the respective Basic Services, unless approved in an adjustments budget.
- (l) Virements in capital budget allocations are only permitted within specified action plans and not across funding sources and must in addition have comparable asset lifespan classifications.
- (m) No virements are permitted in the first three months or the final month of the financial year without the express approval of the CFO.
- (n) No virement proposal shall affect amounts to be paid by another Department without the agreement of the Manager of that Department, as recorded on the signed virement form. (Section 15 MFMA)
- (o) Virement amounts may not be rolled over to subsequent years, or create expectations on following budgets. (Section 30 MFMA)
- (p) An approved virement does not give expenditure authority and all expenditure resulting from approved virements must still be subject to the procurement / supply chain management policy of Council as periodically reviewed.
- (q) Virements may not be made between Expenditure and Income.
- (r) Virements may not be made between capital and operational budgets, except as indicated in paragraph 7.
- (s) No Capital Budget virements are permitted across the mSCOA Function/Sub-Function segment, except in an official adjustments budget.
- (t) Virements are not permitted from the mSCOA line item Inventory: Zero Rated (Fuel) to other expenditure line items within a directorate/department, except where approved in an official adjustments budget.

7 VIREMENT PROCEDURE

- (a) All virement proposals must be completed on the appropriate documentation and forwarded to the Budget Office for checking and implementation. All virements must be subjected to scrutiny across all seven segments of the mSCOA classification framework.
- (b) All virements relating to the operational budget must be approved by the relevant Budget Holder/Manager (Section 79 MFMA) in the case of a departmental budget transfer, and also by the relevant Director in the case of a transfer between departments within a Directorate.
- (c) Capital Budget Virements within the mSCOA Function/Sub-Function segment must be approved by the relevant manager and Director, the Municipal Manager and Director: Finance and, in cases where the amount exceeds R100 000, by the Executive Mayor. Virements across the mSCOA Function/Sub-Function segment will only be considered if it qualifies as an Adjustment Budget request and will then be done as part of an official Adjustment Budget.
- (d) A virement form must be completed for all Operational Budget Transfers and in the case of a Capital Budget transfer an official memo approved by the relevant director, MM & CFO must be submitted. The prescribed documentation must be completed.
- (e) (i) The relevant Director is required to approve all virements pertaining to their respective directorates, with a maximum as determined under section 6b. Virements in excess of

R20 000 requires the the express approval of the Chief Financial Officer and virements in excess of R100 000 requires the express approval of the Municipal Manager. (Section 79 MFMA).

- (ii) All virements generated by the budget section for additional budget line items, where applicable and corrections to budget line items, require the approval of the Chief Financial Officer.
- (f) Virement transfers must be taken into consideration by the respective managers with regards to the SDBIP.
- (g) Virements in respect of Ward specific projects must be approved by the Chief Financial Officer, Municipal Manager and the Mayor.
- (h) Virements between Capital and Operational in respect of Ward Specific Projects and grant allocations, will only be allowed if it qualifies as an Adjustment Budget request and will then be done as part of an Adjustments Budget
- (i) All virement documentation must be in order and approved before any expenditure may be committed or incurred. (Section 79 MFMA).
- (j) After all virement documentation has been duly completed, including all authorizations, the budget transfer will normally be effected within three working days, subject to the operating system functionality.
- (k) The Director: Finance must report to the Municipal Manager and the Mayor on a monthly basis in respect of virements in excess of R20 000 per item.

8. IMPLEMENTATION AND REVIEW OF THIS POLICY

This policy shall be implemented on **1 July 2026** and shall be reviewed on an annual basis to ensure that it is in line with the municipality's strategic objectives and with legislation.

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Directorate	Department	OV CODE	Dept Code
Municipal Council	Council:Council's General	OV000012000100	8010
Municipal Council	Council:Mayors Office	OV000012000200	8020
Municipal Council	Council:Pensioners & Continued Members	OV000012000300	8030
Office of the Municipal Manager	MM:Municipal Manager	OV000013000100	8040
Office of the Municipal Manager	MM:Internal Audit	OV000013000200	8050
Office of the Municipal Manager	MM:Strategic Support Services	OV000013000300	8060
Office of the Municipal Manager	MM:Legal Services & Contract Management	OV000013000400	8070
Corporate Services	Corp:Director:Corporate Services	OV000014000100	8080
Corporate Services	Corp:Risk Management	OV000014000200	8090
Corporate Services	Corp:Human Resources Management	OV000014000300	8100
Corporate Services	Corp:Info & Communication Technolgy	OV000014000400	8110
Corporate Services	Corp:Business Architecture & CRM	OV000014000500	8120
Corporate Services	Corp:Administrative Support Services	OV000014000600	8130
Corporate Services	Corp:Municipal Court	OV000014000700	8140
Financial Services	Fin:Chief Financial Officer	OV000015000100	8150
Financial Services	Fin:Financial Accounting	OV000015000200	8160
Financial Services	Fin:Revenue Management	OV000015000300	8170
Financial Services	Fin:Expenditure, Fleet & Asset Management	OV000015000400	8180
Financial Services	Fin:Supply Chain Management	OV000015000500	8190
Infrastructure Services	Infra:Chief Engineer:Infrastructure Services	OV000016000100	8200
Infrastructure Services	Infra:Principal Engineer:Civil Infrastructure Planning	OV000016000200	8210
Infrastructure Services	Infra:Senior Engineer:Waste Management	OV000016000300	8220
Infrastructure Services	Infra:Waste Management:Transfer Stations & Drop-Offs	OV000016000400	8230
Infrastructure Services	Infra:Principal Engineer:Civil Enineering Services	OV000016000500	8240
Infrastructure Services	Infra:Principal Technologist Civil:Gansbaai & Stanford	OV000016000600	8250
Infrastructure Services	Infra:Principal Technologist Civil:Hermanus	OV000016000700	8260
Infrastructure Services	Infra:Principal Technologist Civil:Kleinmond	OV000016000800	8270
Infrastructure Services	Infra:Water:Gansbaai & Stanford	OV000016000900	8280
Infrastructure Services	Infra:Water:Hermanus	OV000016001000	8290
Infrastructure Services	Infra:Water:Kleinmond	OV000016001100	8300
Infrastructure Services	Infra:Sewerage:Gansbaai & Stanford	OV000016001200	8310
Infrastructure Services	Infra:Sewerage:Hermanus	OV000016001300	8320
Infrastructure Services	Infra:Sewerage:Kleinmond	OV000016001400	8330
Infrastructure Services	Infra:Sewerage Tankers:Gansbaai	OV000016001500	8340
Infrastructure Services	Infra:Sewerage Tankers:Hermanus	OV000016001600	8350
Infrastructure Services	Infra:Sewerage Tankers:Kleinmond	OV000016001700	8360

Infrastructure Services	Infra:Roads:Gansbaai & Stanford	OV000016001800	8370
Infrastructure Services	Infra:Roads:Hermanus	OV000016001900	8380
Infrastructure Services	Infra:Roads:Kleinmond	OV000016002000	8390
Infrastructure Services	Infra:Stormwater:Gansbaai & Stanford	OV000016002100	8400
Infrastructure Services	Infra:Stormwater:Hermanus	OV000016002200	8410
Infrastructure Services	Infra:Stormwater:Kleinmond	OV000016002300	8420
Infrastructure Services	Infra:Principal Engineer:Electrical Services	OV000016002400	8430
Infrastructure Services	Infra:Electrical:GB&ST	OV000016002500	8440
Infrastructure Services	Infra:Electrical:HM&KM	OV000016002600	8450
Infrastructure Services	Infra:Principal Engineer:Project Management	OV000016002800	8470
Infrastructure Services	Infra:Housing Development	OV000016002900	8480
Infrastructure Services	Infra:Revenue:Electricity	OV000016003000	8490
Infrastructure Services	Infra:Revenue:Water	OV000016003100	8500
Infrastructure Services	Infra:Revenue:Sewerage	OV000016003200	8510
Infrastructure Services	Infra:Revenue:Waste Management	OV000016003300	8520
Community Services	Comm:Director:Community Services	OV000017000100	8530
Community Services	Comm:Community Services	OV000017000200	8540
Community Services	Comm:Resorts:Onrus Caravan Park	OV000017000300	8550
Community Services	Comm:Resorts:Hawston Swimming Pool & Caravan Park	OV000017000400	8560
Community Services	Comm:Resorts:Kleinmond & Palmiet	OV000017000500	8570
Community Services	Comm:Resorts:Gansbaai	OV000017000600	8580
Community Services	Comm:Parks and Open Spaces	OV000017000700	8590
Community Services	Comm:Sportsfields	OV000017000800	8600
Community Services	Comm:Beaches	OV000017000900	8610
Community Services	Comm:Slipways	OV000017001000	8620
Community Services	Comm:Cemeteries	OV000017001100	8630
Community Services	Comm:Refuse Removal:Stanford & Gansbaai	OV000017001200	8640
Community Services	Comm:Refuse Removal:Hermanus	OV000017001300	8650
Community Services	Comm:Refuse Removal:Kleinmond	OV000017001400	8660
Community Services	Comm:Hermanus CBD Cleansing	OV000017001500	8670
Community Services	Comm:Intergrated Human Settlements & Development	OV000017001600	8680
Community Services	Comm:Library Services	OV000017001700	8690
Community Services	Comm:Sports Development	OV000017001800	8700
Community Services	Comm:Housing Administration	OV000017001900	8710
Community Services	Comm:Halls, Facilities & Building Maintenance	OV000017002000	8720
Community Services	Comm:Facilities & Halls	OV000017002100	8730
Community Services	Comm:Building Maintenance	OV000017002200	8740
Community Services	Comm:Cleaning Services	OV000017002300	8750
Municipal Public Safety	MPS:Director: Municipal Public Safety	OV000018000100	8760
Municipal Public Safety	MPS:Traffic Services	OV000018000200	8770
Municipal Public Safety	MPS:Law Enforcement Services	OV000018000300	8780

Municipal Public Safety	MPS:Fire, Rescue & Disaster Management	OV000018000400	8790
Municipal Public Safety	MPS:Disaster Management	OV000018000500	8800
Municipal Public Safety	MPS:Safety,Security & CCTV	OV000018000600	8810
Planning and Development	P&D:Director:Planning & Development	OV000019000100	8820
Planning and Development	P&D:Town Planning & Spatial Planning	OV000019000200	8830
Planning and Development	P&D:Environmental Management & Conservation	OV000019000300	8840
Planning and Development	P&D:Building Control	OV000019000400	8850
Planning and Development	P&D:Socio-Economic Programme	OV000019000500	8860
Planning and Development	P&D:Property Management	OV000019000700	8880

OVERSTRAND MUNICIPALITY



BORROWING POLICY

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OVERSTRAND MUNICIPALITY – BORROWING POLICY

1 PURPOSE

To establish a borrowing framework policy for the Municipality and set out the objectives, policies, statutory requirements and guidelines for the borrowing of funds.

2 OBJECTIVES OF POLICY

The objectives of this Policy are to:

- a manage interest rate and credit risk exposure;
- b maintain debt within specified limits and ensure adequate provision for the repayment of debt;
- c to ensure compliance with all Legislation and Council policy governing borrowing of funds.

3 SCOPE OF THE POLICY

The primary goal in the borrowing of funds is to ensure that the funds are obtained at the lowest possible interest rates at minimum risk, within the parameters of authorized borrowings.

3.1 Risk Management

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

3.2 Cost of Borrowings

The borrowings should be structured to obtain the lowest possible interest rate, on the most advantageous terms and conditions, taking cognisance of borrowing risk constraints, infrastructure needs and the borrowing limits determined by Legislation.

3.3 Prudence

Borrowings shall be made with care, skill, prudence and diligence.

4 LEGISLATIVE FRAMEWORK AND DELEGATION OF AUTHORITY

The relevant Legislation in terms of which borrowing decisions are governed is the Local Government Municipal Finance Management Act, No 56 of 2003.

The Municipal Regulations on Debt Disclosure has been promulgated (Government Gazette no. 29966, 15 June 2007) and has been effective from 01 July 2007 for a municipality or municipal entity.

OVERSTRAND MUNICIPALITY – BORROWING POLICY

5 TYPES OF LOANS AND FINANCING

5.1 Annuity loans

Annuity loans are straight forward and uncomplicated. The loan amount, interest rate and repayment period offered by the Financial Institution are fixed. Normally with an annuity loan, the instalment of the loan will be repaid in equal six monthly instalments over the term of the loan. The capital portion of the instalment will increase over the duration of the loan, and conversely, the interest amount charged will decrease over the loan period. Where the interest rate offered by the Financial Institution is on a variable basis, an interest rate swap (IRS) option should be included in the agreement. An IRS agreement will need to be signed with the party agreeing to accept the variable rate and in turn, offer the fixed rate to the Municipality. An Interest Rate Swap Agreement must comply with the terms set out by the International Swap Dealers Association (ISDA). The fixing of debt repayments is an important consideration in meeting the financial requirements of the Municipality, that of annually producing a balanced budget. There are from time to time various options offered by Financial Institutions which need to be treated on their merits and which could invariably result in slightly lower interest rates being offered.

5.2 Bullet payment redemption

In this instance, the total capital is usually repaid at the end of the term and interest on the total amount borrowed is paid annually or semi-annually. The interest rate can be fixed and the interest payable is known for the duration of the loan. Cash has to be set aside to repay the capital at the end of the term.

The lender could require security in the form of an investment (sinking fund).

5.3 Hire Purchase

Hire purchase (HP) is a financing arrangement where the municipality can acquire an asset/s by paying fixed monthly installments, which include interest and any other costs, over a set period. Legal ownership or title to the assets would transfer to the municipality at the end of the agreement if all installments were paid.

This type of financing could be considered in the event of acquiring assets that normally has a useful life of 3 – 6 years.

5.4 Bonds

A Bond is an instrument used by Government and Parastatals such as Telkom, Eskom, Transnet, Corporates and Municipalities to raise loan capital on the open market. Bond holders have the right to interest, usually paid on a semi-annual basis, and the repayment of the capital amount reflected on the stock certificate held on maturity date. The coupon, maturity, principal value and market value are

OVERSTRAND MUNICIPALITY – BORROWING POLICY

intrinsic features of a Bond. The most critical variable factor in determining Bond rates is the expected long term trend in inflation, in order to provide a return that equals inflation plus a risk premium. The higher the risk attached to a borrower, the higher will be the risk premium investors will demand. During its tenure the Bond will trade on the Bond market at prevailing interest levels. The price of a Bond trading at any given time on the market is a function of prevailing interest rates. Bond prices move inversely to movements in interest rates.

5.5 Use of Internal Funds

The Municipality from time to time, will use certain of its surplus funds to fund its Capital programme. The utilisation of surplus funds enables the Municipality to reduce its reliance on external debt financing, thereby allowing it to borrow only funds from external sources when favourable market conditions prevail. The use of internal funds impacts negatively on surplus cash for return of interest and should be within limits to reduce the impact on the Current Ratio, ideally to be at a minimum ratio of 1.5 : 1, and the Cost Coverage, ideally not be less than [2] **three** months.

6 OTHER CONSIDERATIONS

The Municipality has by the judicious use of surplus funds and external long term debt implemented its Integrated Development Plan, which has facilitated the much needed service delivery program.

Factors to be considered when borrowing:

- (a) the type and extent of benefits to be obtained from the borrowing;
- (b) the length of time the benefits will be received;
- (c) the beneficiaries of the acquisition or development;
- (d) the impact of interest and redemption payments on both current and forecasted property tax and services revenue;
- (e) the current and future capacity of the property tax base and rendering of services to pay for borrowings and the rate of growth of the property tax base and services;
- (f) likely movements in interest rates for variable rate borrowings;
- (g) other current and projected sources of funds;
- (h) competing demands for funds;
- (i) timing of money market interest rate movements and the long term rates on the interest rate curve.

The Municipality will, in general, seek to limit its dependence on borrowings in order to minimise future revenue committed to debt servicing and redemption charges. The Municipality may only borrow funds, in terms of the Municipal Finance Management Act, for the purpose of acquiring assets, improving facilities or infrastructure to provide service delivery.

OVERSTRAND MUNICIPALITY – BORROWING POLICY

Overstrand Municipality may incur long term debt only for the purpose of Capital expenditure on infrastructure, property, plant or equipment to be used for the purpose of achieving the objects of Local Government as set out in section 152 of the Constitution.

The use of external loans should be limited to financing infrastructure where a return can be realised from tariffs to service the debt, or major infrastructure exceeding [R10] **R25** million for a single project, with long term benefits to the community as a whole, where indirect revenue streams are evident.

The gearing for external loans (total outstanding debt to operating revenue, including recurrent operational grants) **should not exceed 30%**. [was fixed at a ceiling of 60% as at 30 June 2012. To reduce the reliance on external long term borrowing this percentage must reduce till a level of 45% or less is attained by 30 June 2022.]

7 REFINANCING DEBT

Section 46 of the Municipal Finance Management Act provides that the Overstrand Municipality may refinance existing long term debt, if such refinancing is in accordance with the framework as prescribed by the Municipal Finance Management Act, as follows:

- The Municipality may borrow money for the purpose of refinancing existing long term debt, provided the existing long term debt was lawfully incurred and the refinancing will not extend the term of the debt beyond the useful life of the infrastructure, property, plant or equipment for which the money was originally borrowed.

Cognisance must be taken of any early repayment penalty clauses in the initial loan agreement, as part of the financial feasibility assessment. No loans will be prematurely redeemed unless there is a financial benefit to the Municipality.

8 DEBT REPAYMENT PERIOD

Whilst the period for which loan debt may be received will vary from time to time according to the needs of the various Lenders, presently the typical debt repayment period for loans is **ten to** fifteen years, though not closely matching the underlying asset lives serviced by the loans.

Cognisance is taken of the useful lives of the underlying assets to be financed by the debt, and, moreover, careful consideration is taken of the interest rates on the interest yield curve. Should it be established that it is cost effective to borrow the funds on a shorter duration (as opposed to the life of the asset) as indicated by the interest yield curve, the loan will be negotiated to optimise the most favourable and cost effective benefit to the Municipality.

9 SECURITY

OVERSTRAND MUNICIPALITY – BORROWING POLICY

In terms of the Municipal Finance Management Act the Municipality may provide security for any of its debt obligations, including the giving of a lien, pledging, mortgaging or ceding an asset, or giving any other form of collateral. It may cede as security any category of revenue or rights of future revenue. Some Lenders may require the Municipality to agree to restrictions on debt that the Municipality may incur in future until the secured debt is settled.

10 SHORT TERM DEBT

The Municipal Finance Management Act provides that the Municipality may incur short term debt only when necessary to bridge shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic anticipated income to be received within that financial year; or capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long term debt commitments.

The municipal council may approve an individual transaction or a credit facility for a line of credit or overdraft facility.

The Municipality must pay off short term debt within the same financial year and may not renew or refinance its short term debt if it will have the effect of extending the short term debt into a new financial year.

11 DISCLOSURE

The Municipality must, when interacting with a prospective Lender or when preparing documentation for consideration by a prospective Investor, disclose all relevant information that may be requested or that may be material to the decision of the prospective Lender or Investor. Reasonable care must be taken to ensure the accuracy of any information disclosed. Whilst this is a standard and acceptable business practice, it is also in compliance with section 49 of the Municipal Finance Management Act.

12 GUARANTEES

The Municipal Finance Management Act provides that the Municipality may not guarantee any debt of any entity unless the entity is a Municipal entity under its sole ownership control. The debt must be reflected in the approved business plan of the entity. The guarantee must be authorised by the Municipality. This must be done in the same manner and subject to the same conditions applicable to any other borrowings. Neither the National nor Provincial Government may guarantee the debt of any Municipality.

13 APPROVAL OF LOANS BY THE MUNICIPALITY

OVERSTRAND MUNICIPALITY – BORROWING POLICY

Section 46 of the Municipal Finance Management Act stipulates that the Municipality may incur long-term debt only if a resolution of the Council, signed by the mayor, has approved the debt agreement and the Accounting Officer has signed the agreement or other document which acknowledges the debt. At least 21 days prior to the meeting of the Council at which approval for the debt is to be considered, the Municipality must make public an information statement setting out particulars of the proposed debt, including the amount of the proposed debt, the purposes for which the debt is to be incurred and particulars of any security to be provided. The Public, the National Treasury and Provincial Treasury must be invited to submit written comments or representations to the council in respect of the proposed debt.

A copy of the information statement submitted to Council at least 21 days prior to the meeting to approve the loan agreement must contain particulars of -

- (a) the essential repayment terms, including the anticipated debt repayment schedule; and
- (b) the anticipated total cost in connection with such debt over the repayment period.

14 PROVISION FOR REDEMPTION OF LOANS

Overstrand Municipality may borrow from Institutions and set up sinking funds to facilitate loan repayments, when the repayment is to be met by a bullet payment on the maturity date of the loan. These sinking funds may also be invested directly with the Lender's Bank. The maturity date and accumulated value of such investment must coincide with the maturity date and amount of the intended loan that is to be repaid.

15 NON-REPAYMENT OR NON-SERVICING OF LOAN

Overstrand Municipality must honour all its loan obligations timeously. Failure to effect prompt payment will adversely affect the raising of future loans at favourable costs of borrowing.

Failure to pay any loan instalment, even by one day, and even if only through administrative oversight, will have severe repercussions, and may jeopardise the Municipality's credit rating.

In addition to the timeous payment of the loans, the Municipality must adhere to the covenants stipulated in the loan agreements.

16 PROHIBITED BORROWING PRACTICES

Overstrand Municipality shall not borrow for investment purposes, with the sole purpose of investing to earn a return. The cost of debt is almost always more expensive than the return that the Municipality can derive by investing in permitted investments.

17 FOREIGN BORROWINGS

OVERSTRAND MUNICIPALITY – BORROWING POLICY

Foreign Borrowing is permitted in terms of section 47 of the Municipal Finance Management Act, whereby the debt must be denominated in Rand and is not indexed to, or affected by, fluctuations in the value of the Rand against any foreign currency.

18 NATIONAL TREASURY AND OTHER REPORTING AND MONITORING REQUIREMENTS

The Municipality submits returns to National Treasury quarterly and annually, as well as submissions to Council. It is mainly coordinated by the Financial Services Department.

19 IMPLEMENTATION AND REVIEW PROCESS

This policy shall be implemented on **1 July 2025** and shall be reviewed on an annual basis to ensure that it is in line with the municipality's strategic objectives and with legislation.

POLICY SECTION:	DIVISIONAL MANAGER: FINANCIAL ACCOUNTING
CURRENT UPDATE:	27 MAY 2026
PREVIOUS UPDATE:	29 MAY 2025
PREVIOUS UPDATE:	31 MAY 2024
PREVIOUS UPDATE:	31 MAY 2023
PREVIOUS REVIEW:	31 May 2022
PREVIOUS REVIEW:	26 May 2021
PREVIOUS REVIEW:	27 May 2020
PREVIOUS REVIEW:	29 May 2019
PREVIOUS REVIEW:	30 May 2018
PREVIOUS REVIEW:	31 May 2017
PREVIOUS REVIEW:	25 May 2016
PREVIOUS REVIEW:	28 May 2015
PREVIOUS REVIEW:	28 May 2014
PREVIOUS REVIEW:	29 May 2013
APPROVAL BY COUNCIL:	27 June 2012

OVERSTRAND MUNICIPALITY



FUNDING, RESERVES AND PROVISIONS POLICY

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OVERSTRAND MUNICIPALITY – FUNDING, RESERVES AND PROVISIONS POLICY

1. INTRODUCTION AND OBJECTIVE

The Council sets as objective a long term financially sustainable municipality with acceptable levels of service delivery to the community.

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

2. SECTION A: FUNDING POLICY

2.1 LEGISLATIVE REQUIREMENTS

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

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

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

The requirements of the MFMA are clear in that the budget must be cash – funded, i.e. cash receipts inclusive of prior period cash surpluses committed to this specific budget, must equal or be more than cash paid.

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

2.2 STANDARD OF CARE

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

2.3 STATEMENT OF INTENT

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

OVERSTRAND MUNICIPALITY – FUNDING, RESERVES AND PROVISIONS POLICY

2.4 CASH MANAGEMENT

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

2.5 LIABILITY MANAGEMENT

Debt must be managed in terms of the municipality's Borrowing Policy, together with any requirements in this policy.

2.6 FUNDING THE OPERATING BUDGET

2.6.1 INTRODUCTION

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

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

2.6.2 GENERAL PRINCIPLE WHEN COMPILING THE OPERATING BUDGET

The following specific principles apply when compiling the budget:

- a) The budget must be cash – funded, i.e. revenue and expenditure projections must be realistic and the provision for impairment of receivables must be calculated on proven recovery rates;
- b) Growth parameters must be realistic and be based on historic patterns adjusted for current reliable information;
- c) Tariff adjustments must be fair, taking into consideration general inflation indicators as well as the geographic region's ability to pay;
- d) Revenue from Government Grants and Subsidies must be in accordance with the amounts promulgated in the Division of Revenue Act, proven provincial transfers and any transfers from other municipalities.
- e) Projected revenue from services charges must be reflected as net (i.e. all billing less revenue foregone, including free basic services).
- f) Projected revenue from property rates must include all rates to be levied.
- g) For the purpose of the Cash flow Budget all rebates and discounts must be deducted from the projected revenue.
- h) Only changes in fair values related to cash may be included in the cash flow budget. Changes to unamortized discount must be included in the Operating Budget. Employee related costs include contributions to non-current and current employee benefits. It is acknowledged that the non-current benefits' requirements are well above the initial cash capabilities of the municipality. It is therefore determined that the short term expenditure portion of employee benefits be funded from the current year operating cash surplus.
- i) Depreciation must be fully budgeted for in the operating budget.

OVERSTRAND MUNICIPALITY – FUNDING, RESERVES AND PROVISIONS POLICY

- j) Contributions to provisions (non-current and current) do not form part of the cash flow for provisions with a non-current portion, except for the current portion of post retirement benefits relating to continued members for medical aid and long service awards. It is necessary to provide for an increase in cash resources in order to comply with the conditions of the provision at the time when it is needed.

2.7 FUNDING THE CAPITAL BUDGET

2.7.1 INTRODUCTION

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

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

2.7.2 FUNDING SOURCES FOR CAPITAL EXPENDITURE

The capital budget can be funded by way of own cash, grants, public contributions as well as external loans.

Cash

The capital budget or portions thereof may also be funded from surplus cash generated in previous financial years. The cash must already be available and not be committed for other purposes or expected to be generated in the current or future years. The allocations of the funding sources from own contributions will be determined during the budget process.

Grants (Including Public Contributions and Bulk Infrastructure Contributions)

Only cash portions of these grants will be made available for funding of capital projects as might be applicable. Grants for capital expenditure have become a common practice, especially in order to extend service delivery to previously disadvantaged areas. While such grants are welcomed, care should also be taken that grant funding does not place an unreasonable burden on the residents for future maintenance costs which may be higher than their ability to pay.

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

Depreciation charges on assets financed from grants and donations must not have a negative effect on tariffs charged to the users of such assets. The Accounting Officer will put such accounting measures in place as to comply with this requirement as far as possible.

MFMA Circular 48, read with MFMA Circular 58 and 75, states that municipalities may treat the 'reclaimed VAT' in terms of the expenditure from conditional grant funds as 'own revenue'. The municipality opts to utilise the full grant funding for

OVERSTRAND MUNICIPALITY – FUNDING, RESERVES AND PROVISIONS POLICY

the grant related projects.

External Loans

The municipality may only raise loans in accordance with its Borrowing Policy.

The Accounting Officer must also put such accounting measures in place to ensure that no unspent portions of loans raised, be included in the cash surplus for the year.

2.8 FUNDING COMPLIANCE MEASUREMENT

2.8.1 INTRODUCTION

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

If any of the indicators are negative during the compilation or approval process of the budget, the budget may not be approved until all the indicators provide a positive return, unless those negative indicators can be reasonable explained and any future budget projections address the turn-around of these indicators to within acceptable levels.

2.8.2 CASH AND CASH EQUIVALENTS AND INVESTMENTS

A positive Cash and Cash Equivalents position should be maintained throughout the year.

2.8.3 CASH PLUS INVESTMENTS LESS APPLICATION OF FUNDS

The overall cash position of the municipality must be sufficient to cover the following:

- a) unspent conditional grants;
- b) unspent conditional public contributions;
- c) unspent borrowings;
- d) VAT due to SARS;
- e) ceded investments;
- f) the cash portion of statutory funds such as the Housing Development Fund;
- g) other working capital requirements; and
- h) the cash position must be sufficient to back reserves as approved by the municipality and those portions of provisions as indicated elsewhere in this policy.

OVERSTRAND MUNICIPALITY – FUNDING, RESERVES AND PROVISIONS POLICY

INDICATORS

2.8.4 MONTHLY AVERAGE PAYMENT COVERED BY CASH AND CASH EQUIVALENTS (“CASH/COST COVERAGE”)

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

The norm indicated by National Treasury indicates 1 – 3 months Working Capital, but should ideally not be less than [2] 3 months.

2.8.5 SURPLUS/DEFICIT EXCLUDING DEPRECIATION AND OTHER NON CASH ITEMS

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

As determined elsewhere in this policy it is not the intention that residents be burdened with tariff increases to provide for such depreciation charges. In order to ensure a “balanced” budget, the cash position must be determined.

Should a budget result in a deficit cash position, the budget will be deemed unfunded and must be revised.

2.8.6 PROPERTY RATES/SERVICE CHARGE REVENUE PERCENTAGE INCREASE LESS MACRO INFLATION TARGET

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

2.8.7 CASH COLLECTION RATE AS A PERCENTAGE

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

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

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

2.8.8 DEBT IMPAIRMENT EXPENSE AS A PERCENTAGE OF BILLABLE REVENUE

This indicator provides information as to whether the contribution to the provision for impairment of receivables is adequate. In theory it should be equal to the difference between 100% and the cash collection rate, but other factors such as past performance can have an influence on it. Any aberration must be

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motivated in the budget report.

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

This indicator provides information as to compliance with the MFMA in determining borrowing needs. The Accounting Officer must ensure compliance with the Municipality's Borrowing Policy.

2.8.10 GRANT REVENUE AS A PERCENTAGE OF GRANTS AVAILABLE

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

2.8.11 CONSUMER DEBTORS CHANGE (CURRENT AND NON-CURRENT)

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

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

2.8.12 REPAIRS AND MAINTENANCE EXPENDITURE LEVEL

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

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

2.8.13 ASSET RENEWAL/REHABILITATION EXPENDITURE LEVEL

This indicator supports further the indicator for repairs and maintenance.

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

3 SECTION B: RESERVES AND PROVISIONS POLICY

3.1 INTRODUCTION

Fund accounting historically formed the major component of municipal finance in the IMFO standards.

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

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

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

3.2 LEGAL REQUIREMENTS

There are specific legal requirements for the creation of reserves, such as the Housing Development Fund. The GRAP Standards themselves do not provide for reserves, although certain provisions are required in terms of GRAP.

3.3 TYPES OF RESERVES / PROVISIONS

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

3.3.1 CASH FUNDED RESERVES

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

a) Statutory reserves

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

b) Self-Insurance reserves

The Municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally. This Reserve is ring-fenced within the accumulated surplus. Contributions to the Fund are considered annually during the Budget process.

3.3.2 NON – CASH FUNDED RESERVES / PROVISIONS

On occasion it is necessary to create non – cash funded reserves. The Accounting Officer must create any reserves prescribed by the accounting standards, such as the Revaluation Reserve, if required and provisions such as post-retirement benefits and rehabilitation of land fill sites.

3.4 ACCOUNTING FOR RESERVES / PROVISIONS

3.4.1 REVALUATION RESERVE

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

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3.4.2 OTHER RESERVES

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

In terms of GRAP1 transactions may be directly appropriated against these reserves.

3.4.3 PROVISIONS

Provisions are established from contributions appropriated in the annual budget. Currently, the long term portions of provisions are non-cash funded and are covered by non-current assets.

4. SECTION C: REVIEW OF THE POLICY

This policy shall be implemented on **1 July 2026** and shall be reviewed on an annual basis to ensure that it is in line with the municipality's strategic objectives and with legislation.

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LONG TERM FINANCIAL PLANNING AND IMPLEMENTATION POLICY

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LONG TERM FINANCIAL PLANNING AND IMPLEMENTATION POLICY

1. INTRODUCTION

- 1.1 In essence a financial plan encompasses the development, implementation and evaluation of a plan for the provision of basic municipal services and capital assets. Such a plan aims to help Municipal Councillors and other decision makers make informed choices about the provision of basic services and capital assets and to promote stakeholder participation in the process.
- 1.2 The financial plan should set out the Municipality's estimated expenditure over the medium- term, based on its goals and objectives, as well as the resources necessary to achieve this. In addition, the financial plan must set out where funding for the planned expenditure will come from.
- 1.3 The compilation of a financial plan is a core component of an Integrated Development Plan (IDP). The envisaged timeframe, dependent on the timing of the compilation of the LTFP, allocations for a long term financial plan are:-
 - 1.3.1 Immediate (12 months – Past or Current Financial Year).
 - 1.3.2 Medium term (3 years – MTREF, subject to timing in compiling the LTFP).
 - 1.3.3 Long term (7 years onwards).

2. PURPOSE

- 2.1 The Policy on Long Term Financial Planning is aimed at ensuring that the Municipality has sufficient and cost-effective funding in order to achieve its long term objectives through the implementation of the medium term operating and capital budgets. The purpose of the Policy on Long Term Financial Planning is therefore to:
 - 2.1.1 Ensure that all long term financial planning is based on a structured and consistent methodology in order to ensure the long term financial sustainability of Overstrand Municipality.
 - 2.1.2 Identify capital investment requirements and associated funding sources to ensure the future sustainability of the Municipality;
 - 2.1.3 Identify revenue enhancement and cost saving strategies in order to improve service delivery at affordable rates; and
 - 2.1.4 Identify new revenue sources as funding for future years.

3. GUIDING PRINCIPLES

- 3.1 The policy on Long Term Financial Planning is based on the following principles:
 - 3.1.1 Future financial sustainability;

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- 3.1.2 Annual growth in population and consumer base;
- 3.1.3 Optimal collection of revenue, taking into consideration the socio economic environment;
- 3.1.4 Optimal utilisation of grant funding and public donations; and
- 3.1.5 Continuous improvement and expansion in service delivery framework.

4. DEVELOPMENT OF A FINANCIAL PLAN

4.1 The phases for development of the Financial Plan are set out below.

Phase One	→	Compile a Status Quo assessment of the municipality's current financial status and key challenges
Phase Two	→	Conduct financial modelling to determine financial viability
Phase Three	→	Analyse outcomes and ratios
Phase Four	→	Prepare a long term financial plan

4.2 Phase One: Status Quo Assessment

4.2.1 Perform a Status Quo assessment under the following criteria:-

- (a) The Municipality's current financial status;
- (b) Current revenue sources, internal and external;
- (c) Main cost drivers impacting on the sustainability of the municipality
- (d) Status of municipal infrastructure;
- (e) Ability to finance capital expenditure; and
- (f) Municipal service delivery backlogs.

4.2.2 The financial viability and creditworthiness of the Municipality is measured against a number of nationally recognised key ratios. These key ratios should include for example the following:

- a) Gross debtors to annual revenue;
- b) Gross Debtors Collection Period (Days);

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- c) Net debtors to annual revenue;
- d) Net Debtors Collection Period (Days);
- e) Annual Collection Rate;
- f) Service Charges and Property Rates Revenue Budget Implementation Indicator;
- g) Cash Coverage Ratio;
- h) Personnel Costs to Total Operating Expenditure;
- i) Repairs and Maintenance to PPE;
- j) Liquidity Ratio (Current Ratio); and
- k) Net Asset Position.

4.2.3 The objective of the status quo report is to assess the current financial position and to identify the key challenges faced by the Municipality. The status quo report will aim to identify issues which impact on the overall financial stability of the Municipality and will include a historical analysis and assessment of financial results (based on financial statements).

4.3 Phase Two: Planned Finance and Financial Modelling

- 4.3.1 Upon completion of the status quo assessment, resulting in an understanding of the Municipality's financial position, the next phase is to determine the Municipality's financing need over the medium-term.
- 4.3.2 This entails determining what expenditure the Municipality plans to undertake over the medium-term and what its financing requirements are likely to be and how these can be funded either internally or externally.
- 4.3.3 As the Municipality evolves and expands its service delivery framework, so do those of the National Government. Long term community development and economic development projects will therefore also be included under this phase.

4.4 Phase Three: Analyse Outcomes and Ratios

- 4.4.1 Evaluate the short-term financial viability (6 months to 12 months):
 - (a) Develop a financial forecast model to identify immediate opportunities and risks;
 - (b) Perform scenario planning to identify the optimum balance between revenue

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collection and municipal spending; taking into account the following:

- (c) Potential revenue enhancement strategies which may have an immediate impact on the revenue base of the Municipality;
- (d) Evaluate cost saving mechanisms to minimise the cost of effective service delivery;
- (e) Current infrastructure investments and maintenance programs which may influence revenue streams or the cost of service delivery;

4.4.2 Evaluate the medium and long term financial viability (1 year to 10 years):-

- (a) Develop a financial forecast model to identify future opportunities and risks;
- (b) Perform scenario planning to identify the optimum balance between revenue collection and municipal spending, taking into account the following:
 - i. The impact each scenario has on the financial viability ratios of the Municipality;
 - ii. Potential revenue enhancement strategies which may have a long term impact on the revenue base of the Municipality;
 - iii. Cost saving mechanisms to minimise the cost of effective service delivery; taking into account potential infrastructure developments and renewals;
 - iv. The impact of current infrastructure investments and maintenance programs on future revenue streams or cost of service delivery;
 - v. The impact of envisaged future infrastructure investments on the revenue stream and cost of service delivery; and
 - vi. The impact of national and municipal priorities over the medium and long term.

4.5 Phase Four: Develop a Long Term Financial Plan

4.5.1 Once the Municipality has finalised the prioritisation of initiatives and projects; a comprehensive long term financial plan is developed to indicate the envisaged impact it will have on the financial status of the Municipality. An overall financial forecast will have to be done in order to illustrate the projected result of the implementations throughout the five-year period.

4.5.2 Although a long term financial plan provides a forecast of potential outcomes, it has to be emphasised that the success of the financial plan remains in continuous revision. As is the case with any forecast model, the financial plan should be seen as a moving target and should be subject to honest and realistic assessments of

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successes and failures on a regular basis.

- 4.5.3 The fourth phase involves finalising a medium-term income and expenditure plan based on the various alternative service delivery options.
- 4.5.4 A key component in determining future options, potential problems and opportunities is the forecast of revenues and expenditures. The revenue and expenditure plan essentially involves combining the forecasting of revenues and the forecasting of expenditures into a single financial forecast.
- 4.5.5 Finalisation of the Financial Plan includes collating all short, medium and long term financial data and develop a long term financial plan that:
 - (a) Identifies future revenue projections based on current and projected revenue streams, as well as those projects required to achieve these projections;
 - (b) Identifies future expenditure frameworks and cost of service delivery based on current and projected expenditure patterns;
 - (c) Identifies the level of infrastructure development required to achieve the municipal priorities, within the funding restrictions; and
 - (d) Identifies external funding requirements required for capital investment.

5. ANNUAL REVIEW

- 5.1 The financial plan must be reviewed on an annual basis as part of the annual review of the IDP and updated with at least the following information:
 - 5.1.1 any direct change in financial status or internal factors, other than previously predicted, which may influence the financial status and viability of the Municipality;
 - 5.1.2 any changes in the economic and socio economic environment, other than previously predicted, which may influence the financial status of the Municipality;
 - 5.1.3 any changes in the revenue base or composition which may have an impact on the financial viability of the Municipality;
 - 5.1.4 any changes in the national or municipal priorities as previously identified; and
 - 5.1.5 any factors which may have an impact on the ability to implement previously identified projects.

6. IMPLEMENTATION AND REVIEW OF THIS POLICY

This policy shall be implemented on **1 July 2026** and shall be reviewed on an annual basis to ensure that it is in line with the municipality's strategic objectives and with legislation.

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**UNAUTHORISED, IRREGULAR OR FRUITLESS
AND WASTEFUL EXPENDITURE POLICY**

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1 ABBREVIATIONS/ACRONYMS

1.1 Except if otherwise stated in this policy, the following abbreviations or acronyms will represent the following words:

1.1.1.	CFO	-	Chief Financial Officer
1.1.2.	MBRR	-	Municipality Budget and Reporting Regulations
1.1.3.	MFMA	-	Local Government: Municipal Finance Management Act, No. 56 of 2003
1.1.4.	MIG	-	Municipal Infrastructure Grant
1.1.5.	MM or AO	-	Municipal Manager or Accounting Officer appointed in terms of section 54A of the MSA
1.1.6.	MSA	-	Local Government: Municipal Systems Act, No. 32 of 2000
1.1.7.	MSCMR	-	Municipal Supply Chain Management Regulations
1.1.8.	OM	-	Overstrand Local Municipality
1.1.9.	POLICY	-	Policy on unauthorised, irregular or fruitless and wasteful expenditure
1.1.10.	RPOBA	-	Remuneration of Public Office Bearers Act, No. 20 of 1998
1.1.11.	SAPS	-	South African Police Services
1.1.12.	SCM	-	Supply Chain Management
1.1.13.	SM	-	Directors appointed in terms of section 56 of the MSA
1.1.14.	Structures Act	-	Local Government: Municipal Structures Act, No. 117 of 1998

2 DEFINITIONS

Except if otherwise indicated:

“Councillor” means	member of the municipal council of OM.
“Financial Misconduct” means	any misappropriation, mismanagement, waste or theft of the finances of the OM, and also includes any form of financial misconduct specifically set out in sections 171 and 172 of the MFMA.
“Fruitless and wasteful expenditure” means	expenditure that was made in vain and would have been avoided had reasonable care been exercised.
“Irregular expenditure”, in relation to a municipality or municipal entity, means:	a) expenditure incurred by the OM in contravention of, or that is not in accordance with, a requirement of the MFMA, and which has not been condoned in terms of section 170; b) expenditure incurred by the OM in contravention of, or that is not in accordance with, a requirement of the MSA, and which has not been condoned in terms of this Act; c) expenditure incurred by the OM in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act;; d) expenditure incurred by the OM in contravention of, or that is not in accordance with, a requirement of the SCM policy of OM or any of the municipality’s by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law; or e) excludes expenditure by the OM which falls within the definition of “unauthorised expenditure”.
”Official”, in relation to OM, means:	a) an employee of OM; b) a person seconded to OM to work as a member of the staff of the OM; or c) a person contracted by OM to work as a member of the staff of the OM.
“Overspending” means:	a) in relation to the budget of the OM, means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year’s budget for its operational or capital expenditure, as the case may be;

UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE POLICY

	b) In relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or c) In relation to expenditure under section 26 of the MFMA, means causing expenditure under that section to exceed the limits allowed in subsection (5) of that section.
“Political Office Bearer” in relation to a municipality, means-	a) the Speaker, Executive Mayor, Deputy Executive Mayor, a member of the mayoral committee of the OM elected, designated or appointed in terms of a specific provision of the Structures Act; or b) a councillor referred to in section 57(1) of the MFMA;
“Prohibited expenditure” in relation to this policy means	unauthorised, irregular, or fruitless and wasteful expenditure;
“Senior Manager”	has the meaning assigned to it in section 1 of the MFMA and in relation to SM.
“Unauthorised expenditure”, means:	any expenditure incurred by the OM otherwise than in accordance with section 15 or 11(3) of the MFMA, and includes- a) overspending of the total amount appropriated in the municipality's approved budget; b) overspending of the total amount appropriated for a vote in the approved budget; c) expenditure from a vote unrelated to the department or functional area covered by the vote; d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose; e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of allocation in section 1 of the MFMA otherwise than in accordance with any conditions of the allocation; or f) a grant by OM otherwise than in accordance with the MFMA.
“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 directorates or functional areas of the municipality; and b) which specifies the total amount that is appropriated for the purposes of the directorate or functional area concerned.

3 INTRODUCTION

3.1 In terms of section 62 of the MFMA, the accounting officer is responsible for managing the financial affairs of the OM and he/she must, for this purpose, inter alia:

3.1.1 Take all reasonable steps to ensure that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented; and

3.1.2 Ensure that disciplinary or, when appropriate, criminal proceedings are instituted against any official or councillor of OM who has allegedly committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA.

3.2 This is to ensure the effective, efficient and transparent systems of financial, risk management and internal control.

4 OBJECTIVE

4.1 This document sets out OM's policy and procedures with regards to unauthorised, irregular or fruitless and wasteful expenditure.

4.2 This policy aims to ensure that, amongst other things:

4.2.1 Unauthorised, irregular or fruitless and wasteful expenditure is detected, processed, recorded, and reported in a timely manner;

- 4.2.2 Officials and councillors have a clear and comprehensive understanding of the procedures they must follow when addressing unauthorised, irregular or fruitless and wasteful expenditure;
- 4.2.3 OM's resources are managed in compliance with the MFMA, its regulations and other relevant legislation; and
- 4.2.4 All officials and councillors are aware of their responsibilities in respect of unauthorised, irregular or fruitless and wasteful expenditure.

5 ENABLING LEGISLATION

- 5.1 The following enabling legislation sets the precedent for the development of OM's Unauthorised, Irregular or Fruitless and Wasteful Expenditure Policy:
 - 5.1.1 The Constitution of the Republic of South Africa, 1996;
 - 5.1.2 The Local Government: Municipal Finance Management Act, No. 56 of 2003;
 - 5.1.3 The Remuneration of Public Office Bearers Act, No. 20 of 1998;
 - 5.1.4 The Local Government: Municipal Systems Act, No. 32 of 2000;
 - 5.1.5 Municipal Budget and Reporting Regulations;
 - 5.1.6 Municipal Supply Chain Management Regulations;
 - 5.1.7 Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings;
 - 5.1.8 The Local Government: Municipal Structures Act No. 117 of 1998;
 - 5.1.9 Any other legislation or regulation that may impact this policy.

6 APPLICATION OF THIS POLICY

- 6.1 This policy applies to all officials and councillors of OM.
- 6.2 This policy should be read in conjunction with the following:
 - 6.2.1 Delegations of Authority of the OM;
 - 6.2.2 Codes of Conduct for Municipal Staff Members and Councillors, as provided for in Schedules 1 and 2 of the MSA.
- 6.3 Officials and Councillors must ensure that all instances of unauthorised, irregular or fruitless and wasteful expenditure is prevented, detected and reported in a timely manner.

7 UNAUTHORISED EXPENDITURE

- 7.1 Overstrand Municipality may incur expenditure only in terms of an approved budget and within the limits of the amounts appropriated for the different votes in an approved budget.
- 7.2 Expenditure incurred within the ambit of OM's virement policy is not regarded as unauthorised expenditure.
- 7.3 Any expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, economic entity or organ of state and expenditure in the form of a grant that is not permitted in terms of the MFMA is regarded as unauthorised expenditure and furthermore includes the following:
 - 7.3.1 Overspending of the total amount appropriated in the municipality's approved budget;
 - 7.3.2 Overspending of the total amount appropriated for a vote in the approved budget;
 - 7.3.3 Expenditure from a vote unrelated to the department or functional area covered by the vote;

- 7.3.4 Expenditure of money that have been appropriated for a specific purpose, otherwise than for that specific purpose;
 - 7.3.5 Spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of “allocation”, in the MFMA, otherwise than in accordance with the conditions of the allocation; or
 - 7.3.6 A grant by the Municipality otherwise in accordance with the MFMA, the indigent policy, bursary scheme, or the grants-in-aid policy;
 - 7.3.7 Unforeseen and unavoidable expenditure not authorised within an adjustments budget within 60 days after the expenditure was incurred; and
 - 7.3.8 Any overspending on non-cash items, for example depreciation, impairments, provisions.
- 7.4 Expenditure that is **NOT** classified as unauthorised expenditure
- 7.4.1 Given the definition of unauthorised expenditure, the following are examples of expenditure that are NOT unauthorised expenditure:
 - 7.4.1.1 Any over-collection on the revenue side of the budget as this is not an expenditure; and
 - 7.4.1.2 Any expenditure incurred in respect of:
 - 7.4.1.2.1 re-allocation of funds and the use of such funds in accordance with a council approved virement policy;
 - 7.4.1.2.2 overspending of an amount allocated by standard classification on the main budget Table A2 (Budgeted Financial Performance: revenue and expenditure by standard classification), as long as it does not result in overspending of a vote on the main budget Table A3 (Budgeted Financial Performance: revenue and expenditure by municipal vote) and Table A4 (Budgeted Financial Performance: revenue and expenditure, read in conjunction with supporting Table SA1) of the MBRR; and
 - 7.4.1.2.3 overspending of a municipal vote on the main budget Table A5 (Budgeted Capital Expenditure by vote, standard classification and funding) so long as it does not result in overspending of an amount allocated by standard classification on the main budget Table A5.
 - 7.4.2 Money withdrawn from a bank account under the following circumstances, without appropriation, in terms of an approved budget, is not regarded as unauthorised expenditure:
 - 7.4.2.1 To defray expenditure authorised in terms of section 26 (4) of the MFMA;
 - 7.4.2.2 To defray unforeseen / unavoidable expenditure circumstances strictly in accordance with Section 29 (1) of the MFMA failing which the unforeseen / unavoidable expenditure is unauthorised;
 - 7.4.2.3 Re-allocation of funds and the use of such funds in accordance with a council approved virement policy;
 - 7.4.2.4 Expenditure incurred from a special fund for relief, charitable or trust purposes provided of course that it is done strictly in accordance with Section 12 of the MFMA;
 - 7.4.2.5 To pay over to a person or organ of state money received by the OM on behalf of that person or organ of state, including—
 - 7.4.2.6 money collected by the OM on behalf of that person or organ of state by agreement; or
 - 7.4.2.7 any insurance or other payments received by the OM for that person or organ of state;
 - 7.4.2.8 To refund money incorrectly paid into a bank account;

7.4.2.9 To refund guarantees, sureties and security deposits;

7.4.2.10 For cash management and investment purposes in accordance with section 13; and

7.4.2.11 To defray increased expenditure in terms of section 31.

8 IRREGULAR EXPENDITURE

8.1 Irregular expenditure, in relation to a municipality means-

8.1.1 Expenditure incurred by a municipality in contravention of, or that is not in accordance with a requirement of the MFMA and that has not been condoned in terms of section 170;

8.1.2 Expenditure incurred by a municipality in contravention of, or that is not in accordance with a requirement of the MSA and that has not been condoned in terms of that Act;

8.1.3 Expenditure incurred by a municipality in contravention of, or that is not in accordance with a requirement of the RPOBA; or

8.1.4 Expenditure incurred by a municipality in contravention of, or that is not in accordance with a requirement of the supply chain management policy of the municipality or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law.

but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure"

8.2 Examples of irregular expenditure include, but are not limited to:

8.2.1 Procuring goods and/or services without obtaining an official order prior to the receipt of the goods and/or services;

8.2.2 Procuring goods and/or services without following the official procurement processes;

8.2.3 Procuring goods and/or services without advertising for the requisite number of numbers;

8.2.4 Procuring goods and/or services without obtaining a valid tax clearance certificate;

8.2.5 Procuring goods and/or services in an emergency without the timely application of a deviation in terms of clause 36 of the SCM policy.

8.3 In terms of section 32(2)(b) of the MFMA, irregular expenditure may only be written-off by Council if, after an investigation by a council committee, the irregular expenditure is certified as irrecoverable. In other words writing-off is not a primary response, it is subordinate to the recovery processes, and may only take place if the irregular expenditure is certified by Council as irrecoverable, based on the findings of an investigation.

8.4 With reference to Irregular Expenditure as defined in paragraph 2 above:

8.4.1 In terms of section 170 of the MFMA, only the National Treasury may condone non-compliance with a regulation issued in terms of the MFMA or a condition imposed by the Act itself. The Council therefore has no power in terms of the MFMA to condone any act of non-compliance in terms of the MFMA or any of its regulations. The treatment of expenditure associated with the non-compliance is therefore the responsibility of the Council and is elaborated on in paragraph 15.

8.4.2 There is no provision in the MSA that allows for a contravention of the Act to be condoned. Nevertheless, should the OM wish to request that an act of non-compliance with any provision of the MSA be condoned, then the AO must address the request to the Minister of Co-operative Governance, who is responsible for administering the MSA.

The resultant expenditure must however be dealt with in terms of section 32(2) of the MFMA.

8.4.3 There is no provision to allow irregular expenditure resulting from a contravention of the Public Office-Bearers Act to be condoned. This is consistent with section 167(2) of the MFMA, which provides that such irregular expenditure cannot be written-off and must be recovered from the political office-bearer concerned.

8.4.4 The OM may condone a contravention of the council approved SCM policy, provided that the contravention is not also a contravention of the MFMA or the SCM regulations, in which case paragraph 8.4.1 applies and then only National Treasury can condone a contravention of the SCM regulations.

9 FRUITLESS AND WASTEFUL EXPENDITURE

9.1 The concept of fruitless and wasteful expenditure is founded on public administration and accountability principles, to promote “efficient, economic and effective use of resources and the attainment of value for money”. The idea is also founded on the fact that the council, the mayor and the accounting officer have a fiduciary responsibility to ensure that municipal resources are used in the best interests of the municipality and the local community.

9.2 In this context ‘expenditure’ refers broadly to processes that must be followed, transactions with service providers or suppliers and the use of other resources belonging to the municipality. The phrase ‘made in vain’ indicates that the municipality derived no value for money from the expenditure or the use of other resources. Fruitless and wasteful expenditure must fulfil both the conditions in the definition, namely, that it was made in vain and it would have been avoided had reasonable care been exercised.

9.3 In determining whether expenditure is fruitless and wasteful, officials and councillors must apply the requirement of reasonable care as an objective measurement to determine whether or not a particular expenditure was fruitless and wasteful, that is-

9.3.1 Would the average man (in this case the average experienced official or councillor) have incurred the particular expenditure under exactly the same conditions or circumstances? and

9.3.2 Is the expenditure being incurred at the right price, right quality, right time and right quantity?

9.4 An expense is only fruitless and wasteful in terms of this policy if:

9.4.1 If was made in vain (meaning that the municipality did not receive value for money) and;

9.4.2 And would have been avoided had reasonable care been exercised (meaning that the official or councillor concerned deliberately or negligently caused the expenditure to be incurred by the municipality, furthermore, another official or councillor under the same circumstances would have been able to avoid incurring the expenditure.

9.5 Fruitless and wasteful expenditure includes but is not limited to; interest on late payment, fines and penalties.

10 REPORTING ON UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

10.1 Reporting of unauthorised, irregular or fruitless and wasteful expenditure must be done at the appropriate level, as follows:

10.1.1 a Councillor of the OM, must be reported to the Speaker of the Council;

10.1.2 the MM and Speaker, must be reported to the Executive Mayor;

10.1.3 all other municipal officials, must be reported to the MM;

10.2 All reports made by officials and councillors must be treated with the utmost confidentiality.

- 10.3 The MM must promptly inform the Executive Mayor, the Provincial Minister for Local Government and the Auditor-General, in writing:
- 10.3.1 of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality;
 - 10.3.2 whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and
 - 10.3.3 the steps that have been taken to:
 - 10.3.3.1 recover or rectify such expenditure; and
 - 10.3.3.2 prevent a recurrence of such expenditure.
- 10.4 All expenditure classified as unauthorised, irregular or fruitless and wasteful expenditure must be reported to:
- 10.4.1 The MM as AO on a quarterly basis;
 - 10.4.2 The Council on a quarterly basis; and
- 10.5 In accounting for unauthorised, irregular or fruitless and wasteful expenditure, the MM or delegated officials (as may be relevant) must ensure that all such expenditure is disclosed in the annual financial statements as required by the MFMA.

11 MAINTAINING OF REGISTERS FOR UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

- 11.1 The OM must maintain registers of all incidents of unauthorised, irregular or fruitless and wasteful expenditure of which:
- 11.1.1 The unauthorised and irregular expenditure register will be maintained by the CFO; and
 - 11.1.2 The fruitless and wasteful expenditure register will be maintained by the Department: Council Support Services.

12 INVESTIGATION OF UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

- 12.1 On receiving a report in terms of regulation 3(1) of the Municipal regulations on financial misconduct procedures and criminal proceedings, if the municipal council, or accounting officer of the municipality is satisfied that there is reasonable cause to believe that an act of financial misconduct has been committed, it must within seven days refer to the matter to the disciplinary board to conduct a preliminary investigation into the allegation as envisaged in section 171(4)(a) of the MFMA.
- 12.2 A disciplinary board must conduct a preliminary investigation to determine whether or not the allegation is founded and make a recommendation to the council as to whether sufficient grounds exists to warrant a full investigation into the allegation. If during the preliminary investigation, the disciplinary board determines that the allegation is frivolous, vexatious, speculative or obviously unfounded, the investigation must be terminated.
- 12.3 If the disciplinary board determines that the allegation is founded, a full investigation must be conducted by-
- 12.3.1 the disciplinary board
 - 12.3.2 the Provincial Treasury or the National Treasury, but only if the conditions in regulation 19 apply.
- 12.4 After completion of a full investigation, the investigator must-
- 12.4.1 compile a report on the investigation

- 12.4.2 submit its report to the mayor and the accounting officer together with its findings and recommendations, if applicable, regarding disciplinary steps that should be taken against alleged transgressor; and
- 12.4.3 immediately inform the speaker of the council of the submission of the report referred to in sub-clause (b), and also submit a copy of the report to the Provincial Treasury and the National Treasury.

13 DISCIPLINARY AND CRIMINAL CHARGES FOR UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

- 13.1 After having followed a proper investigation, as per paragraph 12 above:
 - 13.1.1 In relation to an official, the MM or delegated official must table the report referred to in 12.5.2 above;
 - 13.1.2 In relation to a councillor, the Speaker or Mayor must table the report referred to in 12.5.2 above.
- 13.2 If a *prima facie* case has been established then the Executive Mayor, Speaker, MM or delegated official (as may be relevant) must institute disciplinary action as follows:
 - 13.2.1 For financial misconduct in terms of section 171 of the MFMA: in the case of an official that deliberately or negligently:
 - 13.2.1.1 contravened a provision of the MFMA which resulted in prohibited expenditure; or
 - 13.2.1.2 made, permitted or instructed another official to make an unauthorised, irregular or fruitless and wasteful expenditure.
 - 13.2.2 For a breach of the Code of Conduct for Municipal Staff Members in the case of an official whose actions in making, permitting or authorising a prohibited expenditure constitute a breach of the Code; and
 - 13.2.3 For a breach of the Code of Conduct for Councillors in the case of a Councillor, whose actions in making, permitting or authorising a prohibited expenditure constitute a breach of the Code. This would also include instances where a councillor knowingly voted in favour of or agreed with a resolution passed by Council, that contravened legislation resulting in prohibited expenditure when implemented, or where the Councillor improperly interfered in the management or administration of the municipality.
- 13.3 The Executive Mayor, Speaker, MM or delegated official (as may be relevant) must promptly report, to the SAPS all cases of alleged:
 - 13.3.1 Prohibited expenditure that constitutes a criminal offense; and
 - 13.3.2 Theft and fraud that occurred in the OM.

14 RECOVERY OF UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

- 14.1 The MM or delegated official must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure:
 - 14.1.1 in the case of unauthorised expenditure, is
 - 14.1.1.1 authorised in an adjustment budget; OR
 - 14.1.1.2 certified by the Council, after investigation by the Municipal Public Accounts Committee, as irrecoverable and is written off by Council; and
 - 14.1.2 in the case of irregular or fruitless and wasteful expenditure, after investigation by Municipal Public Accounts Committee, is certified by Council as irrecoverable and written off by Council.

UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE POLICY

- 14.2 Irregular expenditures resulting from breaches of the RPOBA must be recovered from the Councillor to whom it was paid.
- 14.3 Once it has been established who is liable for the unauthorised, irregular or fruitless and wasteful expenditure through a disciplinary process, the MM must in writing request that the liable Councillor or official pay the amount within 30 days or as per an agreed written arrangement.
- 14.4 If the official or councillor fails to make satisfactory payment arrangements or fails to honour payment arrangements made, the amount owed for prohibited expenditure must be recovered through the normal debt collection process of the municipality.

15 PROTECTION OF OFFICIALS OR COUNCILLORS WHO HAVE REPORTED UNAUTHORIZED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

- 15.1 If any official or councillor who has complied with this policy and as a result thereof has been subjected to intimidation, victimisation or threats, such official or councillor should immediately report such threats, victimisation or intimidation immediately to the MM, Speaker or Executive Mayor as the case may be.
- 15.2 The MM, Executive Mayor or Speaker must immediately take appropriate action to ensure the protection of the official or councillor after receiving the above report.
- 15.3 Where the nature of the threats warrants such action, the threats should be reported to the SAPS by the official with the assistance of the MM, Executive Mayor or Speaker, as the case may be.

16 GUIDANCE TO BE IMPLEMENTED TO IMPROVE THE INTERNAL CONTROL ENVIRONMENT

GUIDANCE ONE – IMPROVING THE CONTROL ENVIRONMENT – PREVENTATIVE CONTROLS

CONTROL	ACTION	TIMELINE	OWNER
1. Effective leadership is provided based on a culture of honesty, ethical business practices and good governance, protecting and enhancing the interests of the entity	- Ensure that all SCM officials have signed the Code of Conduct - Implement Disciplinary or necessary action against staff who breached the code of conduct.	31 July of each year Ongoing as required	Divisional Manager: SCM SCM Managers
2. The municipality implements effective human resources management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored, which should include implementing effective consequences against officials who fail to comply with applicable legislation, continuously underperform or are negligent, as well as against those whose actions and decisions cause financial losses	- Review the SCM Organogram to ensure compliance and efficiency - Ensure all SCM staff have signed their job descriptions that reflect assigned tasks and delegations	31 May 2025 31 May 2025	Divisional Manager: SCM SCM Managers

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3. The municipality establishes and communicates policies and procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities - an approved SCM policy is in place	- Annually review the SCM Policy and SOPs as part of the Budget process - Ensure staff sign acknowledgement of SCM policy and SOP reviews annually - Approve UIF&W Policy and Reduction Strategy - Communicate to staff and have SCM staff sign acknowledgement. - Ensure Consequence Management is enforced in terms of MFMA section 32.	31 May each year 31 July of each year 31 May of each year 30 June of each year Ongoing as required	Divisional Manager: SCM SCM Managers Municipal Manager
4. Develop and monitor the implementation of action plans to address internal control deficiencies	- Implement Audit Action Plan timeously	31 July of each year	SCM Managers
5. Implement proper record keeping promptly to ensure that complete, relevant, and accurate information is accessible and available to support financial and performance reporting	- Maintain a suitable hard-copy filing system where applicable - Make an electronic backup of hard copies where possible	Immediate & Ongoing Immediate & Ongoing	SCM Managers
6. Implement controls over daily and monthly processing and reconciling of transactions	- Maintain Segregation between selecting quotes and making payments - Ensure systems are in place to prevent intentional splitting of procurement - Evaluate all Service Providers Performance Monthly with minutes of meetings - Ensure declarations of interest / gifts or benefits are continuously made	Immediate & Ongoing Immediate & Ongoing Immediate & Ongoing Immediate & Ongoing	Divisional Manager: SCM SCM Managers Contract Managers Principle Clerk
7. Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information	- Ensure all SCM Regulations reporting requirements are adhered to on a monthly; quarterly; & annual basis	Immediate & Ongoing	Divisional Manager: SCM SCM Managers

UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE POLICY

8. Review and monitor compliance with applicable laws and regulations	- Ensure all SCM compliance and possible abuse of SCM Policy is reported monthly	Immediate & Ongoing	Divisional Manager: SCM SCM Managers
9. Implement appropriate risk management activities to ensure that regular risk assessments, including consideration of IT risk and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored	- Conduct annual Risk Assessment of SCM system, procedures, and processes - Update SCM areas in Risk registers - Review SCM risks in Fraud prevention plan annually	by 30 June of each year by 30 June of each year by 30 June of each year	Divisional Manager: SCM SCM Managers Chief Risk Officer
10. There is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively	- Ensure SCM findings raised by internal and external audit are addressed.	by 30 June of each year	Divisional Manager: SCM SCM Managers
11. The audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment including financial and performance reporting and compliance with laws and regulations	- Ensure Internal audit reports on SCM to the AC covers the compliance with laws & regulations and internal controls	31 December of each year	Chief Audit Executive SCM Managers

GUIDANCE TWO – PROCUREMENT AND CONTRACT MANAGEMENT – SUGGESTED PREVENTATIVE CONTROLS

CONTROL	ACTION	TIMELINE	OWNER
1. Implementation of demand management and the utilisation of procurement plan goods, service, or infrastructure projects in a proactive manner (to get the right price and at the right location, and that the quantity and quality satisfy the needs of the municipality) instead of merely reacting to purchasing requests	- Develop a Draft procurement plan to be tabled with Draft Budget - Develop a Final Procurement plan to be tabled with Final Budget - Report adherence & deviations to procurement plan monthly - Report contracts; contract extensions and	31 March each year 31 May each year Monthly	Divisional Manager: SCM SCM Managers

UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE POLICY

	variations that should but did not go through a competitive process	Immediate & Ongoing	
2. An effective system of acquisition management to ensure that: • the municipality procures typical goods and services following authorised processes and different threshold values only; • expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Act; • quotes are evaluated following the preference point system as prescribed by the PPPF Act; • bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation.	- Ensure that SOP's are adhered to for procurement thresholds and report variances - Ensure Budget Manager / Official signs to confirm correct and available budget; - Monitor correct BBBEE / preferential points allocation; - Ensure continuous controls over evaluation for bid compliance.	Immediate & Ongoing Daily Ongoing Ongoing	Divisional Manager: SCM SCM Managers
3. Appropriate measures are in place and operating effectively where competitive bidding was not followed: • This was done only under the following circumstances: - i) in an emergency - where immediate action is necessary; ii) if goods or services are produced or available from a sole provider; iii) for the acquisition of special works of art or historical objects; iv) acquisition of animals for zoos; or iv) in any other exceptional case where it is impractical or impossible to follow the official procurement process. • The deviation from inviting competitive bids was recorded and approved by the accounting officer or delegated official, was reported to the next council/ board meeting, was disclosed in the notes to the annual financial statements is not indicative of fraud.	- Develop a SOP for deviations. - Ensure that all deviations are processed as per the SOP. - Ensure deviations are reported to the next Council (Section 80) meeting and in the Annual Financial Statements.	30 April Immediate & Ongoing Immediate & Ongoing	Divisional Manager: SCM SCM Managers
4. The utilisation of a list of accredited prospective providers or, if not from the list, the providers meet the listing criteria in the SCM policy	- Ensure procurement is only done from registered Service Providers	Immediate & Ongoing	Divisional Manager: SCM SCM Managers
5. Proper committee systems exist, and bid documentation is maintained in a manner that is complete, appropriate and accurate	- Ensure all Bid attendance registers Agenda & minutes are signed and filed accordingly	Immediate & Ongoing	Divisional Manager: SCM SCM Managers

6. Effective measures are implemented to ensure that construction contracts are awarded following the applicable SCM and CIDB legislation	- Ensure that Construction and similar contracts as prescribed by CIDB include the correct CIDB criteria and is advertised on CIDB and correct platforms	Immediate & Ongoing	Divisional Manager: SCM SCM Managers
7. Proper mechanisms, controls and safeguards are in place to manage conflict of interest, as it relates to: • declarations of interests by SCM officials and role players recorded in a register kept by the accounting officer; • declarations by SCM officials or other role players 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; • declarations by council members (including the mayor) of their financial interest. • controls for staff members to declare their benefits to the council where a staff member, or his/her spouse, partner business associate or close family member, acquired or stands to acquire any direct benefit from a contract concluded with the municipality.	- Ensure all SCM staff sign declarations of interests by 01 July each year - Ensure all Directors and MM disclose their interests by 01 July - Ensure all other staff complete declarations upon entry to the institution - HR to send an annual reminder to all staff to update their declarations of interest - Continuously request MBD declarations from service providers and not less than once per year	01 July each year 01 July each year Ongoing by 31 May each year Ongoing	Divisional Manager: SCM SCM Managers Divisional Manager: HR
8. Utilising effective contract management ensures that the extension, expansion, or variation of a contract is justifiable and not indicative of the circumvention of SCM processes.	- send 7-month reminder before contract expiry	Ongoing	Divisional Manager: SCM SCM Managers
9. All fruitless and wasteful expenditure identified (whether by the municipality or through the audit process) are disclosed in the municipality's financial statements, together with the relevant details of the non-compliance.	- disclose all F&W expenditure in the AFS	31 August each year	Divisional Manager: SCM SCM Managers

GUIDANCE THREE – CONSEQUENCE MANAGEMENT – SUGGESTED PREVENTATIVE CONTROLS

CONTROL	ACTION	TIMELINE	OWNER
1. There should be consequences for transgressions, a lack of action and poor performance. Consequences should be instituted against officials who fail to comply with applicable legislation, continuously underperform or are negligent, and against those whose actions and decisions cause financial losses.	- Ensure policies on UIF&W are approved by Council - Circulate approved policy to all users - Ensure All Managers, Directors and SCM staff are aware of policy contents and consequences of UIF&W and poor performance	30 June 31 May 31 December	Municipal Manager Section 56 Managers Divisional Manager: SCM Divisional Manager: HR
2. Historical irregular expenditure is dealt with expeditiously by the municipal public accounts committee.	- Ensure UIF&W investigation reports are tabled to MPAC at least Quarterly	Every quarter as per calendar of meetings	Municipal Manager Section 56 Managers

UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE POLICY

17 STRATEGIES TO BE IMPLEMENTED TO REDUCE UIF&W INCREMENTAL TARGETS

1. To eliminate Irregular Expenditure by 100% of the 2021/22 baseline by 2026.
2. To eliminate Fruitless & Wasteful Expenditure by 100% of the 2021/22 baseline by 2026.
3. To eliminate Unauthorised Expenditure by 100% of the 2021/22 baseline by 2026.

The above goals will be broken down into the following annual targets and where targets were missed in prior years, additional efforts must be exerted to catch-up to the current financial year target:

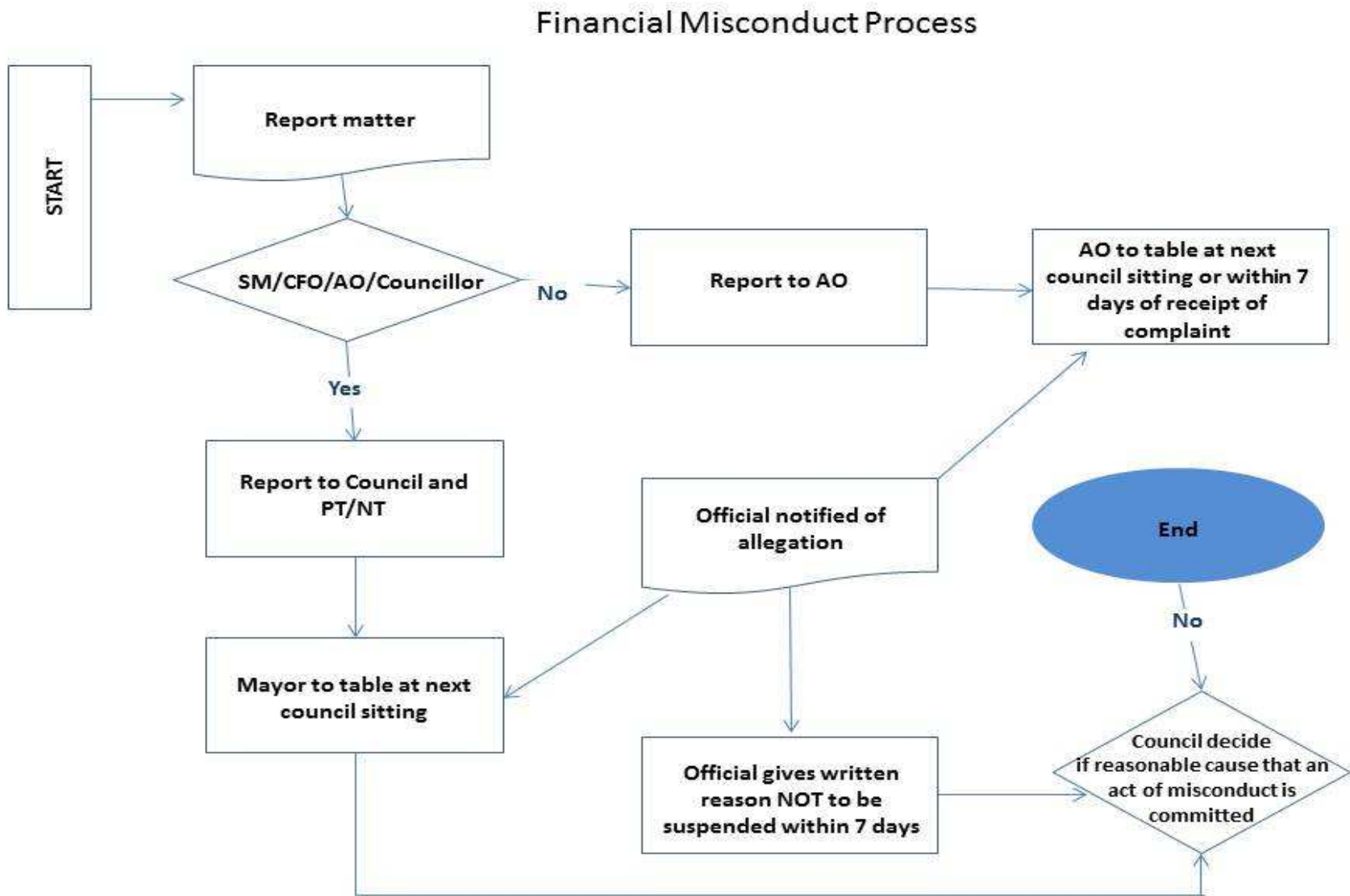
Outcome	Outcome Indicators	Baseline	Incremental Target			Main Target
			2022-23	2023-24	2024-25	2025-26
Sound Financial controls and management of public finances.	Percentage reduction of irregular expenditure	2021/22 Audited AFS baseline of R110,946	5% elimination of irregular expenditure incrementally from the baseline of 2021/22 by 2023 R534,119 target not met	15% elimination of irregular expenditure incrementally from the baseline of 2021/22 by 2024 R3,836,366 Target not met	50% elimination of irregular expenditure incrementally from the baseline of 2021/22 by 2025	100% elimination of irregular expenditure incrementally from the baseline of 2021/22 by 2026
	Percentage reduction of fruitless & wasteful expenditure	2021/22 Audited AFS baseline of R27,394	50% elimination of fruitless & wasteful expenditure incrementally from the baseline of 2021/22 by 2023 R4,748 Target met	75% elimination of fruitless & wasteful expenditure incrementally from the baseline of 2021/22 by 2024 R0 Target met	90% elimination of fruitless & wasteful expenditure incrementally from the baseline of 2021/22 by 2025	100% elimination of fruitless & wasteful expenditure incrementally from the baseline of 2021/22 by 2026
	Percentage reduction of unauthorised expenditure	2021/22 Audited AFS baseline of R14,108,285	5% elimination of unauthorised expenditure incrementally from the baseline of 2021/22 by 2023 R26,061,573 Target not met	15% elimination of unauthorised expenditure incrementally from the baseline of 2021/22 by 2024 R0 Target met	50% elimination of unauthorised expenditure incrementally from the baseline of 2021/22 by 2025	100% elimination of unauthorised expenditure incrementally from the baseline of 2021/22 by 2026

18 SHORT TITLE AND COMMENCEMENT

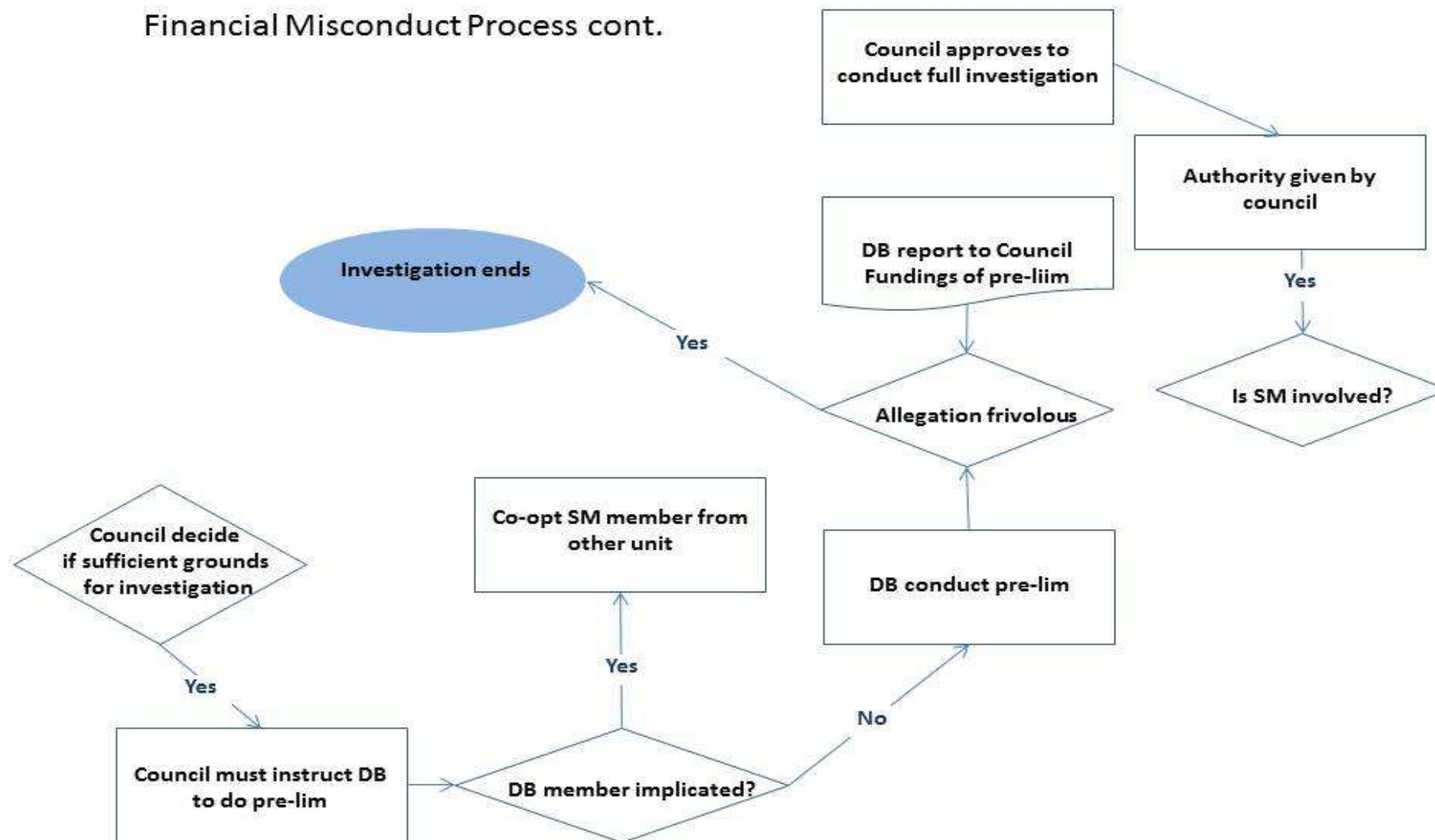
This policy is called the Overstrand Municipality's Unauthorised, Irregular or Fruitless and Wasteful Expenditure Policy.

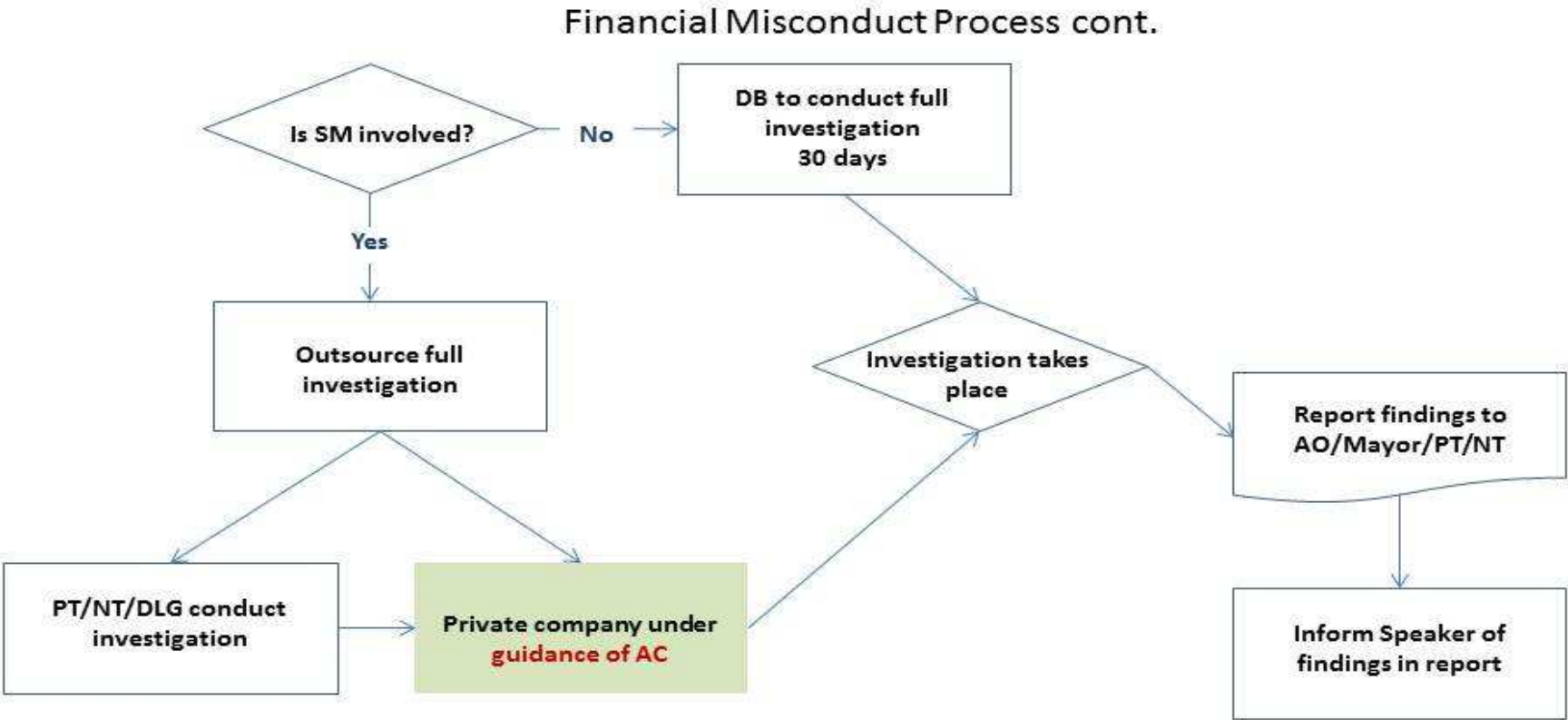
This policy will come into effect on **1 July 2026** and will be reviewed at least annually by way of a Council resolution.

POLICY SECTION:	DIVISIONAL MANAGER: SUPPLY CHAIN MANAGEMENT
CURRENT UPDATE	27 MAY 2026
PREVIOUS REVIEW:	29 MAY 2025
PREVIOUS REVIEW:	31 MAY 2024
PREVIOUS REVIEW:	31 MAY 2023
PREVIOUS REVIEW:	31 MAY 2022
PREVIOUS REVIEW:	27 MAY 2020
PREVIOUS REVIEW:	29 MAY 2019
APPROVAL BY COUNCIL	30 MAY 2018

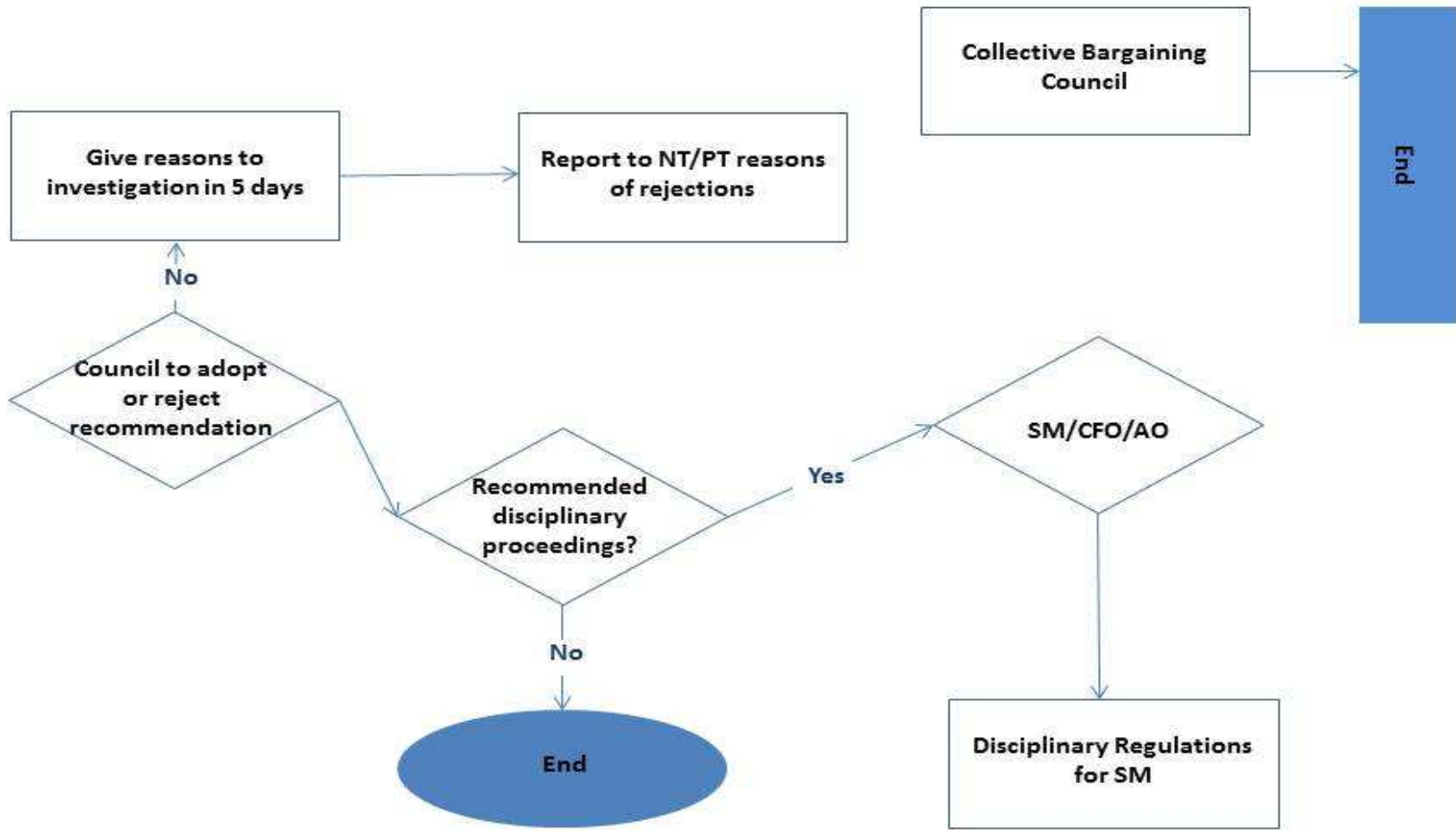


Financial Misconduct Process cont.

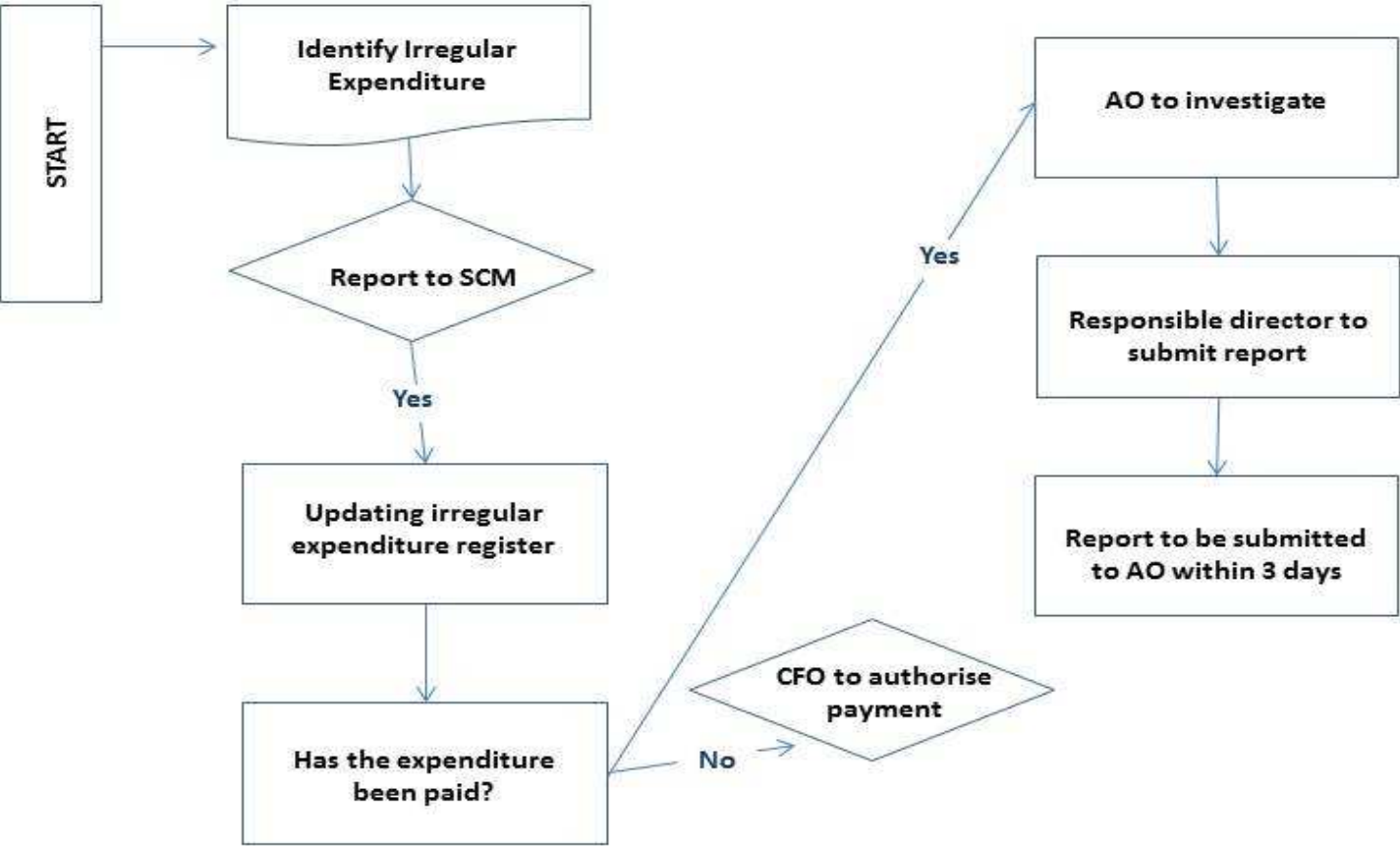




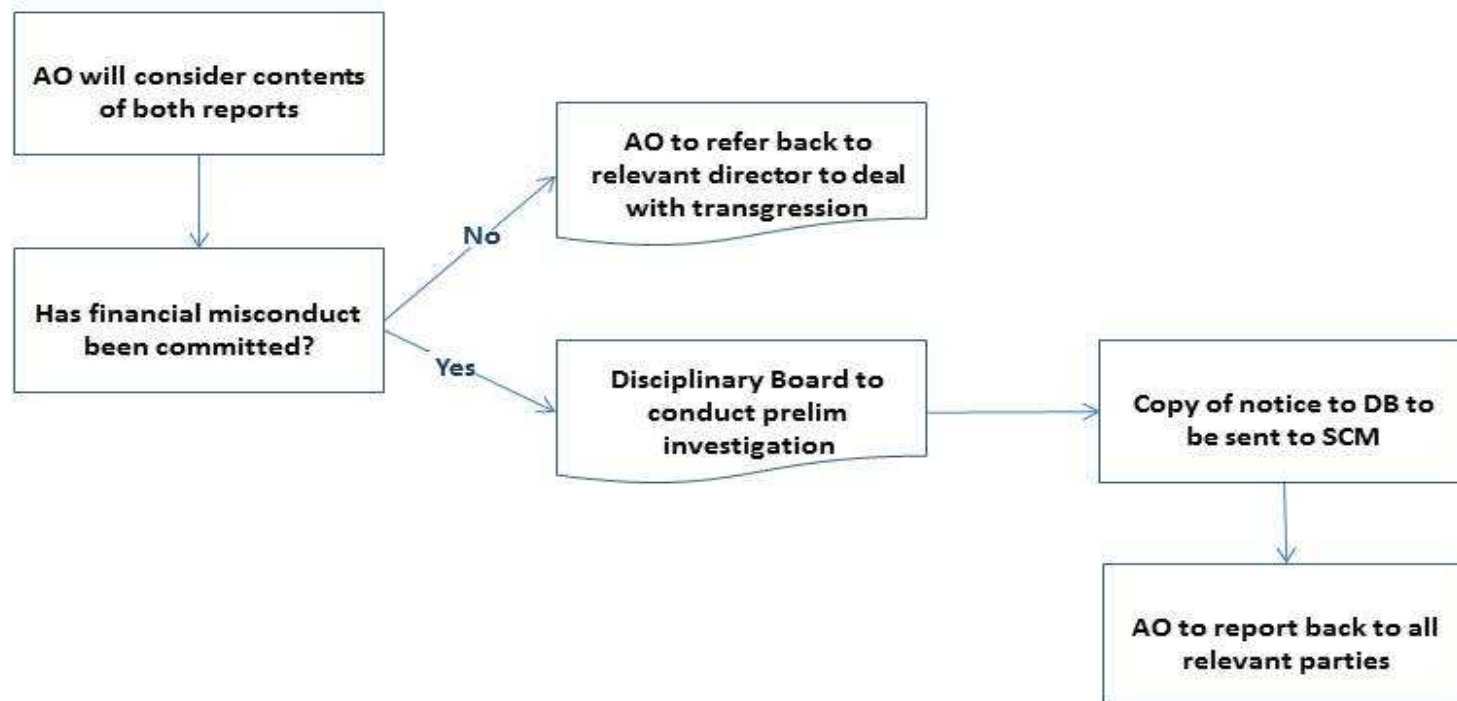
Financial Misconduct Process cont.



Irregular Expenditure Process



Irregular Expenditure Process cont.



**OVERSTRAND
MUNICIPALITY**



COST CONTAINMENT POLICY

OVERSTRAND MUNICIPALITY – COST CONTAINMENT POLICY

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OVERSTRAND MUNICIPALITY – COST CONTAINMENT POLICY

1 Definitions

In this Policy, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, unless the context indicates otherwise, and-

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

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

"cost containment" means the measures implemented to curtail spending in terms of this policy.

"credit card" means a card issued by a financial services provider, which creates a revolving account and grants a line of credit to the cardholder.

"municipality" means Overstrand Municipality ("OSM")

"regulations" means the Municipal Cost Containment Regulations, 2019

2. Object of the Policy

The object of the Policy is in line with sections 62(1)(a), 78(1)(b), 95(a) and 105(1)(b) of the Act, and the regulations, to ensure that resources of a municipality and municipal entity are used effectively, efficiently and economically by implementing cost containment measures.

3. Application of Policy

This Policy applies all officials and political office bearers in Overstrand Municipality.

4. Use of consultants

This Policy is in line with paragraph 35 of the Overstrand Supply Chain Management Policy to ensure that resources of the municipality with regard to the use of consultants, are used effectively, efficiently and economically by implementing cost containment measures.

5. Vehicles used for political office –bearers

This Policy is in line with the stipulations of the Overstrand Travel and Subsistence Policy and the Overstrand Fleet Management Policy, to ensure that resources of the municipality with regard to vehicles used for political office-bearers, are used effectively, efficiently and economically by implementing cost containment measures.

6. Travel and subsistence

This Policy is in line with the stipulations of the Overstrand Travel and Subsistence Policy, to ensure that resources of the municipality with regard to Travel and subsistence, are used effectively, efficiently and economically by implementing cost containment measures.

7. Domestic accommodation

This Policy is in line with the stipulations of the Overstrand Travel and Subsistence Policy, to ensure that resources of the municipality with regard to Domestic accommodation, are used effectively, efficiently and economically by implementing cost containment measures.

OVERSTRAND MUNICIPALITY – COST CONTAINMENT POLICY

8. Credit cards

The accounting officer must ensure that no credit card or debit card linked to a bank account of the municipality is issued to any official or public office bearer.

9. Sponsorships, events and catering

This Policy is in line with the stipulations of the Overstrand Budget Policy, to ensure that resources of the municipality with regard to Sponsorships, events and catering, are used effectively, efficiently and economically by implementing cost containment measures.

10. Communication

This Policy is in line with the stipulations of the Overstrand Budget Policy, to ensure that resources of the municipality with regard to Communication, are used effectively, efficiently and economically by implementing cost containment measures.

11. Conferences, meetings and study tours

This Policy is in line with the stipulations of the Overstrand Budget Policy and the Travel and Subsistence Policy, to ensure that resources of the municipality with regard to Conferences, meetings and study tours, are used effectively, efficiently and economically by implementing cost containment measures.

12. Other related expenditure items

This Policy is in line with the stipulations of the Overstrand Budget Policy, Overstrand Supply Chain Management Policy, Basic Conditions of Employment Act, 1997 and the Conditions of Service Collective Agreement of the Western Cape Division, to ensure that resources of the municipality with regard to the following, are used effectively, efficiently and economically by implementing cost containment measures:

- 1) All commodities, services and products covered by a transversal contract concluded by the National Treasury must be considered before approaching the market, to benefit from savings where lower prices or rates have been negotiated.
- 2) Municipal resources may not be used to fund elections, campaign activities, including the provision of food, clothing, printing of agendas and brochures and other inducements as part of, or during election periods or to fund any activities of any political party at any time.
- 3) Expenditure on tools of trade for political office bearers must be limited to the upper limits as approved and published by the Cabinet member responsible for local government in terms of the Remuneration of Public Office Bearers Act, 1998.
- 4) The municipality must avoid expenditure on elaborate and expensive office furniture.
- 5) The municipality may only use the services of the South African Police Service to conduct periodical or quarterly security threat assessments of political office bearers and key officials, and a report must be submitted to the speaker's office.
- 6) The municipality may consider providing additional time -off in lieu of payment for overtime worked. Planned overtime must be submitted to the relevant manager for consideration on a monthly basis. A motivation for all unplanned overtime must be submitted to the relevant manager.

OVERSTRAND MUNICIPALITY – COST CONTAINMENT POLICY

13. Enforcement procedures

Failure to implement or comply with this policy may result in any official of the municipality or political office bearer, who has authorized or incurred any expenditure contrary to determinations in this policy, being charged and held liable for:

- 1) financial misconduct or a financial offence in the case of political office bearers as defined in section 32 of the Act, or in the case of officials, also in terms of Chapter 15 of the MFMA read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014;
- 2) a financial offence in terms of Council's Unauthorised, Irregular or Fruitless and Wasteful Expenditure Policy.

14. Disclosures of cost containment measures

- 1) The disclosure of cost containment measures applied by the municipality and municipal entity must be included in the municipal in -year budget reports and annual costs savings disclosed in the annual report.
- 2) The measures implemented and aggregate amounts saved per quarter, together with the regular reports on reprioritisation of cost savings and on the implementation of the cost containment measures must be submitted to the Municipal Council for review and resolution.
- 3) The municipal council can refer such reports to an appropriate Council Committee for further recommendations and actions.
- 4) The reports referred to in sub -regulation (2) must be copied to the National Treasury and the relevant provincial treasury within seven calendar days after the report is submitted to municipal council.

15. Short title and commencement

This policy shall be called the Cost Containment Policy of the Overstrand Municipality and will come into effect on **1 July 2026**.

This policy shall be reviewed on an annual basis to ensure that it is in line with the municipality's strategic objectives and with legislation.

POLICY SECTION:	DIVISIONAL MANAGER: SUPPLY CHAIN MANAGEMENT
CURRENT UPDATE	27 MAY 2026
PREVIOUS UPDATE:	29 MAY 2025
PREVIOUS UPDATE:	31 MAY 2024
PREVIOUS UPDATE:	31 MAY 2023
PREVIOUS UPDATE:	31 MAY 2022
PREVIOUS UPDATE:	26 MAY 2021
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NATIONAL TREASURY

NOTICE 317 OF 2019

LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003

MUNICIPAL COST CONTAINMENT REGULATIONS, 2019

The Minister of Finance has, acting with the concurrence of the Minister of Cooperative Governance and Traditional Affairs, in terms of section 168(1) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), made the Regulations as set out in the Schedule.

SCHEDULE
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Definitions

1. In these Regulations, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, unless the context indicates otherwise, and—

“**Act**” means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);

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

“**cost containment**” means measures implemented to curtail spending in terms of these regulations; and

“**credit card**” means a card issued by a financial services provider, which creates a revolving account and grants a line of credit to the cardholder.

Object of Regulations

2. The object of these Regulations, in line with sections 62(1)(a), 78(1)(b), 95(a) and 105(1)(b) of the Act, is to ensure that resources of a municipality and municipal entity are used effectively, efficiently and economically by implementing cost containment measures.

Application of Regulations

3. These Regulations apply to all officials and political office bearers in municipalities and municipal entities.

Cost containment policies

4. (1) Each municipality or municipal entity must develop or revise and implement a cost containment policy which must—
- (a) in the case of a municipality, be adopted by the municipal council, and in the case of a municipal entity, by the board of directors as part of its budget related policies;
 - (b) define a municipality or municipal entity's objectives for the use of consultants; and
 - (c) be consistent with the Act and these Regulations.
- (2) The cost containment policy of a municipality or a municipal entity contemplated in sub-regulation (1) must—
- (a) be in writing;
 - (b) give effect to these Regulations;
 - (c) be reviewed annually, as may be appropriate;
 - (d) be communicated on the municipality's or municipal entity's website; and
 - (e) set out—
 - (i) monitoring measures for ensuring implementation of the policy;
 - (ii) procedures for the annual review of the policy; and
 - (iii) consequences for non-adherence to the measures contained therein.

Use of consultants

5. (1) A municipality or municipal entity may only appoint consultants if an assessment of the needs and requirements confirms that the affected municipality or municipal entity does not have the requisite skills or resources in its full-time employ to perform the function.
- (2) An accounting officer must adopt a fair and reasonable remuneration framework for consultants taking into account the rates—
- (a) determined in the "Guideline on fees for audits undertaken on behalf of the Auditor-General of South Africa", issued by the South African Institute of Chartered Accountants;
 - (b) set out in the "Guide on Hourly Fee Rates for Consultants", issued by the Department of Public Service and Administration; or
 - (c) as prescribed by the body regulating the profession of the consultant.
- (3) The tender documentation for the appointment of consultants must include a clause that the remuneration rates will be subject to negotiation, not exceeding the applicable rates mentioned in sub-regulation (2).
- (4) When negotiating cost-effective consultancy rates for international consultants, the accounting officer may take into account the relevant international and market-determined rates.
- (5) When consultants are appointed, an accounting officer must—
- (a) appoint consultants on a time and cost basis with specific start and end dates;
 - (b) where practical, appoint consultants on an output-specified basis, subject to specific measurable objectives and associated remuneration;
 - (c) ensure that contracts with consultants include overall cost ceilings by specifying whether the contract price is inclusive or exclusive of travel and subsistence disbursements;
 - (d) ensure the transfer of skills by consultants to the relevant officials of a municipality or municipal entity;
 - (e) undertake all engagements of consultants in accordance with the Municipal Supply Chain Management Regulations, 2005 and the municipality or municipal entity's supply chain management policy; and
 - (f) develop consultancy reduction plans to reduce the reliance on consultants.
- (6) All contracts with consultants must include a fee retention or penalty clause for poor performance.
- (7) A municipality or municipal entity must ensure that the specifications and performance are used as a monitoring tool for the work to be undertaken and are appropriately recorded and monitored.
- (8) The travel and subsistence costs of consultants must be in accordance with the national travel policy issued by the National Department of Transport, as updated from time to time.

- (9) The contract price must specify all travel and subsistence costs and if the travel and subsistence costs for appointed consultants are excluded from the contract price, such costs must be reimbursed in accordance with the national travel policy of the National Department of Transport.

Vehicles used for political office-bearers

6. (1) The threshold limit for vehicle purchases relating to official use by political office-bearers must not exceed R700 000 or 70% (VAT inclusive) of the total annual remuneration package for the different grades of municipalities, as defined in the Public Office Bearers Act and the notices issued in terms thereof by the Minister of Cooperative Governance and Traditional Affairs, whichever is lower.
- (2) The procurement of vehicles in sub-regulation (1) must be undertaken using the national government transversal contract mechanism, unless it may be procured at a lower cost through other procurement mechanisms.
- (3) Before deciding to procure a vehicle as contemplated in sub-regulation (2), the accounting officer or delegated official must provide the council with information relating to the following criteria which must be considered:
- (a) status of current vehicles;
 - (b) affordability of options including whether to procure a vehicle as compared to rental or hire thereof, provided that the most cost effective option is followed and the cost is equivalent to or lower than that contemplated in sub-regulation (1);
 - (c) extent of service delivery backlogs;
 - (d) terrain for effective usage of the vehicle; and
 - (e) any other policy of council.
- (4) If the rental referred to in sub-regulation (3) is preferred, the accounting officer must review the costs incurred regularly to ensure that value for money is obtained.
- (5) Regardless of their usage, vehicles for official use by political office bearers may only be replaced after completion of 120 000 kilometres.
- (6) Notwithstanding sub-regulation (5), a municipality or municipal entity may replace a vehicle for official use by political office bearers before the completion of 120 000km only in instances where the vehicle has a serious mechanical problem and is in a poor condition and subject to obtaining a detailed mechanical report by the vehicle manufacturer or approved dealer.
- (7) An accounting officer must ensure that there is a policy that addresses the use of municipal vehicles for official purposes.

Travel and subsistence

7. (1) An accounting officer—
- (a) may approve the purchase of economy class tickets for all officials or political office bearers where the flying time for the flights is five hours or less; and
 - (b) may only approve the purchase of business class tickets for officials, political office bearers and persons reporting directly to the accounting officer for flights exceeding five hours.
- (2) In the case of the accounting officer, the mayor may approve the purchase of economy class tickets where the flying time is five hours or less and business class tickets for flights exceeding five hours.
- (3) Notwithstanding sub-regulation (1) or (2), an accounting officer, or the mayor in the case of an accounting officer, may approve the purchase of business class tickets for an official or a political office bearer with a disability or a medically certified condition.
- (4) The cost containment policy must limit international travel to meetings or events that are considered critical. The number of officials or political office bearers attending such meetings or events must be limited to those officials or political office bearers directly involved in the subject matter related to such meetings or events.
- (5) An accounting officer, or the mayor in the case of the accounting officer, may approve accommodation costs that exceed an amount as determined from time to time by the National Treasury through a notice only—
- (a) during peak holiday periods; or

- (b) when major local or international events are hosted in a particular geographical area that results in an abnormal increase in the number of local and/or international guests in that particular geographical area.
- (6) An official or a political office bearer of a municipality or municipal entity must—
 - (a) utilise the municipal fleet, where viable, before incurring costs to hire vehicles;
 - (b) make use of available public transport or a shuttle service if the cost of such a service is lower than—
 - (i) the cost of hiring a vehicle;
 - (ii) the cost of kilometres claimable by the official or political office bearer; and
 - (iii) the cost of parking.
 - (c) not hire vehicles from a category higher than Group B or an equivalent class; and
 - (d) where a different class of vehicle is required for a particular terrain or to cater for the special needs of an official, seek the written approval of the accounting officer before hiring the vehicle.
- (7) A municipality or a municipal entity must utilise the negotiated rates for flights and accommodation as communicated from time to time by the National Treasury through a notice or any other available cheaper flight and accommodation.

Domestic accommodation

- 8. (1) An accounting officer must ensure that costs incurred for domestic accommodation and meals are in accordance with the maximum allowable rates for domestic accommodation and meals as communicated from time to time by the National Treasury through a notice.
- (2) Overnight accommodation may only be booked where the return trip exceeds 500 kilometres.

Credit cards

- 9. (1) An accounting officer must ensure that no credit card or debit card linked to a bank account of a municipality or a municipal entity is issued to any official or political office bearer, including members of the board of directors of municipal entities.
- (2) Where officials or political office bearers incur expenditure in relation to official municipal activities, such officials or political office bearers must use their personal credit cards or cash or arrangements made by the municipality or municipal entity, and request reimbursement in accordance with the written approved policy and processes.

Sponsorships, events and catering

- 10. (1) A municipality or municipal entity may not incur catering expenses for meetings which are only attended by persons in the employ of the municipality or municipal entity, unless the prior written approval of the accounting officer is obtained.
- (2) An accounting officer may incur catering expenses for the hosting of meetings, conferences, workshops, courses, forums, recruitment interviews, and proceedings of council that exceed five hours.
- (3) Entertainment allowances of qualifying officials may not exceed two thousand rand per person per financial year, unless approved otherwise by the accounting officer.
- (4) A municipality or municipal entity may not incur expenses on alcoholic beverages unless the municipality or the municipal entity recovers the cost from the sale of such beverages.
- (5) An accounting officer must ensure that social events, team building exercises, year-end functions, sporting events and budget vote dinners are not financed from the municipality or the municipal entity's budgets or by any suppliers or sponsors.
- (6) A municipality or municipal entity may not incur expenditure on corporate branded items like clothing or goods for personal use of officials, other than uniforms, office supplies and tools of trade unless costs related thereto are recovered from affected officials or is an integral part of the business model.

- (7) An accounting officer may incur expenditure not exceeding the limits for petty cash usage to host farewell functions in recognition of officials who retire after serving the municipality or municipal entity for ten or more years or retire on grounds of ill health.

Communication

11. (1) A municipality or municipal entity may, as far as possible, advertise municipal related events on its website instead of advertising in magazines or newspapers.
- (2) An accounting officer must ensure that allowances to officials for private calls and data costs are limited to an amount as determined by the accounting officer in the cost containment policy of the municipality or municipal entity.
- (3) Newspapers and other related publications for the use of officials must be discontinued on expiry of existing contracts or supply orders, unless required for professional purposes and where unavailable in electronic format.
- (4) A municipality or municipal entity may participate in the transversal term contract arranged by the National Treasury for the acquisition of mobile communication services.

Conferences, meetings and study tours

12. (1) An accounting officer must establish policies and procedures to manage applications to attend conferences or events hosted by professional bodies or non-governmental institutions held within and outside the borders of South Africa taking into account their merits and benefits, costs and available alternatives.
- (2) When considering applications from officials or political office bearers to attend conferences or events within and outside the borders of South Africa, an accounting officer or mayor as the case may be, must take the following into account—
- (a) the official's or political office bearer's role and responsibilities and the anticipated benefits of the conference or event;
- (b) whether the conference or event addresses relevant concerns of the institution;
- (c) the appropriate number of officials or political office bearers, not exceeding three, attending the conference or event; and
- (d) the availability of funds to meet expenses related to the conference or event.
- (3) An accounting officer may consider appropriate benchmark costs with other professional bodies or regulatory bodies prior to granting approval for an official to attend a conference or event within and outside the borders of South Africa.
- (4) The benchmark costs referred to in sub-regulation (3) may not exceed an amount as determined from time to time by the National Treasury through a notice.
- (5) The amount referred to in sub-regulation (4) excludes costs related to travel, accommodation and related expenses, but includes—
- (a) conference or event registration expenses; and
- (b) any other expense incurred in relation to the conference or event.
- (6) When considering costs for conferences or events these may not include items such as laptops, tablets and other similar tokens that are built into the price of such conferences or events.
- (7) The accounting officer of a municipality or municipal entity must ensure that meetings and planning sessions that entail the use of municipal funds are, as far as may be practically possible, held in-house.
- (8) Municipal or provincial office facilities must be utilised for conference, meetings, strategic planning sessions, *inter alia*, where an appropriate venue exists within the municipal jurisdiction.
- (9) An accounting officer must grant the approval for officials and in the case of political office bearers and the accounting officer, the mayor, as contemplated in sub-regulation (2).
- (10) A municipality or municipal entity must, where applicable, take advantage of early registration discounts by granting the required approvals to attend the conference, event or study tour, in advance.

Other related expenditure items

13. (1) All commodities, services and products covered by a transversal contract concluded by the National Treasury must be considered before approaching the market, to benefit from savings where lower prices or rates have been negotiated.
- (2) Municipal resources may not be used to fund elections, campaign activities, including the provision of food, clothing, printing of agendas and brochures and other inducements as part of, or during election periods or to fund any activities of any political party at any time.
- (3) Expenditure on tools of trade for political office bearers must be limited to the upper limits as approved and published by the Cabinet member responsible for local government in terms of the Remuneration of Public Office Bearers Act, 1998.
- (4) A municipality or municipal entity must avoid expenditure on elaborate and expensive office furniture.
- (5) A municipality or municipal entity may only use the services of the South African Police Service to conduct periodical or quarterly security threat assessments of political office bearers and key Officials and a report must be submitted to the speaker's office.
- (6) A municipality or municipal entity may consider providing additional time-off in lieu of payment for overtime worked. Planned overtime must be submitted to the relevant manager for consideration on a monthly basis. A motivation for all unplanned overtime must be submitted to the relevant manager.
- (7) A municipality or municipal entity must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.

Enforcement Procedures

14. Failure to implement or comply with these Regulations may result in any official of the municipality or municipal entity, political office bearer or director of the board that authorised or incurred any expenditure contrary to these regulations being held liable for financial misconduct or a financial offence in the case of political office bearers as defined in Chapter 15 of the Act read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014.

Disclosures of cost containment measures

15. (1) The disclosure of cost containment measures applied by the municipality and municipal entity must be included in the municipal in-year budget reports and annual costs savings disclosed in the annual report.
- (2) The measures implemented and aggregate amounts saved per quarter, together with the regular reports on reprioritisation of cost savings and on the implementation of the cost containment measures must be submitted to the Municipal Council for review and resolution. The municipal council can refer such reports to an appropriate Council Committee for further recommendations and actions.
- (3) The reports referred to in sub-regulation (2) must be copied to the National Treasury and the relevant provincial treasury within seven calendar days after the report is submitted to municipal council.

Short title and commencement

16. These Regulations are called the Municipal Cost Containment Regulations, 2019 and take effect on 1 July 2019.

OVERSTRAND
MUNICIPALITY



PREFERENTIAL PROCUREMENT POLICY

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, 2022

PREAMBLE

WHEREAS the Overstrand Municipality aims to improve the quality of life of the local community and to free the potential of each person within a framework of facilitating service delivery, through effective governance and the Council takes into account the need for transparent procedures that give the effect to the principle of preferential procurement.

AND WHEREAS local economic development plays a crucial role in creating a prosperous, equitable, stable and democratic society and the overall national vision of economic development is one of decent work and living standards for all in the context of qualitative improved equality in ownership, skills and access to opportunities.

NOW THEREFORE the Council of the Overstrand Municipality resolves in terms of section 2 of the Preferential Procurement Policy Framework Act, No. 5 of 2000 that the principles embodied in the Preferential Procurement Regulations, 2022 are herewith integrated into the Overstrand Municipality's Preferential Procurement Policy to form the basis of the evaluation criteria for quotations and competitive tenders.

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**OVERSTRAND MUNICIPALITY
PREFERENTIAL PROCUREMENT POLICY**

1 Definitions

In this policy, unless the context indicates otherwise, a word or expression to which a meaning has been assigned in the Act bears the same meaning, and:

"Acceptable Tender"	<i>mean any tender which, in all respects, complies with the specification and conditions of tender as set out in tender document</i>
"all applicable taxes"	includes Value-Added Tax, Pay-as-you-Earn, Income Tax, Unemployment Insurance Fund Contributions and Skills Development Levies;
"B-BBEE"	means Broad-Based Black Economic Empowerment as defined in Section 1 of the Broad-Based Black Economic Empowerment Act;
"B-BBEE status level of contributor"	means the B-BBEE status received by a measured entity based on its overall performance using the relevant scorecard contained in the Codes of Good Practice on Black Economic Empowerment, issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;
"black designated groups"	has the meaning assigned to it in the codes of good practice issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;
"black people"	has the meaning assigned to it in section 1 of the Broad-Based Black Economic Empowerment Act;
"Broad-Based Black Economic Empowerment Act" (B-BBEEA)	means the Broad-Based Black Economic Empowerment Act, 2003 (Act No.53 of 2003);
"Comparative price"	means the price after the factors of a non-firm price and all unconditional discounts that can be utilised have been taken into consideration;
"Contract"	means the agreement that results from the acceptance of a tender by the Overstrand Municipality;
"EME"	means an exempted micro enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;
"Firm price"	is the price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the change, imposition, or abolition of customs or excise duty and any other duty, levy, or tax, which, in terms of a law or regulation, is binding on the contractor and demonstrably has an influence on the price of any supplies, or the rendering costs of any service, for the execution of the contract;
"Highest acceptable tender"	<i>means a tender that complies with all specifications and conditions of tender and that has the highest price compared to other tenders;</i>
"Large Enterprises"	<i>is a company with an annual turnover in excess of R50 million.</i>
"Local area"	<i>means the local suppliers and/or service providers whose registered business address is within the Overstrand Municipal area, the Overberg district boundaries, and the Western Cape.</i>
"Lowest acceptable tender"	<i>means a tender that complies with all specifications and conditions of tender and that has lowest price compared to other tenders;</i>
"Market Analysis"	means a technique used to identify market characteristics for specific goods or services
"Municipality"	The Overstrand Municipality;
"National Treasury"	has the meaning assigned to it in section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999);
"Non-firm prices"	means all prices other than "firm" prices;
"Objective Criteria"	for the purpose of section 2(1)f of the procurement Act must be criteria other than the additional to criteria relating to equity ownership by HDI's or whether or not a bidder was located in a particular province or municipal area
"organ of state"	The definition of organ of state in section 1 of the Act in paragraph (a) to (e) includes- • a national or provincial department as defined in the Public Finance Management Act, 1999; • a municipality as contemplated in the Constitution; • a constitutional institution as defined in the Public Finance Management Act; • Parliament; • a provincial legislature. Paragraph (f) of the definition of organ of state in section 1 of the Act includes any other institution or category of institutions included in the definition of "organ of state" in section 239 of the Constitution and recognised by the Minister by notice in the Government Gazette as an institution or category of institutions to which the Act applies. Government Notice R. 501 of 8 June 2011 recognises, with effect

**OVERSTRAND MUNICIPALITY
PREFERENTIAL PROCUREMENT POLICY**

	from 7 December 2011, all public entities listed in Schedules 2 and 3 to the Public Finance Management Act, 1999, as institutions to which the Act applies. Note should be taken of notices issued from time to time in terms of paragraph (f) of this definition. The application of these Regulations is also subject to applicable exemptions approved in terms of section 3 of the Act.
"Person"	includes reference to a juristic person;
"Policy"	Means the Preferential Procurement Policy of the Overstrand Municipality
"price"	includes all applicable taxes less all unconditional discounts;
"proof of B-BBEE status level of contributor"	means- (a) the B-BBEE status level certificate issued by an authorised body or person; (b) a sworn affidavit as prescribed by the B-BBEE Codes of Good Practice; or (c) any other requirement prescribed in terms of the Broad-Based Black Economic Empowerment Act;
"QSE"	means a qualifying small business enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;
"Rand value"	means the total estimated value of a contract in Rand, calculated at the time of the tender invitation;
"Region"	means the district and/or Overberg District.
"rural area"	means- (a) a sparsely populated area in which people farm or depend on natural resources, including villages and small towns that are dispersed through the area; or (b) an area including a large settlement which depends on migratory labour and remittances and government social grants for survival, and may have a traditional land tenure system;
"Specific goals"	<i>means specific goals as contemplated in section 2(1)(d) of the Act which may include contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender and disability including the implementation of programmes of the Reconstruction and Development Programme as published in Government Gazette No. 16085 dated 23 November 1994;</i>
"Tender"	means a written offer in the form determined by Overstrand Municipality in response to an invitation to provide goods or services through price quotations, competitive tendering process or any other method envisaged in legislation;
"Tender for income-generating contracts"	<i>means a written offer in the form determined by an organ of state in response to an invitation for the origination of income-generating contracts through any method envisaged in legislation that will result in a legal agreement between the organ of state and a third party that produces revenue for the organ of state, and includes, but is not limited to, leasing and disposal of assets and concession contracts, excluding direct sales and disposal of assets through public auctions</i>
"the Act"	means the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);
"treasury"	has the meaning assigned to it in section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999); and
"Youth"	has the meaning assigned to it in section 1 of the National Youth Development Agency Act, 2008 (Act No. 54 of 2008).

2 Introduction

The Constitution of the Republic of South Africa, 1996, provides in sections 152(1)(c) and 152(2) that local government must promote social and economic development and that the municipality must strive within its financial and administrative capacity, to achieve the objects set out in subsection 152(1).

The Constitution provides in section 217 that an organ of state must contract for goods or services in accordance with a procurement system which is fair, equitable, transparent, competitive, and cost effective and to implement a policy to grant preferences within a framework prescribed by National Legislation.

OVERSTRAND MUNICIPALITY PREFERENTIAL PROCUREMENT POLICY

The Broad-Based Black Economic Empowerment Act, 2003 provides in section 10 that every organ of state and public entity must apply any relevant code of good practice issued in terms of the Act in (b) developing and implementing a preferential procurement policy.

The Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000) was promulgated by the Minister in response to the Constitutional provision and allow for a Municipality to develop a preferential procurement policy and to implement such policy within the PPPFA framework.

Section 2 (1) (d) (i) and (ii) of the Preferential Procurement Policy Framework Act, 2000 refers to specific goals which may include:

- (i) contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender or disability.
- (ii) implementing the programmes of the Reconstruction and Development Programme (RDP) as published in Government Gazette 16085 dated 23 November 1994.

The RDP (1994), as basis for development in South Africa, was meant to provide a holistic, integrated, coherent socio-economic policy that is aimed at mobilising people and resources to work towards the upliftment of the material and social conditions of local communities to build sustainable livelihoods for these communities.

In terms of Section 2 (1)(d)(ii), the following activities may be regarded as a contribution towards achieving the goals of the RDP, in addition to the awarding of preference points in favour of HDIs (published in Government Gazette No. 16085 dated 23 November 1994):

- (i) The promotion of South African owned enterprises.
- (ii) The promotion of export orientated production to create jobs.
- (iii) The promotion of SMMEs.
- (iv) The creation of new jobs or the intensification of labour absorption.
- (v) The promotion of enterprises located in a specific province for work to be done or services to be rendered in that province.
- (vi) The promotion of enterprises located in a specific region for work to be done or services to be rendered in that region.
- (vii) The promotion of enterprises located in a specific municipal area for work to be done or services to be rendered in that municipal area.
- (viii) The promotion of enterprises located in rural areas.
- (ix) The empowerment of the work force by standardising the level of skill and knowledge of workers.
- (x) The development of human resources, including by assisting in tertiary and other advanced training programmes, in line with key indicators such as percentage of wage bill spent on education and training and improvement of management skills; and
- (xi) The upliftment of communities through, but not limited to, housing, transport, schools, infrastructure donations, and charity organisations.

3 Application of the policy

- 1) This policy applies to all procurement of goods and services by means of a tender as defined in paragraph 1 above.
- 2) This policy does not apply to public auctions or any other sale or lease of assets where it is not practical to apply a system of preference.
- 3) This policy does not apply to procurement under R2 000.
- 4) This policy must be applied concurrently with other legislative prescripts and other policies that regulates the procurement of goods and services by the municipality.

4 Purpose, and Objectives

- 1) The purpose of this policy is to:
 - a) Provide for categories of preference in awarding of tenders.
 - b) Provide for the advancement of persons or categories of persons disadvantaged by unfair discrimination; and
 - c) Clarify the mechanisms how the above items in paragraph 2 (i) and (ii) will be implemented.
- 2) Objectives
 - a) Promote Broad-Based Black Economic Empowerment (B-BBEE) - enterprises providing services and goods.
 - b) Promote Small Medium and Micro Enterprises (SMME's), Joint Ventures, Consortiums, and partnerships.
 - c) Implement recognised best procurement practises through effective planning, strategic purchasing, and contract management.

5 Identification of preference point system

- 1) The Municipality shall, in the tender documents, stipulate —
 - a) the preference point system applicable; and
 - b) any specific goal as envisaged in section 2(1)(d) and (e) of the Preferential Procurement Act.
- 2) If it is unclear whether the 80/20 or 90/10 preference point system applies—
 - a) an invitation for tender for income-generating contracts, that either the 80/20 or 90/10 preference point system will apply and that the highest acceptable tender will be used to determine the applicable preference point system; or
 - b) any other invitation for tender, that either the 80/20 or 90/10 preference point system will apply and that the lowest acceptable tender will be used to determine the applicable preference point system.

6 80/20 preference point system for acquisition of goods or services with Rand value equal to or below R50 million

- 1) The following formula must be used to calculate the points out of 80 for price in respect of an invitation for a tender with a Rand value equal to or below R50 million inclusive of all applicable taxes:

$$Ps = 80 \left(1 - \frac{(Pt - Pmin)}{Pmin} \right)$$

Where;

Ps = Points scored for price of tender under consideration.

Pt = Price of tender under consideration; and

Pmin = Price of lowest acceptable tender.

- 2) *A maximum of 20 points may be awarded to a tenderer for the specified goals for the tender.*
- 3) *The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.*
- 4) *Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.*

7 90/10 preference point system for acquisition of goods or services with Rand value above R50 million

- 1) The following formula must be used to calculate the points out of 90 for price in respect of an invitation for tender with a Rand value above R50 million, inclusive of all applicable taxes:

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

Where;

P_s = Points scored for price of tender under consideration;

P_t = Price of tender under consideration; and

P_{min} = Price of lowest acceptable tender.

- 2) A maximum of 10 points may be awarded to a tenderer for the specified goals for the tender.
- 3) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.
- 4) Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

8 80/20 preference points system for tenders for income-generating contracts with Rand value equal to or below R50 million

- 1) The following formula must be used to calculate the points for price in respect of an invitation for tender for income-generating contracts, with a Rand value equal to or below R50 million, inclusive of all applicable taxes:

a)
$$P_s = 80 \left(1 + \frac{P_t - P_{max}}{P_{max}} \right)$$

Where

P_s = Points scored for price of tender under consideration.

P_t = Price of tender under consideration; and

P_{max} = Price of highest acceptable tender

- 2) A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender.
- 3) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.
- 4) Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

9 90/10 preference point system for tenders for income-generating contracts with Rand value above R50 million

- 1) The following formula must be used to calculate the points for price in respect of a tender for income-generating contracts, with a Rand value above R50 million, inclusive of all applicable taxes:

a)
$$P_s = 90 \left(1 + \frac{P_t - P_{max}}{P_{max}} \right)$$

a)

Where

P_s = Points scored for price of tender under consideration;

P_t = Price of tender under consideration; and

P_{max} = Price of highest acceptable tender

- 2) A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender.
- 3) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.
- 4) Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

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10 Points for specific goals to promote economic development

1. The tendering conditions will stipulate the specific goals, as contemplated in section 2(1)(d) [(ii)] of the Preferential Procurement Policy Framework Act, be attained.
2. A maximum of 20 points (80/20 preference points system) or 10 (90/10) preference points system), will be allocated for specific goals. These goals are:
 - a) contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender or disability.
 - i) For purposes of this Policy, persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race are black persons.
 - ii) For purposes of this Policy, persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of gender are women.
 - iii) For purposes of this Policy persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of disability are disabled persons.
 - iv) These persons or categories of persons in (i) to (iii) above are hereafter referred as historically disadvantaged persons (HDI).
 - b) the promotion of enterprises located in the local area (phased in approach to be applied for other RDP goals)
3. Regarding paragraph 10.2 (a), [50% of the 20/10] points will be allocated to promote this goal, [and points will be allocated] in terms of the [B-BBEE scorecard] tables below: [as follows]
 - a) Two of the three specific goals as listed below must be applied for each tender.

Specific Goals	Achievement Level	Total Number of Points That May Be Claimed	
		80/20	90/10
Persons historically disadvantaged on the basis of race	100% black ownership	5	2.5
	75% - 99% black ownership	4	2
	60% - 74% black ownership	3	1.5
	51% - 59% black ownership	2	1
	0 – 50% black ownership	0	0
Persons historically disadvantaged on the basis of gender	100% owned by women	5	2.5
	75% - 99% owned by women	3	2
	60% - 74% owned by women	2	1.5
	51% - 59% owned by women	1	1
	0 – 50% owned by women	0	0
Persons historically disadvantaged on the basis of disability	100% owned by persons living with disabilities	5	2.5
	75% - 99% owned by persons living with disabilities	3	2
	60% - 74% owned by persons living with disabilities	2	1.5
	51% - 59% owned by persons living with disabilities	1	1
	0 – 50% owned by persons living with disabilities	0	0

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[B-BBEE Status Level of Contributor]	Number of Points for Preference (80/20) (Under R30k)	Number of Points for Preference (80/20) (Over R30k)	Number of Points for Preference (90/10)
1	20	10	5
2	18	8	4
3	14	6	3
4	12	4	2
5	8	2	1
6	6	2	1
7	4	2	1
8	2	2	1
Non-compliant contributor	0	0	0

4. A tenderer must submit proof of its BBEE status level contributor.

5. A tenderer failing to submit proof of B-BBEE status level of contributor or is a non-compliant contributor to B-BBEE may not be disqualified, but-

- a) may only score points out of 80 or 90 for price; and
- b) scores 0 points out of 20 or 10 for B-BBEE status level of contributor, which is in line with section 2 (1) (d) (i) of the Act, where the supplier or service provider did not provide proof thereof.]

6. Regarding paragraph 10.2 (b) [50% of the 20/10] points will be allocated to promote this goal in terms of the table below: [Points will be allocated as follows:]

a) Transaction values Above R30 000

Local area of supplier	Number of Points for Preference	
	80/20	90/10
Within the boundaries of the Overstrand municipality	10	5
Within the boundaries of Overberg District	6	3
Within the boundaries of the Western Cape	4	2
Outside of the boundaries of the Western Cape	0	0
Outside of the boundaries of the Western Cape	0	

b) Transaction values under R30 000

Local area of supplier	Number of Points for Preference
Within the boundaries of the Overstrand municipality	20
Within the boundaries of Overberg District	10
Within the boundaries of the Western Cape	6
Outside of the boundaries of the Western Cape	0

7. Any specific goal for which a point may be awarded, must be clearly specified in the invitation to submit a tender.

a) In order to confirm/verify the specific goals claimed by a tenderer in a specific tender, the following is the only documentation which will be deemed as acceptable and which must be submitted with the tender:

i) **Race**

- a) Proof of B-BBEE status level of contributor, clearly indicating the percentage black ownership; and/or
- b) Company Registration Certification, as issued by the Companies and Intellectual Property Commission, clearly indicating the percentage shareholding of all owners, along with all necessary Identification Documentation; and/or

- c) In respect of a Sole Proprietor or Partnership, a sworn affidavit clearly indicating the owners/partners of the organization and their respective percentage ownership.
 - ii) **Gender**
 - a) Proof of B-BBEE status level of contributor, clearly indicating the percentage black woman ownership; and/or
 - b) Company Registration Certification, as issued by the Companies and Intellectual Property Commission, clearly indicating the percentage shareholding of all owners, along with all necessary Identification Documentation; and/or
 - c) In respect of a Sole Proprietor or Partnership, a sworn affidavit clearly indicating the owners/partners of the organization and their respective percentage ownership.
 - iii) **Disability**
 - a) Company Registration Certification, as issued by the Companies and Intellectual Property Commission, clearly indicating the percentage shareholding of all owners, along with all necessary Identification Documentation; and/or
 - b) In respect of a Sole Proprietor or Partnership, a sworn affidavit clearly indicating the owners/partners of the organization and their respective percentage ownership; and
 - c) Proof of disability.
 - iv) **Locality**
 - a) The registered address as reflected on the Companies and Intellectual Property Commission (CIPC) report; or
 - b) In case of Sole Proprietor / Natural Person, etc.:
 - (i) Any verifiable proof of residence / address in the name of the bidder or owner, older than 3 months, which were issued prior to the advertising date of the bid.
 - (ii) Verifiable proof of residence / address may include the following but not limited to:
 - (iii) Bank statement
 - (iv) Municipal account
 - (v) Address on Tax Compliance Status Certificate
- 8. A tenderer failing to submit proof of required evidence to claim preferences for [other specified] specific goals, which is in line with section 2 (1) (d) [(ii)] of the Act.
 - a) may only score in terms of the 80/90-point formula for price; and
 - b) scores 0 points out of 10/5 of the relevant specific goals where the supplier or service provider did not stipulate.
- 9. The preference points scored by a tenderer must be added to the points scored for price.
- 10. The points scored must be rounded off to the nearest two decimal places.
- 11. The contract must be awarded to the tenderer scoring the highest points.

11 Criteria for breaking deadlock in scoring

- 1. If two or more tenderers score an equal total number of points, the contract must be awarded to the tenderer that scored the highest points for specific goals.
- 2. If two or more tenderers score an equal total number of points, the objective criteria in addition to those contemplated in paragraphs section 2(1)(d) and (e) justify the award to the tenderer that scored the highest points in terms in accordance with section 2(1)(f) of the Act.
- 3. If two or more tenderers score equal total points in all respects, the award must be decided by the drawing of lots.

12 Award of contracts to tenderers not scoring highest points

A contract may be awarded to a tenderer that did not score the highest points only in accordance with section 2(1)(f) of the Act.

13 Remedies

- 1. If a Municipality is of the view that a tenderer submitted false information regarding a specific goal, it must—
 - a) inform the tenderer; accordingly, and
 - b) give the tenderer an opportunity to make representations within 14 days as to why the tender may not be disqualified or, if the tender has already been awarded to the tenderer, the contract should not be terminated in whole or in part—
- 2. After considering the representations referred to in paragraph 12 (1)(b), the Municipality may—
 - a) if it concludes that such false information was submitted by the tenderer—

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- i) disqualify the tenderer or terminate the contract in whole or in part; and
- ii) if applicable, claim damages from the tenderer.

14 Performance management

The specific goals achieved through the application of the Preferential Procurement Framework Act, 2000 will be monitored in terms of the elements embedded in the Supply Chain Management Policy.

15 Short title and commencement

This part of the policy is called the Preferential Procurement Policy of the Overstrand Municipality. This policy will come into effect on **01 July 2026** and will be reviewed at least annually by way of a Council resolution.

POLICY SECTION:	DIVISIONAL MANAGER: SUPPLY CHAIN MANAGEMENT				
CURRENT REVIEW	2026/05/27	PREVIOUS REVIEW	2019/05/29	PREVIOUS REVIEW	2012/11/28
PREVIOUS REVIEW	2025/05/29	PREVIOUS REVIEW	2018/05/30	PREVIOUS REVIEW	2012/06/26
PREVIOUS REVIEW	2024/05/31	PREVIOUS REVIEW	2017/11/29	PREVIOUS REVIEW	2012/05/30
PREVIOUS REVIEW	2024/02/29	PREVIOUS REVIEW	2017/05/31	PREVIOUS REVIEW	2011/11/30
PREVIOUS REVIEW	2023/05/31	PREVIOUS REVIEW	2017/03/29	PREVIOUS REVIEW	2011/05/04
PREVIOUS REVIEW	2022/12/14	PREVIOUS REVIEW	2016/05/25	PREVIOUS REVIEW	2010/05/26
PREVIOUS REVIEW	2022/05/31	PREVIOUS REVIEW	2016/02/24	PREVIOUS REVIEW	2009/05/27
PREVIOUS REVIEW	2021/05/26	PREVIOUS REVIEW	2015/05/28	APPROVAL	2008/06/25
PREVIOUS REVIEW	2020/05/27	PREVIOUS REVIEW	2014/05/28		
PREVIOUS REVIEW	2019/06/26	PREVIOUS REVIEW	2013/05/29		



Investment Incentive Policy

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1. DEFINITIONS

For the purposes of this policy, unless otherwise stated, the following definitions shall apply:

Incentive	Any measurable advantage affected by specific enterprises and/or categories of enterprises at the strategic direction of government.
Council	Means the Municipal Council of Overstrand established in terms of the Municipal Systems Act, Act no. 32 of 2000.
Mayoral Committee	The committee appointed by the Executive Mayor to assist the Executive Mayor in terms of Section 60 of the Municipal Structures Act, Act no. 32 of 2000.
Development Charge	A Development Charge, as outlined in the approved Council Development Contribution Policy, means a once-off charge imposed on a developer as a condition of approval or where additional capacity is required by a property owner. This charge is also known as the Bulk Infrastructure Contribution Levy (BICL).
Development and Investment Committee	An internal committee is established by the Municipal Manager responsible for identifying and assessing major development and investment initiatives/projects within the municipal area.
Incentive package	The list of approved incentives that may be negotiated with investors.
Policy	The policy for investment incentives, or any other policy adopted by Council in relation to investment incentives.

2. PREAMBLE

The vision of the Municipality is:

To be a centre of excellence for the community

The mission of the Municipality is:

Creation of sustainable communities by developing optimal services to support economic, social and environmental goals in a politically stable environment as an Overstrand for All

The strategic goals of the Municipality is:

1. The provision of democratic, accountable and ethical governance.
2. The provision and maintenance of municipal infrastructure.
3. The encouragement of structured community participation in the matters of the municipality.
4. The creation and maintenance of a safe and healthy environment.
5. Promotion of tourism, economic and social development.

Taking the above-mentioned vision, mission and goals into consideration, as well as Council's drive to make it easier to do business in the Overstrand, the aim of this policy is to create leverages to encourage investments to be made towards Overstrand's strategic direction.

Incentives are aimed at promoting the ease of doing business, especially where it relates to large capital and/or catalytic developments.

Investment incentives focus on:

- Spatial targeting
Encouraging and promoting development in identified nodes according to Overstrand Spatial Development Framework and Overstrand Growth Management Strategy and investments towards strategic direction.
- Targeting certain Sectors
The Blue economy, aquaculture, agriculture, nature conservation, tourism, green and renewable energy, warehousing, call centre, financial, medical and health care, and social/affordable housing.

3. REGULATORY CONTEXT

This policy is developed in the context of the following legislation, policies and strategic frameworks:

- 3.1 The Constitution of the Republic of South Africa Act 108 of 1996.
- 3.2 Municipal Finance Management Act (MFMA) Act No 56 of 2003 and related regulation,
- 3.3 Municipal Property Rates Act (MPRA) Act No 6 of 2004,
- 3.4 Municipal Systems Act, Act No 32 of 2000,
- 3.5 Land Use Planning Act (LUPA) Act 3 of 2014,
- 3.6 Overstrand Municipality Property Rates Policy.
- 3.7 Overstrand Municipality Integrated Development Plan (IDP).
- 3.8 Overstrand Municipality Spatial Development Framework.
- 3.9 Overstrand Municipality Amendment by Law on Municipal Land Use Planning 2020.
- 3.10 Overstrand Municipality Developer Contributions Policy.
- 3.11 Overstrand Municipality Tariff Policy.
- 3.12 Overstrand Municipality Long-Term Financial Sustainability Policy.

4. STRATEGIC FOCUS AREAS

This policy aims to inform and guide the provision of incentives for investment within the Overstrand Municipal area.

For any Municipality, the question of how to design a comprehensive incentives strategy must be located within both a global and local context. For the Overstrand Municipality, the local context demands that the municipality carefully balance the incentives packages that encourage investment that is critical for driving economic growth and job creation, with the revenue requirements to address its other strategic policy priorities and service delivery.

While research tends to indicate that incentives are rarely the most important factor in locality decisions by business, they do influence decision making and can play a “tipping point” role. Non-financial incentives, particularly with respect to transparent and consistent administrative procedures are often considered by investors to be more important than incentives with a direct financial benefit. It is the role of the Overstrand Municipality to identify the best mix of both non-financial and financial incentives.

There are a wide range of incentives offered by other spheres of government, most notably the Department of Trade and Industry (DTI); the Overstrand Municipality desires to see these national incentives complemented by a set of incentives that relate to the mandate of local government. The context-specific investment incentive package detailed in this policy document is designed to encourage investment towards the strategic direction of the Overstrand Municipality. Utilising investment incentives for private sector investment will position the Overstrand Municipality as a preferred investment destination both in the Western Cape, South Africa and globally whilst achieving the strategic objectives.

4.1 STRATEGIC DIRECTION ACTIVITIES

The proposed strategic focus areas of the Overstrand Municipality should be enshrined in the Overstrand Municipality's Integrated Development Plan (IDP) and is categorised into five pillars:

- The Opportunity Overstrand Municipality.
- The Well-run Overstrand Municipality.
- The Safe Overstrand Municipality.
- The Caring Overstrand Municipality.
- The Inclusive Overstrand Municipality.

Although incentives can have an impact on all five pillars, this discussion document proposes a focus on the Opportunity Overstrand Municipality and the Inclusive Overstrand Municipality.

The underlying principle of the Opportunity Overstrand Municipality in relation to investment incentives is the attraction of business investment that creates sustainable employment, contributes to the development of key sectors and catalytic development in important spatial nodes. In the long term the right kind of investment in the right place will create the platform for sustainable growth of the Overstrand Municipal area, but also contribute to a Safe and Caring Overstrand Municipality.

The underlying principle of the Inclusive Overstrand Municipality is to ensure accessibility for any qualifying investor/entrepreneur to employment and business opportunities. This includes direct employment created by businesses investing in the Overstrand Municipal area, but also in terms of indirect employment within local business supplying goods and services to new investments.

In terms of strategic context, this is aimed at development not necessarily located in the spatial nodes but in the overall context of Urban and Rural Development. These projects could include development of tourism, agriculture, environmental conservation and establishment of green energy and blue economy projects.

4.2 SPATIAL CONTEXT

The Spatial targets can be categorized in the following categories:

- Economic corridors in previously disadvantaged areas. The main aim is to promote formal socio-economic facilities within previously disadvantaged communities in order to enrich the community and allow the respective community to live, play and work without having to travel long distances. Refer to Annexure A.
- Economic Opportunity nodes as identified in terms of the Overstrand Municipal Spatial Growth Management Strategy where the main aim will be to increase the footprint of existing economic activities. Refer to Annexure B.

5. DESIRED OUTCOMES

This Investment Incentive Policy aims to:

- 5.1 Enhance the creation of a favourable economic climate to attract and retain investment in the Overstrand Municipality area,
- 5.2 Create favourable conditions for investors to participate in the implementation of key catalytic projects and initiatives,
- 5.3 Define the investment incentive package available to investors; and
- 5.4 Provide the necessary principles, processes and approval procedures that will enable a transparent incentive program.

6. GENERAL PRINCIPLES

The following principles have guided the development of the incentive packages described in Table 1 and Table 2.

6.1 Principle 1: Employment Creation

The investment incentives must be tied to the attainment of the Municipality's developmental goals of which job creation is foremost. The goal, of incentive provision is not to simply enhance business profit margins with little or no broader socio-economic impact. Rather, investment incentives must be used to support and enhance sustainable job-creating private sector investment. In this respect a business 'eligibility for incentives' should be conditional upon the creation of a prescribed number of jobs.

6.2 Principle 2: Affordability

The incentives package must not place undue pressure on the Municipality's finances. A Municipality should not sell services below cost to business. Where possible, high impact but low cost 'soft incentives' such as expedited approval times; and increased administrative efficiency in the dealing with applications, should be targeted. Financial incentives should be limited to application cost in order to make the opportunity to enter into the economy more accessible.

6.3 Principle 3: Transparency and Uniformity

The incentives should be non-discriminatory and should be applied with uniformity and transparency. The granting of investment incentives should be done according to a set of predetermined criteria. This set of criteria will be consistently applied to all businesses applying for incentives. Information on the nature of the granted incentives should be public knowledge.

6.4 Principle 4: Sectoral Targeting

The investment incentive will only be applicable in specific areas as set out in Annexure A. Incentives will be mainly geared towards priority sectors as outlined in the eligibility criteria. The aim is to attract and/or push specific investment into specific areas in line with the municipal Spatial Development Framework.

6.5 Principle 5: Spatial Targeting

Investment incentives are most effective when they are spatially targeted. This is for the following reasons:

- Spatial targeting maximizes the socio-economic return of incentives by focusing on areas with strong potential, but which are currently underperforming
- Spatial targeting enables the Municipality to achieve its development objectives in specific areas thereby addressing issues of spatial inequality

The spatial targeted area should align with Overstrand SDF and Overstrand Growth Management strategy.

6.6 Principle 6: Simplicity

Ascertaining whether a business is eligible for an incentive and subsequently obtaining an incentive should not be an onerous task for investors. The criteria for incentive provision should be easy to understand. The structure and administration of the investment incentives should not require excessive administration, thereby minimizing staff and financial impacts. This to ensure quick turnaround times for applications.

6.7 Principle 7: Legality

The incentives that are provided must be subject to the relevant legislation and planning parameters. Incentives cannot conflict with legislation, nor should they be provided to companies or persons not in good standing with the law.

6.8 Principle 8: Complementarity and alignment

A Municipality's Investment Incentives Policy should directly reflect its mandate as a separate and independent sphere of government i.e., it should relate to incentives that the Municipality can uniquely provide, and which will help to achieve the key strategic objectives of the Municipality as identified in the IDP and other strategic documents.

6.9 Principle 9: Continuous Review

The policy needs to be reviewed continuously in order to ensure it stays relevant and that the Municipality achieves the relevant outcomes anticipated by the policy.

7. INVESTMENT ENABLING FACTORS

The municipality utilizes a number of tools aimed at fast tracking, unblocking and reducing red tape in doing business in Overstrand; these include:

- a. The Development and Investment Committee.
- b. Infrastructure Master Planning; and
- c. Investment in the Business and Economic Corridor, nodes and strategic direction.

8. THE INVESTMENT INCENTIVE PACKAGE

The following incentives are offered to qualifying Investors in terms of the eligibility criteria:

Table 1: Non-Financial Incentives

Serial no	Category	Description
1.	Dedicated Investment Facilitation Committee	A dedicated Development and Investment Committee to assess applications.
2.	Fast Tracked Development Application Process	a) Guaranteed development application time frames, including provision of pre-lodgement meetings, dedicated assistance, and guidance. b) Timeframe commitments for compliant applications are as follows: • Land-use application: six (6) months. • Building plan approval: 14 days
3.	Property Locality and availability assistance	Assistance to prospective Investors searching for ideal development sites or building premises within Overstrand Municipal area.

Table 2: Financial Incentives

Serial no	Category	Description
1.	Development Application Fees	Applies to all land use and building plan fees. Reduced building plan application fees and land use management application fees apply to non-residential development as follows: i. Building plan application fee. • If the building is less than 1000m² - 30% rebate on scrutiny fees. • If the building plan is more than 1000m² - 50% rebate on scrutiny fees. ii. Land use management application fee: • In economic corridors (Disadvantaged areas) - 100% rebate on land use applications • 50% in economic nodes Applicable to applications relating to: Strategic sectors such as agri/aqua culture, nature conservation, tourism, green energy, <u>the blue economy</u>, warehousing, call centre, financial and medical.
2.	Rebate on Municipal Property Rates portion (Value of improvements)	• Development value (value of improvements) of R20m to R40m – 100% rebate for 1 year, which period will be affected from date of final approval of the development. • Development value (value of improvements) of > R40m – 100% for 2 years, which period will be affected from date of final approval of the development.

9. ELIGIBILITY AND COUNTER-PERFORMANCE CRITERIA

The following criteria will be applied to determine investor eligibility for incentives:

1. General Criteria	The investment must constitute a new development or expansion of an existing investment within the economic corridor or nodes (value of investment to be > R5 000 000) In previously disadvantaged areas value of investment to be > R2 000 000.
2. Sectoral Criteria	a) The Investment incentive package is specifically targeted to businesses operating in the following manufacturing sectors: - i. Agri/Aqua culture and Blue Economy ii. Nature conservation iii. Tourism iv. Green Energy v. Warehousing, vi. Call centre, vii. Financial viii. Medical and Health Care b) In line with Council priority projects, incentives will be available for the following Initiatives: - • CBD regeneration projects (mixed use residential and retail facilities)
3. Employment Creation	Applies to both sectoral and spatial criteria. The proposed investment must create new and sustainable full-time employment to be eligible for the Investment Incentives package (must create 10 or more permanent jobs). In previously disadvantaged areas (must create 5 or more permanent jobs)
4. General conditions	a) The applicant must be in good legal standing, b) The municipality accounts linked to the property owner or investor must be fully paid before entering into an investment contract.

5. Counter- performance criteria and proviso's	a) Failure to start development within 12 months, or not completing the development within three (3) years, will result in the approved investment incentive package lapsing and deferred payments becoming payable. b) Job targets should be reached within 24 months of the commencement date of operation. Failure to do so will result in all approved incentives contracts lapsing and deferred payments becoming payable. c) The investment must be consistent with the provisions of the Integrated Development Plan and Spatial Development Framework as approved by Council, and subject to relevant land-use and building control approval. d) The applicant and all businesses associated with it must be in good standing, with Council and SARS. e) The premises from which the business will be operating must comply with the National Building Regulations and Standards Act, f) The investment must comply with all applicable legislation or policy, and g) All financial incentives are subject to the Council's budgeting processes as prescribed by National Treasury.

10. APPLICATION AND ASSESSMENT PROCESS

- 10.1 Applications for the Investment Incentive Package are to be made formally through an approved application process. The Development and Investment Committee in the Office of the Municipal Manager serves as the single point of contact.
- 10.2 Applications will be evaluated as per the eligibility criteria. Other factors to be considered include but are not limited to:
- Expected economic impact of the project/business,
 - Income generation for residents,
 - Level to which the project contributes to economic diversity,
 - Growth potential of the business and access to market,
 - Ability to leverage additional economic growth in the future,
 - Corporate Social Investment spend, and
 - Anticipated environmental Impacts of the project.
- 10.3 A person as appointed or nominated by the Municipal Manager shall complete an evaluation report of the incentive application together with a draft incentive contract, which shall be approved by the Municipal Manager, and

- 10.4 If the criteria are not met, applicants will be informed and discussions may be entered into around adjustments to scope, which could allow for further consideration.

11. APPROVAL PROCEDURE

- 11.1 The Municipal Manager is mandated to approve the Investment Incentive package; and
- 11.2 The signed incentive contract shall become the legal binding agreement between Overstrand Municipality and the investor.
- 11.3 The following require incentive approval from Mayoral Committee:
- Projects outside the policy framework and criteria, which will require special assistance or is of special importance to the development of the economy.

12. ROLE PLAYERS

To ensure effective implementation of this Investment Incentive Policy, the following Department/Divisions are responsible for the management of certain incentives.

Role-players	Key Responsibilities
Office of the Municipal Manager	➤ Function as a one-stop shop for investments in the Overstrand area. ➤ Responsible for the development administering and monitoring of the Investment Incentive Policy.
Town and Spatial Planning Department	Responsible for conceptualizing spatial targeting of incentives in identified catalytic zones.

13. MONITORING AND EVALUATION

- a. The office of the Municipal Manager is responsible to monitor the implementation of this policy.
- b. A comprehensive assessment of the Investment Incentive Policy will be conducted after three years from the date of Council approval.
- c. The Investment Incentive Policy must be reviewed annually to ensure that it complies with the Municipal strategic objectives and current legislation, and
- d. Council reserves the right to review, replace or abolish any incentive contract

14. SPATIAL AND STRATEGIC CONTEXT

14.1 STRATEGIC DIRECTION SECTORS

- ❖ Agriculture
- ❖ Aquaculture
- ❖ Blue Economy
- ❖ Call centre
- ❖ Financial
- ❖ Green Energy
- ❖ Medical and Health Care
- ❖ Nature conservation
- ❖ Social and Affordable housing
- ❖ Tourism
- ❖ Warehousing

14.2 BUSINESS CORRIDORS & NODES FOR EXISTING SETTLEMENTS IN THE OVERSTRAND MUNICIPAL AREA

Refer to Annexure A.

14.3 ECONOMIC OPPORTUNITY NODES AS IDENTIFIED IN THE OVERSTRAND MUNICIPAL SPATIAL GROWTH MANAGEMENT STRATEGY

Refer to Annexure B.

15. IMPLEMENTATION AND REVIEW PROCESS

This policy will come into effect on **1 July 2026**.

This policy will be reviewed at least annually or when required by way of a Council resolution.

POLICY SECTION:	Planning & Development
CURRENT UPDATE:	29 MAY 2025
PREVIOUS REVIEW:	31 MAY 2024
APPROVAL DATE	29 AUG 2022



FLEET MANAGEMENT POLICY

GENERAL EXPLANATORY NOTE:

[] Words in bold type in square brackets indicate omissions from existing enactments.

_____ Words underlined with a solid line indicate insertions in existing enactments.

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1. PURPOSE

The purpose of this Policy is to regulate, control, [and] monitor and optimise the utilisation, maintenance and safeguarding [use] of official vehicles of the Overstrand Municipality in a manner that:

1.1 Supports uninterrupted and effective municipal service delivery;

1.2 Ensures that the users of official vehicles comply with all applicable legislative, regulatory and [uniform] policy frameworks and procedures in respect of fleet management.

1.3 Ensures that official vehicles are optimally and effectively used for the rendering of municipal services.

1.4 Ensures cost-effective and efficient usage of available funding in respect of fuel and maintenance.

1.5 Prevents possible abuse / misuse and unauthorised use of official vehicles.

1.6 [Enhances] Promotes safe, responsible, and environmentally conscious driving [and usage] practices in respect of official vehicles, and

1.7 Enables data-driven fleet planning, budgeting, and decision-making.

2. DEFINITIONS

For this Policy and the following definitions shall apply:

Officials

Any person who is permanently or temporary employed or contracted by the Overstrand Municipality.

Official Vehicle

All vehicles registered in the name of Overstrand Municipality and all vehicles from the Provincial Government of the Western Cape made available by way of an official agreement to be utilise by Overstrand Municipality.

Authorised Driver

An authorised driver is an official of Overstrand Municipality who holds the prescribed applicable valid driver's License and are competent to operate such vehicle, and who has been duly authorised to drive an official vehicle from external service prover by a Vehicle Administrator who has the authority to grant such approval.

Fleet Management

The centralised function responsible for the strategic, operational, financial, and administrative management of the municipal vehicle fleet.

Official Vehicle

Any vehicle registered in the name of the Overstrand Municipality or made available through an approved agreement with another sphere of government or an external service provider.

Vehicle Administrator

Vehicle administrator is a designated Senior-/Manager of Overstrand Municipality who is responsible for the allocation of official vehicles to authorised drivers, in his/her department/directorate.

3. STATURORY AND LEGAL FRAMEWORK

This Policy **[must comply with]** is informed by and must be implemented in compliance with all relevant legislative requirements, including:

3.1 The Constitution of the Republic of South Africa, 1996 **(Section 217):**

3.2 Municipal Structures, Act 117 of 1998

3.3 Municipal Systems, Act 32 of 2000

3.4 Municipal Finance Management, Act 56 of 2003

3.5 National Road Traffic (NRTA), Act 93 of 1996

3.6 Occupational Health and Safety, Act 85 of 1993

3.7 Overstrand Municipality: Asset Management Policy

3.8 Overstrand Municipality Supply Chain Management Policy; and

3.9 Any other applicable legislation, regulations, and Council-approved policies

4. SCOPE

4.1 This policy applies to all officials and Councillors of Overstrand Municipality and governs the use and maintenance of all the official vehicles of the Overstrand Municipality.

4.2 A councillor may, in exceptional circumstances, upon good cause shown, and with the approval of the Mayor or Speaker, utilize the municipal-owned vehicle for official purposes, **subject to written approval by the Mayor or Speaker.**

4.3 If a councillor uses a municipal-owned motor vehicle for official purposes such as a councillor will not be reimbursed for kilometers travelled.

4.4 Members of the public may not operate/drive an official vehicle. **(Unless a municipal vehicle needs to be tested by the manufacturer or allocated merchant during repair or maintenance process. Authorized proof for trip to be accompanied by the driver)**

4.5 Any employee who receives essential vehicle assistance, car allowance or any other form of transportation allowance, may not operate/drive an official vehicle, subject to approval being granted as stipulated in 4.6 below.

4.6 If the requirement arises that an unauthorised driver/operator requires to use an official vehicle to fulfil his/her official duties, prior permission can be granted by the relevant Director in writing, to use an official vehicle. The usage may be required either due to:

- 4.6.1 His/her vehicle not available, in which case repayment or partial repayment may be required,
- 4.6.2 A requirement to operate a specialised vehicle, such as a cherry picker, refuse compactor truck, emergency services vehicle.
- 4.6.3 A group of municipal officials/councillors requires the use of the minibus to conduct their official duties. The minibus can be booked at the Fleet Management offices.
- 4.7 A group of members of a statutory committee(s) of the Municipal Council may be transported for official business in a minibus subject to approval by the relevant Director.
- 4.8 Authorisation from the relevant Director/Manager of an official vehicle shall be submitted to Fleet Management before the use of the official vehicle.

5. STRATEGIC FLEET MANAGEMENT PRINCIPLES

Fleet Management shall be guided by the following strategic principles:

- 5.1 **Lifecycle Costing:** Vehicles shall be managed based on total cost of ownership (TCO), including acquisition, maintenance, fuel, insurance, downtime, and disposal costs.
- 5.2 **Standardisation:** Vehicle specifications shall be standardised where operationally feasible to reduce maintenance costs and improve operational efficiency.
- 5.3 **Right-Sizing:** Fleet size and composition shall be aligned to operational demand, avoiding underutilisation or excess capacity.
- 5.4 **Data-Driven Decisions:** Fleet planning, replacement cycles, and budgeting shall be informed by verified utilisation, maintenance, and cost data.
- 5.5 **Sustainability:** Fuel efficiency, emissions reduction, and alternative technologies shall be considered where feasible and cost-effective.

6. VEHICLES OF EXTERNAL SERVICE PROVIDERS (RENTAL VEHICLES)

Where an official of Overstrand Municipality utilised a vehicle from an external service provider, the policies and conditions of the service provider must be accepted and adhered to by such an authorised driver.

7. RESPONSIBILITIES OF FLEET MANAGEMENT

The Fleet Management Section is largely responsible for the management and control of the vehicle fleet regarding:

- 7.1 Strategic planning and policy implementation;
- 7.2 Procurement of vehicles and related fixtures, replacement planning, and disposal coordination;
- 7.3 Centralised maintenance, **[and]** servicing and repair management of vehicles and related fixtures;

- 7.4 Fuel management and expenditure monitoring;
- 7.5 Safeguarding and compliance monitoring of vehicles;
- 7.6 Financial and other fleet data management, reporting, and audit support [administrative record-keeping] related to vehicles;
- 7.7 Oversight of tracking systems and utilisation analytics;
- 7.8 Inspection of all vehicles on at least a quarterly basis;
- 7.9 Ensure allocation of vehicles to vehicle administrators/authorized drivers;
- 7.10 Deal/assist with investigations regarding any incidents related to misuse/in appropriate use and accidents; with regard to the vehicle fleet;
- 7.11 **[Financial and other administrative duties (including record-keeping) related to the vehicles fleet, and]**
- 7.12 Ensure timely communication regarding matters related to fleet management to all affected stakeholders.

8. RESPONSIBILITIES OF VEHICLE ADMINISTRATORS

Vehicle Administrators shall:

- 8.1 Allocate vehicles, including the keys, logbook and, if applicable, fuel card in accordance with operational requirements, and care must be exercised that all the issued items are returned to the vehicle administrator;
- 8.2 Ensure that only authorised and licensed drivers operate vehicles;
- 8.3 Verify logbooks, fuel slips, and inspection records monthly;
- 8.4 Ensure timely servicing, cleaning, and repairs;
- 8.5 Report irregularities, incidents, or misuse to Fleet Management; and
- 8.6 Maintain departmental compliance and accountability.

9. RESPONSIBILITIES OF AUTHORISED DRIVERS

- 9.1 The full cooperation of all employees that make use and are dependent on the vehicle fleet to execute their official duties are always required to ensure that Overstrand Municipality's Fleet Management System functions in an effective and efficient manner.
- 9.2 All authorised drivers/ and vehicle administrators are expected to accept and exercise the responsibilities associated with the operation of vehicles, as prescribed in this policy.
- 9.3 The authorised drivers shall be held accountable for the vehicle in his/her possession.

9.4 Authorised usage

- 9.4.1 The vehicles shall only be driven by appropriately licensed and duly authorised officials on official duty who must ensure that their driving licenses are always valid and are renewed before the expiry date.
- 9.4.2 All employees shall travel in one official vehicle as far as reasonably possible.
- 9.4.3 All authorised drivers shall sign the Fleet Management Policy before they are permitted to drive an official vehicle.
- 9.4.4 All official vehicles must be issued with a logbook (hard copy or electronic). The authorised driver is responsible to record all his/her trips in the logbook on a daily basis.
- 9.4.5 Officials shall use the official vehicles only for execution of official duties.
- 9.4.6 Officials may not tamper with the speedometer or any part of an official vehicle.
- 9.4.7 Official vehicles may only be utilised as per the applicable prescribed license requirements.
- 9.4.8 No official vehicle shall be used for unofficial training.
- 9.4.9 When an official vehicle requires fuel/oil, the official vehicle shall obtain the supplies on route, or at the closest filling station if it is safe to do so.
- 9.4.10 Authorised drivers shall adhere to the manufacturer's specifications and the National Road Traffic, Act 93 of 1996 (NRTA) to prevent overloading or incorrect load distributions.
- 9.4.11 All loads shall be properly secured.
- 9.4.12 Authorised drivers shall accept responsibility for the official vehicle and its load, and for safe driving practices.
- 9.4.13 Authorised drivers shall adhere to all traffic regulations whilst supporting green band driving. (Green band driving is a measure of the use of the most efficient range of the engine).
- 9.4.14 Radiator coolant level needs to be checked before start-off trip daily or when filling with fuel at the filling station, as well as the oil level, brake fluid level and windscreen washer water level, if touch-up is required, fill up to the level as indicated on the level mark. [No water shall be used to top up engine coolant. Only pre-mix antifreeze shall be used that can be obtained from the Municipal Stores.]

9.5 Valid Driver's License

- 9.5.1 Officials who are authorised to drive an official vehicle must have of a valid driver's license in terms of the National Road Traffic, Act 93 of 1996 (NRTA) for the particular class of vehicle utilised by him/her.
- 9.5.2 It is the responsibility of the official to inform his/her dedicated vehicle administrator in the event of his/her driver's license being revoked or suspended.
- 9.5.3 Vehicle administrators must ensure that no official operates an official vehicle without a valid driver's license.

9.6 Public Drivers Permit

- 9.6.1 Authorised drivers who in terms of prescribed legislation must have of Public Drivers Permits (PDP) must ensure that their Public Drivers Permits (PDP) are always valid and are renewed before the expiry date.
- 9.6.2 Overstrand Municipality will bear the costs of all authorised drivers who in terms of their job requirements must possess a Public Drivers Permit (PDP).

9.7 Public Image

- 9.7.1 All official vehicles shall be driven safely and courteously, which will promote the Overstrand Municipality's public image.
- 9.7.2 All official vehicles must be branded with an identifiable approved official logo, excluding official vehicles utilised by Councillors.

9.8 Tidiness

- 9.8.1 Official vehicles should at all times be kept in a neat and tidy condition by employees.
- 9.8.2 Upon returning from each trip, official vehicles must be cleared of all items not belonging in the vehicle (refuse, personal items, etc.).
- 9.8.3 Vehicle administrators shall ensure that all official vehicles are washed and vacuumed at least on a bi-weekly basis.

9.9 Careful Handling

Official vehicles shall at all times be driven and handled with proper care and attention to obtain the best mechanical service and avoid infringements of the law.

9.10 Inspections of Official Vehicles

- 9.10.1 Pre- and post-inspections of official vehicles are to be carried out by each authorised driver before embarking on a trip and after completion of a trip and/or daily to ensure that the vehicle is in a roadworthy, safe working and clean condition, by also completing the prescribed pre- and post-inspection form.
- 9.10.2 All yellow machines (i.e. diggers, loaders, graders, excavators, compactors) must be greased as per manufacturer's specifications by the relevant authorised driver.
- 9.10.3 Refuse compactors will be greased weekly by the relevant authorised driver, based on the schedule provided by the vehicle administrator.
- 9.10.4 The abovementioned inspection forms must be presented to his/her vehicle administrator on a weekly basis.
- 9.10.5 Any damage/defects found by the authorised driver during the course of the inspection must be reported in writing the same day to his/her vehicle administrator who must report it to the Fleet Management Department for further action.
- 9.10.6 The last authorised driver of an official vehicle will be held responsible for any unreported damage/defects/loss.
- 9.10.7 If during an inspection it is found by an authorised driver that a license disc and/or number plate is lost, destroyed, expired or illegible, matter(s) must be reported without delay to his/her vehicle administrator who must report it to the Fleet Management Department for further action. The vehicle shall not be utilised until at such a time that the vehicle is deemed roadworthy.
- 9.10.8 All official vehicles must be available for periodical inspection upon the instruction of the Fleet Management Department.
- 9.10.9 Employees may not display and/or affix any private signs, mascots, stickers or advertising material, on an official vehicle.
- 9.10.10 All vehicles fitted with a turbocharger must be idled for 2 minutes after start-up, and before switching the engine off the engine must also be idled for 2 minutes.

9.11 Safety

- 9.11.1 Authorised drivers shall adhere to traffic rules and legislation and ensure that their passengers also adhere to such legislation, including the fastening of seat belts.
- 9.11.2 Any vehicle that is not deemed to be roadworthy will not be allowed to be operated and must be reported to the Fleet Management office by the vehicle administrator immediately.
- 9.11.3 All hydraulic lifting equipment shall annually be safety tested by an authorised load testing facility as prescribed by the Occupational Health and Safety, Act 85 of 1993. Lifting equipment not tested will be deemed unsafe and will not be used.
- 9.11.4 Cell phones shall not be used (including texting) whilst the authorised driver is operating an official vehicle.

10. SAFE DRIVING

10.1 Traffic Fines

- 10.1.1 Overstrand Municipality will not pay any traffic fines and the authorised driver of the official vehicle, as specified on the vehicle requisition form, will be held liable for all traffic fines issued while the said official vehicle has been entrusted to him/her.
- 10.1.2 No employee will receive any financial assistance from Overstrand Municipality for payment of any fines and the official driver must ensure that the traffic fine(s) is paid on or before the due date as stipulated in the Fine Notice.
- 10.1.3 Traffic fines shall be transferred to the authorised driver.

10.2 Speed Limit

- 10.2.1 In terms of section 59(4) of the National Road Traffic, Act 93 of 1996 (NRTA) no person shall drive a vehicle on a public road at a speed in excess of the general speed limit which applies in terms of that road, or at a speed in excess of a speed limit indicated by an appropriate road traffic sign or in excess of the speed limit prescribed by the Minister in respect of the class of vehicle concerned.
- 10.2.2 Official vehicles may not be driven at a speed limit that may endanger the lives of passengers and/or other road users.
- 10.2.3 The speed must be adjusted to suit weather conditions; road conditions and the particular type of vehicle being used.

10.3 Night Driving: Correct use of Vehicle Lights

All authorised drivers of official vehicles must strictly adhere to Regulation 157 of the National Road Traffic, Act 93 of 1996 (NRTA) which requires, inter alia, that vehicle lights be operational at any time from sunset to sunrise and “at any other time when, due to insufficient light or unfavourable weather conditions, persons and vehicles upon the public road are not clearly visible at a distance of 150 meters”.

10.4 Unattended Official Vehicles

The authorised driver of an official vehicle must turn off the ignition, close all windows and lock the doors and, if applicable, close and lock the boot or canopy

windows and doors of the vehicle, whenever the vehicle is left unattended, excluding emergency vehicles when operationally active.

10.5 Testing of Authorised Drivers

Any authorised driver can at any time be instructed by Fleet Management to pass a competency test at the Traffic Department.

[11 DUTIES OF VEHICLE ADMINISTRATORS

11.1 When an official vehicle is issued to an authorised driver, the vehicle keys vehicle logbook and, if applicable, fuel card must be handed over to the driver and care must be exercised that all the issued items are returned to the vehicle administrator.

11.2 The authorised driver must, at the end of his/her trip record the details as required in the official vehicle logbook and sign off the logbook, before handing the logbook back to the vehicle administrator.

11.2.1 On receipt of the vehicle logbook, the vehicle administrator must check that all trips that were undertaken by the authorised driver are recorded on the vehicle log sheet to ensure accuracy and completeness.

11.2.2 If the vehicle administrator is satisfied that the information on the vehicle log sheet is correct, he/she must sign off the vehicle log sheet(s) as evidence that the information is correct, where after it must be submitted to the Fleet Management Department by no later than the 7th working day of each month.

11.2.3 The vehicle administrator must submit to the Fleet Management Department, by no later than the 7th working day of each month, fuel slips, attached to the relevant copies of the vehicle log sheets for fuel/oil and tolls.

11.2.4 Vehicle inspection sheets will be kept on file by the vehicle administrator and shall be made available to the Fleet Management Department for inspection from time to time.

11.3 It is the responsibility of the vehicle administrator to ensure that all vehicles are timeously cleaned, greased, booked for services and repairs with the Fleet Management Department.]

11 VEHICLE LOGBOOKS

Each authorised driver shall record in the vehicle logbook legibly and accurately details of the trip, as well as the closing kilometer reading of the odometer upon return of the official vehicle to establish the distances travelled per journey.

12 VEHICLE KEYS

12.1 All official vehicle keys must be safely secured in a lockable storage facility (provided by the vehicle administrator) when the vehicle is not in use.

12.2 A designated driver to whom an official vehicle is entrusted must personally and at all times ensure that the vehicle keys are in safe custody and that they are not lost or do not fall into the hands of unauthorised persons

- 12.3 Should vehicle keys be lost, measures should immediately be taken by the authorised driver to safeguard the vehicle against theft or unauthorised usage. The loss of the vehicle keys must be reported immediately to the vehicle administrator and Fleet Management.

13 SAFEGUARDING OF VEHICLES

The authorised driver of the official vehicle of Overstrand Municipality must take all reasonable steps to ensure the safeguarding of municipal property in official vehicles (i.e. fuel, accessories, and tools) against theft and/or damage, even in instances when the official vehicle is vacated by the authorised driver.

14 FUEL, OIL AND TOLL GATE SLIPS

The fuel, oil and toll gate slips must be attached to the trip sheet and must be handed in by the relevant authorised driver of an official vehicle to the vehicle administrator, for dispatch to the Fleet Management Department as prescribed in this policy.

15 AFTER HOUR USAGE

- 15.1. Authorised drivers of Overstrand Municipality may be approved to utilise official vehicles after normal working hours or over weekends based on operational requirements.
- 15.2. Where official vehicles have to be utilised after normal working hours the applicable vehicle administrator must authorise the prescribed official vehicle for overnight usage.
- 15.3. The authorised driver shall ensure that the official vehicle is parked at a secure location, **at least behind locked gates**, as the authorized driver will be held accountable for any damages or loss whilst the vehicle is in his/her possession.

16 IRREGULAR USE OF OFFICIAL VEHICLES

16.1 Alcohol/Drugs/Prescribed Medicine/Personal Gain

- i. Authorised drivers may not drive an official vehicle when under the influence of alcohol or drugs.
- ii. Authorised drivers may not smoke any tobacco products while in an official vehicle.
- iii. Authorised drivers may not drink any liquor and/or take any illegal drugs while being in or on an official vehicle.
- iv. Authorised driver who are on any form of prescribed medication which may affect his/her driving capabilities must notify his/her supervisor accordingly by providing a letter from a registered medical practitioner.

16.2 Passengers

- i. Any passenger who is not in the employment of Overstrand Municipality must be authorized by the relevant Director (Departmental Head) to be transported for the purposes of official business of the Municipality.
- ii. The last-mentioned approved passenger must sign the prescribed indemnity form before embarking on a journey.

17 PROHIBITION OF EMPLOYEES FROM DRIVING OFFICIAL VEHICLES

The Municipal Manager reserves the right to prohibit an employee from driving an official vehicle, either on a temporary or permanent basis, should circumstances deem it necessary.

18 LIABILITY FOR LOSS OR DAMAGE

An employee of Overstrand Municipality, who has been found guilty in terms of the Disciplinary Procedure and Code Collective Agreement for the loss of or damage to an official vehicle, may be held liable for such loss or damage.

19 PUBLIC LIABILITY

The use of official vehicles may expose an employee to public liability in the event of an accident if the accident is found to be caused by the driver's negligence.

20 MAINTENANCE OF OFFICIAL VEHICLES

20.1 The vehicle administrator must keep a record for the servicing of vehicles to ensure that all official vehicles are released for servicing timeously and that the vehicle is delivered (and collected) to the identified Mechanical Workshop.

20.2 Any defects, faults or breakdowns which are experienced on the route during official journeys, must be reported by the authorised driver to the vehicle administrator, who must make the necessary arrangements with Fleet Management Department for repairs to be executed.

21 TRACKING DEVICE

All employees should take cognisance of the fact that official vehicles may be equipped with a tracking device.

22 MECHANICAL OR OPERATIONAL FAILURE

22.1 When mechanical or operational deficiencies occur while an official vehicle is being used, the employee must immediately contact the relevant vehicle administrator who must arrange with the Fleet Management Department to attend to the matter.

22.2 Under no circumstances may an employee of Overstrand Municipality continue to operate an official vehicle if the operation could endanger any person, property or the vehicle itself.

22.3 When official vehicles are experiencing breakdowns or are stuck, the authorised driver of such a vehicle shall inform his vehicle administrator who must arrange with the Fleet Management Department for the recovery of the vehicle. No person is authorised to tow an official vehicle unless approved by the Fleet Management Department.

23 ACCIDENTS

In the event of an accident/ incident the following procedures shall apply, irrespective of the severity of the accident/incident:

- 23.1 Where possible authorised driver/employees on the scene must contact the law enforcement officers for assistance and also inform the Fleet Management Department.
- 23.2 Under no circumstances shall liability be admitted or unguarded statements be made to any person or payment offered or made to a third party.
- 23.3 Obtain as soon as possible the following information:
- i. Registration number, make and type of vehicle involved in accident
 - ii. Names and addresses of persons involved in the accident/incident
 - iii. Insurance particulars of involved parties
 - iv. Names and addresses of any person that can act as a witness, including occupants of involved vehicles
 - v. Take photos of the accident/ incident with your cell phone if available.
- 23.4 It is the responsibility of the authorised driver of an official vehicle to also immediately report any accident/incident to the relevant vehicle administrator and the South African Police Service, subject thereto that if it is not possible to report the accident immediately, it must be reported within 24 hours.
- 23.5 If involved in any kind of accident/incident the authorised driver where possible, shall submit within 24 hours after the accident to his/her vehicle administrator all documentation as per the Overstrand Municipality: Asset Management Policy.
- 23.6 The vehicle administrator shall within 48 hours submit the documentation as prescribed above (in 23.3) to the Assets Department.
- 23.7 The vehicle administrator shall return the affected vehicle and copies of documentation prescribed above (in 23.3) to the Fleet Management Department within 48 hours.

24 DISCIPLINARY ACTION

An employee who transgresses the prescriptions of this Fleet Management Policy will be subject to the possibly disciplinary action.

25 CRIMINAL PROCEDURES

The Municipal Manager, a third party or the National Prosecuting Authority of South Africa may institute criminal charges against an employee in a court of law should applicable legislation deemed it necessary.

26 EFFECTIVE DATE

The Fleet Management Policy will become effective on **01 July 2026 [2025]** upon approval by the Council of Overstrand Municipality.

POLICY SECTION:	DIVISIONAL MANAGER: EXPENDITURE, ASSETS, FLEET AND LOGISTICS MANAGEMENT
CURRENT UPDATE	[29 MAY 2025]
PREVIOUS UPDATE	29 MAY 2025
PREVIOUS UPDATE	31 MAY 2024
PREVIOUS UPDATE	25 NOV 2020
PREVIOUS REVIEW	27 MAR 2013
APPROVAL BY COUNCIL	28 MAY 2008

ANNEXURE "A": TRIP AUTHORITY



Vehicle Registration Number:

Driver Details:

Name:										Surname:									
Drivers Licence No:										Expire date: / /									
PDP Licence: tick off ☒ YES ☐ NO										If yes, expire date: / /									
Department:										Personnel no:									
Contact number:																			

Trip Details:

Designation:																			
Reason for Trip:																			
Departure Date:										Date Return: / /									
Specify period if leaving area daily for more than 1 consecutive date										Datum									
										from / /									

Passenger Details: (if any)

NO	INITIAL & SURNAME	DEPARTMENT/ ORGANISATION	PERSONNEL NO / ID. NO
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			

I hereby certify that the abovementioned details are correct.

Signature of driver: _____ **Date:** _____

Trip Approved by:

MANAGER or OTHER AUTHORISED PERSON			
Name		Surname:	
Signature:		Date:	

NOTES:

1. Original Trip Authorisation form must be kept in the vehicle for the duration of the trip.
2. If passengers are not municipal official or councillors, each passenger must complete an indemnity form.
3. **The following supporting documents must be submitted to Fleet Management before date of departure:**
 - (a) Copy of approved trip authorisation form
 - (b) Copy of driver's licence
 - (c) Proof of purpose of the trip/ journey
 - (d) Indemnity form (where applicable)

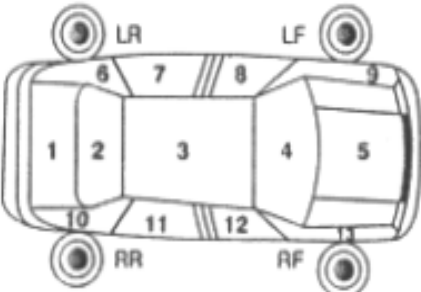
Annexure "B": Pre-drive inspections of vehicles/plant

OVERSTRAND MUNICIPALITY DAILY REPORT ON CONDITION OF MUNICIPAL VEHICLE								ANNEXURE "B"							
**MARK IN THE RELEVANT SPACE - √								☒							
REGISTRATION NUMBER:				ADMINISTRATION:				DEPARTMENT:							
DRIVER SURNAME:								DRIVER INITIALS:							
	MON	TUES	WED	THUR	FRI	SAT	SUN		MON	TUES	WED	THUR	FRI	SAT	SUN
WORKING ORDER								WHEELS AND TYRES							
WINDOWS								PASSENGER FRONT							
BODYWORK								PASSENGER REAR							
UPHOLSTERY								DRIVER FRONT							
CARPETS/MATS								DRIVER REAR							
HOOTER								SPARE WHEEL							
RECORDS								VEHICLE CHECKS							
PETROL CARD								WINDSCREEN WATER							
LOGBOOK								RADIATOR WATER							
LOGO DISPLAYED								BRAKE FLUID							
LICENCE DISC DISPLAYED								ENGINE OIL							
LIC. DISC EXPIRY DATE:		/		/	20			NEATNESS							
LAST SERVICED:		/		/	20										
INDICATE BODY DAMAGE								ELECTRICAL							
TICK		√						INTERIOR LIGHTS							
BODYWORK								INSTRUMENT LIGHTS							
WORN								VENTILATION FAN							
RUSTED								WINDSCREEN WIPERS							
CRACKED/ CHIPPED								HAZARD LIGHTS							
SCRATCHED								HEAD LIGHTS							
DRIVER SIGNED:								PARK LIGHTS							
DATE SIGNED & SUBMITTED:		/		/	20			INDICATORS							
SUPERVISOR SIGNED:								STOP/BRAKE LIGHTS							
DATE SIGNED & SUBMITTED:		/		/	20			DATE FAULTS REPORTED:		/		/	20		
								JOB CARD NO:							

Annexure “C” (PAGE 1): Fleet Management Inspection Fo

VEHICLE INSPECTION SHEET:				VEHICLE LIST NO:							
ADMIN: TICK OFF	KLM	HM	STF	GAN	BARCODE						
VEHICLES DETAILS											
MAKE & SERIES NAME									COMMENTS		
REGISTRATION NO.											
SPEEDO / HOUR READING											
LICENCE EXPIRY DATE	D	D	M	M	Y	Y	Y	Y			
SERVICE DATE/ ODOREADING											
LIGHTS/ SIGNALS - WORKING ORDER											
DRIVER SIDE	Y	N	PASSENGER SIDE				Y	N	COMMENTS		
HEADLIGHTS: BRIGHT			HEADLIGHTS: BRIGHT								
HEADLIGHTS: DIPPED			HEADLIGHTS: DIPPED								
PARK LIGHTS: FRONT			PARK LIGHTS: FRONT								
PARK LIGHTS: REAR			PARK LIGHTS: REAR								
INDICATOR: FRONT			INDICATOR: FRONT								
INDICATOR: REAR			INDICATOR: REAR								
HAZARD LIGHT: FRONT			HAZARD LIGHT: FRONT								
HAZARD LIGHT: REAR			HAZARD LIGHT: REAR								
BRAKE LIGHT			BRAKE LIGHT								
REVERSE LIGHT			REVERSE LIGHT								
TAILLIGHTS			TAILLIGHTS								
HOOTER			HOOTER								
WINDSCREEN WIPERS			WINDSCREEN WIPERS								
FITTING AND EQUIPMENT											
DRIVER SIDE	Y	N	PASSENGER SIDE				Y	N	COMMENTS		
SIDE MIRROR			SIDE MIRROR								
REAR VIEW MIRROR			ODO METER								
DOORLOCK: FRONT/REAR			DOORLOCK: FRONT/ REAR								
WINDOW WINDER: FRONT			WINDOW WINDER: FRONT								
WINDOW WINDER: REAR			WINDOW WINDER: REAR								
WINDOW: FRONT			WINDOW: FRONT								
WINDOW: REAR			WINDOW: REAR								
WINDSCREEN: FRONT			WINDSCREEN: REAR								
SEAT: FRONT			SEAT: FRONT								
SEAT: REAR			SEAT: REAR								
SAFETYBELT			SAFETY BELT								
FITTINGS AND EQUIPMENT	Y	N	FITTINGS AND EQUIPMENT				Y	N	COMMENTS		
WHEEL FLAPS			STEPS								
SHEVRON BOARDS			RETRO-REFLECTOR								
TYRE -CONDITION -TICK OFF											
		GOOD		BAD							
EMERGENCY EQUIPMENT -	Y	N	INSTRUMENT PANEL LIGHTS				Y	N	COMMENTS		
SPAREWHEEL			LIGHT SWITCHES								
TRAILGLES X 2			FUEL GAUGE								
WHEEL JACK			OIL WARNING LIGHT								
WHEEL SPANNER			HEAT GAUGE								
LOAD COVER SHEET			WATER WARNING LIGHT								
			BRAKE WARNING LIGHT								

Annexure “C” (PAGE 2): Fleet Management Inspection Form

BODYWORK	Y	N	Please indicate details of defects/damage on the drawing below				
RUST (R)			COMMENTS				
DENTS (D)							
SCRATCHES (S)							
CHIPPED (C)							
CLEANLINESS							
							
					Y	N	COMMENTS
MECHANICAL	Y	N	License disc displayed valid				
EXHAUST			Service Book/ Sticker				
OIL LEAKS			Logbook				
SHOCKS			Municipal Logo Displayed				
BREAKS			Non-smoking Sticker				
I hereby certify that the above inspection information is correct:							

Inspection Officer:.....	pay no:	date	/...../20__	Signature:
Name of driver:.....	pay no:	date	/...../20__	Signature:
Traffic Officer:.....	pay no:	date	/...../20__	Signature:

Annexure “D”: Logbook

OVERSTRAND MUNICIPALITY								LOGBOOK		1234	
NAME OF DRIVER:								VEHICLE REGISTRATION NUMBER:			
DATE	START TIME	END TIME	DESTINATION	KILOMETRE / HOUR READING		DISTANCE (KM) / DURATION	TOTAL LOADS	FUEL PURCHASED	PURPOSE OF TRIP/ WORKORDER NO.	DRIVER'S PAY NO.	SIGNATURE
				START	END						
/ /	:	:						R			
/ /	:	:						R			
/ /	:	:						R			
/ /	:	:						R			
/ /	:	:						R			
/ /	:	:						R			
/ /	:	:						R			
/ /	:	:						R			
/ /	:	:						R			
TOTAL								R			

I CERTIFY THAT THE ABOVEMENTIONED INFORMATION IS CORRECT.

I CERTIFY THAT THE ABOVEMENTIONED INFORMATION WAS
 VERIFIED AND IS CORRECT.

NAME OF OFFICIAL

DATE

MANAGER or OTHER AUTHORISED PERSON

DATE

Annexure “E”: Incident Form

Vehicle Details:

Vehicle Registration Number:	Make & Model

Description of damage to vehicle:

	JOB CARD NO
.....	
.....	
.....	

Address where accident/ incident occurred:

Date of incident/ accident:	Street Name:	Suburb/Town:
DD / MM / YYYY		

Driver Details:

Name:										Surname:																			
Capacity (post)																													
Department:										Personnel no:																			
I.D. No:																													
Drivers Licence No:										Expire date: DD / MM / YYYY																			
PDP Licence: tick off ✓										YES					NO					If yes, expire date: DD / MM / YYYY									
Contact number:																													

Statement-driver of vehicle:

.....																			
.....																			
.....																			
.....																			
.....																			
.....																			

Name other parties involved:

Name:										Surname:									
I.D. No:																			
Address:																			
										Postal code:									
Contact number:																			

I hereby certify that the abovementioned details are correct.

Signed:

(Driver of Vehicle)

Date: DD / MM / YYYY

.....

(Supervisor / Line Manager)

DD / MM / YYYY

Annexure “F”: Indemnity form by private person to be transported with a Municipal vehicle

TRANSPORT INDEMNITY / RELEASE FORM

I, the undersigned

(Full name and surname in block letters)

I.D. No:													

(Identity Number)

travelling as a passenger in a vehicle or other mode of transportation of the Overstrand Municipality hereby indemnify, release and discharge the Municipality, its Council, Council members, staff members, officials and other persons authorised by the Municipality from all liability arising from claims that I as a passenger and my dependants may have for any injury (including injury resulting in death), however caused, sustained by me and for loss of or damage, however caused, to my personal belongings suffered at any time during the course of my transportation as a passenger in a vehicle or other mode of transportation belonging to the Overstrand Municipality

THUS DONE AND SIGNED AT

ON THIS DAY OF 20....

.....

SIGNATURE OF PASSENGER

.....

SIGNATURE OF WITNESS

COPY AND FILE

Annexure “H”: Acknowledgement of vehicle policy

ALL DRIVERS AND OPERATORS

CONFIRMATION OF COMPLIANCE REGARDING UTILISATION OF COUNCIL VEHICLES AND/OR MACHINES

DRIVER DETAILS:

Full Name (s):								Surname:							
I.D. No:															
Drivers Licence No:					Code		Expire date:	DD / MM / YYYY							
PrDP No.							Expire date:	DD / MM / YYYY							
Department:							Personnel no:								
Administration: TICK OFF (X)	KLEINMOND		HERMANUS		GANSBAAI		STANFORD								
Contact number:															

I, the undersigned hereby acknowledge that I have been authorised to drive a municipal vehicle and that I have received a copy of Council's policy and/or attended a vehicle policy information session regarding the usage and appliance of municipal vehicles. I accept and understand the contents of the policy and regard it as binding.

I am aware that in terms of the use of Council vehicles / machines, I am required to have been issued the necessary appropriate valid driver's licence / permits / documents for the legal use of the Council vehicles / machines.

I hereby certify that the abovementioned details are correct.

SIGNATURE: **DATE:** DD / MM / YYYY

Approved by:

MANAGER or OTHER AUTHORISED PERSON			
Name			Surname:
Signature:			Date:

The following supporting documents must be submitted to Fleet Management with the completed form:
(a) Copy of driver's licence/ permits **(b)** Copy of ID document

COMPLETE IN DUPLICATE / FILE IN PERSONNEL FILE



FLEET ACQUISITION & DISPOSAL POLICY

GENERAL EXPLANATORY NOTE:

[] Words in bold type in square brackets indicate omissions from existing enactments.

_____ Words underlined with a solid line indicate insertions in existing enactments.

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1. PURPOSE

The purpose of this policy is to regulate the management of Council's motor plant and vehicle assets, providing clarity in terms of guidelines relating to vehicle replacement and disposal of fleet assets.

2. OBJECTIVES

The objectives of this Policy are to:

- a) Provide a systematic and accountable method for the disposal of surplus assets, and to ensure the process is transparent and complies with the Municipal Finance Management Act No 56 of 2003, including Municipal Supply Chain Management Regulations published under GN868 in Government Gazette 27636, 30 May 2005.
- b) The Procurement of goods and services by Council must be in accordance with the Legislative framework that is defined in the Municipal Finance Management Act No 56 of 2003, including Municipal Supply Chain Management Regulations published under GN868 in Government Gazette 27636, 30 May 2005.

3. BACKGROUND

The primary role of fleet assets is to support the delivery of services that deliver Council's activities and objectives.

Council is committed to implementing asset management best practices across all areas of Council. This includes ensuring that assets are planned, created, operated, maintained, renewed and disposed of in accordance with Council's priorities for service delivery.

4. DEFINITIONS

In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) has the same meaning as in the Act, and –

- *Disposal Delegation*: is an authority which enables the nominated delegate to authorize the disposal of goods;
- *Fleet Asset*: is any motor plant and vehicle owned and recorded in Council's Asset Register;
- *Plant*: describes any motor machinery and its related equipment, implements, components and fittings;
- *Motor Vehicle*: means a passenger sedan or station wagon, motorcycle or commercial motor vehicle including vans, utilities, buses and trucks;
- *Beyond Economic Repair*: means a classification given to an asset where that asset requires repairs likely to be more expensive than its replacement value.

5. LEGISLATIVE FRAMEWORK

5.1 This policy must comply with all relevant legislative requirements including:

- The Constitution of the Republic of South Africa, 1996
- Municipal Structures Act No 117 of 1998
- Municipal Systems Act No 32 of 2000
- Municipal Finance Management Act No 56 of 2003 ("MFMA"), including Municipal Supply Chain Management Regulations published under GN868 in Government Gazette 27636
- SANS 10090 Community Protection against Fire 2003
- Occupational Health and Safety Act & Regulations Act 85 of 1993
- National Road Traffic Act, 93 of 1996

5.2 This Policy must be read in conjunction with any of the Overstrand Municipality's related approved policies, practices and standard operating procedures addressing specific issues essential for a full understanding of this Policy and which are not dealt with adequately herein, such as:

- Asset Management Policy;
- Supply Chain Management Policy (specifically Part 2 – Acquisition Management and Paragraph 40 – Disposal Management);
- Fleet Management Policy;
- Vehicle & Equipment Maintenance and Replacement Policy for Fire & Emergency Services, Disaster Management and Security Services.

6. IMPLEMENTATION & DELEGATION

Council –

- to act as custodians for plant and vehicle assets;
- approve Council's Fleet Acquisition and Disposal Policy;
- ensure appropriate resources for plant and vehicle replacement activities are made available.

Accounting Officer –

- Appoints members to the Fleet Acquisition, Management & Disposal Committee to provide inputs into Fleet Management Related policies, for the implementation thereof, and to consider and prioritize items of fleet to be either disposed of or to be acquired

Directors –

- Communicate Fleet Asset Acquisition & Disposal across Council and ensure that all staff adhere to this Policy.

All Staff –

- Implement Fleet Acquisition and Disposal Policy within the boundaries of individual responsibilities.
- Staff with delegated authority from the Accounting Officer will place Purchase Orders and enter into contracts on behalf of Council.
- Council staff responsible for purchasing goods and services is to comply with this Policy. It is the responsibility of each Council employee involved in the procurement process to understand the policies as well as their meaning and intent.

7. ACQUISITION OF FLEET ASSETS

When considering the acquisition of fleet assets, Council will take into consideration the comparative long term ownership costs of the asset and evidence of community demand for the provision or retention of the asset.

A formal written request ("Fleet Acquisition and Disposal Request") must be submitted to the Fleet Manager stating the specific need purpose for which the fleet asset will be used. An appropriate vehicle budget allocation shall be provided for in each directorate's budget for the internal charge out rates prior to actioning the request.

8. PROCUREMENT

In accordance with the MFMA, and in relation to the purchase of Council's fleet, the applicable competitive procurement process must be followed for each and every motor plant and vehicle unless a procurement contract is in force at the time.

8.1 Supply Contract

Where a period contract exists, the requirements must be ordered under that arrangement in accordance with the agreed terms and conditions and at the agreed prices without the need to obtain competitive offers or tenders. The only situation where it would be permitted to obtain competitive quotations or utilize a supplier outside of these pre-existing arrangements would be if all the contracted suppliers were unable to supply the goods / services required (e.g. no contractors / goods are available), in which case the purchasing officer will follow the method of 'Invitation to Quote' herein.

All records associated with the purchasing process must be recorded and retained including quotes, correspondence and purchase orders.

8.2 Invitation to Quote

A quote can be obtained from suppliers or use pre-negotiated contracts with Governmental buying groups such as Transversal Tenders. All quotations shall be assessed on the basis of value for money. Council continues to strive for transparency and accountability when dealing with funds, and as such binds itself to procurement based on value for money. Council must request that suppliers ascertain their application of Local Government Pricing in their submitted quotes.

All records associated with the purchasing process must be recorded and retained including quotes, correspondence and purchase orders.

8.3 Public Tender

Tenders are to be advertised publicly by the following methods:

- Newspaper;
- Web; and / or
- Community Notice Boards

The tender must remain open for at least 14 days from the date the tender is advertised. Care must be taken to ensure that 14 full days are provided as a minimum.

Each tenderer shall be notified of the outcome of the tender following Council resolution or appropriate delegated authority. Notification shall be publicly advertised including the details and total value of the successful tenderer.

All records associated with the tender process, or a direct purchasing process must be recorded and retained. For a tender process this includes:

- tender documentation;
- submission documentation;
- internal documentation;
- evaluation documentation;
- enquiry and response documentation; and
- notification and award documentation.

9. FLEET ASSET CHANGE OVER

The optimum replacement timing for a motor vehicle or plant is calculated to best estimate the optimum time, in either kilometers or engine hours, and time to achieve the lowest average annual cost during the life of an asset. This should be used as a guideline in the preparation of the replacement programme.

The optimum replacement point for all light vehicles is ± 5 years or $\pm 150,000$ km

[120,000km].

The table below is the optimum replacement timing of motor plant and equipment:

Group/Type	Years	Km/Hrs
Backhoe Loader	± 7	± 5,000 Hrs
Compactor – Landfill	± 10	± 8,000 Hrs
Compactor – Rear Lift	± 10	± 8,000 Hrs
Compactor – Small waste	± 5	± 5,000 Hrs
Excavator (3.5tonne)	± 8	± 5,000 Hrs
Excavator (8tonne)	± 10	± 8,000 Hrs
Excavator (15tonne)	± 10	± 8,000 Hrs
Grader	± 10	± 8,000 Hrs
Loader	± 8	± 8,000 Hrs
Mower – Front Deck	± 5	± 2,000 Hrs
Mower – Slasher	± 7	± 5,000 Hrs
Roller – Rubber Tired	± 10	± 5,000 Hrs
Roller – Vibrating Drum	± 8	± 5,000 Hrs
Skid Steer	± 5	± 5,000 Hrs
Sweeper – Car Park / Footpath	± 8	± 5,000 Hrs
Sweeper – Road	± 8	± 8,000 Hrs
Tractor (PTO Hrs)	± 7	± 5,000 Hrs
Truck – Light duty (LR)	± 6	± 150,000 Kms
Truck – Medium duty (MR)	± 8	± 200,000 Kms
Truck – Heavy duty (HR & HC)	± 8	± 500,000 Kms
Wheel Loader – Landfill	± 10	± 8,000 Hrs
Woodchipper	± 8	± 5,000 Hrs

The table below is the optimum replacement timing of Frontline Emergency Vehicles as per SANS 10090:2003:

Type of Vehicle / Equipment	Years
Aerial appliances	20
Light vehicles	8
Off-road vehicles	10
Pumping appliances	15
Special appliances	20

Fleet Assets **should ideally [are]** not **[to]** be held beyond the recommended changeover times due to increasing risk in terms of vehicle safety and breakdowns and increasing maintenance costs.

A replacement programme should ensure that newer and older vehicles are spread as evenly as possible throughout the fleet to avoid too many ageing emergency vehicles remaining in commission simultaneously.

Provision shall also be made in the replacement programme to replace problematic vehicles sooner than the maximum prescribed period. Such vehicles would include units which have high maintenance and repair costs and vehicles which do not serve the purpose for which they were intended.

Any decision to replace a fleet asset outside of these suggested changeover periods will require appropriate documentation outlining the reasons for the request and will require the approval of the Chief Financial Officer.

10. FLEET SELECTION

The make and model of vehicles supplied will be subject to the terms and conditions of the motor vehicle procurement contract in force at the time.

All motor vehicles will be selected on the basis of:

- Vehicles that are fit for the use / application proposed for the vehicle;
- Lowest whole of life costs;
- Safety rating;
- Environmental considerations

11. COLOUR OF MOTOR PLANT & VEHICLES

When selecting the colour of new fleet assets, consideration must be given to:

- the colour for occupational health and safety reasons, given the evidence that lighter colours are more visible and thus help
- reduce the frequency and severity of accidents
- the dignity of the Council business in which the vehicle will be engaged
- the preservation of the maximum vehicle value at disposal
- operational necessity (including reflective strips, lights and sirens).
- Dark colours will not be permitted as it lessens the resale value

12. FLEET FINANCE & LEASING AGREEMENTS

Any fleet assets obtained by lease rather than ownership will be changed over in accordance with the lease agreement conditions. These will be for periods as appropriate to the use of the vehicle and circumstances as determined by the relevant Director.

It is the responsibility of the Fleet Manager to advise the nominated officer of likely usage rates, as there are substantial penalties for inaccurate lease agreements, and these will, if necessary, be passed back to the user. Where Council leases vehicles, the lease agreement's provisions on fleet options and accessories must be followed.

13. REPLACEMENT FUNDING

Fleet replacement may be funded by means of own revenue or external borrowing, which borrowing will not be repaid over a period beyond the expected economic life of the financed asset.

14. DISPOSAL PROCESS

The disposal method that is chosen must promote fair and effective competition to the greatest extent possible and disposals should be conducted in an ethical and transparent manner.

15. DECISION TO DISPOSE

Disposal of a fleet asset will be assessed for cost effective purchase and disposal advantages, excess kilometers, recurrent costs or accident damage. Retention periods may be extended or varied by the Chief Financial Officer.

Before any disposal action can be taken, it is necessary to seek approval that the fleet assets are appropriate for disposal from Council and / or delegated authority.

Common criteria for determining that fleet assets may be suitable for disposal include:

- No longer required
- Unserviceable or beyond economic repair
- Technologically obsolete
- Operationally inefficient
- Surplus to current or immediately foreseeable needs
- Part of an asset replacement plan
- Unsustainable costs associated with the retaining of fleet assets such as storage, insurance, security, condition and management

16. FINANCIAL DELEGATIONS

In line with the approved System of Delegation and Powers, the person with appropriate delegated authority will be required to sign the “Asset Disposal Form” to commence the accounting procedure of disposing asset on the financial asset register.

- Post Level T13 and higher : R0 – R70'000.00
- Post Level T16 and higher : R70'000.01 – R500'000.00
- Directors and Accounting Officer : > R500'000.00

17. EXTERNALLY FUNDED ASSETS

A fleet asset which has been purchased, or the purchase of which has been contributed to, by a funding source, may not be disposed of unless the terms of the funding agreement have been met. This includes any requirement to gain approval from the funding body to dispose of assets.

18. METHOD OF DISPOSAL

The disposal method chosen must be appropriate to the value, nature, quantity and location of the goods, and to promote fair and effective competition to the greatest extent possible. Negotiated assets sales and internal expressions of interest for sales of asset to staff will not be allowed. To help achieve these objectives the following methods are to be utilized:

Scrapped / Wreck – The value of an item may be written off and the item recycled or destroyed if it is deemed:

- to have no value;
- to be unserviceable or beyond economical repair; or
- that the disposal cost is higher than the likely return.

Public Auction – Goods valued up to R150,000 (excl. VAT) each may be disposed of by public auction. Public auction maximizes the opportunity for public participation in the disposal process and is the appropriate method when:

- there is public demand for the items;
- alternative disposal methods are unlikely to realise higher revenue; and
- the costs associated with the auction can be justified in relation to the expected revenue from the sale.

Expressions of Interest / Public Tender – Council may determine to dispose of items by advertising for expressions of interest or public tender where:

- the items are of low value;
- the costs of disposal are disproportionate to the expected returns; or
- there is very limited interest.

The tendering process must be utilised pursuant to MFMA, including Municipal Supply Chain Management Regulations published under GN868 in Government Gazette 27636.

19. APPROVAL OF RESERVE PRICES

Fleet assets that have an apparent value for disposal through public auction or tender shall be approved by the Accounting Officer. The reserve price-value put forward will be determined by way of:

- Book value;
- Assessment from third party auction provider;
- Market value, taking into consideration the condition, the age of the asset, and the perceived value of the asset to a buyer.

20. FACTORS TO CONSIDER IN THE DISPOSAL PROCESS

There are factors apart from the monetary value of the goods that can affect the choice of disposal method, including:

- The market available for the assets
- Time considerations
- Council resources required to manage the disposal
- The costs associated with the different disposal methods, i.e. administration and transport cost to Council
- The size, portability and number of assets

In any event, the methods of disposal and reasons should be documented and filed according to the monetary value of the goods in question.

Irrespective of the disposal method, it is essential that all prospective buyers are advised in writing that fleet assets are disposed of, with any faults and at the buyer's risk.

Buyers are to rely on their own enquiries regarding the condition and workability of the fleet assets.

21. CONFLICT OF INTEREST

The official/s responsible for the disposal of any Council asset and the Fleet Manager must ensure that no conflict of interest occurs in or because of the asset disposal process and must disclose any actual or perceived conflict of interest that may arise in the performance of their duties.

22. SALE OF FLEET ASSETS TO STAFF / COUNCILLORS

As a general principal, sale of fleet assets to municipal employees / Councillors is **NOT** to occur outside of a public process. Invitations to bid for the purchase of any Council assets should not be limited to municipal employees or to elected officials. Members of the public must also be allowed to compete for the purchase.

23. DONATIONS TO COMMUNITY GROUPS / CHARITIES

Donations of fleet assets may only be made with the authority of the Council and only after exploring all avenues to recuperate fair value for the Council. Council should only consider donations in response to a formal written request.

Authorization by way of a resolution of Council is required before such a sale or transfer can be affected.

24. PREPARING FLEET ASSETS FOR DISPOSAL

Vehicles are to be presented for disposal in a condition that will assist in gaining the greatest return to Council.

The motor vehicle and plant interior and exterior must be cleaned. Responsible officers should note that costs of cleaning the interior or exterior of the fleet asset will be the responsibility of the relevant Division allotted the fleet asset.

A check must be carried out to ensure that fleet assets do not contain:

- Additional Items not intended for sale
- Confidential papers (records, files, papers)
- Documents on Council letterheads or which may be used for fraudulent purposes
- Council properties (i.e. software which could lead to breach of license or containing confidential data)
- Hazardous materials
- Council branding and insignia.

25. TRANSFER OF FLEET ASSETS INTERNALLY

Where the Council is the registered owner of the asset, the vehicle may be transferred between Directorates and Divisions. The Fleet Manager must be notified in writing of the intention and approval must be obtained from both sides of the parties before the fleet asset can be transferred.

26. PROCEEDS FROM SALES

- a) If there was debt attributable to the fleet asset, payment of that debt is the first call upon any proceeds of sale (that is the cash value less any costs relating to the sale).
- b) The proceeds of sale (that is the cash value less any costs relating to the sale) following the retirement of any debt will be used for the purposes of:
 - The retirement of debt in relation to assets; or
 - The funding of the purchase of new assets as scheduled within the asset replacement program; or
 - To a specific Reserve Fund if appropriate or to the asset replacement reserve.
- c) The proceeds will not be used to fund general operational expenditure.

27. DOCUMENTATION OF ASSET DISPOSAL PROCESS

- Documentation detailing decisions made on the fleet asset disposal must be archived in Council's records management system by the Fleet Manager;
- Correspondence, Invoices / Remittance advise, and disposal documents in relation to sale of the fleet asset must be archived in Council's records management system by the Fleet Manager;
- Receipt of the disposal of materials to a licensed scrap dealer or contracted engineer are to be included in the documentation;
- Finance Services must be informed by the Fleet Department of the disposed fleet asset/s so that the asset register can be updated and accounting treatments for disposed assets can be initiated.

28. IMPLEMENTATION AND REVIEW PROCESS

This policy will come into effect on 1 July **2026 [2025]**.

This policy will be reviewed at least annually or when required by way of a Council resolution.

29. SHORT TITLE

This policy will be known as the Fleet Acquisition & Disposal Policy of the Overstrand Municipality.

POLICY SECTION:	DIVISIONAL MANAGER: EXPENDITURE, ASSETS, FLEET AND LOGISTICS MANAGEMENT
CURRENT UPDATE:	[27 JUNE 2025]
PREVIOUS UPDATE	27 JUNE 2025
APPROVED BY COUNCIL	27 JUNE 2025