



**DRAFT**

## **CASH MANAGEMENT 20222023**

## **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 Polokwane Municipality adopts the following Investment Policy:

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## 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: - 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

**Accounting Officer:** 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

**Chief Financial Officer:** An officer of the municipality appointed as the Head of Finance Department and includes any person: - acting in such position; and 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 Polokwane.

**Councillor:** A member of the Municipal Council.

**Investments:** Funds not immediately required for the defraying of expenses and invested at draft 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: - acting in such position; and to whom the Municipal Manager has delegated a power, function or duty in respect of such a delegated power, function or duty.

**Municipality:** The institution that is responsible for the collection of funds and the provision of services to the customers of Polokwane.

**Public funds:** All monies received by the municipality to perform the functions allocated to them.

**FSP or Investment Manager:** A financial institution tasked with assisting the municipality with investment planning.

## **2. OBJECTIVE OF POLICY**

- The objectives of the Investment Policy are: -
- to manage the 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;
- to manage the investments of the municipality in such a manner
- that sufficient cash resources are available to finance the capital and operating budgets of the municipality; and
- to gain the highest possible return on investments during periods
- when excess funds are not being used, without unnecessary risk.

## **SCOPE OF POLICY**

3.1 The Policy deals with: -

3.2 Responsibility / Accountability;

3.3 Investment instruments;

3.4 Cash flow estimates;

3.5 Investment ethics and principles;

3.6 Investment procedures;

3.7 Other external deposits; and

3.8 Control over investments.

## **3. 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) Recognizing 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);
- 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 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 of deposits of banks;
- f) Guaranteed Endowment policies 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. 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 can 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.

## **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 F rating (where F refers to low risk institutions) however institutions without a credit rating should be considered in line with sec 217 subsection (1)a and b of the constitution.

7.7 Short-term investments should be made with an institution with at least a minimum BBB+ rating (where BBB+ refers to higher risk institutions), however institutions without a credit rating should be considered in line with sec 217 subsection (1)a and b of the constitution.

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 re-investment, 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 draft financial institutions, as draft 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.

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.

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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 draft institution.

k) The municipality must be given a monthly report on all investments.

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

#### **8.1.2 INSTITUTIONS WHERE INVESTMENTS MAY BE MADE**

Standard Bank Investment Corporation Ltd.

Investec Limited

First National Bank Ltd.

Nedbank Ltd.

ABSA Bank Ltd.

Rand Merchant Bank Ltd

#### **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 re-invested 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 re-invested.

#### **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) maturation 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 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. CASH MANAGEMENT**

All money received should be promptly deposited within 72 hours in the municipality Primary Bank.

The respective responsibilities of the Chief Financial Officer and other directors in this regard are in terms of the draft budget and other budget related policies.

Collection and banking of revenue is the lifeblood and determines the going-concern status of a municipality. A healthy cash flow is crucial to ensure sustainable service delivery and infrastructure development and maintenance and preservation.

This is appropriately prescribed in terms of section 64 of the Municipal Finance Management ACT of 2003.

### **11.1 SECTION 64: REVENUE MANAGEMENT**

11.1.1 The Accounting Officer of the municipality is responsible for the management of the revenue of the municipality.

11.1.2. The Accounting Officer, must, among other things, take all reasonable steps to ensure that all money received is promptly deposited in accordance with the requirements of the Act into the municipality's primary bank account.

11.1.3. The Accounting Officer must also ensure that all revenue received by the municipality, including revenue received by any collecting agent on its behalf, is reconciled on regular basis.

11.1.4. The Accounting Officer must take all reasonable steps to ensure that any funds collected by the municipality on behalf of another organ of state are transferred to that organ of state at least on a regular basis, and that such fund are not used for purposes of the municipality.

### **11.2 REVENUE AND CASH COLLECTION**

11.2.1. Every director shall be responsible for the collection of all moneys falling within the ambit and area of his or her designated functions and budget.

11.2.2. The Chief Financial Officer shall ensure that all revenues are properly accounted for.

11.2.3. The collection of all arrear revenues and the control of arrear accounts shall be co-ordinated by the Chief Financial Officer in terms of any policies determined by the Council.

11.2.4. The Municipality may allocate any credit/ payment to any account/s of the same debtor or department.

11.2.5. Any revenue that is not recovered or likely to be recovered after the necessary steps have been taken, the Chief Financial Officer shall report the matter adequately and timeously to the finance Committee and advice for adjustment purpose.

### **11.3 CASHIER COLLECTION**

11.3.1. The following negotiable instrument is accepted and will be construed as cash, Postal orders, bank cheques, cards, bank guarantee cheques, credit cards, debit cards, direct deposits, and electronic funds transfers.

11.3.2. Every payment received by a cashier or other authorised officer charged with the receipt of money shall be acknowledged by the issuing a sequentially numbered official receipt of receipt book or computer generated receipt.

11.3.3. All cashier banking batches and or shifts must be closed at least on a daily basis and be deposited promptly in the municipality primary bank account.

11.3.4. Receipt cancelled during collection should be attached on the end of shift form or be written with a detailed explanation thereof.

#### **11.4 END OF SHIFT/DAY**

**11.4.1. A cashier must count the money he/she receipted, record the outcome on the cash-up sheet per category, then report to the senior responsible for the closing of the banking batches;**

11.4.2. No cashier may have access to the closing bank batch facility of the financial system. The senior verifies whether the amounts are correct and send the cashier back if necessary, otherwise closed the banking batch;

11.4.3. All shortages must be paid in by the cashier and all surpluses must be receipted in the vote number open for this purpose;

11.4.4. The cashier supervisor in the presence of the cashier should deposit the money into the prescribed money bag, seal and lock it up in the safe;

11.4.5. All closed banking batches must be deposited and received by the bank within 72 hours; and

11.4.6. A service provider will collect all deposits; quote the seal serial number and issue a receipt for the money bags;

#### **11.5 AVAILABILITY OF RECEIPTING POINTS.**

11.5.1. Cash receipting points will be available in Polokwane civic centre, Mankweng, Seshego, Sebayeng municipal offices and other special services such as Traffic and licensing in Ladanna, Game reserve, Swimming pools, Library, sports and facility management and all satellite offices;

11.5.2. The normal office hours for receipting for all offices from Monday to Friday is 08h00 till 16h00.

11.5.3. The Municipality also makes use of third party payments for example; Easy pay and Pay-a-Bill. The bank facilities such as; speed points, EFT, debit orders, direct deposits and some draft cheques; and

11.5.4. Electronic transfers directly into the bank account are allowed provided that the client use his/her debtors account number as reference or booking number or reference granted by the municipality. A penalty may be levied for repeated incorrect or no reference.

11.5.5. Charges in respect of card payments and or any other payments method shall be recovered from the customer in terms of the municipal policies or council resolution

#### **12. CODE OF PRACTICE WITH REGARD TO CASH COLLECTION AND BANKING**

## **12.1 CASHIER SHORTAGES**

It is the cashier responsibility to take care of custody of cash until it is handed over to the supervisor. For this reason, shortages will be handled as hereunder:

12.1.1 Up to R100 must be paid in by the cashier, immediately before banking is done.

12.1.2 More than R100 up to R500, the cashier shortage account must be debited and the total balance must be paid in end of the same month.

12.1.3 Two shortages of over R100 in one month, cashier must get a warning, if it happens three times, written warning must be issued and valid for Three Months.

12.1.4 Shortages of over R500 up to R1000, written warning will be issued to the cashier and disciplinary actions may be taken against the cashier.

12.1.5 Shortage over R1000 disciplinary actions must be instigated against the cashier. (First time offender will have an option of a final warning and repayment; second time offender will have option of final warning or dismissal)

## **12.2 SHORTAGES IN THE BANK**

12.2.1 Supervisors accept the money from the cashier for banking, and takes responsibility for the money until banked. As results shortages reported by the bank will be accounted and paid for by the supervisor who prepared the banking.

12.2.2 The above principle as per 12.1 on cashier shortages will be applicable in terms of payments and disciplinary actions to be considered.

12.2.3. All shortages identified by the bank, must be paid in by the supervisor, and all surpluses must be receipted in the vote number open for this purpose. Electronic shortages, like speed points not banked etcetera will be investigated for application of the recovery as recommended by the policy.

## **12.3 SUPRISE CHECKS**

The municipal management may conduct surprise checks without prior notice and take disciplinary actions on shortages as on 12.2 above

## **13. ADVANCE PAYMENT.**

13.1. Any amount that is paid in advance for the service that still has to be rendered will be kept in the suspense account / Unallocated vote until the time that such service is rendered.

13.2. In case where service will be rendered in the following financial year, applicant will be advised to pay deposit for booking and later pay required amount that will in line with tariff policy for the particular year .



#### **14. SHORT TITLE**

This Policy shall be called the Investment and Cash Management Policy of the Polokwane Municipality.

#### **15. REVIEW OF POLICY**

This policy shall be implemented as at 1 July 2022 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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## **LEAVE POLICY**

**2022-2023**

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## **1. PURPOSE:**

The purpose of the policy is to regulate leave matters of employees of the Municipality of Polokwane (the Municipality).

## **2. OBJECTIVES OF THE POLICY:**

To ensure that employees know their entitlement with regard to the allocation of leave, the responsibility to apply for leave in the prescribed manner(s) and for good governance of leave in Polokwane Municipality.

## **3. SCOPE OF THE POLICY:**

This Leave Policy will apply to all Employees regulated under the South African Local Government Bargaining Council.

Leave for the Municipal Manager and Managers reporting directly to the Municipal Manager as contemplated in terms of Section 56 and 57 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) as amended shall be regulated by Government Gazette No 37245 - Local Government: Municipal Systems Act, 2000 (Act 32 of 2000): Local Government: regulations on Appointment and conditions of employment of Senior Managers.

## **4. DEFINITIONS:**

<b>“Annual leave cycle”</b>	means the period of twelve (12) month’s employment with the same employer immediately following an employee’s commencement of employment or following the completion of that employee’s existing leave cycle.
<b>“BCEA”</b>	Basic Conditions of Employment Act, 1997 (Act 75 of 1997) as amended from time to time.
<b>“Calendar Year”</b>	starts on 1 <sup>st</sup> January and ends on 31 <sup>st</sup> December annually.
<b>“Employee”</b>	any person, who works for Polokwane Municipality and who receives any remuneration and any other person who in any manner assists in carrying on or conducting the business of the employer excluding an independent contractor.
<b>“Employer”</b>	refers to Polokwane Municipality

<b>“Leave”</b>	is considered as time off / away from the workplace where the employee is not able to avail him/herself to executing duties and tasks as normally done by the employee.
<b>“Leave year”</b>	refers to a period of continuous service of 12 months and such leave year normally should start on the date of the appointment of the employee. (See also elaboration on “year of service” further down.)
<b>“Medical practitioner”</b>	means a medical practitioner, dentist or traditional healer registered in terms of legislation.
<b>““Year of service”</b>	is the period of 12 months’ continuous service from the date of appointment to the next date of appointment, and this date may be extended with any periods of absence of 20 working days or longer in any leave year.
<b>“SALGBC”</b>	means the South African Local Government Bargaining Council;
<b>“Special leave”</b>	means leave in addition to normal leave
<b>“the Municipality”</b>	refers to Polokwane Municipality
<b>“Working day”</b>	means any day on which an employee is normally required to work according to the service requirement applicable to the employee’s post and as agreed to in the SALGBC

## **5. LEGISLATIVE FRAMEWORK**

The obligation on an Employer to grant leave is regulated by, amongst others:

- Labour Relations Act, 1995 (Act 66 of 1995) as amended from time to time
- Basic Conditions of Employment Act, 1997 (Act 75 of 1997) as amended from time to time:
  - Chapter Three (3) (Sections 19 – 27) of the Basic Conditions of Employment Act, Act 75 of 1997 (as amended) [Where the BCEA is considered a minimum act, and collective agreements can resolve on matters that are more favorable than the BCEA, but never less favorable than the BCEA.]
- Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) as amended from time to time
- National and Divisional Collective Agreements, as amended from time to time, concluded in the South African Local Government Bargaining Council (SALGBC)
- Employment Contracts in terms of Proclamation R.805 dated 01 August 2006, as amended from time to time, of the Municipal Manager and Directors directly accountable to the Municipal Manager
- Municipality's System of Delegations, as amended from time to time
- Any other legislation that directly or by implication regulates leave.

## **6. TYPES OF LEAVE COVERED BY THE LEAVE POLICY:**

The Leave Policy will regulate:

- Annual Leave
- Sick Leave
- Family Responsibility Leave
- Maternity, Adoption and Leave
- Parental Leave
- Special leave for injury on duty cases and occupational diseases
- Sick leave without pay
- Special Leave
- Leave for purposes of time off in lieu of overtime
- Additional leave for Long Service Recognition
- Leave without pay/Unpaid Leave

The Leave Policy does *not* regulate:

- Time off / leave to attend to Organisational Rights Matters
- Time off / leave to attend to Seminars / Conferences / Meetings or similar matters.

## **7. PRINCIPLES:**

### **7.1. Granting and Cancellation of Leave of Absence:**

- 7.1.1. Leave of absence shall be subjected to the Municipality's approval in terms of its Systems of Delegation.
- 7.1.2. The BCEA (s20) (2) rules that an employer "must grant an employee at least 21 consecutive days' annual leave on full remuneration in respect of each leave cycle." It is therefore a right to each employee to be allocated leave. However, there are more forms of leave than only annual leave, and collective agreements and other policies will regulate additional forms of leave. The amount of leave granted in the municipal sphere is also more than what the act prescribes and can include (but is not limited to) types of leave as mentioned above; it also includes Additional Sick Leave for Long Service Recognition Leave.
- 7.1.3. Notwithstanding the provisions of any law, SALGBC agreement or policy of the Municipality, the Municipality may at any time cancel, postpone or interrupt leave of absence, other than sick leave, which has been granted to an employee should it be deemed necessary in the Municipality's interest to do so, and such an employee shall be compensated by the Municipality for irrecoverable expenses or commitments incurred by him / her / before he / she had been notified of the cancellation, postponement or interruption.
- 7.1.4. Should an employee whose leave of absence is interrupted travel in order to resume duty, the Municipality shall pay his / her expenses for the forward and return journey and he / she be regarded as being on duty while travelling.
- 7.1.5. Cancellation, postponement or interruption of leave of absence shall be confirmed in writing.
- 7.1.6. Should the Municipality refuse an employee's application for leave of absence, or cancel, postpone or interrupt such leave register and the employee shall be credited with such leave over and above the maximum determined in terms of the provision of any law, SALGBC agreement or policy of the Municipality and be permitted to take it within 12(twelve) months after refusal, cancellation, postponement or interruption.
- 7.1.7. An employee shall not go off duty or absent him / herself from duty without prior permission unless he / she is prevailed by sudden illness or owing to other circumstances acceptable to the Municipality from remaining on duty or reporting for duty.



- 7.1.8. Except in the case of sick leave, the period from the date on which an application for leave is received until the date on which the leave begins shall not be shorter than the period of leave applied for, provided that a shorter period may under exceptional circumstances be allowed by the Municipal Manager or relevant Director / Manager.
- 7.1.9. When an employee applies for any form of special leave, the employee must attach documentary proof for the reason that the leave is applied for.
- 7.1.10. All types of leave which require supporting documentation will be converted to annual leave and/or unpaid leave in instances where such proof is not timeously submitted by an employee.

**7.2. Granting of other types of leave as per Chapter Three of the BCEA:**

- Sick Leave (s22)
- Maternity Leave (s25)
- Family Responsibility Leave (s27)

**7.3. Leave Registers:**

- 7.3.1. Leave is a liability for Municipalities, and therefore proper management of leave will ensure that any risks / liabilities for both the employer and employees are reduced to a minimum or prevented.
- 7.3.2. All leave granted, taken, encashed, forfeited and all actions around leave of an employee shall be recorded in the official leave register (*electronic format - ESS or manual- employee leave files*) of the employer and such leave register shall be under the control of the Manager: Human Resources.
- 7.3.3. An employee is entitled to inspect his/her leave record at all reasonable times during office hours (GG 16047, Par16.1)
- 7.3.4. All leave must be applied for in a format or way of application as approved by the employer (electronic format and hard copy application only if there are technical difficulties with the Employee Self Service System)

**7.4. Leave counting for purposes of leave allocation:**

7.4.1. Absence on unpaid leave that amounts to 20 working days or more in any year of service shall not be regarded as service for purposes of leave allocation [and salary increment(s)]. (Extract from previous Collective Agreement, GG16047, 28/10/1994).

7.4.2. The impact of the above is that 20 working days or more unpaid leave [which amounts to one working month] will extend any allocation period for leave liability with the equal amount of days for which unpaid leave was granted in a year of service.

**7.5. Application for Leave:**

7.5.1. An employee shall apply for leave in the format required by the employer (*electronic medium and on hard copy only in instances where there are technical problems with the Employee Self Service System*).

7.5.2. The employer shall not unreasonably withhold approval / granting of leave.

7.5.3. All forms of leave will be applied for in advance, and in exceptional cases (*sick leave and other crisis situations*), sick leave may be completed as soon as is practical during or after the period of absence.

7.5.4. Leave will be applied for specific periods – no open ended leave applications may be considered.

**8. ANNUAL LEAVE:**

8.1. An employer shall grant an employee the following annual leave:

- Twenty-four (24) working days for (5) day worker, provided that the leave for an employee that works less than a 5-day week shall be calculated on a pro rata basis; and
- Twenty-seven (27) working days for a six (6) day worker

8.2. An employer should ensure that the employee has sufficient leave days available to cover the days of leave which are applied for.

8.3. An employer must grant annual leave not later than six months after the end of the annual leave cycle.

8.4. An employee is required to take annual leave as follows:

- A five-(5) day worker shall take a minimum of sixteen (16) working days leave; and
- A six (6) day worker shall take a minimum of nineteen (19) working days leave.

- 8.5. If an employee to whom annual leave has been granted is certified hospital or bed bound by a registered medical practitioner or dentist, or a traditional healer registered with a recognized professional council in terms of legislation due to illness after his vacation leave has commenced, that part of the vacation leave during which he/she was thus certified hospital or bed bound shall be converted into sick leave on submission of the prescribed certificate by such medical practitioner or dentist, or registered with a recognized professional council in terms of legislation.
- 8.6. If due to illness, an employee is unable to take vacation leave already deducted he/she shall be credited with an equal number of vacation leave days.
- 8.7. An employee must take annual leave not later than six months after the end of the annual leave cycle.
- 8.8. Employees have a right to take annual vacation leave, but the employer also has the right to indicate if the taking of leave may impact on operations. A reasonable compromise should be reached where leave should be taken in times that suit both the employee and the employer.
- 8.9. If (due to operational reasons) an employee cannot take vacation leave, then the vacation leave can be extended for a further 4 months.
- 8.10. Annual leave shall only be accumulated to a maximum of forty-eight (48) working days.
- 8.11. Any leave in excess of forty-eight (48) working days may be encashed should the employee be unable to take such leave, despite applying and because the employer refused to grant him such leave, as a result of the employer's operational requirements. If despite being afforded an opportunity to take leave, an employee fails, refuses or neglects to take the remaining leave due to him during this period, such leave shall fall away.
- 8.12. Inclusive of its conditions as contained in the Main Collective Agreement and employee should be entitled to encash ten (10) days leave per financial year.
- 8.13. Within six months of the leave cycle, an employee may not have more than 48 days' annual leave to his credit.
- 8.14. In the event of the termination of service, an employee shall be paid his leave entitlement in terms of this agreement, calculated in terms of the relevant provisions of the Basic Conditions of Employment Act 75 of 1997 as amended.

## **9. SICK LEAVE:**

- 9.1. With effect from the new sick leave cycle, an employer shall grant an employee eighty (80) days' sick leave in a three (3) year leave cycle, provided that in respect of new appointments an employee may not take more than 30 days' sick leave in the first year of employment.
- 9.2. Sick leave shall be granted only in connection with an employee's absence from duty owing to illness, indisposition or injury.
- 9.3. In the case of nervous disorders, insomnia, debility or a similar less well-defined illness or indisposition, sick leave shall only be granted only if the municipality is satisfied that the employee's state of health:
- renders him/her unfit for work; and
  - does not arise from his/her failure to make use of vacation leave.
- 9.4. The employee shall be required to submit a medical certificate from a registered medical practitioner or any other person who is certified to diagnose and treat patients and who is registered with a professions council established by an Act of Parliament, if more than two (2) consecutive days are taken as sick leave, provided that the employer may request a sick leave certificate for every day of sick leave where there is evidence of abuse of sick leave.
- 9.5. An employee must at all times endeavor to attach medical certificates to sick leave applications with specific reference to sick leave for periods longer than two working days.
- 9.6. Sick leave on full pay and/or half pay in respect of which the afore mentioned certificate has not been submitted, may be granted for a maximum of twelve (12) working days during any calendar year of service and in respect of any further absence, vacation leave and/or leave without pay shall be granted.
- 9.7. If an employee must be absent from work for a longer period, a pro-forma certificate should be obtained from the doctor (e.g. before an operation / medical procedure) which will indicate the period of absence *even before* the sick leave is taken.
- 9.8. Leave applications shall also be completed and doctor's notes attached, even if an employee is using vacation or unpaid leave for purposes of sick leave (e.g. when sick leave has been depleted.)
- 9.9. When vacation or unpaid leave is used for purposes of sick leave, then this must be done with the employee's knowledge.

- 9.10. The employer is not required to pay an employee if an employee is absent on more than two occasions during an eight-week period, and on request by the employer, does not produce a medical certificate stating that the employee was unable to work for the duration of the employee's absence on account of sickness or injury.
- 9.11. Polokwane municipality may at any time require an employee to submit himself/herself to an examination by a registered medical practitioner or dentist appointed by the employer and the cost of such examination shall be borne by the municipality.
- 9.12. The employer may, on the recommendation of a registered medical practitioner or dentist, or a traditional healer registered with a recognized professional council in terms of legislation, compel an employee who, in the Employer's opinion, is so indisposed that he/she cannot perform his/her duties properly, to take sick leave.
- 9.13. An Employee is entitled to additional sick leave as provided for in the Collective Agreement on Conditions of Service for the Limpopo Division; provided that the maximum period of sick leave to which an employee is entitled has been granted to him/her and owing to reasons of health he/she is not able to resume duty.
- 9.14. Sick leave shall not be granted to employees whose ill health has been caused by illegal activities.
- 9.15. An employee may not during any period of sick leave approved in terms of these conditions, resume service without the approval of a registered medical practitioner.
- 9.16. An employee who is absent from work due to illness must take all reasonable steps to notify the employer, director, manager or supervisor as soon as possible.

#### **10. FAMILY RESPONSIBILITY LEAVE:**

- 10.1. Family Responsibility leave applies to an employee who has been in employment with an employer for longer than four (4) months.
- 10.2. An employer, upon receipt of reasonable proof, shall grant an employee during each annual leave cycle at the request of an employee, a total of five (5) working days paid leave, which the employee is entitled to take, either when:
- 10.2.1. The employee's child is born;
  - 10.2.2. The employee's child is sick;
  - 10.2.3. The employee's spouse or life partner is sick;

10.2.4. In the event of death of:

10.2.4.1. The employee's spouse or life partner; or

10.2.4.2. The employee's parent, adoptive parent, parents-in-law, Grandparent, child, adopted child, grand child or sibling.

## **11. MATERNITY, ADOPTION AND SURROGACY LEAVE:**

- 11.1. An employee including an employee adopting a child under three (3) months, shall be entitled to receive three (3) months paid maternity or adoption leave with no limit to the number of confinements or adoptions. This leave provision shall also apply to an employee whose child is still-born.
- 11.2. When a child from zero (0) to four (4) years is adopted, adoption leave will be granted to an adopting employee. An employee is entitled to receive three (3) months paid adoption leave after the legal adoption procedure.
- 11.3. When a child older than four (4) years is adopted, adoption leave will be granted to an adopting employee. An employee is entitled to receive three (3) weeks paid adoption leave after the legal adoption procedure.
- 11.4. In case of Surrogacy a partner that, as per the Surrogacy Agreement, has been assigned to perform the role of the birthmother (receiving parent) shall be entitled to paid maternity leave of three (3) months.
- 11.5. In events referred to in 11.2, 11.3, and 11.4 above the child's birth certificate and adoption order or Surrogacy Agreement must be submitted to the Employer.
- 11.6. When a female employee applies for maternity leave, a doctor's note will be attached to the application indicating the expected date of delivery.
- 11.7. An employee who goes off from duty for maternity leave will complete all documentation before the start of the maternity leave.
- 11.8. Maternity leave may commence four (4) weeks before confinement.
- 11.9. Once maternity leave has commenced an employee may not return back to work within before the expected date of delivery and six weeks after the date of delivery, unless the employee so applies in writing and her application is supported by a doctor who certifies that she is in good health and may return to work.

- 11.10. To qualify for paid maternity/adoption/surrogacy leave, an employee must have one (1) year's continuous service with the employer.
- 11.11. An employee who does not qualify for paid maternity leave must apply for unpaid Maternity leave and then claim benefits from the Department of Labour (Unemployment Insurance Fund / UIF). The payment of benefits will be determined by the Department of Labour (and not by the employer.)
- 11.12. A copy of the legal adoption approval forms should be attached to the application for leave for purposes of adoption.

## **12. PARENTAL LEAVE**

- 12.1. An employee who is a parent of a child, is entitled to at least ten consecutive days' parental leave.
- 12.2. An employee may commence parental leave on –
- 12.2.1. The day that the child is born; or
- 12.2.2. The date –
- (i) That the adoption order is granted; or
  - (ii) That a child is placed in the care of a prospective adoptive parent by a competent court, pending the finalization of an adoption order in respect of that child, whichever date occurs first.
- 12.3. An employee must inform an employer in writing, unless the employee is unable to do so, of the date on which the employee intends to –
- 12.3.1. Commence parental leave
- 12.3.2. Return to work after parental leave
- 12.4. Notification in terms of subsection (12.3) must be given –
- 12.4.1. At least one month before the –
- (i) Employee's child is expected to be born; or
  - (ii) Date referred in subsection (12.2.2.); or
- 12.4.2. If it is not reasonably practicable, as soon as it is reasonably practicable.
- 12.5. The payment of parental benefits will be determined by the Minister, subject to the provisions of the Unemployment Insurance Act, 2001 (Act No 63 of 2001).
- 12.6. This type of leave will be classified as Unpaid Leave for purposes of Leave Administration in the municipality; as the benefits can be claimed from the Department of Labour (Unemployment Insurance Fund / UIF); the payment of benefits will be determined by the Department of Labour (and not by the Municipality.)
- 12.7. An employee is not entitled to benefits unless he or she was in employment, whether as a contributor or not, for at least 13 weeks before the date of application for parental benefits.



### **13. SPECIAL LEAVE FOR INJURY ON DUTY CASES AND OCCUPATIONAL DISEASES:**

- 13.1. An employee who is absent from duty due to an injury arising out of his/her duties and occurring in the course thereof or owing to an illness contracted in the course of and as a result of his/her, shall be granted special leave on full pay for the period during which he/she is to perform his/her duties.
- 13.2. If the case falls within the ambit of the Compensation for Occupational Injuries and Diseases Act, 1993(Act 130 of 1993), the amount payable to him/her in terms of an Act by means of periodic payments of his/her monthly earnings, shall be paid over to the municipality, provided that the Employer has already advanced the amount to the employee.
- 13.3. Special sick leave may only be granted, if the Employer was notified of an accident or disease as required in terms of sections 38 and 68 of the Compensation for Occupational Injuries and Diseases (Act 130 of 1993) and that a satisfactory medical certificate from a registered medical practitioner is submitted to the Employer.
- 13.4. "Remuneration" as applicable in this paragraph (clause 10 of this policy) includes all forms of remuneration as envisaged in the Compensation of Occupational Injuries Act (Act 130 of 1993) and subject to all provisions of the Act.
- 13.5. Special sick leave may only be granted if the injury on duty has been approved by the Compensation Commissioner (Act 130 of 1993) in respect of 12.1. and 12.2. above.
- 13.6. If the period of special sick leave in terms of clause 12.3. above exceeds 365 calendar days the employer may take any decision it deems appropriate in line with "ill health" and/or incapacity provisions of the Labour Relations Act.

### **14. SICK LEAVE WITHOUT PAY**

- 14.1. An employee to whom the maximum period of full and half pay sick leave has been granted, may be granted sick leave without pay for not more than 250 working days in any cycle if the employer is satisfied that such an employee is not permanently incapacitated to resume his/her duties: provided where sick leave without pay exceeds 40 consecutive days, the employee must be examined by a registered medical practitioner appointed by the employer. The cost of such examination shall be borne by Polokwane Municipality.



## **15. SPECIAL LEAVE:**

When an employee applies for leave for study purposes, the employee must attach documentary proof for the reason that the leave is applied for.

### **15.1. Study Leave:**

15.1.1. Where an employee applies for leave for exam purposes, an exam roster in the name of the employee should be attached to the application (not a copy of the general notice which was displayed at the tertiary institution – the general notice where the employee's individual name does not appear, does not prove that the employee has examination approval. The exam roster should explicitly mention the name of the employee.)

15.1.2. Study leave shall be granted to an employee on the basis of one (1) paid study leave for each day that an employee writes an examination plus two (2) days per paper for preparation for the examination in order to qualify for a formal qualification.

### **15.2. Leave of absence for obligatory training courses**

15.2.1. The fields of study must be relevant to the Local Government undertaking in accordance with the municipality's policy.

15.2.2. An employee attending a work-related training or training course shall be deemed to be on duty.

### **15.3. Additional leave for Post Graduate Studies:**

15.3.1. Special leave for a dissertation or thesis will be granted with full pay to a maximum of five (5) working days leave per qualification or for research.

### **15.4. Attending of classes during office hours:**

15.4.1. An employee who studies part-time or by means of correspondence in a field applicable to the employer and who, as a result of his/her studies, is required to be absent from his/her place of work, will be granted vacation leave and special leave on a 50:50 basis for the time he/she is released from duty, subject to the exigencies of the service.

15.4.2. If he/she does not have leave to his/her credit, unpaid leave will be granted.

### **15.5. Leave for Writing Tests**

15.5.1. The Municipality acknowledges that during the duration of obtaining a qualification employees are expected to write tests, in the middle of study terms, therefore Study leave shall be granted to an employee on the basis of one (1) paid study leave for each day that an employee writes a test.

15.5.2. Where an employee applies for leave for test purposes, a Timetable in the name of the employee should be attached to the application (not a copy of the general notice which was displayed at the tertiary institution – the general notice where the employee's individual name does not appear, does not prove that the employee has been scheduled to write a test. The Test Timetable should explicitly mention the name of the employee.)

**15.6. Leave for attending Graduation Ceremonies**

15.6.1. The Municipality also acknowledges that upon completion of a qualification employees are invited to graduation ceremonies, therefore Study leave shall be granted to an employee on the basis of one (1) paid special leave for each day that an employee attends a graduation ceremony.

15.6.2. Where an employee applies for leave to attend a graduation ceremony, an invitation in the name of the employee should be attached to the application (not a copy of the general notice which was displayed at the tertiary institution – the general notice where the employee's individual name does not appear, does not prove that the employee has been scheduled to attend a graduation ceremony. The invitation should explicitly mention the name of the employee.)

**15.7. To attend a court of tribunal**

15.7.1. On receipt of written subpoena, notice of set down or any similar notice an employee who is subpoenaed/called to attend a Court of Law or a Tribunal or any other similar forum as a witness shall be granted paid special leave that day.

15.7.2. In executing the provision of the above named clause subpoenaed employees shall inform their line Managers a day before to leave their work stations.

15.7.3. Any employee who is arrested and appears in court as a result of charges laid by his Employer and who is later acquitted shall be granted paid leave for the period of incarceration.

15.7.4. An employee who is incarcerated but not convicted for a period of twelve(12) months shall be granted unpaid leave in his/her position for the said period.

**15.8. Sports, arts and culture events**

An employee who is selected by recognized amateur or professional sports, art and culture association, which association may qualify for special leave provided that such association be recognized by NOCSA or the Council of Sport of South Africa and the Council for Art and Culture.

**15.9. Quarantine and isolation under medical instructions**

Where a registered Medical Practitioner has placed an employee under quarantine/ in isolation in terms of the Public Health Act, 1977 (Act 63 of 1977) or any Regulations in force there under, such an employee shall be granted paid special leave, provided that the medical certificate has been submitted.

**15.10. Application for Special Leave**

15.10.1. Operational requirements must be taken into consideration

15.10.2. Supporting documents must be provided with the application

15.10.3. Application for special leave, must be approved by the Municipal Manager or his delegate and shall be considered in a bona fide manner; and shall not be unreasonably refused.

**16. SPECIAL LEAVE FOR ADHOC INSTANCES:**

Special leave with full pay may be granted to an employee when the employee:

16.1. After the Council has given permission the employee may become a member of the reserve police, performs police duties in terms of Sec 48 of the South African Police Act, 1995 (Act 68 of 1995).

16.2. Partake in a bonafide sport activity at provincial and higher level in which case the special leave will not exceed three (3) working days per event and these three (3) days may include travelling time.

16.3. Special leave on full pay will be granted to an employee who has been arrested or has to appear in court on a criminal charge and is later acquitted or has the charges withdrawn.

16.4. Gives evidence in a court case after a subpoena and/or summons has been served on him/her.

**17. LEAVE FOR PURPOSES OF TIME OFF IN LIEU OF OVERTIME**

17.1. Leave for purposes of time off in lieu of overtime may be granted where an employee worked overtime without any compensation; provided that such overtime is authorised in terms of the Municipality's System of Delegation.

17.2. Overtime worked as provided for in paragraph 16.1 shall be captured on an overtime schedule, specifying the date, hours of overtime worked and hours taken, which schedule must be signed by the employee and his/her supervisor.

- 17.3. Application for leave for purposes of time off in lieu of overtime shall be submitted as provided for in paragraph 7.5. Such applications must be accompanied by the schedule referred to in paragraph 16.2.
- 17.4. Where an employee is allocated special leave as payment for overtime worked, then the special leave should be allocated to the employee after converting the hours to overtime values in line with the Municipality's Overtime Policy.
- 17.5. Leave in lieu of overtime cannot be encashed and shall be forfeited if not taken within the calendar year which the employee became entitled to the leave, it shall be forfeited on the last day of such calendar year.

## **18. ADDITIONAL LEAVE FOR LONG SERVICE RECOGNITION**

- 18.1. An employee who was appointed after 1 July 1986 shall qualify for the following additional leave as recognition for long service at the same employer, which shall be only on the date on which the various periods of continuous service have been completed;

After:

**10 years of service – 10 working days**  
**15 years of service – 20 working days**  
**20 years of service – 30 working days**  
**25 years of service – 30 working days**  
**30 years of service – 30 working days**  
**35 years of service – 30 working days**  
**40 years of service – 30 working days**  
**45 years of service – 30 working days**

- 18.2. The long service recognition leave may be wholly or partially converted to payment on the date on which the employee qualifies for it or at any stage thereafter subject to budget provisions.
- 18.3. When an employee terminates services, long service recognition leave balance does not form part of the overhead maximum of 48 days leave that may be paid out as per the Main Agreement.
- 18.4. Long Service recognition will be pro-rated for employees on termination of service.

## **19. LEAVE WITHOUT PAY/UNPAID LEAVE**

Leave without pay as approved by the Municipal Manager or his delegate, which approval shall not be unreasonably withheld, shall be subject to the following conditions:

- 19.1. Leave without pay shall be granted when all available vacation and/or sick leave has been exhausted. Leave without pay shall also be granted if an employee took leave without his/her Manager's approval even if the employee has accumulated leave days available.
- 19.2. For the period of leave without pay the Employer shall continue to make Employer's contribution only to the employee's Group life insurance scheme, pension and medical aid fund provided that the employee shall be liable for his own contributions to the said funds, as well as payments in terms of a Collective Agreement.
- 19.3. An employee may apply for unpaid leave on the same format that other types of leave are applied for; the reasons for the unpaid leave must be provided on the application.
- 19.4. Unpaid leave more than 20 working days in a leave cycle extends the allocation date for new leave accruals; [Example: Where an employee is appointed on 1<sup>st</sup> of February, but the employee was absent without payment for the period middle April to middle May for a period of 20 working days, then the employee's date of allocation will be moved to March annually. The service year in this instance will thus run from beginning February to end February the next year, which may sound like a 13-month employment period, but it is not as the employee was absent without pay for one month.]
- 19.5. Unpaid leave must be captured on an employee's leave record and must also be informed to the payroll to ensure that the necessary adjustments to salary payment(s) are made.

## **20. UNAUTHORISED ABSENCE FROM DUTY**

- 20.1. Unauthorised absence from duty shall, without prejudice to the rights of the employer with regard to disciplinary measures against an employee, be deemed to be special leave without payment, unless the Municipality decides otherwise.

## **21. RESUMPTION OF DUTY BEFORE LEAVE HAS EXPIRED**

- 21.1. Except with the Municipality's approval in terms of delegated authority, an employee shall not resume duties before the leave granted to him/her has expired.

## **22. LEAVE OF ABSENCE GRANTED IN EXCESS**

- 22.1. When more paid leave of absence that has been granted to an employee inadvertently but in good faith, and been taken by him / her, the leave granted in excess may be deducted from leave which may accrue to him / her or the value thereof may be claimed from him / her, whichever the employee may prefer.

## **23. TERMINATION OF PERMANENT SERVICE AND RE-EMPLOYMENT**

- 23.1. If a permanent employee whose service is terminated for any reason whatsoever is re-employed, such re-employment shall for leave purposes be regarded as a new appointment.

## **24. IMPLEMENTATION OF THE POLICY**

This policy will be implemented and effective once approved by Council.

## **25. COMMUNICATION**

This policy will be communicated to all Municipal employees using the full range of communication methods available to the municipality.

## **26. POLICY REVIEW**

This policy will be reviewed annually and revised as necessary.

## **27. PENALTIES**

Non-compliance to any of the stipulations contained in this policy will be regarded as misconduct, which will be dealt with in terms of the Disciplinary Code.



DRAFT

**POLOKWANE LOCAL  
MUNICIPALITY  
INTERGRATED CUSTOMER CARE  
POLICY**

**2022/2023**

# **POLOKWANE LOCAL MUNICIPALITY**

## **CUSTOMER CARE POLICY**

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## **Preamble**

Whereas **Section 95** of the Local Government Municipal Systems Act, Act No 32 of 2000 requires a Municipality to exercise Customer Care and Management in relation to levying of rates and other taxes.

And Whereas Section 156(1) of the Constitution of the Republic of South Africa, 1999 conferred powers of the Municipality to administer. Now therefore the Municipal Council of Polokwane Municipality adopts the Customer Care Policy as set out in this document.

### **1. PURPOSE AND OBJECTIVE.**

In establishing itself as a progressive and service oriented municipality, Polokwane Municipality, the City of Stars, is committed to focusing on its customers' needs as well as creating a positive and reciprocal relationship between the community or customers of the Municipality and the Municipality itself.

In order to achieve this objective, this Customer Care Policy has been adopted to develop structures to ensure that in our dealing with customers these values are demonstrated and in line with Batho Pele Principle

### **2. PRINCIPLES**

- a. Polokwane Municipality is aiming at setting a consistent excellent service standard in its dealings with customers.
- b. The Municipality is committed to ensuring human rights principles set out in the National Constitution of the Republic of South Africa, 1996, as well as the *Batho Pele* Principles, aimed at transformation of public service delivery, and "getting it right the first time", forms the basis on which Polokwane Municipality's service delivery rests.
- c. By laying this basis and building a service delivery model thereon, the Municipality wants to display the commitment to the principle of "Customer First" and ensuring that service excellence forms an integral part of the planning and delivery of all Municipal services to our community.

### **3. MUNICIPAL VALUES.**

- a) As a service delivery orientated organisation, and in order to satisfy the goal of achieving Customer Service excellence, a common set of values, that guides the

interaction between municipal staff and the customers shall form the basis of the relationship between the Municipality and its Customers.

- b) Commitment to the following values will guide our Staff interaction with Customers and form the cornerstone of our customer focused approach:
  - i) Mutual Respect, which includes mutual trust and understanding.
  - ii) Good Customer Care.
  - iii) Efficient and Excellent Service.
  - iv) Integrity and Professionalism.
  - v) Equity and Fairness.
  - vi) Compassion and Dignity.

#### 4. **“PEOPLE FIRST” – THE *BATHO PELE* PRINCIPLE**

National Government’s approach to all interaction between government institutions and the public is based on the eight “Batho Pele Principles”, which forms the foundation of service delivery to the public. Therefore Customers of the Municipality:-

- a. Should be given a choice about the services offered to them and also be **consulted** about the level and the quality of the public service they receive.
- b. Has to be informed regarding the level and quality of public services (**service standards**) they will receive, in order to be aware of what service to expect.
- c. Should have **equitable access** to the services they are entitled to.
- d. Has to be treated with **courtesy** and with consideration.
- e. Should be given full and accurate **information** regarding the public services they are entitled to receive
- f. Has, in an **open and transparent** way, to be informed on how services are calculated and levied.

- g. Where the promised standard of service is not delivered, in **redress**, should be offered an apology, an explanation and a speedy and effective remedy, and when complaints are lodged, Customers should receive a sympathetic, positive response thereto.
- h. Has to receive Municipal services (as a public service) provided economically and efficiently so as to give the best possible **value for money**.

## **5. THE CUSTOMER.**

Habitually the people dealt with by the Municipality were primarily referred to as ratepayers or consumers. This created an unequal balance as these people were seen either as taxpayers or as people who consumed essential services provided by the Municipality.

The aim is at changing this mind set and constantly reminding ourselves that we are dealing with Customers,

- a. Thus, Customers are all the people that we as a Municipality deal with in the execution of our daily duties and work.
- b. Customers are the people who live in, work in or visit our City and Municipality and who do business with the Municipality.
- c. In this sense, the Municipality has internal as well as external Customers and the same standards shall apply to internal (colleagues and service providers) as to external Customers.

## **6. CUSTOMER CARE.**

### **WHAT CUSTOMER CARE IS AND WHY IT IS IMPORTANT:**

Polokwane Municipality is committed to assist its Customers in getting the help they need in approaching the Municipality.

It is the Municipality's aim to, whenever contacted by a Customer, make it convenient for the Customer to do so as well as treat such a Customer courteously, promptly and fairly.

This in essence means ensuring that the Customer will receive a prompt and clear response to any enquiry made within a stated period of time as defined in the Customer Care Standards

and Management Controls as well as in the Customer Service Charters for the various service delivery counters.

Customer Care embodies the principle of taking care of Municipal Customers in a positive manner, as part of the set of behaviours to be undertaken in interaction with our Customers.

In order to achieve this it is important to clearly set goals as to how we can put Customers First. It is important to define what Service Excellence in Customer Care is so that all officials/staff will know what standards have to be maintained by them in executing their duties.

At the same time and in addition to staff education on Customer Care, Customers has to be informed what standards of Customer Care they can expect whenever they engage with any officials/staff of Polokwane Municipality.

The “Customer First” principle will also be adhered to by the Municipality in all policies and procedures to be considered.

Therefore Customer Care is:-

- a. Treating all Customers with courtesy, dignity and respect;
- b. As far as possible customers may be served in their language of choice, always bearing in mind that English is the official communicating language of Council as per resolution;
- c. Providing a good quality service in a friendly, efficient and helpful manner;
- d. Giving people the information they need and providing an explanation where the service is not available or up to the expected standard;
- e. Keeping the Customers informed of progress in addressing their complaints, requests and enquiries.
- a. Subsequently Customer Care standards are important to ensure:-
  - i. That all Customers, whether they are residents or visitors to Polokwane Municipality, will receive the same consistent high standards of customer care;
  - ii. That Customer Care and service to Customers are essential to the planning and delivery of all Council Services;

- iii. That Polokwane Municipality officials will constantly be reminded of their responsibility in putting the Customer First and what this means in practical terms;
- iv. That Polokwane Municipality will eliminate wastage by providing all services “Right the First Time”.

## **7. CUSTOMER CARE CYCLE .**

### **8. *The following will be dealt as per section 6 and 7 of the Reviewed Credit Control and Debt Collection Policy)***

- a. The Municipality provides services to the consumers.
- b. Afford opportunities for customer queries to be addressed.
- c. Implement the follow up process of query resolution.
- d. Ensure community interaction outside the office.
- e. Implement processes to produce accurate and credible accounts.
- f. Bill for the service rendered.
- g. Issue accounts to consumers.
- h. Remind customers by issuing notices to settle accounts.
- i. Issue final notices to non-paying consumers, a further opportunity to the consumer to either raise queries or to make arrangements for account payment.
- j. Consult with non-paying consumers, as part of the final demand process and actual credit control action and enforcement of credit policy.
- k. Final step is to restrict or disconnect actual services to the consumer, with clear municipal input via the customer care and debt collecting policies.

## **9. CUSTOMER INTERACTION.**

- a. Face to Face Contact;
- a) Customers will be treated in a courteous and polite manner.
- b) Staff will always give their full attention to the customer.
- c) Wherever possible, staff will aim to resolve the customer’s enquiry at first contact
- d) We will aim to ensure all customers are catered for and appropriate arrangements are in place.

e) Staff at first point of contact will give customers the option of seeing specialist members of staff.

#### Waiting Times

a) After initial contact, customers will be given an indication of how long they can be expected to wait. If waiting times are to exceed 10 minutes, customer care officials must inform the customer.

b. Telephone Calls;

a) Staff will answer telephone calls promptly

b) Staff should aim, wherever possible, to resolve the customer's enquiry at first contact.

c) If a call is put on hold the customer must be told why this is happening and kept updated if the waiting time is longer than expected.

c. Written Correspondence;

a) Incoming written correspondence will be acknowledged within three days and responded to in 10 working days

b) Receipt of an email will be acknowledged in one working day

c) All issues raised by the customer will be acknowledged and responded to within the correspondence

d. Complaints Procedure

a) Staff will aim to resolve all concerns raised by the customer immediately and informally

b) Staff will inform the customer that if the informal resolution is not to their satisfaction, they may make a formal complaint and explain how to do this

c) Heads of Departments will analyse any complaints about the service in their respective units and take remedial action

### **10. MEASURING SUCCESS IN CUSTOMER CARE.**

a. Polokwane Municipality Customer Care Policy is extended with specific Customer Service Charters for each service delivery counter, in which Charter the Customer Care Standards for that specific service point is contained.

b. Customer Care Staff attending to the various service delivery counters shall Pledge, committing themselves to upholding the Customer Care Standards set for their various service counters.

c. Satisfactory Customer Care performance by Municipal officials/staff will be monitored continuously and regular Performance review.

- d. Methods for receiving Customer feedback will be developed and communicated to the customers.
- e. Communication means will be developed and communicated to the customers within the constraints of the municipal resources.
- f. Comments and complaints from Customers are an important part of the process and will assist in building a “Customer First” organisation. Monitoring methods will further help in developing programmes to address any shortcomings in the standard of the Municipality’s service.

## **11. STANDARDS AND CONTROLS IN CUSTOMER CARE**

### **12. 10.1 Customer Care Standards**

Polokwane Municipality is committed to the continuous improvement of the standards of service it renders to its Customers. For this reason, the Municipality is endeavouring to provide services and manage complaints in a manner which is timeous, efficient and effective.

In reaching this goal in service delivery the following principles have been set as Customer Care Standards: -

- a. A friendly and courteous service that puts the Customer first; that is Customer focused and measurable;
- b. Clear guidelines along which officials/staff is to behave in dealing with Customers;
- c. Clear, achievable performance targets;
- d. Trained officials/staff who have a full understanding of the standards of performance expected from them and who are at the same time – through training – capacitated to achieve these performance standards.
- e. Commitment to equal opportunities which will provide: -
  - i) Support, interpretation and translation services;
  - ii) Clear signage to direct Customers to where they need to go;



- iii) Accessible, welcoming buildings and service counters;
- iv) Disabled access wherever practicable;
- v) Private areas when necessary, where Customers can discuss private and sensitive matters;
- vi) Officials/staff trained in awareness and understanding.

### **13. CUSTOMER EXPECTATIONS.**

Customers of Polokwane Municipality can expect the following treatment from officials/staff: -

- a. Courtesy, respect and consideration towards a Customer at all times;
- b. Officials/staff will identify themselves by name and communicate by listening and responding appropriately
- c. Communicate efficiently, with integrity, fairly and professionally;
- d. To be provided with relevant, accurate and up-to-date information;
- e. Actively seeking comments on a regular basis in order to continue and develop a service of high standard;
- f. In instances where problems arise: -
  - i. Officials/staff will deal with such a problem promptly;
  - ii. Advise on a probable delay in provision of a solution to the problem as well as any relevant reasons;
  - iii. Update on progress with long-term problems;
- v. Advise on how and who to contact in the event of any dissatisfaction.

#### **14. CUSTOMER CARE: MANAGEMENT.**

At the core of the service delivery principle of placing the Customer first, lays the practical challenges for the Municipality as organisation that requires us to re-evaluate processes as well as ensure achievement of set standards.

For the purpose of meeting that goal, controls to measure the Municipality's overall performance has been set in place, including: -

- a. Compliance with or adherence to the Customer Care Service Standards to be reflected as a Key Performance Indicator on each responsible official's Performance Plan;
- b. Continuous training programmes for officials/staff to ensure effective service delivery and Customer satisfaction;
- c. Continuous monitoring and review of processes and procedures in ensuring the Customer is put first;
- d. Consideration for introduction of a computerised call-logging and tracking system, ensuring sensitivity and efficiency in the enquiries, complaints and feedback received from Customers.

#### **15. VARIOUS SERVICE DELIVERY COUNTERS.**

##### **a. Disabled and Senior Citizens only.**

General enquires on all Municipal Services.

##### **b. Municipal Services General – excluding Traffic & Licenses, Community Safety & Disaster Management.**

- a. Any query or complaint regarding Corporate and Technical Services to be recorded and submitted to the relevant Service Business Units.
- b. Means of communication between SBU's to be done via
  - Telephones; and
  - E-mails
- c. Centralized database to be maintained for accurate reporting and tracking purpose of all complaints.

- d. All Financial Services complaints must be captured on the financial systems notepad.
- e. Feedback to customers to be done via telephone and or e-mails and in person for walk in customers
- f. Turn-around time regarding feedback or completion of the complaint or query, must not exceed 21 (twenty one) working days, alternatively according to timeframes as set in Policies and By-Laws of The Polokwane Municipality
- g. All queries and complaints that are not being dealt within the prescribed timeframe must be escalated to the next levels: Direct Supervisor, Assistant Manager, Manager, Director and ultimately the Municipal Manager.

**c. Indigents and request for extension on payments:**

**Refer to indigent policy**

- a. All Indigents related queries
- b. Apply for extension of payments on service accounts on the prescribed via the prescribed documents

**d. Account Statements and Clearances:**

- a. Issuing of duplicates accounts, histories and various reports.
- b. Receive applications for clearance requests on transfer of properties
- c. Attorney correspondence relating to clearances only (Submit and collect)

**e. Budget and Treasury – General enquiries:**

- a. All account and related queries.
- b. Request special meter readings on the prescribed document, accompanied by payments as stipulated in the Tariff policy.
- c. Request a Meter Test on the prescribed document, accompanied by payments as stipulated in the Tariff policy.
- d. Changing of addresses.
- e. Requesting ACB payment methods.
- f. Cancellation of ACB payment methods.
- g. Valuation certificates/roll at the tariff as per Councils Tariff policy.

- h. Request information subject to stipulation of Access to the Information as stipulated in The Promotion of Access to Information Act, Act 2 of 2000.
- i. Profile updates.

**f. Connection and Disconnection of supply services:**

- a. Only rightful owners are allowed to apply for services on the prescribed documents. No tenant will be allowed to apply for any services unless prepaid
- b. Notification of disconnections by owners of properties in respect of services on the prescribed documents.

\*Arrange final readings, including arrangements of access to premises by authorized representatives of the Municipality for purposes of final readings. Refer **section 101** of the Municipal Systems Act, 32 of 2000.

**g. Cashiers.**

**Refer to cash management policy**

- a. Cashiers general.
- b. Renewal of vehicle licenses and Cash Power
- c. Disabled, Senior Citizens and Tender documents

**h. Municipal Control Centre**

The following services are located within the Municipal Control Centre by dialling the following telephone numbers: 015-290 2000 – Any Municipal related enquiries:

- Vehicle registration enquiries;
- Water & Electricity cut-off lists;
- Polokwane Mapping (Geographical Information System);
- Provincial Traffic After-hours call-out procedures;
- Electrical and water Complaints;
- Information on security and traffic cameras;
- Emergency Numbers;
- Disaster Management Information;

- Mobile Control Unit (Combined Joint Operation Control);
- Reporting bomb threats;
- Reporting serious occurrences;
- Reporting drowning;
- Complaints relating to animals;
- Towing Services radio link;
- Civil defence radio link.
- Any other services unless directed otherwise

#### **15. COMMUNICATION TO PUBLIC REGARDING METER READING AND METER READING SCHEDULES**

- a. Members of the public must be informed that it is an offence under section 101 of the Local Government Municipal Systems Act to restrict accessibility of meters to authorised representatives of the Municipality.
- b. Inaccessible meters must be read at least within a six-month cycle to correct any under/over estimations. Estimations must be calculated by using any three latest consecutive accurate meter readings or any verifiable accurate reading measured or fixed determined by municipality, on condition that;
- c. These latest readings should not exceed prior 3 years. If no accurate readings obtained within the three years, the readings should then be monitored for three months going forward; and the average of those accurate readings, shall be used to calculate the corrections as mentioned in c, above.
- d. Members of the public must further be informed that failure to receive an account does not relieve a consumer of the obligation to pay an amount due and payable. Accounts can be obtained during normal working hours, per e-mail, telephone request of by visiting the Civic Centre or any satellite office.

## **16. ORGANISATIONAL CONDUCT: CODE OF CONDUCT OF ALL MUNICIPAL OFFICIALS**

- a. All Municipal Officials shall treat all customers with dignity and respect at all times. Employees shall execute their duties in an honest and transparent manner whilst protecting the confidentiality of information in accordance with the Promotion of Access to Information Act No. 2 of 2000.
- b. Where information held by the municipality is requested by Customers, such information shall only be made available in accordance with the Municipality's official Promotion of Access to Information Manual and provided that the necessary application forms have been filled in by a customer and the required fee has been paid.
- c. All Councillors and officials shall conduct themselves according to the "Code of Conduct" for Councillors and Municipal Staff members as contained in Schedule 1 & 2 of the Municipal Systems Act 32 of 2000.

## **17. REVIEW OF POLICY**

This policy shall be implemented as at 1 July 2022 and shall be reviewed on an annual basis to ensure that it is in line with the municipality's strategic objectives and with legislation.



**POLOKWANE LOCAL  
MUNICIPALITY**

**Draft Claims & Loss Control  
Committee Policy**

**2022/2023**

**POLOKWANE LOCAL MUNICIPALITY**  
**CLAIMS & LOSS CONTROL COMMITTEE POLICY**  
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**POLOKWANE LOCAL MUNICIPALITY**

**CLAIMS & LOSS CONTROL COMMITTEE POLICY**

**To provide for a written description of the Claims & Loss Control Committee (the “Committee”) procedures established for Polokwane Local Municipality. This document is an overview of the individual procedures which support the Claims & Loss Control Committee and contains guidelines for Good Practice for claims and loss management within Polokwane Municipality.**

**WHEREAS** the municipality does from time to time receive claims from the public relating to possible damages caused in incidents occurring in the service delivery activities of the municipality;

**AND WHEREAS** from time to time the municipality has to deal with losses occurring within the organisation pertaining to its employees, official equipment, vehicles and municipal property as a whole as well as private property of employees;

**AND WHEREAS** it is the purpose of the Claims & Loss Control Committee to evaluate and settle property loss/damage and/or liability claims in amounts less than the excess amount for which the Municipality is liable in terms of its insurance policy;

**NOW BE IT ENACTED** by the Council of the Polokwane Local Municipality, as follows:-

## **CHAPTER 1**

### **COMMITTEE COMPOSITION**

#### **1.1 CUSTODIAN OF THE COMMITTEE**

- (a) The Committee shall fall under the custodianship of the Chief Financial Officer of the Municipality.
- (b) Members of the Committee shall be appointed, in writing, by the Municipal Manager or his/her authorised representative.
- (c) The office of the CFO shall appoint a secretary for the Committee, the duty of whom it shall be to distribute Agendas for meetings of the Committee as well as record and minute meetings of the Committee.
- (d) This Policy as well as the appointment of members of the Committee shall be reviewed annually by the Municipal Manager or his/her authorised representative.
- (e) The CFO may delegate any of his/her duties under this policy to a senior official within the Financial Services SBU.

#### **1.2 MEMBERS AND REPRESENTATION**

- (a) The Committee membership shall comprise of the following standard members:-

Chairperson	Deputy CFO
Finance Officials	Asst. Manager Expenditure
	Accountant Insurance & Investments
Legal Services	Asst. Manager Legislation & Law Enforcement
OHS	Asst. OHS Officer
Environment	Asst. Manager/Snr. Supervisor
Traffic	Asst. Manager/Snr. Superintendent
- (b) Service Business Units shall be represented by the relevant Manager of that SBU in meetings of the Committee whenever a claim or loss arising from the activities of such a SBU is tabled before the Committee.
- (c) SBU Managers may delegate a representative to attend meetings of the Committee on his/her behalf but only with the consent of the Chairperson of the Committee and further provided that such a representative shall be fully conversed and familiar with all relevant facts pertaining to the claim or loss he/she shall be presenting before the Committee on behalf of the SBU.

#### **1.3 ROLES AND RESPONSIBILITIES**

- (a) Chairperson: A representative from the Office of the Chief Financial Officer (generally the Deputy CFO) will chair the Claims & Loss Control Committee.
- (b) The Chairperson shall ensure the meeting agenda is completed and that assignments and commitments have been achieved and further that all records are sent to the Records Section for safekeeping.

- (c) All records required and generated by the procedures and working of the Committee shall be maintained and located in the Records Section of the Municipality.
- (d) The Chairperson shall also be the technical mentor and coach of the Committee by providing guidance in terms of regulatory requirements, technical resources and references etc.
- (e) Members: Complete the functions and tasks necessary to fulfil the goals and objectives of the Committee.

#### **1.4 QUORUM RULES**

- (a) A minimum 75% (4) of the membership is required to be present in order to hold a meeting and take a vote.
- (b) Resolutions and process directions are passed by a majority vote.

#### **1.5 MEETING SCHEDULES**

The Committee will meet as claims arise but at least quarterly.

#### **1.6 AGENDAS MINUTES AND RECORDING OF MEETINGS**

- (a) The secretary of the Committee shall be responsible for compilation and distribution of Agendas for Committee meetings at least 3 days prior to a meeting.
- (b) Agendas shall contain all relevant information as stipulated in this policy regarding a specific claim and/or loss including a written report from the relevant SBU Manager to whose SBU the claim or loss relates.
- (c) The secretary shall capture all resolutions of the meeting during the meeting and then record same in written Minutes of the meeting to be distributed to all attendees of a specific Committee Meeting.
- (d) The secretary shall ensure that an attendance register is signed at all meetings of the Committee and also record any apologies accordingly.

## **CHAPTER 2**

### **PROCEDURE**

#### **2.1 PURPOSE OF THE COMMITTEE**

- (a) The purpose of the Committee is to consider and settle or repudiate claims for damages caused to the property of members of public arising against the Municipality from time to time as well as consider and settle internal loss control issues as they arise.
- (b) The Committee shall have the authority to deal with claims as described in sub-clause 2.1(a) on the merit of each individual claim, for claims which falls within the excess amount of the Municipality's liability under its public liability insurance policy.
- (c) The Committee shall focus on the following goals and functions in order to meet the purpose identified:
  - (i) Review, consider and discuss all claims and losses received;
  - (ii) Settle, repudiate or refer back for further information all claims tabled before the Committee which falls within its mandate;
  - (iii) Attend meetings arranged for purposes of discussion and finalisation
  - (iv) Seek advice from any Third Party in considering and finalising claims before the Committee as the Committee may deem necessary.

## **CHAPTER 3**

### **RECEIPT OF CLAIMS TO SERVE BEFORE THE COMMITTEE**

#### **3.1 SUBMISSION OF CLAIMS**

- (a) Claims against the Municipality have to be submitted at the office of the Manager of the SBU allegedly responsible for the damage which gave rise to the claim.
- (b) Potential claimants have to contact the office of the relevant SBU Manager where the necessary claim form can be obtained and again submitted with the required information and documentation required as indicated on the form.
- (c) Claimants shall claim from their own insurance companies first before recourse is sought against the Municipality. No claimant shall refuse to claim for damages against their own insurance company. In all instances the claimant shall disclose the name and telephone number of their insurance company.
- (d) Claims for consideration by the Committee have to be lodged with the Municipality within 3 months of the date of the incident causing the alleged damage. Claims lodged outside the cut-off period of 3 months shall not be considered by the Municipality.
- (e) All claims lodged with the municipality shall contain the following information and be accompanied by the following relevant documentation:-
  - (i) Completed claim form;
  - (ii) Sworn affidavit by the claimant on the circumstances how, date, time and place where the incident allegedly causing the damage occurred;
  - (iii) SAPS MR Number showing the incident has been reported with SAPS;
  - (iv) 3x quotations for repairing of the damage allegedly caused;
  - (v) Colour photographs of the scene of the incident as well as the damaged property (where damage is caused to mag-wheelss and tyres the municipality reserves the right to inspect such mag-wheels and tyres);
  - (vi) A certified copy of the claimants ID;
  - (vii) A certified copy of the damaged motor vehicle's registration/licensing documents (where applicable);
  - (viii) A copy of the claimants municipal services account for the month directly preceding the incident;
  - (ix) A letter from the claimants insurance company indicating that a claim has been lodged with the insurer for the damage to the claimants property, further indicating what the excess amount payable on the claim is.

### **3.2 CLAIMS ASSESSMENT**

- (a) Although all claims received shall be reviewed by the Committee, the Municipality is not obliged to honour any claim.
- (b) Claims received shall be considered on merit of each individual claim. Negligence on the part of the claimant shall result in discounting of the claim in the discretion of the committee.
- (c) In all instances where alleged damage is caused to a claimant's property, the Municipality shall only consider payment of the claimants excess payable under his/her own insurance policy where the Committee is of the opinion that the claim has merit and warrants remuneration.
- (d) Claims received shall within a period of 5 working days from date of receipt of such a claim, be submitted to the office of the Accountant Insurance and Investments by the relevant SBU Manager receiving the claim. Claims thus submitted shall contain all relevant information requested on the claim form and shall be accompanied by a written report of the relevant SBU Manager regarding the merit of the claim from the SBU's perspective.
- (e) On receipt of a claim from the SBU Manager, the Accountant Insurance and Investments shall acknowledge receipt of the claim and arrange for the claim to be lodged with the Records Section so that a file number can be allocated to the claim.
- (f) Complete claims shall be forwarded to the Secretary of the Claims and Loss Control Committee who in turns shall compile an Agenda for the Committee and secure a date for the next meeting to consider claims.
- (g) Claims have to be finalised within 30 working days following the date of receipt of a complete claim.

### **3.3 PAYMENT OF CLAIMS**

- (a) Claims deserving of payment in accordance with the Committee's resolution shall be limited to payment of the lowest quotation amount or the claimant's excess payment under his/her policy, whichever is the lesser amount.
- (b) Where the Committee resolves to honour a claim against the Municipality, the payment shall be made ex gratia and in full and final settlement of the claimants claim.

### **3.4 NO OR PARTIAL PAYMENT OF CLAIMS**

- (a) If the claim is denied, the Committee states and minutes explicitly to the claimant the reasons on which denial of the claim is based.
- (b) If the amount offered is different from the amount claimed, the Committee explains the reason for this to the claimant.
- (c) When the municipality is not responsible (by virtue of common law of delict principles) for meeting all or any part of the claim, the Committee notifies the claimant of this fact and explains why.

## **CHAPTER 4**

### **LOSS CONTROL**

#### **4.1 RECEIPT OF LOSS CONTROL MATTERS FOR CONSIDERATION**

- (a) Incidents of internal loss control to be considered by the Committee shall be submitted to the office of the appointed Secretary of the Claims and Loss Control Committee for inclusion in the Agenda of the Committee.
- (b) Incidents so submitted shall consist of a comprehensive written report by the relevant SBU Manager, which report shall contain information on the nature of the loss, how it occurred, what remedial steps have been taken to prevent future occurrences, disciplinary action taken if any, value of the loss and how the damage caused will be compensated. The said report shall also contain a recommendation to the Committee on how the incident has to be dealt with.
- (c) When a loss control issue serves before the Committee, the relevant SBU Manager shall avail himself/herself to ensure attendance of such a meeting of the Committee.
- (d) Resolutions taken on loss control issues shall be final and binding and executed accordingly by the SBU Manager.

## **CHAPTER 5**

### **CLAIMS REGISTER**

- (a) A claims register shall be opened and kept on all claims received and considered by the Committee. This register shall contain the date of the claim, the claimants name and ID number as well as the amount of the claim and whether the claim was paid out or not.
- (b) Claims are documented in order to be able to address questions that may arise concerning the handling and payment of a claim.



## **CHAPTER 6**

### **COMPLAINTS AND DISPUTES**

#### **6.1 FILING OF COMPLAINTS AND DISPUTES**

- (a) When a claimant files a complaint against the findings of the Committee, the Committee:-
- (i) acknowledges receipt of the complaint within a reasonable period of time;
  - (ii) provides the claimant with explanations on how his/her complaint will be handled and the procedures to be followed
  - (iii) processes the complaint promptly and fairly
  - (iv) provides a final response in writing within a reasonable period of time.

#### **6.2 PROCEDURE FOR DEALING WITH COMPLAINTS AND DISPUTES**

- (a) Once a complaint has been received and acknowledged, the letter of complaint together with the resolution of the Committee taken with regard to the claim on which a complaint has been received has to be tabled before the earliest next sitting of the Committee for consideration.
- (b) Complaints and disputes so received shall be duly considered by the Committee, whereafter the Committee shall resolve on the matter and a final response on the complaint be forwarded to the claimant in writing.

#### **6.3 DISPUTES**

- (a) If the claimant is dissatisfied with the final response from the Committee, the claimant shall be informed to forward his/her dispute in writing to the CFO and Manager Legal Services, who will then assess the matter and decide on a way forward regarding that dispute and inform the claimant accordingly in writing.



**DRAFT  
BUDGET AND  
VIREMENT  
POLICY**

**2022/2023**

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## **1. DEFINITIONS**

**1.1 "Accounting Officer"**- means a person appointed in terms of section 82(l) (a) or (b) of the Municipal Structures Act; Municipal Manager;

**1.2 "Allocation"**, means-

(a) a municipality's share of the local government's equitable share referred to in section 214(l) (a) of the Constitution;

(b) an allocation of money to a municipality in terms of section 214(1) (c) of the Constitution;

(c) an allocation of money to a municipality in terms of a provincial budget; or

(d) any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction;

**1.3 "Annual Division of Revenue Act"** means the Act of Parliament, which must be enacted annually in terms of section 214 (1) of the Constitution;

**1.4 "Approved budget,"** means an annual budget-

(a) approved by a municipal council, or

(b) includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA;

**1.5 "Basic Municipal Service"** means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment;

**1.6 "Budget-related Policy"** means a policy of a municipality affecting or affected by the annual budget of the municipality, including-

(a) the tariffs policy, which the municipality must adopt in terms of section 74 of the Municipal Systems Act;

(b) the rates policy which the municipality must adopt in terms of legislation regulating municipal property rates; or

(c) the credit control and debt collection policy, which the municipality must adopt in terms of section 96 of the Municipal Systems Act;

**1.7 "Budget transfer"** means transfer of funding within a function / vote.

**1.8 "Budget Year"** means the financial year of the municipality for which an annual budget is to be approved in terms of section 16(1) of the MFMA;

**1.9 "Chief Financial Officer"** means a person designated in terms of section 80(2) (a) of the MFMA;

**1.10 "Councillor"** means a member of a municipal council;

**1.11 "creditor"**, means a person to whom money is owed by the municipality;

**1.12 "current year"** means the financial year, which has already commenced, but not yet ended;

**1.13 "delegation"**, in relation to a duty, includes an instruction or request to perform or to assist in performing the duty;

**1.14 "financial recovery plan"** means a plan prepared in terms of section 141 of the MFMA

**1.15 "financial statements"**, means statements consisting of at least-

(a) a statement of financial position;

(b) a statement of financial performance;

(c) a cash-flow statement;

(d) any other statements that may be prescribed; and

(e) any notes to these statements;

**1.16 "financial year"** means a twelve months' period commencing on 1 July and ending on 30 June each year

**1.17 "financing agreement"** includes any loan agreement, lease, and instalment purchase contract or hire purchase arrangement under which a municipality undertakes to repay a long-term debt over a period of time;

**1.18 "investment"**, in relation to funds of a municipality, means-

(a) the placing on deposit of funds of a municipality with a financial institution; or

(b) the acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds;

**1.19 "lender"**, means a person who provides debt finance to a municipality;

**1.20 Line Item** an appropriation that is itemized on a separate line in a budget adopted with the idea of greater control over expenditures

**1.21 "local community"** has the meaning assigned to it in section 1 of the Municipal Systems Act;

**1.22 "Municipal Structures Act"** means the Local Government: Municipal Structures Act, 1998(Act No. 117 of 1998);

**1.23 "Municipal Systems Act"** means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);

**1.24 "long-term debt"** means debt repayable over a period exceeding one year;

**1.25 "Mayor"** means the councillor elected as the Mayor of the municipality in terms of section 55 of the Municipal Structures Act;

**1.26 "Municipal council" or "council"** means the council of a municipality referred to in section 18 of the Municipal Structures Act;

**1.27 "Municipal debt instrument"** means any note, bond, debenture or other evidence of

indebtedness issued by a municipality, including dematerialised or electronic evidence of indebtedness intended to be used in trade;

**1.28 "Municipal entity"** has the meaning assigned to it in section 1 of the Municipal Systems

Act (refer to the MSA for definition);

**1.29 "municipality"-**

(a) when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or

(b) when referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

**1.30 "Municipal service"** has the meaning assigned to it in section 1 of the Municipal Systems Act (refer to the MSA for definition);

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

**1.32 "Municipal tax"** means property rates or other taxes, levies or duties that a municipality may impose;

**1.33 "National Treasury"** means the National Treasury established by section 5 of the Public Finance Management Act;

**1.34 "official", means-**

(a) an employee of a municipality or municipal entity;

(b) a person seconded to a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or

(c) a person contracted by a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee;

**1.35 "overspending"-**

- (a) means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year's budget for its operational or capital expenditure, as the case may be;
- (b) in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or
- (c) in relation to expenditure under section 26 of the MFMA, means causing expenditure under that section to exceed the limits allowed in subsection (5) of this section;

**1.36 "Past Financial Year"** means the financial year preceding the current year;

**1.37 "Ring Fenced"** an exclusive combination of line items grouped for specific purposes for instance salaries and wages

**1.38 "quarter"** means any of the following periods in a financial year:

- (a) 1 July to 30 September;
- (b) 1 October to 31 December;
- (c) 1 January to 31 March; or
- (d) 1 April to 30 June;

**1.39 "Service Delivery and Budget Implementation Plan"** means a detailed plan approved by the Mayor of a municipality in terms of section 53(l)(c)(ii) of the MFMA for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate-

- (a) projections for each month of- (i) revenue to be collected, by source; and
- (ii) operational and capital expenditure, by vote;



(b) service delivery targets and performance indicators for each quarter; and

(c) any other matters that may be prescribed, and includes any revisions of such plan by the Mayor in terms of section 54(l) (c) of the MFMA;

**1.40 "short-term debt"** means debt repayable over a period not exceeding one year;

**1.41 "Standards of generally recognised accounting practice,"** means an accounting practice complying with standards applicable to municipalities or municipal entities as determined by the Accounting Standards Board

**1.42 "Unauthorised expenditure",** means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the MFMA, and includes- (a) overspending of the total amount appropriated in the municipality's approved budget;

(b) overspending of the total amount appropriated for a vote in the approved budget;

(c) expenditure from a vote unrelated to the department or functional area covered by the vote;

(d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;

(e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of allocation otherwise than in accordance with any conditions of the allocation; or

(f) a grant by the municipality otherwise than in accordance with the MFMA;

**1.43 "virement"** means transfer of funds between functions / votes

**1.44 "vote" means-**

(a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and

(b) which specifies the total amount that is appropriated for the purposes of the Department or functional area concerned

## **2. INTRODUCTION**

Municipal Budgets, Subsection (16), states that the council of a municipality must for each financial year approve an annual budget for the municipality before the commencement of that financial year. According to subsection (2) of the Act concerned, in order to comply with subsection (1), the Mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year. This policy must be read, analysed, explained, interpreted, implemented and understood against this legislative background. The budget plays a critical role in an attempt to realise diverse community needs. Central to this, the formulation of a municipality budget must take into account the government's macro-economic and fiscal policy fundamentals. In brief, the conceptualisation and the operationalisation of the budget must be located within the national government's policy framework

## **3. OBJECTIVES OF POLICY**

- a) The policy sets out the budgeting principles which Polokwane 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 Polokwane Municipality that are involved throughout the budget process.
- c) The policy shall establish and maintain procedures to ensure adherence to the IDP review and budget processes

## **4. BUDGETING PRINCIPLES**

- a) The municipality shall not budget for a deficit and should also ensure that revenue projections  
in the budget are realistic taking into account actual collection levels.

- b) Expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each vote in the approved budget.
- c) The MTREF budget shall at all times be within the framework of the Municipal Integrated Development Plan

## **5. BUDGET PREPARATION PROCESS**

### **5.1. Formulation of the budget**

- a) The Accounting Officer with the assistance of the Chief Financial Officer and the Heads responsible for IDP and Performance Management shall draft the Schedule of key deadlines for the budget and allied processes for the municipality and its municipal entities for the ensuing financial year.
- b) The schedule of key deadlines shall indicate the processes relative to the review of the IDP as well as the preparation of the medium-term revenue and expenditure framework budget and the revision of the annual budget. Such target dates shall follow the prescriptions of the Municipal Finance Management Act as well as the guidelines set by National Treasury.
- c) The mayor shall table the IDP process plan as well as the budget timetable to Council by 31 August each year for approval (10 months before the start of the next budget year).
- d) Strategic workshop shall be convened in September/October with senior managers to determine the IDP priorities which will form the basis for the preparation of the MTREF budget taking into account the financial and political pressures facing the municipality.
- e) The Mayor shall table the draft IDP and MTREF budget to council by 31 March (90 days before the start of the new budget year) together with the draft resolutions and budget related policies (policies on tariff

setting, credit control, debt collection, indigents, investment and cash management, borrowings, etc).

- f) The Chief Financial Officer and senior managers undertake the technical preparation of the budget.
- g) The budget must be in the format prescribed by National Treasury and must be divided into capital and operating budget.
- h) The budget must reflect the realistically expected revenues by major source for the budget year concerned.
- i) The budget must also contain the information related to the two financial years following the financial year to which the budget relates, as well as the actual revenues and expenses for the prior year, and the estimated revenues and expenses for the current year.

## **5.2 Public participation process**

Immediately after the draft annual budget has been tabled, the municipality must convene regional and public hearings on the draft budget in April and invite the public, stakeholder organizations, to make representations and to submit comments in response to the draft budget.

## **5.3 Approval of the budget**

- a) Per legislation, Council shall consider the next medium term expenditure framework budget for approval not later than 31st May (at least 30 days before the start of the budget year).
- b) The annual budget must be approved before the start of the financial year.
- c) Should the municipality fail to approve the budget before the start of the budget year, the mayor must inform the MEC for Finance that the budget has not been approved.
- d) The budget tabled at Council for approval shall include, inter alia the following draft resolutions:
  - i. draft resolutions approving the budget and levying property rates, other taxes and tariffs for the financial year concerned;

- ii. draft resolutions approving measurable performance objectives for each budget vote, taking into account the municipality's IDP;
- iii. draft resolutions approving any proposed amendments to the IDP;
- iv. draft resolutions approving any proposed amendments to the budget\_ related policies;
- v. draft resolutions approving the contents of the annual budget and supporting documents in terms of Section 17 of the MFMA

#### **5.4 Publication of the budget**

- a) Immediately after the budget is tabled the Accounting Officer (AO) must make public the budget and its supporting documents and invite the local community to submit representations in connection with the budget.
- b) Therefore, the Senior Manager Budgets on behalf of the AO must place the budget and other budget related documentation onto the municipal website so that it is accessible to the public as well and submit within 14 days both printed and electronic formats to the National Treasury, the Provincial Treasury and any other prescribed Organs of State affected by the Budget.

#### **5.5 Service Delivery and Budget Implementation Plan (SDBIP)**

- a) The Mayor must approve the Service Delivery and Budget Implementation Plan not later than 28 days after the approval of the Budget by Council.
- b) The SDBIP shall include the following components:
  - i. Monthly projections of revenue to be collected for each source
  - ii. Monthly projections of expenditure (operating and capital) and revenue for each vote
  - iii. Quarterly projections of service delivery targets and performance indicators for each vote
  - iv. Ward information for expenditure and service delivery

- v. Detailed capital works plan broken down by ward over three years

## **6. CAPITAL BUDGET**

- a) The capital budget refers to the allocations made to specific infrastructural projects and the purchase of equipment and other forms of assets having a lifespan of more than one year and a cost value of more than R10000
- b) Vehicle replacement shall be done in terms of Council's vehicle replacement policy. The budget for vehicles shall distinguish between replacement and new vehicles. No globular amounts shall be budgeted for vehicle acquisition.
- c) A Municipality may spend money on a capital project only if the money for the project has been appropriated in the capital budget.
- d) The envisaged sources of funding for the capital budget must be properly considered and the Council must be satisfied that this funding is available and has not been committed for other purposes.
- e) Before approving a capital project, the Council must consider the following aspects;
  - i. the projected cost of the project over all the ensuing financial years until the project becomes operational,
  - ii. future operational costs and any revenues, which may arise in respect of such project, including the likely future impact on operating budget (i.e. on property rates and service tariffs).
- f) Before approving the capital budget, the council shall consider the following:
  - i. the impact on the present and future operating budgets of the municipality
  - ii. relation to finance charges to be incurred on external loans,
  - iii. depreciation of fixed assets,
  - iv. maintenance of fixed assets, and
  - v. any other ordinary operational expenses associated with any item on such capital budget.
  - vi. Council shall approve the annual or adjustment capital budget only if it has been properly balanced and fully funded.

## **Basis of Calculation**

a) The zero-based method is used in preparing the annual capital budget, except in cases where a contractual commitment has been made that would span over more than one financial year.

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.

## **7. OPERATING BUDGET**

- a) The municipality shall budget in each annual and adjustments budget for the contribution to:
- i. provision for accrued leave entitlements equal to 100% of the accrued leave
  - ii. entitlement of officials as at 30 June of each financial year,
  - iii. provision for bad debts in accordance with its rates and tariffs policies
  - iv. provision for the obsolescence and deterioration of stock in accordance with its stores management policy.
  - v. Depreciation and finance charges shall be charged to or apportioned only between the departments or votes to which the projects relate.
  - vi. At least a minimum of 5% of the operating budget component of each annual and adjustments budget shall be set aside for maintenance.
  - vii. When considering the draft annual budget, council shall consider the impact which the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households.
  - viii. The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts.
- b) The operating budget shall reflect the impact of the capital component on:
- i. depreciation charges

- ii. repairs and maintenance expenses
  - iii. interest payable on external borrowings
  - iv. other operating expenses.
- c) The chief financial officer shall ensure that the cost of indecency relief is separately reflected  
in the appropriate votes.

## **8. FUNDING OF CAPITAL AND OPERATION BUDGET**

**The budget may be financed only from:**

### **8.1 Own Financing Sources (Basic Capital Budget)**

The Council shall establish a Capital Replacement Reserve (CRR) for the purpose of financing capital projects and the acquisition of capital assets. Such reserve shall be established from the following:

- a) unappropriated cash-backed surpluses to the extent that such surpluses are not required  
for operational purposes.
- b) further amounts appropriated as contributions in each annual or adjustments budget; and
- c) net gains on the sale of fixed assets in terms of the fixed asset management and  
accounting policy.

### **8.2 Other Finance Sources (Ad Hoc Capital Budget)**

The Ad- Hoc capital budget shall be financed from external sources such as the following:

- a) Grants and subsidies as allocated in the annual Division of Revenue Act.



- b) Grants and subsidies as allocated by Provincial government.
- c) External Loans
- d) Private Contributions
- e) Contributions from the Capital Development Fund (developer's contributions) and,
- f) Any other financing source secured by the local authority.

## **9. UNSPENT FUNDS/ ROLL OVER**

- a) The appropriation of funds in an annual or adjustments budget will lapse to the extent that they are unspent by the end of the relevant budget year, but except for funds relating to capital expenditure.
- b) Only unspent grants (if the conditions for such grant funding allows that) or loan funded capital budget may be rolled over to the next budget year
- c) Conditions of the grant fund shall be taken into account in applying for such rollover of funds
- d) Application for rollover of funds shall be forwarded to the budget office by the 15 June each year in order to be by Council by August in terms of legislation
- e) No funding for projects funded from the Capital Replacement Reserve shall be rolled over to the next budget year except in cases where a commitment has been made 90 days (30 March each year) prior the end of that particular financial year.
- f) No unspent operating budget shall be rolled over to the next budget year

## **10. VIREMENT BUDGET/ TRANSFERS**

Virement is the process of transferring budgeted funds from one line-item number to another, with the approval of the relevant Director and CFO, to

enable budget managers to amend budgets in the light of experience or to reflect anticipated changes. (Section 28 (2) (c) MFMA)

## 9.1 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 department or activity to which funds are allotted to plan and conduct assigned operations so as not to expend more funds than budgeted for. In addition, they have the responsibility to identify and report any irregular or fruitless and wasteful expenditure in terms of the MFMA sections 78 and 32.

## 10.2 Virement Restrictions

- a) No funds may be transferred between votes (Directorates) without approval in the adjustment budgets.
- b) Virements resulting in adjustments to the approved SDBIP need to be submitted with an adjustments budget to the Council with altered outputs and measurements for approval.
- c) No virement may commit the Municipality to increase recurrent expenditure, which commits the Council's resources in the following financial year, without the prior approval

of the Mayoral Committee. This refers to expenditures such as entering into agreements

into lease or rental agreements such as vehicles, photo copiers or fax machines

- d) No virement may be made where it would result in unauthorised expenditure.
- e) If the virement relates to an increase in the work force establishment, then the Council's existing recruitment policies and procedures will apply.
- f) Virements are not allowed in respect of ring-fenced allocations.
- g) Virements are not allowed on the following items: - Finance Charges, Depreciation, Debt Impairment, Contributions, Grant Expenditure and Income Foregone, Insurance and VAT
- h) Virements must be between projects of similar major funding sources (e.g. CRR ↔ CRR)
- i) Virement amounts may not be rolled over to subsequent years, or create expectations

on following budgets. (Section 30 MFMA)

- j) Virements are not allowed between Expenditure and Income.
- k) Virements are not allowed between capital and operational budgets without approval in the adjustment budgets.
- l) Virements towards personnel expenditure and vice versa will not be permitted.
- m) No budget may be moved to or from a vote, programme or project etc. that will exceed 20%

of that vote

- i. This refers to virement within a directorate that must not exceed 20% of that department's total approved budget of the following Sub-votes – Other

Materials, Contracted Services and Other Expenditure

- n) Any virement in excess of 20% should be approved by Council, however this threshold shall not apply in case of emergency
- o) No virement may be made where it would result in over expenditure (MFMA Section 32);
- p) Virement should only be allowed within a *m*SCOA function and its sub functions<sup>1</sup>, except for the following cases:

1. A Project extending over/ incorporating more than one *m*SCOA function or sub function, then savings in the budgetary allocation in a function or sub-function may be applied across the functions and/ or sub-functions directly linked to the same Project and Funding Source;
2. Where the Finance and Administrative function or sub function is directly linked to another Function or sub function, then savings in the linked function/ sub-function may be applied in the Finance and Administrative function or vice versa<sup>2</sup>. Therefore virement between Rates Services and Trading Services and across Trading Service are not allowed;
3. Virements should not result in adding 'new' projects to the Capital Budget;

### **10.3 Virement Procedure**

- a) All virement proposals must be completed on the appropriate documentation and forwarded to the Budget Office for verification and implementation.
- b) All virements must be approved by the Vote holder and/or relevant Manager in the case of a departmental budget transfer, and by the relevant Director in the case of a

All the virement on Capital budget must be approved by the Municipal Manager

10. Capital Budget Virement within a GFS Classification must be approved by the relevant manager and Director, the Municipal Manager and Chief Financial Officer.
11. A virement form must be completed for all Budget Transfers.
12. All documentation must be in order and approved before any expenditure can be committed or incurred.

### **11. ADJUSTMENT BUDGET**

- a) Each adjustments budget shall reflect realistic excess, however nominal, of current revenues over expenses.

- b) The chief financial officer shall ensure that the adjustments budgets comply with the requirements of the National Treasury reflect the budget priorities determined by the Mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the executive mayor on the revision of the IDP and the budget-related policies where these are indicated.
- c) Council may revise its annual budget by means of an adjustments budget at most three times a year or as regulated.
- d) The Accounting Officer must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent.
- e) The Accounting Officer shall appropriate additional revenues, which have become available but only to revise or accelerate spending programmes already budgeted for or any areas of critical importance identified by Council in compliance with Item 2 of Section 10.
- f) The Council shall in such adjustments budget, and within the prescribed framework, confirm unforeseen and unavoidable expenses on the recommendation of the Mayor.
- g) The Council should also authorise the spending of funds unspent at the end of the previous financial year, where such under-spending could not reasonably have been foreseen at the time the annual budget was approved by the Council.
- h) Only the Mayor shall table an adjustments budget, and adjustments budget shall be done at most three times a year after the end of each quarter and be submitted to Council in the following months:
  - i. In October – to adjust funding rolled over from the previous financial year as well as to include additional funding that has become available from external sources,
  - ii. February – to take into account recommendations from the mid-year budget and performance report tabled to Council in January that affect the annual budget.
  - iii. May – final budget adjustment to adjust current year's budget in cases where there is an indication that there will be rolling over of funding to the next financial year
- i) An adjustments budget shall contain the following aspects;

- i. An explanation of how the adjustments affect the approved annual budget;
  - ii. Appropriate motivations for material adjustments; and
  - iii. An explanation of the impact of any increased spending on the current and future annual budgets.
  - iv. Any inappropriate surplus from previous financial years, even if fully cash backed shall not be used to balance any adjustments budget but shall be appropriated to the municipality's capital replacement reserve.
- j) Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan.

## **12. BUDGET IMPLEMENTATION**

### **12.1 MONITORING**

- a) The accounting officer with the assistance of the chief financial officer and other senior managers is responsible for the implementation of the budget, and must take reasonable steps to ensure that:
- i. Funds are spent in accordance with the budget;
  - ii. Expenses are reduced if expected revenues are less than projected; and
  - iii. Revenues and expenses are properly monitored.
- b) The Accounting officer with the assistance of the chief financial officer must prepare any adjustments budget when such budget is necessary and submit it to the Mayor for consideration and tabling to Council.
- c) The Accounting officer must report in writing to the Council any impending shortfalls in the annual revenue budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.

## **13. REPORTING**

### **13.1 Monthly Reports**

The accounting officer with the assistance of the chief financial officer must, not later than ten working days after the end of each calendar month, submit

to the Mayor and Provincial and National Treasury a report in the prescribed format on the state of the municipality's budget for such calendar month, as well as on the state of the budget cumulatively for the financial year to date.

The report must reflect the following:

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

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

### **13.2 Quarterly Reports**

The Mayor must submit to Council within thirty days of the end of each quarter a report on the implementation of the budget and the financial state of affairs of the municipality.

### **13.3 Mid-year budget and performance assessment**

The Accounting officer must assess the budgetary performance of the municipality for the first half of the financial year, taking into account all the

monthly budget reports for the first six months, the service delivery performance of the municipality as against the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan.

The Accounting officer must then submit a report on such assessment to the Mayor by 25 January each year and to Council, Provincial Treasury and National Treasury by 31 January each year.

The Accounting officer may in such report make recommendations after considering the recommendation of the Chief Financial Officer for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan.

#### **13.4 Municipal website**

The Director Corporate Services must place on the municipality's official website the following information:

the annual and adjustments budgets and all budget-related documents; all budget-related policies; the integrated development plan the annual report; all performance agreements; all service delivery agreements.

#### **14. IMPLEMENTATION AND REVIEW OF POLICY**

This policy shall be implemented on 1<sup>st</sup> July 2022 and shall be reviewed on an annual basis to ensure that is in line with the municipality's strategic objectives and with legislation.





NATURALLY PROGRESSIVE

**POLOKWANE MUNICIPALITY**

***2022/23***

**REVIEWED ORGANISATIONAL AND  
EMPLOYEE PERFORMANCE  
MANAGEMENT POLICY**

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## GLOSSARY OF TERMS

Term	Definition
Assessment:	The measurement of data by means of a scoring process to assess if targets were reached. The term assessment is used within this policy as synonymous to review and appraisal.
Baseline:	Estimate current level or measure of a situation.
Core Competency Requirements (CCR):	Refer to behaviors and skills that are considered core to achieving the key performance areas and ultimately the strategic objectives and key performance areas of the Municipality. It is the culmination of a specific unique set of skills that provide a structured guide enabling the identification, evaluation and development of behaviors in individual employees. These include the values of the organization.
Dispute:	A disagreement that an employee has elected to resolve in terms of applicable legislation and collective agreements (i.e. the 'formal' dispute resolution procedure).
Employee:	A person employed by a Municipality. This includes all managers defined in Section 57(1) (a) (b) of the Municipal Systems Act, No 32 of 2000, employees in the full-time employment and fixed term contract employees in the employment of the City of Polokwane.
Employee Performance Management:	The human resource management process concerned with ensuring the best performance of individuals in an organization to ensure organizational performance. It involves an understanding of what needs to be achieved and then managing and developing people in a way that enables the achievement of Municipal objectives.
Individual Performance Scorecard:	A Performance Plan/ Scorecard reflects the performance expectations of an incumbent for a specific year and sets out the outcomes and outputs against which performance is expected together with the standard of delivery, reflected as targets.
Key Performance Area (KPA):	A broad area of performance for which the incumbent will be held responsible. It is one of the elements to be reflected in the Performance Scorecard.
Key Performance	Can essentially be described as the performance dimension that is considered key in measuring performance. KPIs refer to programmes,

<b>Term</b>	<b>Definition</b>
Indicator (KPI):	projects or tasks to be undertaken by an employee within a specific time period. It should be defined in respect of each KPA and should be seen as measurable outputs.
Logic Model	A logic model is a tool used to evaluate the effectiveness of a programme/ project. Logic models are usually a graphical depiction of the logical relationships between the resources, activities, outputs and outcomes of a programme/project.
Monitoring and Evaluation	Refers to processes of monitoring a program and evaluating the impact it has on the target population in order to assess the success and gaps in program implementation.
Organizational Performance Management:	Organizational performance management entails the development of priorities aligned to the Municipal strategy inclusive of the development of strategic goals (ultimate outcomes) strategic objectives (intermediate outcomes), strategies/interventions (direct outcomes), projects (outputs), activities/processes (ward plans), performance indicators, baselines and targets. It aims to define and direct performance at an organizational level towards achieving annual targets.
Performance Input:	Resource consumed in business activities and processes, such as money, labour, time, equipment, etc. - measures economy and efficiency.
Performance Management System:	According to S38 of Act 32 of 2000 a Performance Management System must be established by a Municipality to commensurate with its resources, best suited to its circumstances and is in line with the priorities, objectives (outcomes), indicators and targets contained in its Integrated Development Plan (IDP). Its design should direct the behavior of Municipal employees towards achieving the organization's mandate as stipulated in its IDP.
Performance Output:	A description of the level of activity or effort that will be provided over a period of time or by a specific date, including a description of the characteristics and attributes (e.g., timelines) established as standards in the course of conducting the activity or effort.

Term	Definition
Target:	Is a standard to which a KPI must be achieved and should be reflected in terms of measures such as time, quality and quantity.
Panel and 180-Degree Assessment:	Refers to a top-down and bottom-up appraisal and feedback system where the performance of an incumbent is assessed by him/herself and his/her peer/s and/or manager/s.
Performance Agreement:	Explains what the employee's responsibilities are in terms of the performance management system.
Personal Development Plan:	A plan that is developed to show what training and development activities are required for each employee.
Rating:	The classification or ranking of something based on a comparative assessment of the quality and standard of performance.
Results/Outcomes Based Management	Is a management approach by which an organization ensures that its processes, products and services contribute to the achievement of clearly stated articulated results/outcomes in its strategy.
Weighting	An indicator of the relative importance of a metric with respect to the other metrics within the same objective.

## **SECTION A: ORGANIZATIONAL PERFORMANCE**

### **1. INTRODUCTION**

The 2001 Municipal Planning and Performance Management Regulations stipulates that a municipality's Performance Management System (PMS) must entail a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organized and managed, including determining the roles of the different role- players.

In line with the said legal requirement this framework is a policy document that will set out the requirements that the Polokwane Municipality's PMS will need to fulfill, the principles that informed its development and subsequent implementation, the preferred performance model of the Municipality, the process by which the system will work, the delegation of responsibilities for different roles in the process and a plan for the implementation of the system.

### **2. THE LEGISLATIVE FRAMEWORK FOR PERFORMANCE MANAGEMENT**

The major PMS policy instruments is the 1998 White Paper on Local Government supported by the Batho Pele principles, which policies was given legal stature through the adoption of the Municipal Systems Act in 2000 (Act 32 of 2000). The said Act requires all municipalities to:

- Develop a performance management system.
- Set targets and monitor and review the performance of the Municipality based on indicators linked to their Integrated Development Plan (IDP).
- Publish an annual performance report on performance of the Municipality forming part of its annual report as per the Municipal Finance Management Act (MFMA).
- Incorporate and report on a set of general (sometimes also referred to as national) indicators prescribed by the Minister responsible for local government
- Conduct, on a continuous basis, an internal audit of all performance measures
- Have their annual performance report audited by the Auditor-General
- Involve the community in setting indicators and targets and reviewing municipal performance.

The Minister responsible for local government published the Municipal Planning and Performance Management Regulations (2001) in terms of the Municipal Systems Act setting out in detail the requirements for a municipal PMS. The Regulations also contain the general indicators prescribed by the Minister responsible for local government. In 2006 the Minister published a further set of Regulations dealing with Performance Management for Municipal Managers and Managers Directly Accountable to Municipal Managers.

It is also important to note that the MFMA contains various important provisions related to municipal performance management. It requires municipalities to annually adopt a Service Delivery and Budget Implementation Plan (SDBIP) with service delivery targets and performance indicators. Whilst considering and approving the annual budget the Municipality must also set measurable performance targets for each revenue source and vote. The Municipality must lastly compile an annual report, which must include a performance report compiled in terms of the Systems Act. In terms of a circular issued by National Treasury provision is also made for the compilation on an annual basis of departmental SDBIPs.

### **3. PERFORMANCE MANAGEMENT AND MEASURES AT VARIOUS LEVELS**

Performance management can be applied to various levels within any organization. The legislative framework as set out above provides for performance management at various levels in a municipality including organizational (sometimes also referred to as municipal, corporate or strategic) level, departmental (also referred to as services, operational or section/team level) and lastly, individual level.

At organizational level the five-year IDP of a municipality forms the basis for performance management, whilst at operational level the annual SDBIP forms the basis. The IDP is a long-term plan and by its nature the performance measures associated with it will have a long-term focus, measuring whether a municipality is achieving its IDP objectives. A SDBIP (both for the municipality as a whole and that of a department) is more short-term in nature and the measures set in terms of the SDBIP, reviewing the progress made with implementing the current budget and achieving annual service delivery targets.



The measures set for the Municipality at organizational level is captured in an organizational scorecard structured in terms of the preferred performance management model of the Municipality.

By cascading performance measures from organizational to departmental level, both the IDP and the SDBIP, forms the link to individual performance management. This ensures that performance management at the various levels relate to one another which is a requirement of the 2001 Municipal Planning and Performance Regulations. The MFMA specifically requires that the annual performance agreements of managers must be linked to the SDBIP of a municipality and the measurable performance objectives approved with the budget.

#### **4. OBJECTIVES OF THE PERFORMANCE MANAGEMENT SYSTEM**

As indicated in the previous chapter the Municipality's PMS is the primary mechanism to monitor, review and improve the implementation of its IDP and to gauge the progress made in achieving the objectives as set out in the IDP.

In doing so, it should fulfill the following functions:

- ***Facilitate increased accountability***

The performance management system should provide a mechanism for ensuring increased accountability between the local community, politicians, the Municipal Council and the municipal management team.

- ***Facilitate learning and improvement***

The PMS should facilitate learning in order to enable the Municipality to improve delivery.

- ***Provide early warning signals***

It is important that the system ensure decision-makers are timeously informed of performance related risks, so that they can facilitate intervention, if necessary.

- ***Facilitate decision-making***

The performance management system should provide appropriate management information that will allow efficient, effective and informed decision-making, particularly on the allocation of resources.

The functions listed above are not exhaustive, but sum arise the intended benefits of the system. These intended functions should be used to evaluate and review the performance management system on a regular basis (see chapter 9).

## **5. PRINCIPLES GOVERNING THE PMS OF POLOKWANE MUNICIPALITY**

The following principles guided the process of developing a performance management system for the Polokwane Municipality:

- *Simplicity* so as the facilitate implementation given any current capacity constraints,
- *Politically acceptable* to all political role players,
- *Administratively managed* in terms of its day-to-day implementation,
- *Implementable* within any current resource constraints,
- *Transparency and accountability* both in terms of developing and implementing the system,
- *Efficient and sustainable* in terms of the ongoing implementation and use of the system,
- *Public participation* in terms of granting citizens their constitutional rig to participate in the process,
- *Integration* of the PMS with the other management processes within the Municipality,
- *Objectivity* based on credible information and lastly,
- *Reliability* of the information provided on the progress in achieving the objectives as set out in its IDP.

## **6. PREFERRED PERFORMANCE MANAGEMENT MODEL FOR POLOKWANE MUNICIPALITY**

A performance management model can be defined as the grouping together of performance indicators, sometimes based on the type of indicator, into logical categories or groups (often called perspectives), as a means to enhance the ability of an organization to manage and analyze its performance. As such a model provides a common framework for what aspects of performance is going to be measured and managed. It further ensures that a balanced set of measures are

employed that are not relying on only one facet of performance and therefore not presenting a holistic assessment of the performance of an organization.

A number of performance models are available and any of them could be applied by the Municipality. The available models include the Municipal Scorecard, Balanced Scorecard and the Key Performance Area Model. The Municipality has chosen the Key Performance model. In the said model all indicators are grouped together as per the National Key Performance Areas as per the Municipal Systems Act that is aligned to Polokwane IDP. The said Model therefore enables the Municipality to assess its performance based on the national and its own local key performance areas. With regards to the national key performance areas the Polokwane Municipality added two of their own namely environmental management and social development as they felt that these two areas were not adequately covered by the national key performance areas.

## 7. THE PROCESS OF MANAGING PERFORMANCE

The annual process of managing performance at organizational level in the Polokwane Municipality involves the steps as set out in the diagram below:



The following table spells out in more detail the role of all relevant role players in the above steps:

Stakeholders	Performance Planning	Measurement and Analysis	Performance Reporting and Reviews
<i>Citizens and Communities</i>	<ul style="list-style-type: none"> <li>• Be consulted on needs</li> <li>• Develop the long term vision for the area</li> <li>• Influence the identification of priorities</li> <li>• Influence the choice of indicators and setting of targets</li> </ul>		Be given the opportunity to review municipal performance and suggest new indicators and targets
<i>Council</i>	<ul style="list-style-type: none"> <li>• Facilitate the development of a long-term vision.</li> <li>• Develop strategies to achieve vision</li> <li>• Identify priorities</li> <li>• Adopt indicators and set targets</li> </ul>		Review municipal performance annually
<i>Mayoral Committee,</i>	<ul style="list-style-type: none"> <li>• Play the leading role in giving</li> </ul>		Conduct the major reviews of municipal

Stakeholders	Performance Planning	Measurement and Analysis	Performance Reporting and Reviews
<i>Portfolio Committee and the IDP Steering Committee</i>	<p>strategic direction and developing strategies and policies for the organization</p> <ul style="list-style-type: none"> <li>• Manage the development of an IDP</li> <li>• Approve and adopt indicators and set targets</li> <li>• Communicate the plan to other stakeholders</li> </ul>		<p>performance, determining where goals had or had not been met, what the causal reasons were and to adopt response strategies</p>
<i>Municipal Manager and Directors (Senior Managers)</i>	<p>Assist the Executive Committee in</p> <ul style="list-style-type: none"> <li>• providing strategic direction and developing strategies and policies for the organization</li> <li>• Manage the development of the IDP</li> <li>• Ensure that the plan is</li> </ul>	<ul style="list-style-type: none"> <li>• Regularly monitor the implementation of the IDP, identifying risks early</li> <li>• Ensure that regular monitoring (measurement, analysis and reporting) is happening in the organization</li> <li>• Intervene in</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct regular reviews of performance</li> <li>• Ensure that performance reviews at the political level are organized</li> <li>• Ensure the availability of information</li> <li>• Propose response strategies to the Executive</li> </ul>

Stakeholders	Performance Planning	Measurement and Analysis	Performance Reporting and Reviews
	integrated <ul style="list-style-type: none"> <li>Identify and propose indicators and targets</li> <li>Communicate the plan to other stakeholders</li> </ul>	performance problems on a daily operational basis	Committee
<i>SBU Managers</i>	<ul style="list-style-type: none"> <li>Develop service plans for integration with other sectors within the strategy of the organization</li> </ul>	<ul style="list-style-type: none"> <li>Measure performance according to agreed indicators, analyze and report regularly</li> <li>Manage implementation and intervene where necessary</li> <li>Inform decision-makers of risks to service delivery timeously</li> </ul>	<ul style="list-style-type: none"> <li>Conduct reviews of service performance against plan before other reviews</li> </ul>

The balance of this chapter looks at each of the steps in more detail and how they will unfold in the process of managing performance in the Municipality. Although the steps and what follow relates mainly to performance management at organizational level, the principles and approaches are also applied to performance management at departmental level.

### ***Performance Planning***

The performance of Polokwane Municipality is to be managed in terms of its IDP and the process of compiling an IDP and the annual review thereof therefore constitutes the process of planning for performance. It should be noted that the last component of the cycle is that of performance review and the outcome of such a review process must inform the next cycle of IDP compilation/review by focusing the planning processes on those areas in which the Municipality has under-performed.

### ***Performance Monitoring***

Performance monitoring is an ongoing process by which the Manager accountable for a specific indicator as set out in the organizational scorecard (and a service delivery target contained in a SDBIP) continuously monitors current performance against targets set. The aim of the monitoring process is to take appropriate and immediate interim (or preliminary) action where the indication is that a target is not going to be met by the time that the formal process of performance measurement, analysis, reporting and review is due

In the instance of Polokwane Municipality organisational performance is monitored on quarterly basis to the Mayoral Committee. Performance monitoring requires that in between the said formal cycle of performance measurement appropriate action be taken should it become evident that a specific performance target is not going to be met. At least on a monthly basis Senior Managers and SBU Managers needs to track performance trends against targets for those indicators that lie within their area of accountability of their respective Departments as a means to early on identify performance related problems and take appropriate remedial action.

Further each SBU Manager must delegate to the direct line official the responsibility to monitor the performance for his/her sector. Such line officials are best placed given their understanding of their sector monitor on a regular basis whether targets are being met currently or will be met in future, what the contributing factors are to the level of performance and what interim remedial action needs to be undertaken.

### ***Performance Measurement***

Performance measurement refers to the formal process of collecting and capturing performance data to enable reporting to take place for each key performance indicator and against the target set for such indicator. Polokwane Municipality have automated performance monitoring of the organisational scorecard (SDBIP), SBU Managers are given specific access to the reporting system. The SBU Managers are responsible for reporting on each indicator and the senior managers for the respective directorates are accountable for the overall monitoring of their directorate performance.

The SBU Managers will, when performance measurement is due, have to collect and collate the necessary performance data or information and capture the result against the target for the period concerned on the organizational scorecard and relevant SDBIP scorecard and report the result to the automated performance reporting system.

### ***Performance Analysis***

Performance analysis involves the process of making sense of measurements. It requires interpretation of the measurements as conducted in terms of the previous step to determine whether targets have been met and exceeded and to project whether future targets will be met or not. Where targets have not been met performance analysis requires that the reasons therefore should be examined and corrective action recommended. Where targets have been met or exceeded, the key factors that resulted in such success should be documented and shared so as to ensure organizational learning.

In practice the aforementioned entails that SBU Managers and Senior Managers are responsible for each indicator will have to, after capturing the performance data against targets on the organizational or departmental scorecards, analyze the underlying reasons why a target has/has not been met and capture a summary of his/her findings on the scorecard. The SBU Manager will thereafter have to compile a draft recommendation in terms of the corrective action proposed in instances where a target has not been achieved and also capture this on the relevant scorecard. Provision has been made on the reporting format of the organizational and SDBIP scorecards to capture both the 'reason for the performance challenges (in other words the results of the analysis undertaken) and the 'corrective action' proposed.



The organizational and SDBIP scorecards as completed must then be submitted to a formal meeting of the senior management team for further analysis and consideration of the draft recommendations as captured by the relevant Managers. This level of analysis should examine performance across the organization in terms of all its priorities with the aim to reveal and capture whether any broader organizational factors are limiting the ability to meet any performance targets in addition those aspects already captured by the relevant SBU Manager.

The analysis of the organizational and SDBIP scorecards by senior management should also ensure that quality performance reports are submitted to the Mayoral Committee through the Portfolio Committee Governance and Administration; and that adequate response strategies are proposed in cases of poor performance. Only once senior management has considered the scorecards, agreed to the analyses undertaken and captured therein and have reached consensus on the corrective action as proposed, can the organizational and SDBIP scorecards be submitted to the Mayoral Committee for consideration and review.

### ***Performance Reporting and Review***

The next two steps in the process of performance management namely that of performance reporting and performance review will be dealt with at the same time. This section is further divided into three sections dealing with the requirements for in-year versus annual reporting and reviews respectively and lastly a summary is provided of the various reporting requirements.

### ***In-year Performance Reporting and Review***

The submission of the scorecards to the Mayoral Committee for consideration and review of the performance of the Municipality as a whole is the next step in the process. The first such report is a major milestone in the implementation of PMS and it marks the beginning of what should become a regular event namely using the performance report as a tool to review the Municipality's performance and to make important political and management decisions on how to improve.

The organizational and SDBIP scorecards be submitted to the Mayoral Committee for consideration and review on a quarterly basis. ***The reporting should therefore take place in October (or the period July to end of September - quarter 1 of the financial year), January (for the period October to the end of December - quarter 2), April (for the period January to the end of March - quarter 3) and July (for the period April to the end of June - quarter 4).***

The review in January will coincide with the mid-year performance assessment as per section 72 of the MFMA. The said section determines that the accounting officer must by 25 January of each year assess the performance of the municipality and report to the Council on inter alia its service delivery performance during the first half of the financial year and the service delivery targets and performance indicators as set out in its SDBIP.

Performance review is the process where the management of Polokwane Municipality, after the performance of the municipality have been measured and reported, reviews the results and decide on appropriate action. The Mayoral Committee in reviewing the municipal scorecards submitted to it will have to ensure that targets committed to in the scorecard have been met, where they have not, that satisfactory and sufficient reasons have been provided by senior management and that the corrective action being proposed are sufficient to address the reasons for poor performance. If satisfied with the corrective action as proposed this must be adopted as formal resolutions of Council.

### ***Annual Performance Reporting and Review***

On an annual basis a comprehensive report on the performance of Polokwane Municipality needs to be compiled. The requirements for the compilation, consideration and review of such an annual report are set out in chapter 12 of the MFMA. In summary it requires that:

- All municipalities for each financial year compile an annual report
- The annual report be tabled within seven months after end of the financial year
- The annual report immediately after it has been tabled and made public and that the local community be invited to submit representations thereon
- The municipal Council consider the annual report within nine months after the end of the financial year and adopt an oversight report containing the council's comments on the annual report
- The oversight report as adopted be made public
- The annual report as tabled and the Council's oversight report be forwarded to the Auditor-General, the Provincial Treasury and the department responsible for local government in the Province
- The annual report as tabled and the Council's oversight report be submitted to the Provincial legislature.

The oversight report to be adopted provides the opportunity for full Council to review the performance of the Municipality. The requirement that the annual report once tabled and the oversight report be made public similarly provides the mechanism for the general public to review the performance of the Municipality. It is however proposed that in an effort to assist the public in the process and subject to the availability of funding, a user- friendly citizens' report be produced in addition to the annual report for public consumption. The citizens' report should be a simple, easily readable and attractive document that translates the annual report for public consumption.

Annually a public hearing (MPAC hearing on the annual report) that involve the citizens of Polokwane Municipality must be held. The hearing must review the municipal performance over and above the legal requirements of the Municipal Systems Act and the MFMA. Such a campaign could involve all or any combination of the following methodologies:

- Various forms of media including radio, newspapers and billboards should be used to convey the annual report.
- The public should be invited to submit comments on the annual report via telephone, fax and email.
- Public hearings could be held in a variety of locations to obtain input of the annual report.
- Making use of existing structures such as ward and/or development committees to disseminate the annual report and invite comments.
- Hosting a number of public meetings and road shows where the annual report could be discussed and input invited.
- Posting the annual report on the council website and inviting input

Lastly, the performance report of Polokwane Municipality is only one element of the annual report and to ensure that the outcome thereof timeously inform the next cycle of performance planning in terms of an IDP compilation/review process, the annual performance report be compiled and completed as soon after the end of a financial year as possible but ideally not later than two months after financial-year end.

### ***Summary of Various Performance Reporting Requirements***

The following table, derived from both the legislative framework for performance management and this PMS Policy, summarizes for ease of reference and understanding the various performance reporting deadlines as it applies to Polokwane Municipality:

Report	Frequency	Submitted for consideration and/or review to	Remarks
SDBIPs	Quarterly	Mayoral Committee	See MFMA Circular 13 of National Treasury for further information
Monthly budget statements	Monthly	Executive Mayor (in consultation with Mayoral Committee)	See sections 71 and 54 of the MFMA
Organizational Scorecard (Quarterly Institutional Performance Report)	Quarterly	Mayoral Committee	This PMS Policy (see section 7.5.1 above)
Performance report	Annually	Council	See section 46 of the Municipal Systems Act as amended. Said report to form part of the annual report (see 7 below)
Annual report	Annually	Council	See chapter 12 of the MFMA

## 8. THE AUDITING OF PERFORMANCE MEASURES

### *The role of Internal Audit In -terms of Performance Management*

The MFMA requires that Polokwane Municipality must establish Internal Audit section which service could be outsourced depending on its resources and specific requirements. Section 45 of the Municipal Systems Act stipulates that the results of the Municipality's performance measures

must be audited by the said internal audit section as part of the internal auditing process and annually by the Auditor-General.

The Municipal Planning and Performance Management Regulations of 2001 stipulates that Internal Audit section must on a continuous basis audit all performance and the auditing must include an assessment of the following:

- (i) The *functionality* of the municipality's performance management system.
- (ii) Whether the municipality's performance management system *complies* with the Act.
- (iii) The extent to which the municipality's performance measurements are *reliable* in measuring the performance of municipalities by making indicators.

Each of the aforementioned aspects will now be looked at briefly.

- **Functionality**

To function could be defined as a proper or expected activity or duty or to perform or operate as expected (Chambers Handy Dictionary). This could also be applied to the operation of any system such as a PMS. The internal Audit section must therefore on a regular basis audit whether the PMS of Polokwane Municipality is functioning as developed and described in this Policy.

- **Compliance**

To comply can be defined as to act in the way that someone else has commanded or wished (Chambers Handy Dictionary). In this respect it is clear that the legislature wishes to ensure that the Polokwane Municipality's PMS complies strictly with the requirements of the Systems Act, Regulations and the MFMA. This compliance check would require that the Municipality's Internal Audit Unit, at least on an annual basis, verifies that the Municipality's PMS complies with the said legal requirements.

- **Reliability**

To rely could be defined as to trust or depend (upon) with confidence. Reliability in the context of PMS refers to the extent to which any performance measures reported upon could be seen as being reliable, e.g. if the performance target was to build 500 houses and it is reported

that the target has been met or exceeded, it must be established whether the information is factually correct or only an estimation or even worse, purposeful misrepresentation. Undertaking a reliability audit will entail the continuous verification of performance measures and targets reported upon. This will require that Polokwane Municipality place a proper information management system (electronically or otherwise) so that the internal audit section is able to access information regularly and to verify its correctness.

The Polokwane Municipality's Internal Auditors must submit quarterly reports on the audits undertaken to the Municipal Manager and the Audit Committee.

### **Audit Committee**

The MFMA and the Municipal Planning and Performance Management Regulations require that the municipal council establish an audit committee consisting of a minimum of three members, where the majority of members are not employees of Polokwane municipality. No Councilor may be a member of an audit committee. Council shall also appoint a chairperson who is not an employee.

The Regulations gives municipalities the option to establish a separate performance audit committee whereas the MFMA provides only for a single audit committee. The operation of this audit committee when dealing with performance management is governed by section 14 (2-3) of the Regulations which require that the audit committee must:

- review the quarterly reports submitted to it by the internal audit unit.
- review the municipality's PMS and make recommendations in this regard to the Council of the Municipality.
- at least twice during a financial year submit an audit report to the municipal Council.

In order to fulfill their function a performance audit committee may, according to the MFMA and the Regulations,

- Communicate directly with the council, municipal manager or the internal; and external auditors of the municipality concerned;
- Access any municipal records containing information that is needed to perform its duties or exercise its powers;

- Request any relevant person to attend any of its meetings, and, if necessary, to provide information requested by the committee; and
- Investigate any matter it deems necessary for the performance of its duties and the exercise of its powers.

The council of Polokwane Municipality has an Audit Committee, which performs the audit function of performance. The audit committee has been established in terms of the MFMA and is in line with the provisions of the Local Government: Planning and Performance Regulations of 2001.

### **Performance Investigations**

The Audit Committee should also be able to commission in-depth performance investigations where there is either continued poor performance, a lack of reliability in the information being provided or on a random ad-hoc basis. The performance investigations should assess:

- The reliability of reported information
- The extent of performance gaps from targets
- The reasons for performance gaps
- Corrective action and improvement strategies

While the Internal Audit unit may be used to conduct these investigations, it is preferable that external service providers, who are experts in the area to be investigated, should be used. Clear terms of reference will need to be adopted by the Council for each such investigation.

## **9. GENERAL ISSUES RELATING TO PERFORMANCE MANAGEMENT**

The following is some general issues related to performance management that needs to be taken into consideration in implementing the PMS of Polokwane Municipality:

### ***Annual Review of the Performance Management System***

One of the functions of the audit committee is to on at least an annual basis, review the PMS of the Municipality. It is envisaged that after the full cycle of the annual review and reporting is complete and the audit committee has met as required; the Internal Audit unit will compile a

comprehensive assessment/review report on whether the Municipality's PMS meets the system objectives and principles as set out in this Policy and whether the system complies with the Systems Act, PMS Regulations and the MFMA. This report then needs to be considered by the audit committee and any recommendations on amendments or improvements to be made to the PMS, submitted to Council for consideration.

The Municipal Systems Act requires the Municipality also annually evaluate its PMS. The review undertaken by the audit committee and its recommendations could serve as input into this wider municipal review of the PMS and it is proposed that after the full cycle of the annual review is complete; the Municipal Manager will initiate an evaluation report, taking into account the input provided by departments. The report will then be discussed by the Executive Management and finally submitted to the Committees for discussion and approval.

### ***Integrating PMS with the Council's Existing Management Cycle***

International best practice indicates that PMS stand the best chance to succeed if it is integrated with the current management cycle of the Municipality. The purpose of such a cycle would be to guide the integration of important processes such as the strategic planning or development process in terms of the IDP methodology, the annual budget process and the formal process of evaluating and assessing Council's performance in terms of the approved PMS.

### ***Institutional Arrangements***

The implementation of the PMS in terms of this Policy would require co-ordination and it is recommended that at organizational level this be the task of the Manager PMS responsible for the PMS function in the municipality. This doesn't mean that it is the responsibility of the PMS Manager to measure, analyze and report on performance but only to ensure that this happens and that material collated and available for analyses and review as per this Policy on behalf of the Municipal Manager.

At an individual level the responsibility for co-ordination, administration and record keeping should be the responsibility of the Manager responsible for human resource management.

The Municipality also needs to ensure that its internal audit section is capacitated to deal with the additional responsibilities it has in terms of performance management over and above its traditional financial audit responsibilities.



## 10. STANDARD OPERATING PROCEDURE

Policies and procedures describe the generalized view of a job without getting into the major specifics, and often remain the same within a department or across the municipality as a whole. These often govern who does what on the job. Standard operating procedures get down to specifics of how a task is to be accomplished. SOPs work to fulfill policy and procedures.

SOPs look more toward standardized ways to get work done, while policies and procedures allow more room for a worker to improvise. Because of this, policies and procedures create more likelihood of a standardized product or service, but SOPs insure that a product or service comes out the same way every time. In order for Polokwane Municipality to ensure that performance management is standard, a Performance Management Standard Operating Procedure must be developed and implemented across all the directorates. The SOP will be signed off by the accounting officer and will be reviewed on regularly basis and also when there a material changes in the performance management environment of the municipality.

## 11. TECHNICAL INDICATOR DESCRIPTION MANUAL

Polokwane Municipality must develop the Technical Indicator Description Manual for each indicator that appears in the institutional/municipal scored as captured in the Top-Layer Service Delivery and Implementation Plan. The purpose of the Technical Indicator Description Manual is to explain how the collection, calculation and interpretation of the data of each indicator is to be done. The Technical Indicator Description Manual must be aligned to the Top-Layer SDBIP and must have same indicator reference number and should reflect the financial year that the indicators are applicable to be measured.

**The table below reflects the format of the Technical Indicator Description Manual:**

Indicator Number/SDB IP Number	Indicator Title	Short Definition	Purpose of the Indicator	Source/collection of data	Method of calculation	Data limitation	Type of Indicator	Reporting Cycle	Indicator Responsible Person/Directorate
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## **12. INFORMATION TECHNOLOGY TOOLS FOR PERFORMANCE MANAGEMENT (AUTOMATED PERFORMANCE MANAGEMENT SYSTEM)**

Technology is being used in almost every organization to accomplish specific tasks. Technology has changed the way we work and it simplifies the way employees accomplish specific tasks at work. Every year new technology is integrated in different workplaces with a great aim of improving working processes, systems and procedures. Recently, there are noticeable developments in the performance management environment in the form of automation. Polokwane Municipality took advantage of the IT development in the PMS environment. The municipality has automated PMS in 2016 from manual. Performance monitoring, measuring and evaluation is now done using automation. Automation is able to capture performance information, store performance information, review performance information and generate performance reports. Currently, Polokwane Municipality is utilizing the Lebelela Performance Management System supplied by the Institute for Performance Management company. The system description is provided and supplied by the service provider. The Lebelela Performance Management System complies the Polokwane Municipality's IT Policies relating to IT Systems.

## **13. CONCLUSION**

In conclusion it must be emphasized that there are no definitive solutions to managing municipal performance. The process of implementing a performance management system must be seen as a learning process, where the Municipality must continuously improve the way the system works to fulfill the objectives of the system and address the emerging challenges from a constantly changing environment.

## **SECTION B: INDIVIDUAL PERFORMANCE**

### **14. PREAMBLE**

The implementation of an Organizational Performance Management System necessitates the inclusion of an Employee Performance Management System, so as to ensure that strategic goals (ultimate outcomes) and strategic objectives (intermediate outcomes) of the organization are interpreted and delivered by employees.

The Organizational and Employee Performance Management Policy is applicable to all employees of the City of Polokwane. The legislative environment requires the filtering down of the Performance Management System to employee levels lower than the Municipal Manager and Managers directly accountable to the Municipal Manager. Legislation does not, however, prescribe performance management practices at lower levels. In terms of section 67 of the Municipal Systems Act no 32 of 2000, a municipality, in accordance with applicable law and subject to any applicable collective agreement, must develop and adopt appropriate systems and procedures to ensure fair, efficient, effective and transparent personnel administration, including (d) the monitoring, measuring and evaluating of performance of staff.

Varied responsibilities and contractual arrangements with individual employees' present obstacles to promoting a unified performance management culture. For this reason the Policy aims to align all performance management practices. Where required, distinction is made between the application of the Policy for Top Management and other Municipal employees. The PMS Policy integrates various legislative and also unique Municipal Management requirements, inclusive of:

- ❖ Labour Relations Act, No 66 of 1995.
- ❖ The Constitution, Act No 108 of 1996.
- ❖ White Paper on New Employment Policy in the Public Sector, 1997.
- ❖ Local Government: Municipal Structures Act No 117 of 1998.

- ❖ Local Government: Municipal Systems Act 32 of 2000; Local Government: Municipal Systems Amendment Act 2003 and Local Government Municipal Systems Amendment Bill, 2010.
- ❖ Municipal Planning and Performance Management Regulations and Guidelines, Notice 7146 of 2001.
- ❖ Local Government: Municipal Finance Management Act No 53 of 2003 and MFMA Regulation 493 of 2007.
- ❖ Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, Regulation 805 of 2006.
- ❖ Government Wide Monitoring and Evaluation Framework.
- ❖ 12 Outcomes of Government with specific emphasis on Outcome 8 and 9.
- ❖ Performance and Delivery Agreements.

## **15. PURPOSE**

The Municipal Systems Act, 32 of 2000 and the Performance Management Regulations of 2001 and 2006 stipulate that Municipalities should develop Performance Management Systems to confirm the intention, implementation, monitoring and review of its Integrated Development Plan's priorities. Alignment between organizational and employee performance management is imperative to ensure the above.

- The purpose of the City of Polokwane Organizational and Employee Performance Management Policy is to regulate the effective implementation of the performance management requirements for employees of the Municipality based on legislative requirements.
- It provides for a mechanism by which management shall give direction regarding the achievement of organizational goals (ultimate outcomes) and objectives (intermediate outcomes).
- It is derived from the Performance Management Framework (2011) of the City of Polokwane – aimed at incorporating organizational and employee performance management. The Policy thus outlines how Polokwane Municipality responds to the requirement of Chapter 6 of the Municipal Systems Act.

## 16. THE EXPECTED OUTCOME OF THE POLICY

The expected outcome of the application of the Organizational and Employee Performance Management Policy is that:

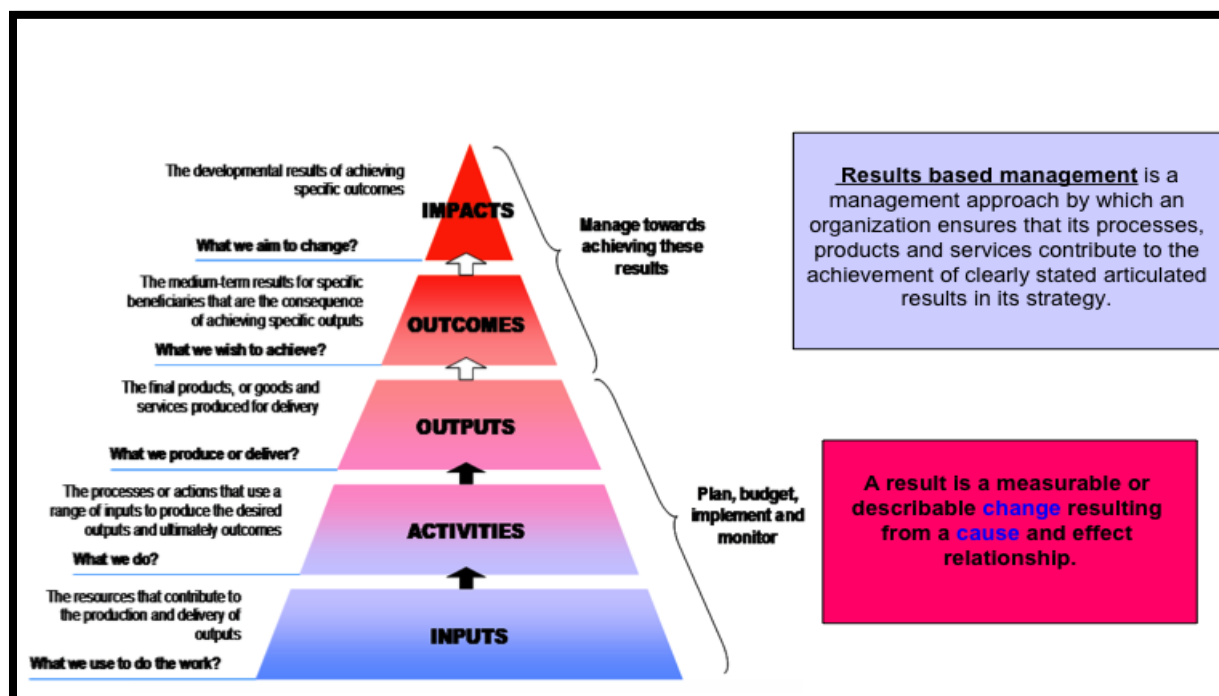
- ✓ The Integrated Development Plan (IDP) will be interpreted in the Organizational, Departmental, Strategic Business Unit Scorecards;
- ✓ Employees of the Municipality will collectively execute their obligation towards the community as expressed in the Integrated Development Plan (IDP) and Organizational, Departmental and Strategic Business Unit Scorecards resulting in the development of Individual Performance Plans/Scorecards annually as interpreted in the Service Delivery Budget Implementation Plan (SDBIP) and Lower Service Delivery Budget Implementation Plan (LSDBIP); and
- ✓ Employees will gain an understanding of how they can contribute towards the attainment of the vision, mission, priorities, strategic goals (ultimate outcomes) and objectives (intermediate outcomes), key performance areas and key performance indicators of the Municipality.

With the above in mind the Policy focuses on describing in broad terms:

- ✓ How employee performance management activities should be planned
- ✓ How cascading to all levels will promote accountability and improved individual employee performance
- ✓ How to collect process and report on performance information.
- ✓ How employees must be actively involved in the management of their own performance in an accountable manner
- ✓ How incentives and rewards should be structured
- ✓ How to take practical steps to improve on performance on the basis of information obtained

City of Polokwane has adopted Results/Outcomes Based Management as their planning methodology aligned to Government Wide Monitoring and Evaluation Framework. The methodology utilizes the logic model to articulate the results to be achieved. The model promotes cascading of performance at all levels. See Figure 1 below:

**Figure 1: The Logic Model**



## 17. SCOPE OF APPLICATION

This policy is applicable to all employees of Polokwane Municipality. More specifically, this policy shall be applicable to following categories of employees:

- ✓ Employees referred to in the Municipal Systems Act as Section 57 Employees i.e. the Municipal Manager and the managers reporting directly to the Municipal Manager;
- ✓ Employees who are permanent employees of the Municipality and fall within the ambit of the Local Government Collective Bargaining Council; and
- ✓ Employees who are employed by the Municipality on fixed term contracts and fall outside of the Local Government Collective Bargaining Council.

## **18. OBLIGATIONS OF THE EMPLOYER**

The employer shall:

- ✓ Create an enabling environment to facilitate effective performance by the employee.
- ✓ Provide access to skills development and capacity building opportunities.
- ✓ Work collaboratively with the Employee to solve problems and generate solutions to common problems that may impact on the performance of the employee.
- ✓ On the request of the employee delegate such powers reasonably required by the Employee to enable him/her to meet the performance objectives and targets established in terms of this agreement.

## **19. DEFINITION OF EMPLOYEE PERFORMANCE MANAGEMENT**

Employee Performance Management may be defined as the process of creating a work environment in which employees are enabled to perform to the best of their abilities, so as to ensure the achievement of organizational goals (ultimate outcomes) and objectives (intermediate outcomes). It is a continuous process of clarifying job responsibilities, priorities and performance expectations to ensure optimum performance. It is one of the key processes that, when effectively carried out, helps employees understand their contribution towards organizational performance achievements.

Employee performance management therefore culminates in a methodology of cascading and integration between organizational, departmental, business unit and employee performance. It includes clarifying expectations, setting outputs and targets, providing feedback and evaluating results. Employee performance management involves a planned process that provides the opportunity for both the manager/supervisor and employee to identify, focus on and review the intended contributions towards the achievement of the mission and strategic goals (ultimate outcomes) of the organization. It establishes a shared understanding about what is to be achieved and how it is to be achieved. It is an approach to manage people to increase the probability of achieving success.

## **20. OBJECTIVES OF THE ORGANISATIONAL AND EMPLOYEE PERFORMANCE MANAGEMENT SYSTEM**

The overall objective of implementing and sustaining effective employee performance management is to build human capital at strategic and operational levels throughout the Municipality. To achieve this objective an Organizational and Employee Performance Management System is implemented to provide administrative simplicity, maintain mutual respect between managers and employees, and add value to day-to-day communication about performance and development issues.

More specifically, the Organizational and Employee Performance Management System focuses on:

- ✓ Ensuring compliance with legislative requirements in terms of performance management.
- ✓ Translating Municipal strategies into individual performance priorities.
- ✓ Aid in the assessment of employee performance against objectives whilst considering the utilization of resources.
- ✓ Allowing employees to become more actively involved in achieving organizational goals (ultimate outcomes) and be accountable for their own performance by instilling a performance-oriented culture.
- ✓ Drive organizational values, culture and desired leadership behavior through rewarding these elements.
- ✓ Promote a clear work ethic, customer orientation and a culture of professionalism, accountability and delivery.
- ✓ Build human capital at strategic and operational levels throughout the City of Polokwane in line with the mission of the Municipality.

## **21. PRINCIPLES OF THE ORGANISATIONAL AND EMPLOYEE PERFORMANCE MANAGEMENT SYSTEM**

The Performance Management System is founded on the following sound and proven principles:



- ✓ Simplicity
- ✓ Legislative Acceptance
- ✓ Implement ability
- ✓ Transparency and accountability
- ✓ Efficiency and sustainability
- ✓ Community participation
- ✓ Integration
- ✓ Objectivity

## 22. KEY ROLE-PLAYERS

Various political and administrative structures impact on employee performance. A brief description of the roles of these structures is provided below.

***Table 1: Key Role-Players in the Employee Performance Management Process***

Role Player	Role
<b>Executive Mayor</b>	The Executive Mayor may assign the management of performance (organizational and employee) to the Municipal Manager. The Mayor is responsible for dispute resolution regarding performance management matters (nature of performance agreement and performance evaluation) of the Municipal Manager and Managers directly accountable to the Municipal Manager.
<b>Municipal Manager</b>	It is the responsibility of the Municipal Manager to ensure the effective and efficient design, development and implementation of an Organizational and Employee Performance Management System. The Municipal Manager will accept overall accountability for service delivery of the agreed performance indicators as stipulated in the IDP and SDBIP of the organization, and will be accountable to the Executive Mayor at agreed intervals.  In addition, the Municipal Manager is responsible for ensuring proper monitoring, assessment and review of the Organizational and Employee Performance Management System. The Municipal Manager will delegate responsibility and accountability to Directors and Managers.

Role Player	Role
<b>Directors</b>	<p>Directors are responsible for the effective coordination of employee performance by developing objectives and indicators with employees in such a way that continuous improvement is encouraged. They should enter into the Performance Plans with employees and the delegation process shall be cascaded down to all levels within each Department.</p> <p>Directors are further responsible for using the performance management process to monitor and coach employees; including providing continuous feedback and assessment. Based on assessments, managers are responsible for managing poor performance and recognize and reward good performance.</p>
<b>Individual Employees</b>	<p>Roles and responsibilities of individual employees within the performance management framework include:</p> <ul style="list-style-type: none"> <li>✓ Taking responsibility for the standard of his/her own performance by improving output quality</li> <li>✓ Developing and implementing action plans so that set objectives can be achieved</li> <li>✓ Asking their manager for information, help or advice to assist them in meeting set targets</li> <li>✓ Making suggestions on how they can improve their performance</li> <li>✓ Keeping their manager informed about any problems that will negatively affect the achievement of set targets</li> <li>✓ Keeping their manager informed about how well they are doing in relation to their objectives</li> </ul>
<b>Human Resources</b>	<p>The Human Resource Department is to provide guidelines, advice and instruments and will manage quality control of employee performance management efforts. They are also responsible for informing the Municipal Manager on required procedures and structures.</p>
<b>Strategic Planning, Monitoring &amp; Evaluation</b>	<p>The Strategic Planning, Monitoring &amp; Evaluation oversees and provides guidance on the development and implementation of the Municipal Organizational and Employee Performance Management System.</p>

Role Player	Role
	<p>Strategic Planning, Monitoring &amp; Evaluation is the custodian of Performance Management on behalf of Senior Management and has to work closely with the Human Resources Unit which must:</p> <ul style="list-style-type: none"> <li>✓ Conducting follow-up and evaluation studies within the Municipality including attitude surveys to assess the effectiveness of the Employee Performance Management System</li> <li>✓ Testing staff morale</li> <li>✓ Ensuring change management is instilled</li> <li>✓ Based on the findings, make recommendations to senior management to improve the overall Performance Management System</li> </ul> <p>Strategic Planning, Monitoring &amp; Evaluation will further ensure cohesion and alignment between its activities and that of other role-players involved in the employee performance management process and will work closely with the Human Resources Unit.</p>
<b>Assessment/ Evaluation Panel and Moderator</b>	<p>Assessment/Evaluation panels are involved in the assessment of employees' performance. Section 27(4)(d) of Regulation 805 provides details on the Assessment/Evaluation panels to conduct the assessment of the Municipal Manager and Managers directly accountable to the Municipal Manager.</p> <p>Assessment/Evaluation panels comprising of the manager of an employee, a peer and employees reporting to the employee, are to be created in cases where employees on other management levels are assessed.</p> <p>A 180° assessment process is to be followed for all other employees, implying the involvement of the employee and his/her direct manager in the assessment process.</p> <p>The Assessment/Evaluation Panel is chaired by the Moderator who is responsible for moderating the assessment process. The Moderator is also responsible for resolving any disagreements that may arise between managers and incumbents. Together with the rest of the Assessment/Evaluation Panel,</p>

Role Player	Role
	<p>moderators are responsible for recommending appropriate rewards and incentive schemes for excellent performance.</p>
<b>Internal Audit</b>	<p>Internal Audit is responsible for conducting an independent evaluation of performance assessments. To this effect Internal Audit members may sit in during a number of employee assessments as an observing member to validate the information included in employee Portfolio of Evidence (PoE). Due to the scope of assessments to be conducted, the Internal Audit may not be able to attend all employee assessments, but should attend a dedicated number per level.</p> <p>The Internal Audit is responsible for reviewing performance evidence and quality assurance. They should also actively participate in the final review sessions and approval of incentives with the Performance Audit and Remuneration Committee.</p>
<b>Performance Audit and Remuneration Committee</b>	<p>The aim of the Performance Audit and Remuneration Committee is to evaluate and conduct an overall audit of all performance appraisals that were conducted within the Municipality.</p> <p>This includes reviewing the appraisals per manager, level and division to ensure cohesion and the application of similar standards throughout the performance appraisal process.</p> <p>The Performance Audit and Remuneration Committee is a critical body to ensure that confidence can be created in the effectiveness and equity of the Organizational and Employee Performance Management System. This committee is responsible to:</p> <ul style="list-style-type: none"> <li>✓ Ensure that all legislative and regulatory requirements regarding performance management are fulfilled</li> <li>✓ Review and ensure the application of organizational performance management policy and strategies aligned to employee strategies and policies</li> <li>✓ Review the performance of the organization as a whole</li> </ul>

Role Player	Role
	<ul style="list-style-type: none"> <li>✓ Review the performance of the Municipal Manager and direct reports to provide validity to the review process</li> <li>✓ Review and ensure the application of organizational remuneration policies and strategies</li> <li>✓ Ensure the payment of fair, competitive and appropriately structured remuneration</li> <li>✓ Have oversight over the remuneration policies and practices of the organization</li> <li>✓ Review the findings of the Internal Audit Committee based on documentation made available by this Committee</li> <li>✓ Approve recommendations of performance bonuses as stipulated by Assessment/Evaluation Panels for the Municipal Manager and Managers directly accountable to the Municipal Manager and to give those through to Council for approval</li> <li>✓ Review and recommend financial and formal non-financial performance incentives to other employees and provide a report on the matter to the Executive Management for review and approval</li> <li>✓ Review the performance reward scheme of the Municipality on an annual basis</li> </ul>
<b>Audit and Performance Audit Committee</b>	Provide Independent audit on legal compliance. Audit of municipal performance and communicate directly with the Council, Municipal Manager as well as internal and external auditors
<b>Municipal Public Accounts Committee (MPAC)</b>	The role is to provide oversight over the activities of Council as the Municipal Council is vested with both legislative and executive authority. Oversight and accountability helps to ensure that the executive implements programmes and plans in a way consistent with policy, legislation and the dictates of the Constitution.

## **23. ORGANISATIONAL VS EMPLOYEE PERFORMANCE MANAGEMENT SYSTEM**

Human Resources are necessary to ensure that effective services are provided within Municipalities. The organization is therefore in need of effective human resource management practices that can ensure the appropriate deployment, support and accountability of Municipal employees.

Within the Municipal organizational structure the SDBIP and LSDBIP give effect to the annual implementation of the IDP and budget of the Municipality. In developing a credible SDBIP and LSDBIP the Municipality has adopted the Logical Model. During the IDP Strategies Phase, the Municipality develops Organizational, Departmental and Business Units Scorecards which are translated into the SDBIP and LSDBIP. These planning documents provide the bridge between community needs and what must be delivered by Council and Administration through individual performance that must support the vision, mission, goals and objectives of the organization.

In the context of the above, effective employee performance management requires the alignment of employee activities to organizational strategies. The focus should be on results (inputs, activities, outputs) as the preferred approach to employee performance management, as it enables employee efforts to be linked to organizational goals and objectives.

Organizational performance management is divided into four phases, namely:

- ✓ planning/review,
- ✓ monitoring,
- ✓ reporting and
- ✓ Evaluation.

For employee performance management to be aligned to organizational performance management and the process plan, the same phases apply. The application of these phases in line with organizational performance management phases is displayed in the below table.

A cyclical process is followed to ensure effective and efficient employee performance management. A summary of these phases is provided below.

**Table 2: Employee Performance Management Phases**

Phases	Explanation
<b>Planning/Review:</b>	<p>It encompasses the compilation of Performance Agreements inclusive of Performance and Personal Development Plans.</p> <p>Employee Performance Plans inclusive of the Performance Scorecard should relate back to Municipal goals (Ultimate Outcomes) and objectives Intermediate Outcomes). These planning documents should be used to design the Performance Plan (Performance Scorecard) of Municipal employees. For each individual employee their individual Performance Plans are informed by the priorities and targets set for their managers and their own tasks and accountabilities. This process allows for cascading strategies down to the level of each individual Employee Performance Plan.</p>
<b>Monitoring and Assessment:</b>	<p>This phase relates to the assessment of performance and periodic review of progress to achieve set targets. Employee performance monitoring encompasses a continuous review of the levels and standards of activities performed by an employee.</p> <p>The process of assessment is used to measure performance via data through scoring to determine if targets were met. Performance is therefore assessed against the achievement or non-achievement of targets. Assessment of performance requires employees and managers to look at inputs (resources, financial perspective), activities/processes (functions, service standards perspective), outputs (results, service delivery perspective) and outcomes (impact, customer satisfaction, and growth, quality of life) to determine the impact that an employee made towards the achievement of Municipal service delivery.</p> <p>During the assessment process an overall rating is calculated by using the applicable assessment-rating calculator. The rating is used to</p>

Phases	Explanation
	determine future actions, i.e. under-performance may result in additional coaching/training or disciplinary action, whilst exemplary performance may result in incentives as a reward for excellence.
<b>Reporting and Coaching:</b>	<p>Reporting on findings of the assessment process occurs in this phase. Based on findings, a coaching and/or disciplinary action plan is to be put in place to ensure improvement of performance – where necessary.</p> <p>Coaching/mentoring can be used to change behavior or actions so as to ensure that targets are achieved against set standards. Coaching may be conducted to help an employee to meet or exceed the standards of expected performance. Coaching is a crucial part of the continuous tracking and improving of performance, and provides guidance, feedback and reinforcement of the key results and competencies expected of an employee.</p>
<b>Evaluation and Reward:</b>	<p>Evaluation of the employee performance management process is essential to ensure the validity and reliability of the performance management process. In other words, the purpose of evaluation is to critically evaluate past actions, build on areas of value, eliminate non value adding processes, and use the information gained to make informed decisions to realign employee and organizational goals and objectives. Without continuous evaluation there can be no improvement and development.</p> <p>Annual performance evaluations also involve the provision of rewards in cases where performance exceeded expectations.</p>

Activities within the Employee Performance Management Programme have been divided to collate with the organizational performance management phases. Detail on how these activities are to be executed to ensure effective and efficient employee performance management are provided in more detail throughout the rest of this Policy document.



## **24. PLANNING AND REVIEW**

The planning phase is the first in the performance management cycle and occurs in June of each year. This is a consultative process during which an employee and his/her manager jointly draft the performance agreement/plan based on the goals (ultimate outcomes) and objectives (intermediate outcomes) set out in the IDP and SDBIP of the Municipality.

The process of planning relates to the establishment of performance contracts, performance agreements and performance plans to be used to measure the performance of individual employees. These documents should be linked to the Organizational, Departmental and Business Units Scorecards, IDP, SDBIP and LSDBIP of the Municipality based on the employee level.

## **25. PERFORMANCE CONTRACTS**

Regulation 805 of 2006 states that the Performance Contract of the Municipal Manager and Managers directly accountable to the Municipal Manager is fixed for a specific term of employment not exceeding a period ending two years after the election of the next Council of the Municipality. The Contract must provide for a commencement date as well as a termination date. The Contract should make provision for the cancellation of the contract in case of non-performance compliance or due to medical incapacity.

All contracts are subject to the terms of conditions stipulated in Section 55 of the Municipal Systems Act (2000) as well as all related stipulations within the Municipal Finance Management Act (MFMA) (2003). In addition to the above, employment in terms of the Employment Contract is subject to:

- ✓ The signing of a separate Performance Agreement within ninety (90) calendar days after assumption of duty and annually within one month after the commencement of the new financial year.
- ✓ The submission of original or certified copies of academic and professional qualifications and proof of previous employment.
- ✓ The signing of the code of conduct as stipulated in Schedule 2 of the Municipal Systems Act.

- ✓ The disclosure of all financial interest on the date of assumption of duty and annually within one month after commencement of the financial year (June).

The signing of Performance Contracts is not applicable to other employees in the employment of the City of Polokwane.

## **26. PERFORMANCE AGREEMENTS**

Applicable to the Municipal Manager and Managers directly accountable to the Municipal Manager, Chapter 3 of Regulation 805 provides specific detail on the Performance Agreements for Municipal Managers and Managers directly accountable to Municipal Managers. In addition the Municipal Systems Act (MSA), Section 57 (1)(b) and (2)(a) states that Performance Agreements of the applicable managers are concluded annually and within one month after the beginning of the new financial year.

According to Sections 23(2) and 25(1) (2) of Regulation 805, the Performance Agreement must include performance objectives and targets appropriate to their respective area of responsibility and aligned to the SDBIP. Performance Agreements are to be used as the basis for assessing whether the employee has met the performance expectations applicable to his/her job. The Performance Agreement should therefore include detail on monitoring and measurement requirements against set targeted outputs. Performance assessments should specify objectives and targets defined and agreed upon, and be used as the basis for assessing whether the Municipal Manager or Manager directly accountable to the Municipal Manager has met the performance expectation applicable to his/her job. Annexure to the Performance Agreement should include a Performance Plan as well as a Personal Development Plan.

The contents of the Performance Agreement of the Municipal Manager and Managers directly accountable to the Municipal Manager must be made available to the public in accordance with Section 75 of the MFMA and Section 57 of the MSA. The respective Employment Contract and the Performance Agreement must be submitted by the Municipal Manager to the MEC (Section 4(c) of Regulation 805) responsible for Local Government in the relevant Province as well as the National Minister responsible for Local Government within fourteen (14) days after concluding the Employment Contract and the Performance Agreement.

## **27. PERFORMANCE PLANS**

An effective and efficient Organizational and Employee Performance Management System requires the development and agreement of similar documents and actions as those of the Municipal Manager and Managers directly accountable to the Municipal Manager with the main difference relating to the signing of a Performance Contract and Performance Agreement as legislatively required. A Performance Plan must therefore be completed for each Municipal employee.

The aim of a Performance Plan is to set out specific accountabilities that the Municipal employee will be responsible for. In the case of the Municipal Manager and Managers directly accountable to the Municipal Manager the Performance Plan forms an annexure to the Performance Agreement. In the case of other employees within the Municipality a similar Performance Plan is to be compiled so as to ensure cascading of Municipal goals (ultimate outcomes) and objectives (intermediate outcomes) to individual employee levels. The Performance Plan must be conducted within a reasonable time after an employee has been appointed and thereafter within one month after the beginning of the financial year of the Municipality.

The Performance Plan of the Municipal Manager forms the basis of Performance Plans for the next reporting level. The Performance Plans of respective managers are to be used to compile Performance Plans of employees reporting to them. Objectives and targets must be identified, discussed and agreed with each individual employee.

The criteria upon which the performance of the Municipal Manager and Managers directly accountable to the Municipal Manager should be assessed consist of two components carrying a weighting of 80:20. Eighty percent (80%) is to be allocated to the Key Performance Areas (KPAs) and twenty percent (20%) to the Core Competency Requirements (CCRs) including Municipal Values. Each area of assessment must be weighted and contribute a specific part to the total score.

Similar components are used to assess the performance of other employees. In the case of other employees, the weighting should be adapted to 70:30 for employees up to level seven and 60:40 for levels eight and lower where the allocated weighting for KPAs is 70%/60% and CCRs

30%/40%. This criterion split is determined by the core focus of an employee's job in relation to the delivery on performance objectives.

## 28. PERFORMANCE SCORECARD AS PART OF THE PERFORMANCE PLAN

The development of a scorecard included in the Performance Plan is required to set specific accountabilities and standards upon which performance is to be executed and assessed. Information included in the scorecard of the Performance Plan should align to organizational goals (ultimate outcomes), objectives (intermediate outcomes), indicators and targets.

An example of such a scorecard is provided below.

**Table 3: Performance Plan / Scorecard Example**

<b>Performance Scorecard</b>								
Employee Name: Employee Number:								
Job Title: Directorate/Department:								
Manager: Date (Financial Year):								
Position Purpose:								
Achievement of KPA's – 80%/70%/60% of total Score								
KPA	Weight	KPI	Weight	Baseline	Target	Evidence	Rating	Notes
	100		100					
Achievement of CCRs – 20%/30%/40% of total Score								
Description					Weighting		Total	Notes
					100			
Employee Signature:					Manager Signature:			Date:
By signing this Performance Scorecard the manager and employee indicates their full understanding of, and agreement with the contents of this scorecard.								

The identification of KPAs and associated KPIs to be incorporated in the scorecard of the Performance Plan is a joint process between the employee and his/her manager. The dual identification of KPAs and KPIs are required to ensure alignment between organizational and employee performance management. Each employee's KPAs and KPIs must reflect critical organizational targets that fall within their manager's span of control and responsibility. Each

employee must assume responsibility for those organizational KPAs and KPIs which fall within his/her span of control.

Once identified, it is the responsibility of each employee to draft his/her initial scorecard. This responsibility is assigned to each employee to ensure that they feel empowered by the Performance Management System as they are in control of their own performance plan and expectations. Employees will therefore buy into, agree with and understand the content of the Performance Plan. To be effective Performance Plans must be simple and manageable.

KPAs of an employee should be categorized from most to least important, based on those that have the most strategic importance in each year's annual performance cycle. Those KPAs that are most critical from a strategic perspective must be singled out. Of all the KPAs on the scorecard only between two and four should be seen as strategically important and should be identified as such. Higher weightings should be assigned to these.

KPAs must thus be prioritized from most to least important with the highest weighting allocated to the most important KPAs. During the allocation of weighting the sum of all KPAs with associated KPIs on each individual Performance Scorecard must be 100 points. It is recommended that the minimum weighting per KPA be 10 and the maximum 50. The purpose of the weighting is to show employees what the key focus areas are in the work that they must complete.

To ensure that KPAs and KPIs result in a clear understanding of what is required of each employee, the scorecard included in the Performance plan must provide information related to the following:

- ✓ Specify how much work must be completed within a certain period of time
- ✓ Describe how well the work must be done, specifying the accuracy, precision, appearance or effectiveness of the work
- ✓ Determine by when or within what period the work is to be completed
- ✓ Address the outcome (direct, intermediate, ultimate) to be obtained
- ✓ Describe the requirements, policy, procedure or rule for accomplishing the work

To achieve the above, it is recommended that KPIs be formulated according to the SMART Principles:

- Specific:** Must be stated clearly and unambiguously
- Measurable:** Must be quantifiable and measurable  
Must specify a standard of output required  
Must be valid and reliable and measure what is intended to be measured
- Achievable:** Should be challenging but realistic so as to motivate an employee  
Shall be simple and easy to communicate to the relevant employee
- Relevant:** Should be aligned to the overall goals and objectives of the Municipality and the Directorate/Department  
Should reflect the employee's position, the responsibility attached to the position and the extent of their experience
- Timeous:** Must be linked to time frames

Every employee should know what exactly constitutes a 100% (fully effective) performance, clearly specifying quantifiable measures. In order to measure performance, it is important that baselines be allocated to KPAs and KPIs in the scorecard. Baselines are previous measurements of achievements against KPAs or KPIs and provide an opportunity to track whether employee performance has improved over time. Whereas the baseline could be the first measure that was taken of the KPA or KPI, the employee and manager could agree on a different measure if the initial measure was found to be less effective than intended.

Measurement of performance also requires the setting of targets that indicate the standard which each KPI must comply with. The target date stipulates the time frame in which the KPI must be achieved. Targets may be derived from baselines and should be informed by long-term and annual business plans. The various performance targets and standards agreed upon should be made clear.

During the year evidence must be collected as proof of employee performance. Such evidence should be collected and presented in the form of a Portfolio of Evidence (PoE). This PoE is required to ensure fair review of employee performance and eliminate allegations of management bias. Evidence to be submitted is agreed upon at the same time that the KPAs, KPIs and targets are set.

In the case of the Municipal Manager and Managers directly accountable to the Municipal Manager, evidence should be confirmed by an independent third party. In terms of other employees, a set of standards must be compiled, that submitted evidence should comply with.

Such standards may include that evidence:

- ✓ Unambiguously reflects the achievement/non-achievement of a KPI
- ✓ Clearly reflects the facts
- ✓ Be concise and to the point

In terms of the CCRs, it should make up 20% of the total score in the case of the Municipal Manager and Managers directly accountable to the Municipal Manager, or 30%/40% of other employee scores. CCRs that are deemed to be most critical for the employee's specific job should be selected and agreed upon between the employee and his/her manager. Selected CCRs must be chosen with due regard to the proficiency level of each employee including whether the employee is living the values of the Municipality.

Below is a table indicating the Core Competency Requirements for the Municipal Manager and Managers directly accountable to the Municipal Manager. The weightings allocated to each competency will be specified in the individual's Performance Agreement. The table below indicates the three competencies considered to be compulsory for the Municipal Manager.

***Table 4: Core Competency Requirements for the Municipal Manager and Managers directly accountable to the Municipal Manager***

Core competency requirements for Municipal Manager and Managers Directly Accountable to the Municipal Manager		
Core Managerial and Occupational Competencies:	Indicate Choice	Weight
Core Managerial Competencies:		
Strategic Capabilities and Leadership		
Programme and Project Management		
Financial Management	Compulsory	
Change Management		
Knowledge Management		
Service Delivery Innovation		
Problem Solving and Analysis		
People Management and Empowerment	Compulsory	

Client Orientation and Customer Focus	Compulsory	
Communication		
Living the Values of the Municipality		
<b>Core Occupational Competencies:</b>		
Competence in Self -Management		
Interpretation of and implementation within the legislative and national policy frameworks		
Knowledge of developmental local government		
Knowledge of Performance Management and Reporting		
Knowledge of global and South African specific political, social and economic contexts		
Competence in policy conceptualisation, analysis and implementation		
Knowledge of more than one functional municipal field/ discipline		
Skills in mediation		
Skills in Governance		
Competence as required by other national line sector departments		
Exceptional and dynamic creativity to improve the functioning of the municipality		
Total		100%

According to the SALGA Performance Management Policy and Procedure three competencies are of particular importance and should be included in the Performance Plan of every employee. These are:

- ✓ Customer service
- ✓ Service delivery
- ✓ Teamwork competencies

Once the scorecard is completed, the manager and employee should sign off the Performance Plan, inclusive of the Performance Scorecard. This signing signifies an understanding of the performance expectations and an agreement of the work to be done towards the achievement of performance expectations. Only signed off performance agreements/plans may be assessed. In term of the finalization of Performance Plans, the final alignment of the process for employees other than the Municipal Manager and Managers directly accountable to the Municipal Manager should be the end of July.



## **29. PERSONAL DEVELOPMENT PLANS**

Regulation 805 of 2006 clearly indicates that a Personal Development Plan must be developed for the Municipal Manager and Managers directly accountable to the Municipal Manager and must serve as an Annexure to the annual Performance Agreement. In line with this requirement and to ensure alignment within the Employee Performance Management System, a Personal Development Plan must also be developed for each employee in the employment of the Municipality and be attached to the Performance Plan of each employee.

The Skills Development Act, No 97 of 1998 requires of each employer to submit the Annual Workplace Skills plan (WSP). This necessitates the development of employee personal development plans to identify and address developmental gaps. The identification of outcome-based competencies that must be implemented to complement IDP implementation should guide the individuals to determine specific training or skills needed for effective project implementation. These skills should be catered for via formal and informal training, coaching and mentoring. Identified training and development areas must comply with skills identified in the skills audit conducted, and aligned to the areas of training and development required by each individual employee. Personal Development Plans are to be submitted for incorporation into the Skills Development Plan of the Municipality to be submitted to the Department of Labour.

Individual learning plans will systematize the Municipality's approach to training and development by ensuring that all employees' training is carefully planned. In addition to the above, Personal Development Plans should be used to:

- ✓ Provide a structure for assessing the skill needs of employees against organizational Priorities
- ✓ Assist managers and employees at all Municipal levels to identify competencies needed for current positions
- ✓ Help employees to plan and achieve their career goals
- ✓ Increase motivation of employees and their commitment to the organization

An example of a Personal Development Plan is provided.

**Table 5: Personal Development Plan**

Personal Development Plan								
Employee Name:				Employee Number:				
Job Title:				Directorate/Department:				
Manager:				Date (Financial Year):				
Skills Gap	Skills Outcome Expected	Suggested Development/ Training Activities	Mode of Delivery	Suggested Time Frames	Opportunity for Application	Feedback on Outcomes achieved and Date	End of Period Sign off of Review and Assessment	Further Development activities required
Employee Signature:				Manager Signature:			Date:	
To Personal File:				To HR:				

Personal Development Plans must be completed at the commencement of the new financial year and submitted for sign off with the Performance Agreement/Performance Plans. All Development Plans will be formulated and finalized with the guidance and assistance of the Human Resource Department to ensure that all training and development activities are aligned and supportive of the Workplace Skills Plan.

### 30. MID-YEAR REVIEW

The adjustment process focuses specifically on the review of the Annual Budget and SDBIP. The adjustment takes place after the mid-year review and approval of adjustments by Council. Once adjusted, the Performance Plans of the Municipal Manager, Managers accountable to the Municipal Manager and all other employees should be reviewed and adapted according to the KPA and KPI changes made to the SDBIP and budget. This adjustment is required to ensure that employee Performance Plans remain aligned with the objectives and targets set for the Municipality.

Any amendments must be reflected on the amended Performance Plan. Employees will be assessed during the fourth quarter on the amended Plan. Records of the amended scorecards must be signed off and saved centrally.

### **31. PERFORMANCE MONITORING AND ASSESSMENT**

Monitoring is the key to any successful Performance Management System because it provides information that can be compared to initial targets so as to determine the current performance state. Monitoring on a regular basis helps to ensure that the goals and targets set in the planning phase are pursued. Monitoring takes place throughout the year and implies consistently measuring performance and providing on-going feedback to employees on their progress toward reaching their targets. This implies that data on performance outputs is to be gathered and assessed to determine current performance and areas of excellence/improvement required.

### **32. DATA MANAGEMENT AND PORTFOLIO OF EVIDENCE DEVELOPMENT**

The purpose of data management within the monitoring phase is to manage and supply data to be used during the assessment process of an employee's performance. Relevant data must be stored in such a way that it is secure but also easily retrievable. When collecting data, the following should be taken into consideration:

- ✓ Determine the data to be collected for each performance element, the source of the data and whether to collect all the data or just a sample (already clearly defined in the Performance Plan of each employee);
- ✓ Determine when to collect the data (frequency); and
- ✓ Review existing data and create feedback tables/graphs where necessary or applicable.

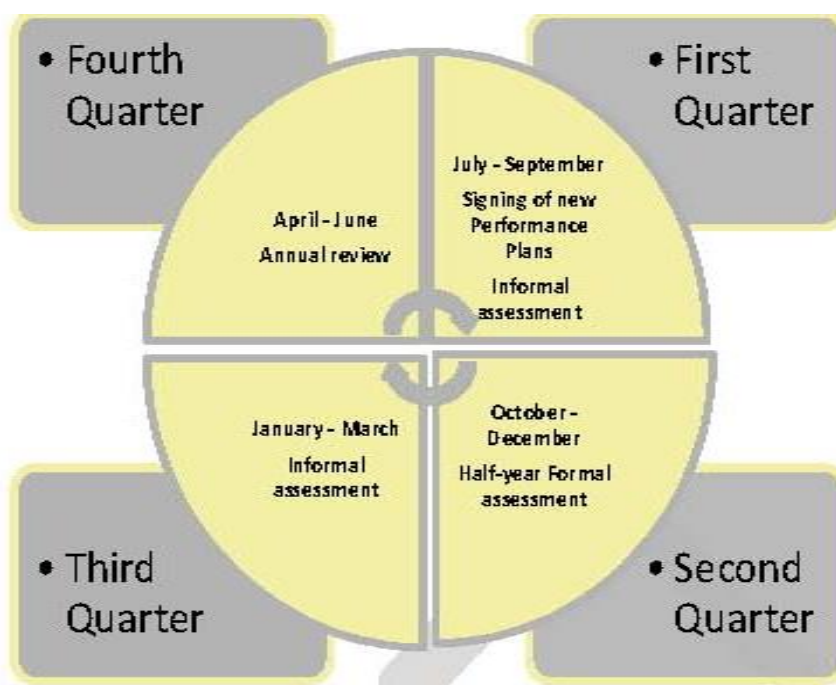
Data stored for future retrieval and use should include financial data, project data, process data and human resource data. All data should ultimately be presented in an integrated form to provide proof of employee performance. A Portfolio of Evidence (PoE) per employee should be compiled, based on available data to indicate the performance of that employee against set indicators or measurable activities. PoE's should be validated to ensure its accuracy. The PoE's of the

Municipal Manager and Managers directly accountable to the Municipal Manager and all other employees PoE's should be validated by Internal Audit.

### 33. SCHEDULE PERFORMANCE ASSESSMENTS

According to Section 28 of Regulation 805 the performance of employees must be reviewed during specific periods, with the understanding that reviews in the first and third quarter may be verbal if performance is satisfactory. The performance assessments conducted during the second and fourth quarters should be formal. The following diagram provides a summary of performance schedules within the City of Polokwane:

**Figure 2: Performance Schedules**



The second quarter formal assessment will be conducted to assess the relevance of the objectives as well as the employee's performance against the objectives and KPAs. The second-quarter performance score shall be used accumulatively to determine the link to financial and non-financial rewards at the end of the financial year. A formal final review shall be conducted after the end of the financial year. The performance scores of both formal assessments will be used to determine the link to rewards.

Assessments in the first and third quarter may be verbal if the performance is satisfactory. Records must be kept of the mid-year and annual assessment meetings. Such records may be used:

- ✓ To refer to agreed action plans
- ✓ In the management of poor performance process
- ✓ For easy reference in respect to changes/amendments to Performance Plans

### **34. PERFORMANCE ASSESSMENTS**

Assessment is the measurement of data through a scoring process to determine if targets were met. Performance is assessed against the achievement or non-achievement of targets. Assessment involves assessing whether targets and standards have been met. Performance assessment must give a true reflection of the achievement of results as outlined in the Performance Plan.

Based on the contracted standards of performance and relative weightings, performance assessment entails:

- ✓ A description of the contracted standards and an agreement on actual results achieved
- ✓ Rating of performance and allocation of values, e.g. points
- ✓ Agreement on the weighted scores achieved
- ✓ Acceptance of assessment and signature
- ✓ Agreement on appropriate reward recognition or the remedial process required to achieve targets

Performance assessment is done against the KPAs and CCRs in terms of the extent to which the employee displays the desired results as indicated in his/her Performance Plan. At the assessment KPAs and CCRS are rated by means of 5-point rating scale, encompassing the following:

**Table 6: Rating Indications**

Rating	Description	% Score
1	Unacceptable performance where performance does not meet the standard expected for the job	0 – 66
2	Performance not fully effective and below standard as required for key areas of the job	67 – 99
3	Fully effective performance where performance meets the standards expected in all areas of the job	100 – 132
4	Performance significantly above expectation and higher than the standard expected in the job	133 – 166
5	Outstanding performance where performance far exceeds the standard expected of an employee at that specific level	167

For the purposes of assessing the performance of the Municipal Manager and Managers directly accountable to the Municipal Manager an assessment process is to be implemented. An Assessment/Evaluation Panel consisting of the following people should assess the performance of the Municipal Manager:

- ✓ Executive Mayor
- ✓ Chairperson of the Audit Committee
- ✓ Member of the Mayoral or Executive Committee
- ✓ Mayor and/or Municipal Manager from another Municipality
- ✓ Ward Committee Member

For the purposes of assessing the performance of the Managers directly accountable to the Municipal Manager, an Assessment/Evaluation Panel consisting of the following people must be established:

- ✓ Municipal Manager
- ✓ Chairperson of the Audit Committee
- ✓ Member of the Mayoral or Executive Committee
- ✓ Municipal Manager from another Municipality

In terms of Regulation 805 of 2006 these Assessment/Evaluation Panels will evaluate the annual performance of the Municipal Manager and Managers directly accountable to the Municipal Manager and determine the annual performance bonus or remedial action required. The performance bonus percentage will be calculated on a sliding scale described under the Reward and Incentives Section of this Policy.

For incumbents in any other managerial/supervisory level, the 360° assessment process should be applied. An assessment panel existing of the manager of the incumbent, peer and sub-ordinate should be established.

When setting up the assessment meeting, both manager and employee must agree on the date and time of the meeting. In preparation for the meeting the employee and manager must conduct the following:

- ✓ Collect evidence on progress to date against each KPI and associated targets
- ✓ Decide independently if KPIs were achieved and if performance is on target
- ✓ Use the five-point rating scale to assess outputs
- ✓ Obtain feedback on the extent to which the employee displayed CCR allocated in his/her Performance Plan

During the assessment meeting the moderator/manager and employee should discuss the preliminary ratings assigned to each KPA, respective KPI and CCR. A consultative process should be followed during this discussion to provide the employee with the opportunity to influence or understand given ratings. Any evidence to substantiate ratings should be provided. This evidence should form the basis of the agreed final rating. An assessment rating process and calculation of scores using the applicable assessment weighting/rating calculator should be used to arrive at the overall score for the performance of each employee. Final scores will be rounded off on normal principles, e.g. 95.5% will be rounded off to 96 and 95.4% to 95%. The same principle is to be followed in calculating the final audited score.

If, during the assessment meeting it was found that certain areas received an unacceptable or below acceptable score, those areas should be discussed in detail. Additional or alternative plans should be identified and put in place to correct such performance.

In instances where there is a disagreement between ratings, the rating of the manager is final. An employee can lodge a grievance with Human Resources in instances where agreement on ratings could not be reached.

In any performance management process deviations will occur. Such deviations may be as a result of an employee unable to achieve a particular KPA/KPI due to reasons outside his/her control. Such deviations must be submitted to the manager of the employee clearly stating the KPA/KPI affected and an explanation along with supported evidence for non-achievement. If the manager agrees with the deviation, the KPI will not be rated. The manager and employee must identify action plans to be implemented by the employee over the performance year in attempting to achieve the affected KPA/KPI.

A principle decision must be taken on the weightings of the two formal assessment scores. Two options are available:

- ✓ The first is that the first assessment score (after the second quarter) contributes 40% towards the final score and the final assessment score 60% (after the fourth quarter). This will provide an incumbent with an opportunity to improve performance and be credited for it.
- ✓ The second option is that the combined scores achieved during formal assessments are to be calculated separately and the average thereof will determine the annual performance score of an employee.

### **35. REPORTING AND COACHING**

Reports on findings are to be compiled and submitted to the Performance Audit and Remuneration Committee. Based on findings a process of coaching/training is to be implemented to improve performance in instances where ratings were below standard.

- **Reporting**

Once the assessment process is concluded a report on the findings for each employee is to be compiled. Reports should be compiled on the performance assessments, scores allocated and



final ratings. This is required so as to ensure that the Municipality keeps record of all performance assessments. This information is to be used:

- ✓ To manage poor performance
- ✓ As an easy reference in terms of any suggested changes for follow-up performance assessments

After conducting the performance assessments for respective managers, the moderator prepares a summary report detailing the results of the reviews. The manager responsible for Human Resources of the Municipality must provide secretariat services to the Assessment/Evaluation panels. The report on performance of the Municipal Manager and Managers directly accountable to the Municipal Manager should be submitted to the Executive Mayor one month after assessment and thereafter to Council to provide feedback on top management performance in relation to Municipal organizational performance achievements.

With relation to other employee's reports should be signed by both the manager and employee and a copy thereof submitted to the Human Resource Department to keep on file.

- **Moderating the Assessment Process**

In terms of employees other than the Municipal Manager and Managers directly accountable to the Municipal Manager, the Head of Department assesses the results of all the performance reviews conducted in his/her Department and considers the following:

- ✓ Are the performance scores given by a certain manager all high or all low? Are the objectives too easy/difficult or are the performance indicators too vague, thus allowing for subjective measures?
- ✓ If a manager is scoring his/her employees high, then it should follow that he/she has achieved his/her objectives. It does not make sense for a manager not to achieve his/her objectives when his/her employees have all achieved theirs. This is an indication that something has gone wrong in the planning or monitoring phase of the performance management process.

- ✓ A comparison on achievements between the different departments can be drawn to ensure all are assessed in line with organizational achievements.

A final report is compiled on Departmental assessments and submitted to Human Resources. In events where discrepancies were identified, corrective measures should be proposed and implemented through consultation with respective parties.

- **Coaching and Training**

Regular interaction, guidance and possible coaching/mentoring in certain instances are imperative and form part of an employee support strategy. Based on the findings of the assessment process the manager of an employee should identify areas of improvement and set up coaching/mentoring and/or training sessions to improve unacceptable or below acceptable performance. Coaching/mentoring can be used to change behavior or actions so as to ensure that targets are achieved against set standards. Coaching/mentoring may be conducted to help the employee to meet or exceed the standards of expected performance. Coaching/mentoring is a crucial part of the continuous tracking and improving of performance. Coaching/mentoring provides guidance and reinforcement of the key results and competencies expected of an employee. All discussions held within the coaching sessions should be documented and signed off by all parties involved.

In terms of training, the development of new knowledge and skills may be required to improve the performance of an employee. The Municipality is committed to ensuring that employees will grow and develop. Whereas line managers are ultimately accountable for ensuring the implementation of training and development initiatives, employees must assume accountability for driving their own development together with their managers. Managers should ensure that training needs identified during the assessment are in line with areas identified in the Personal Development Plan of an employee.

In addition to formal training, employees should be encouraged to use other developmental activities to improve skills and knowledge in areas of under-performance. Such activities may include on-the-job training, mentoring, reading, self-study, secondments and involvements in specific projects.

How well a Municipality operates is based upon the performance of its employees; the better the performance of employees the more success the Municipality will obtain in achieving its strategic goals and objectives. Continuous development of employees will create an environment in which individuals, who are already performing well, will improve their performance and become more effective and efficient. The main purpose of improving good performance is to ensure growth of employees within the Municipal environment.

For this reason, it is also necessary to provide coaching and development opportunities to employees who perform well, so as to keep employees constantly evolving to meet the ever increasing organizational needs. This includes teaching new skills and implementing new procedures to improve the work process. It also means assigning new responsibilities to employees who appear to have outgrown their current duties.

### **36. MANAGE POOR PERFORMANCE**

If it was found during the assessment that the performance was unacceptable and that targets agreed on in the performance agreement were not met, the employer should provide systematic remedial or developmental support to assist the employee to improve his/her performance. Managing poor performance should be a continuous process starting with the Performance Plan and following through to the performance reviews.

The fact that an employee's work does not comply with the performance standards attached to the identified work, does not necessarily mean that the employee refuses to comply with the performance standards. Poor work performance is not the same as misconduct — it does not mean that the employee concerned refuses to comply with the performance standard. Usually, poor work performance is related to the fact that, for whatever reason, an employee cannot perform his or her work to the expected standard.

The improvement of under-performance is the most important focus of the Performance Management Process. In order to do this, it is important that the causal and contributory reasons for poor performance are analyzed. Poor performance may arise out of one or more of the following:

- ✓ Inappropriate organizational structure
- ✓ Lack of skills and capacity
- ✓ Absence of appropriate strategy

Poor performance must be dealt with through the following principles:

- ✓ Standards for achievement are known and communicated with the respective employee
- ✓ Assisting the individual in the form of training guidance; etc. required to render the satisfactory service, together with fair opportunity to improve
- ✓ Where poor performance persists, give notice to the employee to attend a meeting with management where the employee will be provided with the opportunity to satisfy management of the measures being taken to improve performance
- ✓ Where there is a dispute or difference as to the performance of an employee under the signed Performance Plan, parties will confer with a view to resolve the dispute or indifference

Cases of persistent poor performance identified during assessments must be managed in accordance with the requirements of the Labour Relations Act, No 66 of 1995.

With regard to the management of unacceptable performance of the Municipal Manager and Managers directly accountable to the Municipal Manager Regulation 805 states that the employer shall:

- ✓ Provide systematic remedial or developmental support to assist the individual to improve his or her performance
- ✓ If performance does not improve after appropriate performance counseling, the necessary guidance and support and reasonable time has been allowed for improvement, the Employer may consider steps to terminate the contract of employment of the individual on grounds of incapacity to carry out his/her duties.

### **37. EVALUATION AND REWARD**

During the evaluation phase questions should be asked whether processes followed were fair and objective. Within this phase the evaluation conducted is of a summative nature and relates

to the analysis of performance data: to examine the ratings based on provided evidence and features. The evaluation process does not encompass the actual assessment as this has already taken place. It rather reviews and extracts learning from the completion of the assessment process, to determine the progress made or obstacles experienced in achieving employee performance management.

Final results will be audited and approved by the Performance Audit and Remuneration Committee.

- **Rewards and Incentives**

However, before an evaluation can be conducted as to the validity and objectivity of the process, rewards and incentives for performance should be established. During the assessment process various Assessment/Evaluation panels and/or respective managers can make recommendations on rewards or incentives to be given to employees that perform above the required standard.

The Performance Audit and Remuneration Committee must evaluate such proposals and make recommendations to be approved. In the case of the Municipal Manager and Managers directly accountable to the Municipal Manager, Council will provide the final approval.

- **Financial Rewards**

In terms of a performance bonus, Section 32 of Regulation 805 states that a performance bonus for the Municipal Manager and Managers directly accountable to the Municipal Manager ranges from 5% to 14% of the all-inclusive remuneration package to be paid in recognition of outstanding performance.

The percentage of bonus to be paid out should be determined on the overall rating, calculated by using the assessment-rating calculator. The sliding scale to determine such performance bonuses is given below:

**Table 7: Assessment Bonus Sliding Scale**

<b>% Rating Over Performance</b>	<b>% Bonus</b>
130 - 133.8	5%
133.9 – 137.6	6%
137.7 – 141.4	7%
141.5 - 145.2	8%
145.3 – 149	9%
150 – 153.4	10%
153.5 – 156.8	11%
156.9 – 160.2	12%
160.2 – 163.6	13%
163.7 – 167	14%

In terms of other employees, the employees receive the thirteenth (13<sup>th</sup>) cheque. Any bonus to be paid out for outstanding performance will be in addition to the current thirteenth cheque. The City of Polokwane may reward incentives to employees through:

- ✓ Any non-monetary reward
- ✓ A non-pensionable cash award

The objectives of an incentive scheme are to:

- ✓ Introduce an objective and fair Organizational and Employee Performance Management System that would be useful to ensure that the Municipality's services are results-oriented
- ✓ Instill and sustain a performance culture and to encourage employees to live the values of the Municipality
- ✓ Promote and establish a work contract between employee and manager
- ✓ Remedy poor performance and reward good performance

In order to encourage permanent employees to perform well, it is recommended that some form of financial reward system be introduced. It is important to note that a performance reward scheme does not currently form part of the conditions of employment for employees. If implemented it will

be operative at the discretion of the Municipality, and the Municipality reserves the right to amend or withdraw the scheme at any stage.

A variety of options are available for consideration. For example

✓ **Option 1: Providing an Additional Percentage of the Employee's Package as Performance Bonus**

In this instance the employee will receive a performance bonus of the same as suggested for contractual employees of the cost-to-company package of the employee - based on its affordability to the Municipality.

✓ **Option 2: Provide a Bonus based on Performance Achieved**

The performance bonus percentages will be calculated on a sliding scale as follows, which is calculated on the equivalent to one month's salary of the person - based on its affordability to the Municipality:

**Table 8: Option 2: Bonus Award**

Final Score	Reward
167 – 150	80%
133 – 149	70%

• **Non-Financial Rewards**

In instances where finances are not available to award employees financially for outstanding performance, the Municipality may introduce a non-financial reward scheme. Non-financial rewards will:

- ✓ Be provided based on exceeding and outstanding employee performance
- ✓ Aim to recognize and motivate performance beyond the requirements of the employee's job

- ✓ Be awarded throughout the financial year at the discretion of managers as close to the instance of exceptional performance as possible

Non-financial rewards may be informal or formal. Informal non-financial rewards are spontaneous, not cost rewards aimed at recognizing a piece of work. Formal non-financial rewards represent formal recognition of a specific achievement. Examples of such rewards are provided below:

**Table 9: Non-Financial Reward Opportunities**

Formal Non-Financial Rewards	Informal Non-Financial Rewards
<ul style="list-style-type: none"> <li>✓ Employee is granted between 1-3 days extra leave</li> <li>✓ Able to attend conferences relevant to the work that cost between 1-3 days leave for that employee</li> <li>✓ Providing the employee with a work tool that will enhance his/her performance on condition that the tool does not cost more than 1-3 days of leave for that employee</li> <li>✓ A branded gift such as a pen</li> <li>✓ Clothing Voucher</li> <li>✓ Ticket to an event</li> <li>✓ Sabbatical leave not exceeding 1-3 days of leave</li> </ul>	<ul style="list-style-type: none"> <li>✓ Physical gestures</li> <li>✓ Verbal praise</li> <li>✓ Letter of commendation</li> <li>✓ Offering mentoring or coaching</li> <li>✓ Allowing the employee to attend meetings not usually attended by the person</li> <li>✓ Increased responsibility</li> <li>✓ Choice of assignments</li> <li>✓ Opportunity for special training</li> <li>✓ Time off after working long hours</li> <li>✓ Trophy</li> <li>✓ Certificate</li> </ul>

All formal non-financial rewards must be signed off by a member of the Executive Management Team. The Performance Audit and Remuneration Committee will review all formal non-financial rewards awarded within the Municipality on a half-year basis and provide feedback to the Executive Management Team on the way in which the process is managed. The Executive Mayor's Excellence Awards are to be championed by the Executive Mayor with support by the Executive Management Team.



### **38. APPEALS AND DISPUTES**

Should Individuals not agree with the contents of their performance agreement after the Performance Planning discussion or with the final scores being allocated to them after the assessment sessions, they may elect to follow the approved Municipality's grievance procedure.

Any dispute about the outcome of the employee's performance assessment must be mediated by:

- ✓ In the case of the Municipal Manager, the MEC for Local Government in the Province within thirty (30) days of receipt of a formal dispute from the employee, or any other person designated by the MEC.
- ✓ In the case of Managers directly accountable to the Municipal Manager, a member of the Municipal Council, provided that such member was not part of the Assessment/Evaluation panel provided for in sub-regulation 27(4)(e), within thirty (30) days of receipt of a formal dispute from the employee; whose decision shall be final and binding on both parties.
- ✓ In the case of the next management level, the employee may meet with the Municipal Manager, and if so chosen a representative of Human Resources and the Labour Union with a view to resolve the issue. The discussion and outcome thereof is to be recorded. The decision is to be made within thirty (30) days of the issue being raised, or as soon thereafter as possible, and will be final.
- ✓ In the case of other employees the next level of management together with a Human Resources and Labour Union representative, provided that such members were not part of the assessment, within thirty (30) days of receipt of a formal dispute from the employee; whose decision shall be final and binding on all parties.

### **39. EXIT/TERMINATION/CANCELLATION CLAUSE**

Relating specifically to the Municipal Manager and Managers directly accountable to the Municipal Manager, there are many reasons which may give rise to termination/cancellation of employment contracts.

The employment contract may be terminated:

- ✓ Automatically on expiry of the term referred to in the contract, subject to any extension or renewal
- ✓ At the employee's initiative if the employee gives the employer two (2) months' notice of termination in writing
- ✓ At the employer's initiative if the employer terminates the employee's appointment for reasons relating to misconduct, serious persistent breach of provisions of his/her contract, incapacity, being absent from employment without approval for a period exceeding thirty (30) days, unacceptable performance of the operational requirements of the Municipality or for any other reason recognized by law as sufficient, one calendar months' notice of termination in writing.

The termination/cancellation of contracts of employment may be classified under two categories:

- ✓ Blameworthiness of the contracted employee – In this case the incumbent shall forfeit the balance of his/her term of office as a penalty
- ✓ Non-blameworthiness of the contracted employee – In this case the incumbent shall have his/her contracted term fully paid out as a separation package

In both instances the above clause must be incorporated into the original employee contract of an incumbent.

#### **40. THE PERFORMANCE AUDIT AND REMUNERATION COMMITTEE EVALUATION**

The Performance Audit and Remuneration Committee fulfill an oversight role in terms of employee performance management within the Municipality. The establishment of such a body is required in terms of Section 45 of the MSA whereby the Municipality is required to implement mechanisms, systems and processes for auditing the results of performance measurements as part of the internal auditing process. In the City of Polokwane this function is fulfilled by the Audit Committee (See Performance Management Framework, Section B). It is recommended that the Performance Audit and Remuneration Committee be established to consider the primary role on remuneration for PMS.

The results of the formal year-end review are to be audited to ensure that all evidence is authorized and relevant, and to make recommendations on the improvement of the system. The

audit is conducted internally by the Performance Audit and Remuneration Committee. An external auditor may be appointed to verify results with the provision that skills transfer is done with a view to enhance internal capacity building in the case of members sitting on this Committee.

#### **41. TIMING OF APPLICATION**

The policy document is applicable to all employees in the City of Polokwane. However, given the complexities and challenges associated with the implementation of this policy, specifically related to change management within the Municipality, it is recommended that the policy only be initially rolled out up to level 3 employees in a phase approach. The anticipated first phase of the implementation, which will be for the Level 1 employees (SBU Managers) will be the 2020/21 financial year. It must be noted that section 67 of the Local Government: Municipal Systems Act requires municipalities to develop mechanism to monitor performance of all staff, however it went further to state that subject to the applicable collective agreement. The interpretation of section 67 means that there must be a collective agreement signed by all employee representative parties to the cascading of performance below the senior managers. Polokwane Municipality will have to satisfy all the requirements of the section 67 provisions when it implements the first phase of cascading.

After successful implementation of employee performance management up to level 3, it is envisaged that the system will be rolled out in a staggered approach over a period of time to all other employees:

- ✓ Levels 4-7
- ✓ Levels 8-12
- ✓ Levels 13-20

The Municipality will thus have to introduce an electronic PMS system to manage this process successfully. This staggering is proposed so as to ensure sufficient time and resources are available to train and coach managers/supervisors to effectively implement the performance management process. It will also provide for sufficient time and resources to monitor, manage, evaluate and where applicable, adapt the system. More detail on this cascading is provided in the change management plan of the Municipality.

The successful implementation of the Employee Performance Management System is determined by the following:

- ✓ A strong link between organizational and employee performance
- ✓ Employee performance measures that correspond with organizational strategy
- ✓ Strong commitment, clear communication and management support on a continuous basis
- ✓ Sufficient funding to be allocated in the budget of the Municipality
- ✓ High involvement and participation of employees and all relevant stakeholders

## **42. PRINCIPLES OF GOOD ASSESSMENT**

The following principles should apply to ensure successful assessment:

- ✓ Create a supportive environment by stating clearly the purpose of the discussion
- ✓ Discuss key areas of responsibility and give examples of specific results – allow the employee first input, based on the self-appraisal
- ✓ Discuss what could have been done better; identify concerns and listen to the employee's explanations
- ✓ Ask the employee for help in resolving problems; focus on future performance and be sure the employee takes responsibility for improvement
- ✓ Make sure that the employee has an understanding of future expectations regarding performance
- ✓ Give positive recognition for performance that reinforces the strategic goals (ultimate outcomes) and objectives (intermediate outcomes) of the Municipality
- ✓ Discuss the employee's interests and potential new responsibilities and roles in achieving new objectives while maintaining on-going responsibilities
- ✓ Conclude on a positive note, emphasizing the benefits of the dialogue



**Draft**

# **Funding & Reserves Policy**

**2022/2023**

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## **FUNDING AND RESERVES 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:

- Realistically anticipated revenues to be collected;
- Cash backed accumulated funds from previous years' surpluses not committed for other purposes, and
- Borrowed funds, but only for capital projects

Furthermore, spending on a capital project may only be commenced once the funding sources have been considered, are available and have not been committed for other purposes.

The requirements of the MFMA are clear in that the budget must be cashfunded, i.e. cash receipts inclusive of prior cash surpluses 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.

## **2.4 CASH MANAGEMENT**

Cash must be managed in terms of the municipality's Cash Management and Investment 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 possible transfers to or from other municipalities.

For the purpose of the Cash flow budget any National or Provincial grants that have been re-appropriated for roll-over purposes must be excluded from the calculation and be included in changes in Cash and Cash Equivalents and Payables.

Within the budget grants recognised as revenue must equal the total expected expenditure from grants inclusive of capital expenditure and VAT, as per directives given in various MFMA Circulars.

(e) Projected revenue from service 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.

For the purpose of the Cash Flow Budget all rebates and discounts must be deducted from the projected revenue.

(g) Only charges 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.

(h) 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 provision for the short term portion of employee benefits, as well as an operating surplus calculated at 5% of the prior year balance of the long-term benefits, be included in the operating budget to build sufficient cash for these requirements. The cash portion of the employee benefits must be accounted for in an 'Employer Benefits Reserve'.

(i) Depreciation must be fully budgeted for in the operating budget.

- (j) Contributions to provisions (non-current and current) do not form part of the cash flow. 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. The allocations of the funding sources from own contributions will be determined during the budget process.

#### **Grants (Including Public Contributions)**

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 unusual grant funding do 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.

## **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 must 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 reasonably 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 include:

- unspent conditional grants; ○ unspent conditional public contributions;
- unspent borrowings; ○ VAT due to SARS; ○ secured investments;
- the cash portion of statutory funds such as the Housing Development Fund; ○ other wording capital requirements; and
- 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.

## **INDICATORS**

### **2.8.4 MONTHLY AVERAGE PAYMENT COVERED BY CASH AND CASH EQUIVALENTS ('CASH COVERAGE')**

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

### **2.8.5 SURPLUS / DEFICIT EXCLUDING DEPRECIATION OFFSETS**

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**

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 01 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 difference must be motivated in the budget report.

Reconvened

### **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 Liability Management.

### **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 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.

The municipality, however, recognises 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.

### **3.2 LEGAL REQUIREMENTS**

There are no specific legal requirements for the creation of reserves, except for the Housing Development Fund. The GRAP Standards themselves do not provide for reserves.

### **3.3 TYPES OF RESERVES**

Reserves can be classified into two main categories being 'cash funded reserves' and 'non-cash funded reserves'.

#### **3.3.1 CASH FUNDED RESERVES**

In order to provide for sufficient cash resources for future expenditure, the municipality hereby approves the establishment of the following reserves:

**(a) Employee benefits reserve**

The aim of this reserve is to ensure sufficient cash resources are available for the future payment of employee benefits. The contributions to the reserve must be made in accordance with the directives set in this Funding Policy.

**(b) Non-current provisions reserve**

The aim of this reserve is to ensure sufficient cash resources are available for the future payment of non-current provisions. The contributions to the reserve must be made in accordance with the directives set in this Funding Policy.

### **(c) Other 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.

### **3.3.2 NON-CASH FUNDED RESERVES**

On occasion it is necessary to create non-cash funded reserves. The Accounting Officer must create any reserves prescribed by the accounting standards, such as the Revaluation Reserve, if required.

## **3.4 ACCOUNTING FOR RESERVES**

### **3.4.1 REVALUATION RESERVE**

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

### **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. It is a condition of GRAP and this policy that no transactions may be directly appropriated against these reserves.

## **4. SECTION C : REVIEW OF THE POLICY**

This Funding and Reserves Policy is the only draft policy of the municipality. This policy must be reviewed and submitted for consideration by Council on an annual basis. Such submission must be accompanied with a full description of the reasons for the change to the policy.







## **DRAFT BORROWING POLICY 2022/2023**

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## POLOKWANE MUNICIPALITY – **BORROWING POLICY**

### **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.

### **OBJECTIVES OF POLICY**

The objectives of this Policy are to: -

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

### **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.

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## POLOKWANE MUNICIPALITY – **BORROWING POLICY**

### **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.

### **TYPES OF LOANS AND FINANCING**

#### **4.1 Annuity loans**

Annuity loans are straight forward and uncomplicated. The loan amount, interest rate and repayment period offered by the Financial Institution are fixed. The calculation of the instalment payable on an annuity/fixed redemption basis is simple and straight forward. 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 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) should be taken out. 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.

#### **4.2 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).

#### **4.3 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 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.

#### **4.4 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 fixed cost coverage, currently at a ratio of 1,2 : 1.

### **5. 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.

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## POLOKWANE MUNICIPALITY – **BORROWING POLICY**

### **5.1 Factors to be considered when borrowing:**

- the type and extent of benefits to be obtained from the borrowing;
- the length of time the benefits will be received;
- the beneficiaries of the acquisition or development;
- the impact of interest and redemption payments on both current and forecasted property tax and services revenue;
- 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;
- likely movements in interest rates for variable rate borrowings;
- other current and projected sources of funds;
- competing demands for funds;
- timing of money market interest rate movements and the long term rates on the interest rate curve.

The Municipality will, in general, seek to minimise its dependence on borrowings in order to minimise future revenue committed to debt servicing and redemption charges. 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.

Polokwane 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 million for a single project, with long term benefits to the community as a whole, where indirect revenue streams are evident.



The current gearing for external loans (total outstanding debt to operating revenue, including recurrent grants) should not exceed 60% at 30 June 2013. To reduce the reliance on external long term borrowing, this percentage must reduce by 1% each year till a level of 50% or less is attained by 30 June 2023.

## **5.2 REFINANCING DEBT**

Section 46 of the Municipal Finance Management Act provides that the Polokwane Municipality may refinance existing long term debt, if such refinancing is in accordance with the prescribed framework. 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.

## **5.3 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 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.

## **5.4 SECURITY**

The Municipal Finance Management Act provides that 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.

## **5.5 OVERDRAFT**

Polokwane Municipality has a Bank overdraft facility.

## **5.6 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.

## **5.7 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.

## **5.8 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.

## **5.9 APPROVAL OF LOANS BY THE MUNICIPALITY**

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 –

- ❑ the essential repayment terms, including the anticipated debt repayment schedule; and
- ❑ the anticipated total cost in connection with such debt over the repayment period.

## **5.10 PROVISION FOR REDEMPTION OF LOANS**

Polokwane Municipality may borrow from Institutions and set up sinking funds to facilitate loan repayments, especially when the repayment is to be met by a bullet payment on the maturity date of the loan. 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.

## **5.11 NON-REPAYMENT OR NON-SERVICING OF LOAN**

Polokwane 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.

## **6. PROHIBITED BORROWING PRACTICES**

Polokwane 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.

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.

## **7. 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.

## **8. MUNICIPAL REGULATIONS ON DEBT DISCLOSURE**

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. Refer to Annexure A2, Municipal Finance Management Act : Municipal Regulations on Debt Disclosure.

The implementation of the regulations will help to strengthen the level of confidence in municipal fiscal affairs and enable the capital markets to effectively participate by providing access to a range of competitive funding instruments for the provision of municipal infrastructure and other capital development in accordance with section 46 of the Municipal Finance Management Act.

## **9. REVIEW OF POLICY**

This policy shall be implemented as at 1 July 2022 and shall be reviewed on an annual basis to ensure that it is in line with the municipality's strategic objectives and with legislation.



**DRAFT  
INDIGENT & SOCIAL ASSISTANCE POLICY**

**2022/2023**

## **PREAMBLE**

**Whereas** section 152 of the Constitution of the Republic of South Africa requires the Local government to ensure the provision of services in a sustainable manner, and whereas section 97 of the Municipal 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 Polokwane adopts the Indigent Policy as set out in this document.

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## 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:-

<b>Authorized representative</b>	The person or instance legally appointed by the Council to act or to fulfil a duty on its behalf.
<b>Basic service</b>	The amount or level of any municipal service that is necessary to ensure human dignity and a reasonable quality of life and which, if not provided, could endanger public health or safety of the environment. For the purpose of this Policy basic services will be restricted to electricity, refuse, sewerage, water and any other rebates or exemptions as Draft by Council.
<b>Chief Financial Officer</b>	An officer of the municipality appointed as the Head of the Budget and Treasury Directorate and includes any person acting in such position
<b>Council or Municipal Council</b>	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 Polokwane.
<b>Customer</b>	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.
<b>Defaulter</b>	A person who owes money in respect of a municipal account after the due date for payment has expired.
<b>Household</b>	A Property and all its occupants.



<b>Interest</b>	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 Draft by Council.
<b>Municipal account or Municipal billing</b>	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.
<b>The Act</b>	The Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) as amended from time to time.
<b>Indigent</b>	A poor / needy household that qualifies and receives benefits in accordance to this policy.
<b>Indigent Levy</b>	A fixed charge payable by qualifying Indigent households levied on a monthly basis.
<b>Subsidy</b>	The financial relief granted to qualifying indigent households

## **2. OBJECTIVES**

The objectives of this Policy are to:-

- a) Provide a framework within which the Municipality can exercise its executive and legislative authority with regard to the implementation of financial aid to indigent and poor households in respect of their municipal account;
- b) Determine the criteria for qualification of Indigent households;
- c) Ensure that the criteria is applied correctly and fairly to all applicants;

## **3. PRINCIPLES**

- a) The administrative integrity of the Municipality must be maintained at all costs. The democratically elected councillors are responsible for the adoption of the 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, where applicable;
- c) The municipality may at its own discretion convert all conventional meters to prepaid services.

## **4. CRITERIA FOR INDIGENT HOUSEHOLDS**

To qualify as 'Indigent household, a household must comply with the following criteria:-

- a) The total household income may not exceed the sum of two times the amount of state funded social grants plus two child grants currently as determined by the National Treasury of RSA from time to time.
- b) The applicant must be a permanent resident of the property.
- c) The applicant must be a South African citizen.
- d) The applicant who owns more than one property will only be granted Indigent assistance on the property of primary occupation. Polokwane Municipality reserves the right to reverse indigent benefits of an additional property should there be evidence that the applicant has applied for indigent assistance on additional properties.
- e) The applicant may not necessarily be the owner of the property but could also be the occupier including a child headed family. Provided that they meet other requirements.
- f) The Municipality reserves the right to consolidate separate accounts of one property in instances where the owner of the property is deceased.

## **5. SUBSIDY**

The subsidies below will be funded from the Equitable share contribution received from National Treasury. The subsidies will only be granted to qualifying households to the extent that the above-mentioned funds are available for allocation.

a) The qualifying Indigent households may receive the following subsidy per month.

- 100% rebate of the basic charges for electricity per month
- 100% rebate of the availability charge for sewerage per month
- 100% rebates on sewer connection charge per month.
- 100% rebate of the basic charge for refuse removal per month
- 100% rebate of refuse charge per month
- 100% rebate on property rates
- 100kwh electricity consumption subsidy per month (cumulative on Pre-paid)
- 50kWh of electricity per month is consumed in urban and 50kWh Eskom supply Area
- 6kl Water consumption subsidy per month (cumulative on Pre-paid)

b) Other Rural Benefits/subsidy

- Basic water
- Other alternative energy
- Basic refuse removal
- Basic sanitation

c) Exemption may be granted for connection or deposit fees to qualifying indigents or poor household subject to approval by the Chief Financial Officer or Delegate.

## **6. APPLICATION FOR A SUBSIDY**

The customer may apply in person at a customer care front office, Civic Centre.

The following documents must be submitted with the application form:-

- Certified copy of the applicant's South African identity;
- Proof of income of the applicant (e.g. a letter from employer/ salary advice/ proof of pension/ bank statement);
- Written proof of child headed family or letter of authority from a Social Worker, and/or Traditional leader and Ward Councillor where the property is situated;
- Bank statement for the past three month of the applicant and spouse where applicable;
- Any other proof or confirmation/ evidencing the qualification as indigent;
- Letter of Authority in case of deceased persons estate from the magistrate or Master of High Court declaring Executorship, where necessary;
- Marriage certificate for married applicants;
- Sworn Affidavits that Gross household income is less than the threshold set by council and that the information supplied is true and all income is declared;
- The applicant must complete the sworn statement that forms part of the application form; and

- Should the applicant be unable to apply in person, due to medical reasons, his / her application may be certified by a Commissioner of oaths, or a community worker.

## **7. PUBLICATION OF NAMES OF QUALIFYING APPLICANTS**

The Municipality may publish names and property description of the applicants receiving subsidies in terms of this policy for inspection and objection.

## **8. FALSE INFORMATION**

A person who provides false information will be disqualified and be denied further participation in the subsidy scheme. In addition, the beneficiary will be held liable for the payment of any incorrect subsidies already granted and legal action, civil or criminal may be instituted against the guilty party/parties.

## **9. INFORMATION AUDIT/ VERIFICATION**

The Municipality reserves the right to send officials and / or representatives of the Municipality to the household or site of the applicant(s) at any reasonable time, with the aim of carrying out a local verification of the accuracy of the information provided by the applicant(s).

Such audit will be conducted on a continuous basis as and when municipality require.

### **a) Verification – Site Visit**

The Municipality may utilise the services of a service provider to perform an on-site verification.

### **b) Verification – External Scan**

An external scan, of applicants recommended as suitable candidates for an indigent grant, may be conducted with UIF, SARS, Department of Welfare, Retail and Credit Bureau.

## **10. DURATION OF SUBSIDY**

If the municipality obtains information that indicates that the circumstances of the beneficiary has changed to such an extent that he / she no longer qualifies for the subsidy, the Municipality reserves the right to suspend the subsidy.

The municipality may require the indigent beneficiary to renew their indigent status periodically as and when required.

## **11. AMOUNT IN ARREARS**

Beneficiaries with municipal accounts in arrears at the time of the application (approval) for a subsidy, may have such arrear amounts written off upon approval depending on availability of budget/funds.

A consumer will only qualify for a write off once per account for every three years if the status did not change or as prescribed from time to time by council.

## **12. REGISTER**

The register may contain the name of the applicant, the name of the registered owner of the property, the identity number of the applicant, the contact details, the suburb, stand number, sub-division, street address, ward number and application date.

This Indigent register will be updated on monthly basis as and when applications are received.

## **13. APPROVAL, COMPLAINT MANAGEMENT AND DISPUTE RESOLUTION**

Complaint or dispute management will be managed by the Revenue Executive committee established by the Revenue Manager.

The Revenue Executive Committee will comprise only of senior revenue officials not limited to The Revenue Manager, Revenue Assistant managers, Senior Accountant and Accountants.

The Revenue Executive Committee must meet at least once per month. The Indigent Committee must consider each complaint; assess it in terms of this policy and any other information which members may have in respect of the applicant.

## **14. INDIGENT LEVY**

An Indigent levy will be charged to the account of all Draft indigents in accordance with the Draft schedule of tariffs.

## **15. SHORT TITLE**

This policy shall be called the Indigent and social support Policy of the Polokwane Municipality.

## **16. REVIEW OF POLICY**

This policy shall be implemented as at 1 July 2022 and shall be reviewed on an annual basis to ensure that it is in line with the municipality's strategic objectives and with legislation.



**POLOKWANE**

**MUNICIPALITY**

**SUPPLY CHAIN**

**MANAGEMENT POLICY**

**DRAFT SCM POLICY FOR 2022/2023 FINANCIAL YEAR**

## **PART A**

**This Policy consists of Three parts:**

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

**Part B** is the **Preferential Procurement Policy**, adopted in terms of section 2 of the Preferential Procurement Policy Framework Act, No. 5 of 2000 and the Preferential Procurement Regulations, 2011.

And

**Part C** is the **Model Policy for Infrastructure Management**, adopted in terms of section 168 of the Municipal Finance Management Act, No. 56 of 2003 in support of Regulation 3(2) of the MFMA Supply Chain Management Regulations.

**POLOKWANE MUNICIPALITY**  
**SUPPLY CHAIN MANAGEMENT POLICY – PART A**

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**PART A**

**MUNICIPAL SUPPLY CHAIN MANAGEMENT POLICY**  
**LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003**

The Council of the Polokwane Municipality resolved on ..... 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:



**POLOKWANE MUNICIPALITY**  
**SUPPLY CHAIN MANAGEMENT POLICY – PART A**

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**POLOKWANE MUNICIPALITY**  
**SUPPLY CHAIN MANAGEMENT POLICY – PART A**

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**POLOKWANE MUNICIPALITY**  
**SUPPLY CHAIN MANAGEMENT POLICY – PART A**

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## 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 –

- “Accounting Officer”** 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.
- “Act” or “MFMA”** means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);
- “days”** means any day of the week except Saturday, Sunday and public holidays as determined in the Public Holidays Act, 1994 (Act No. 36 of 1994)
- “CFO”** means Chief Financial Officer of the Municipality;
- “CIDB”** means Construction Industry Development Board
- “close family member”** means:  
(a) spouse or partner  
(b) parent  
(c) children
- “closing date”** means the time and day specified in the bid documents and/or advertisement of the receipt of bids.
- “competitive bidding process”** means a competitive bidding process referred to in clause 12 (1) (f) of this Policy;
- “competitive bid”** means a bid in terms of a competitive bidding process;
- “contract”** means the agreement that results from the acceptance of a bid by the Municipality;
- “disability”** means, in respect of a person, a permanent impairment of a physical, intellectual, or sensory function, which results in restricted, or lack of, ability to perform an activity in the manner, or within the range, considered normal for a human being.
- “delegation”** in relation to a duty, includes an instruction a request to perform or to assist in performing the duty.

<b><i>“emergency”</i></b>	an emergency is an unforeseeable and sudden event with harmful or potentially harmful consequences for the municipality which requires urgent action to address.
<b><i>“emerging enterprise”</i></b>	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.
<b><i>“final award”</i></b>	in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept;
<b><i>“financial interest”</i></b>	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;
<b><i>“formal written price quotation”</i></b>	means quotations referred to in clause 12 (1) (d) & (e) of this Policy;
<b><i>“IDP”</i></b>	means Integrated Development Plan;
<b><i>“in the service of the state”</i></b>	means to be – <ul style="list-style-type: none"> <li>a) a member of – <ul style="list-style-type: none"> <li>i) any municipal council;</li> <li>ii) any provincial legislature; or</li> <li>iii) the National Assembly or the National Council of Provinces;</li> </ul> </li> <li>b) a member of the board of directors of any municipal entity;</li> <li>c) an official of any municipality or municipal entity;</li> <li>d) an 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);</li> </ul>

	<p>e) a member of the accounting authority of any national or provincial public entity; or</p> <p>f) an employee of Parliament or a provincial legislature;</p>
<b><i>“long term contract”</i></b>	means a contract with a duration period exceeding three years;
<b><i>“list of accredited prospective providers”</i></b>	means the list of accredited prospective providers which the Polokwane Municipality must keep in terms of clause 14 of this policy;
<b><i>“micro-enterprise”</i></b>	means a very small business, often involving only the owner, some family members and at the most one or two paid employees. They usually lack `formality` in terms of business licences, value-added tax (VAT) registration, formal business premises, operating permits, operating permits and accounting procedures. Most of them have a limited capital base and only rudimentary technical or business skills amongst their operators. However, many micro-enterprises advance into viable small businesses. Earning levels of microenterprises differ widely, depending on the particular sector, the growth phase of the business and access to relevant support.
<b><i>“municipality”</i></b>	means the Polokwane Municipality;
<b><i>“notice boards”</i></b>	means the official notice boards at the municipal offices and libraries;
<b><i>“other applicable legislation”</i></b>	<p>means any other legislation applicable to municipal supply chain management, including –</p> <p>a) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);</p> <p>b) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003);</p> <p>c) the Construction Industry Development Board Act, 2000 (Act No.38 of 2000);</p> <p>d) the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);</p>

- 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, 2011

***“Policy”***

means the Supply Chain Management Policy of the Polokwane 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;

***“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);

***practitioners”***

Include the Chief Financial Officer, Deputy Chief Financial Officer, the Supply Chain Manager and SCM Officials;

***“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 “Tender Box”;

***“tender box”***

means the specified tender box at the offices of Polokwane Municipality.

***“Treasury guidelines”***

means any guidelines on supply chain management Issued by the Minister in terms of section 168 of the Act, including –

- a) National Treasury, MFMA Circular No. 34, Municipal Finance Management Act No. 56 of 2003, Reporting of awards above R 100 000
- b) National Treasury, MFMA Circular No. 46, Municipal Finance Management Act No. 56 of 2003, Checking the prohibition status of recommended bidders
- c) National Treasury, MFMA Circular No. 50, Municipal Finance Management Act No. 56 of 2003, Preparation of the municipal audit file (Stores & Consumables)
- d) National Treasury, MFMA Circular No. 52, Municipal Finance Management Act No. 56 of 2003, Prohibition of restricted practices
- e) National Treasury, MFMA Circular No. 53, Municipal Finance Management Act No. 56 of 2003, Amended guidelines in respect of bids that include functionality as a criterion for evaluation
- f) National Treasury, MFMA Circular No. 56, Municipal Finance Management Act No. 56 of 2003, Database of restricted suppliers and training on the revised Preferential Procurement Regulations, 2011

**“*validity period*”** means the period for which a bid is to remain valid and binding as stipulated in the relevant tender document.

**“*written quotations*”** means quotations referred to in clause 12(1)(c) of this Policy.

- 1.1. 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.
- 1.2. All amounts / limits stated in this document shall be deemed to be inclusive of Value Added Tax (VAT).



## **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 **Polokwane 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) gives effect to the principles contained in **Annexure A**.
  - c) complies with –
    - i) the Regulations; and
    - ii) any minimum norms and standards that may be prescribed in terms of section 168 of the Act;
  - d) is consistent with other applicable legislation;
  - e) does not undermine the objective for uniformity in Supply Chain Management Systems between organs of state in all spheres; and
  - f) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector;
  - g) applies the highest ethical standards; and
  - h) promotes local economic development.
- 2) This Policy applies when the Municipality –
  - a) procures goods or services;
  - b) disposes of goods no longer needed;
  - c) selects contractors to provide assistance in the provision of municipal services including circumstances where Chapter 8 of the Municipal Systems Act applies.
- 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; and
    - ii) electricity from Eskom or another public entity, another municipality or a municipal entity.
  - b) the unskilled labour component of the Municipality's LLPP (Local Labour Promotion Projects);

- c) the acquisition of services of attorneys and advocates subject that the acquisition of such services to be dealt with in terms of Delegations 4.2.52, 5.1.1.35.1 and 5.1.1.35.3 of the Municipality's Delegation of Powers and Duties, as amended from time to time and any Bargaining Council Agreements on Disciplinary Procedures;
- d) the payment of accommodation and air travel for official purposes subject that same be dealt with in terms of the Municipality's Travelling and Subsistence allowance/cost Policy, as amended from time to time, as well as Delegations 4.1.1, 5.1.1.1 and 5.1.1.17 of the Municipality's Delegation of Powers and Duties, as amended from time to time;
- e) any contract relating to the publication of notices and advertisements by the municipality.

### **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-clause (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 which is not exclusively composed of officials of the Municipality.
  - 4) This clause 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 clause 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-clause (2) of this clause and clause 4 of this Policy.
- 2) The power to make a final award –
  - a) above R10 million (VAT included) may **not be sub-delegated** by the **accounting officer**;
  - b) **above R200 000 (VAT included), but not exceeding R2 million (VAT included), must be sub-delegated to the bid adjudication committee of which the chief financial officer is chairperson;**  
**Delegations include the authority to approve the following:-**
    - 1. Bid Specification Reports and Adverts**
    - 2. Appointment Letters and Service level agreements**
    - 3. Negotiations for projects less than R2 million (VAT included)**
- 3) Only the Accounting Officer and CFO can issue appointment letter on any tender above R2 000 000 (VAT included).

- c) below R200 000 must be sub-delegated to **the Deputy Chief Financial Officer** as per Council's delegations, pertaining to the procurement of goods and services.

Delegations include the authority to approve the following:-

- 1. Bid Specification Reports and Adverts
- 2. Appointment Letters and service level agreement
- 3. Negotiations for projects less than R 200 000.00 (VAT included)

- 4) An official or bid adjudication committee to which the power to make final awards has been sub-delegated in accordance with sub-clause (2) must **within ten (10)** day of the end of each month submit to the official referred to in sub-clause 4(a) written report containing particulars of each final award made by such official or committee during that month, including–
  - a) the amount of the award;
  - b) the name of the person to whom the award was made; and
  - c) the reason why the award was made to that person.
- 5) A written report referred to in sub-clause (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 or a senior manager is a member.
- 6) Sub-clauses (3) and (4) of this policy do not apply to procurement out of petty cash.
- 7) This clause 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 clause 26 of this Policy. Also refer to clause 4(4) and 5(2)(a) of this Policy.

## **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 ten (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 availability of these 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) A supply chain management unit is hereby established to implement this Policy.
- 2) The supply chain management unit operates under the direct supervision of the chief financial officer or an official to whom this duty has been delegated in terms of section 82 of the Act.

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

## **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 authorized processes only;
  - b) That expenditure on goods and services is incurred in terms of an approved Budget in terms of section 15 of the Act;
  - c) That the threshold values for the different procurement processes are complied with;
  - d) That bid documentation, evaluation and adjudication criteria, and general Conditions of a contract, are in accordance with any applicable legislation; and
  - e) That any Treasury guidelines on acquisition management are properly taken into account.
- 2) When procuring goods or services contemplated in section 110(2) of the Act, the accounting officer must, subject to clause 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, up to a transaction value of R200 (VAT included);
  - b) Petty cash purchases exceeding the amount of R200 up to an amount of R2 000 (VAT included) to be authorised by the Chief Financial Officer or his delegatee;

- c) Direct purchases by the Purchasing Division for procurement transactions with values lower than R2 000 (VAT included);
  - d) Formal written price quotations for procurement transactions with values over R2 000 up to R30 000 (VAT included);
  - e) Formal written price quotations for procurement transactions valued over R30 000 (VAT included) up to R200 000 (VAT included), subject to clause 18(b); and
  - f) a competitive bidding process for –
    - i) Procurement above a transaction value of R200 000 (VAT included); and
    - ii) The procurement of long term contracts, i.e. longer than one year.
- 2) The accounting officer may, in writing -
- a) Lower, but not increase, the different threshold values specified in sub-clause (1); or
  - b) direct that –
    - i) written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2 000 (VAT included);
    - ii) formal written price quotations be obtained for any specific procurement of a transaction value lower than R30 000 (VAT included); or
    - iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000 (VAT included).
  - d) the delegated authority for the different threshold values are contained in the Municipality's Delegations of Power : Delegation 4.2.81.1.
- 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.
- 4) The Municipality reserves the rights to appoint a panel of Service Providers or Contractors for period not more than 36 months and allocation of work must be done on rotational basis taking into account the final ranking and the performance of the service provider.

**13. General preconditions for consideration of formal written price quotations or bids**

A formal written price quotation or bid that exceeds R30 000 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 authorized the Municipality to verify any of the documentation referred to in sub-clause (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 close family member of the provider or of a director, manager, shareholder or stakeholder referred to in sub-clause (ii) is in the service of the state, or has been in the service of the state in the previous twelve months;
  - iv) that the tendering enterprise or any of its owners, directors, members or trustees, in their personal capacity are not in arrears with any account(s) with a Municipality for longer than 90 days / three months; or
  - v) whether any Municipal staff member is a close family member of an owner, his/her partner serves on the board of directors, or are members or trustees, of the tendering enterprise.

#### **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 written or verbal quotations and 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;
  - c) specify the listing criteria for accredited prospective providers which must include at least the requirement to submit proof of compliance with SARS tax clearance and proof that local municipal rates and services payments are not in arrears for more than three months;
  - 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 purchases**

- 1) The general guideline is that petty cash purchases referred to in clause 12(1)(a) & (b) of this Policy are for minor items that are purchased for up to R2 000 (VAT included) where it is impractical, impossible or not cost-effective to follow formal procurement process and is strictly of a reimbursive nature and not for advances.
- 2) The conditions for the procurement of goods by means of petty cash purchases referred to in clause 12 (1)(a) & (b) of this Policy, are as follows:-
  - a) Accounting Officer to determine the terms on which a manager may delegate responsibility for petty cash to an official reporting to the manager;
  - b) Accounting Officer to determine the maximum number of petty cash purchases or the maximum amounts per month for each petty cash holder;
  - c) Accounting Officer to determine any types of expenditure from petty cash purchases that are excluded, where this is considered necessary; and
  - d) a monthly reconciliation report from each petty cash holder must be provided to the chief financial officer, including –
    - i) the total amount of petty cash purchases for that month; and
    - ii) the receipts and appropriate documents for each purchase;
  - e) any other conditions determined by Accounting Officer.
- 3) Petty cash purchases with threshold value from an amount of R1.00 up to an amount of R2 000 (VAT included) to be authorised by the Chief Financial Officer or his delegate.

#### **16. Written quotations**

- 1) The conditions for the procurement of goods or services through written quotations for amounts under the threshold for formal quotations as stated in clause 12(1)(c) & (d) are as follows:
  - a) quotations for transactions up to a value of R 2 000 (VAT Included) must be obtained from at **least two different providers** preferably from, but not limited to, providers whose names appear on the list of **accredited prospective providers**

of the Municipality provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria set out in clause 14(1) (b), (c) and (d) of this Policy;

- b) providers must be requested to submit such quotations in writing;
  - c) if it is not possible to obtain at least two quotations, **the reasons must be recorded and reported quarterly to the Supply Chain Manager**
  - d) if a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider;
  - e) any other conditions determined by the Accounting Officer.
- 2) **No orders may be placed based on verbal price quotations.**
  - 3) No quotation, written or verbal, may be made available by an official to a prospective bidder.

#### **17. Formal written price quotations**

- 1) The conditions for the procurement of goods or services through formal written price quotations are as follows:
  - a) quotations must be obtained in writing from at least **three different providers whose names appear on the list of accredited prospective** providers of the Municipality;
  - b) quotations may be **obtained from providers who are not listed**, provided that such providers meet the listing criteria set out in clause 14(1) (b), (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 **Deputy Chief Financial Officer** or an official designated by the **Deputy Chief Financial Officer**, and
  - d) the **Deputy Chief Financial Officer** must record the names of the potential providers and their written quotations;

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

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

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

- a) when using the list of accredited prospective providers the accounting officer must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis;
- b) all requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements of clause 17, the database for goods and services above shall be advertised annually.
- c) quotes received must be evaluated on a comparative basis taking into account unconditional discounts;
- e) quotes must be awarded based on compliance to specifications, conditions of contract, ability and capability to deliver the goods and services, at **acceptable price**
- f) responsive and acceptable offers, which are subject to the preference points system (PPPFA and associated regulations and policy), must be awarded to the bidder who scored the highest points; The prescripts of the Preferential Procurement Policy Framework Act, Act No.5 of 2000 will be applied for procurement requirements above R30 000 (and with a lesser value where appropriate);
- g) the **Deputy Chief Financial Officer** must set requirements for proper record keeping of all formal written price quotations accepted on behalf of the municipality;
- h) procurement requirements exceeding a value of R 30 000 (VAT Inclusive) must be submitted to the Quotations Evaluation Committee which comprises of **Supply Chain Manager or his delegate, Project Manager and Secretary**. The Quotations Evaluation Committee must make recommendation to the Deputy Chief Financial Officer or delegated official for approval.
- i) the cancellation of procurement requirements exceeding a value of R 30 000 must be submitted to the Bid Evaluation Committee for consideration who makes a recommendation to the relevant Director or his delegatee for approval;

## **19. Competitive bids**

- 1) Goods or services above a transaction value of R200 000 (VAT included) and long term contracts may only be procured through a competitive bidding process, subject to clauses 11(2) and 36 of this Policy.
- 2) No requirement for goods or services above an estimated transaction value of R200 000 (VAT included), may deliberately be split into parts or items of lesser value merely

for the sake of procuring the goods or services otherwise than through a competitive bidding process.

- 3) Expression of interest/Request for Information – The Municipality reserves the rights to issue expression of interest which is non-binding.
- 4) The Municipality reserves the rights to issue a request for qualification and proposal on all the PPP (Public Private Partnership) and alternative funding mechanisms and programmes

## **20. Process for competitive bidding**

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

- a) Compilation of bidding documentation as detailed in clause 21;
- b) Public invitation of bids as detailed in clause 22;
- c) Site meetings or briefing sessions as detailed in clause 22;
- d) Handling of bids submitted in response to public invitation as detailed in clause 23;
- e) Evaluation of bids as detailed in clause 28;
- f) Award of contracts as detailed in clause 29;
- g) Administration of contracts: After approval of a bid, the accounting officer and the bidder must enter into a written agreement unless the bidding documentation constitutes an acceptable contract.
- h) Proper record keeping: Original and legal copies of written agreements should 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, and ;
  - 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; and
    - iv) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality is expected to be transferred out of the Republic;

- b) include the preference points system to be used as contemplated in the Preferential Procurement Regulations, 2011 and 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 exceed R10 million (VAT included) –
  - i) the bidder is required by law to submit audited or reviewed annual financial statement; for the past three years; or since its establishment if established within the past three years;
  - ii) certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards the 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 an organ of state during the past five years, including particulars of any material noncompliance 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;
- f) in the absence of formal construction or technical contracts, e.g. JBCC and General Conditions of Contract, in which guarantees / sureties are contained, the following shall apply:
  - i) where surety is required it shall be in the form of cash or a bank guarantee from a banking institution registered in terms of the Banks Act, 1990 (Act No. 94 of 1990) or from an insurer registered in terms of the Insurance Act, 2002 (Act No. 30 of 2002). Where bids in Category A cannot raise the required surety of 2,5%, and it is feasible to deduct the amount from the Preliminary and General (P+G) payment certificate, such concessions may be granted; Guarantees will be required as follows:
- g) indicate the value or extent to which the execution of the contract should or should not be subcontracted;

- h) submit a certificate from the Department of Labour indicating compliance with the Occupational Health & Safety Act, 1993 [Act No. 85 of 1993];
- i) any other criteria determined by the Accounting Officer; and
- j) the amount and period of retention.

## **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 e-tender portal, the website of the Municipality or CIDB database in case of capital projects
- b) the information contained in a e-tender advertisement, must include –
  - i) the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included), or which are of a long term nature, or 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to sub-clause (2) of this policy;
  - ii) a statement that bids may only be submitted on the **original bid** documentation provided by the Municipality;
  - iii) a statement that bids will only be considered if it was deposited in the bid box indicated in the bid invitation; and
  - iv) date, time and venue of any proposed site meetings or briefing sessions.

2) The accounting officer may determine a closure date for the submission of bids which is less than the 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) Bids submitted must be sealed.

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

## **23. Procedure for handling, opening and recording of bids**

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

- a) Bids–
  - i) must be opened only in public;
  - ii) **must be opened on the same date and time of closing of bids ;**
- b) **Any bidder or member of the public has the right to request that the names of the bidders and their bidding price who submitted bids in time shall be read out.**

- c) No information, except the provisions in sub-clause (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 on the website ;
    - (iv) notify the successful bidders in writing and publish the bid results on the website.
- 2) Stamping of bids and reading out of names
  - a) An employee shall date-stamp the bid or quotation document and all enclosures related to prices. Bids and quotations shall be numbered in the sequence in which they have been opened.
  - b) Where prices have not been inserted in all relevant spaces on the form and such items have not been deleted by bidders, such spaces shall be stamped “no price” by the employee who opens the bids or quotations.
  - c) Details on how bidders responded to the relevant evaluation criteria e.g. SMME contribution, community benefits, job creation, environmental impact, etc. should not be disclosed.
- 3) Late Bids
  - a) Bids or quotations arriving after the specified closing time shall not be considered for evaluation.
  - b) Bid documents must clearly state the venue where the bidding box is situated for each bid. Any bid delivered to the wrong bid box will not be considered, even if it was delivered on time.
  - c) The late bid or quotation document shall be registered and stamped “late bid”
- 4) Amendments before the closing date
  - a) The Municipality is entitled to amend any bid condition, 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
  - b) or are advised during briefing session and the details of amendment must recorded in briefing session minutes
- 5) The notice shall make provision for the bidders to request their submitted bid or quotations document.
- 6) Bid and quotation validity period

a) Validity period for bids above R200 000 (VAT Inclusive) is 90 days and also the validity period for quotation between R30000 (VAT inclusive) and R200 000 (VAT Inclusive) is 90 days

b) No person may amend or tamper with any tenders, quotations, contracts or bids after their submission.

7) Extension of validity period

The municipality reserve right to extent the validity period through direct notice to all the bidders who tendered for the relevant project provided that the notice is made on or before an expiry of validity period.

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

1) The accounting officer or delegated official may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation –

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

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

e) Hourly rates based project must be agreed upon by the relevant project owner as when required after the BAC has mandated the relevant project owner in writing and the hours must be within budget over MTREF period

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/her 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 clause (c) below. Every such case of unauthorised communication shall forthwith be reported to the Supply Chain Management Unit as well as the relevant chairperson of the Bid Adjudication Committee. A bid or quotation in respect of which unauthorized communication has occurred may be disqualified.



- c) The chairperson or deputy chairperson of the Bid Adjudication Committee or delegated official, may authorise an employee in writing, to communicate with a bidder during the period mentioned in subsection (b) above for the purpose of:-
  - i) explaining 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.
- d) In all cases where authority has been granted to communicate with bidders in terms of clause (c) above, it should be clearly stated in the submission to the Bid Adjudication Committee the nature of the communication as well as by whom such authority to communicate has been granted.
- e) All changes and/or clarification of specifications shall be conveyed to all bidders by means or methods as specified in clause 23.

## **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) clause 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 Organization, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
  - c) must, where possible, be described in terms of performance required 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 trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word “equivalent”;
  - f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations, 2011; and
  - g) must be approved by the relevant senior manager prior to publication of the invitation for bids in terms of clause 22 of this Policy.
- 3) Composition of Bid Specification Committee  
A Bid Specification Committee must be composed of the following:
  - a) Supply Chain Official as the chairperson
  - b) One official from SCM Unit providing also secretarial duties

- c) Manager or delegated official from the user department requesting goods or services.
- 4) The Committee may, when appropriate, include external specialist advisors. 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 evaluate all bids for procurement exceeding R 200 000 (VAT Inclusive) –
  - a) evaluate bids in accordance with –
    - i) the specifications for a specific procurement; and
    - ii) the points system set out in terms of clause 27(2)(f);
    - iii) the general criteria to evaluate technical and financial ability
    - iv) the framework for the adjudication of bids as contained in Part B (Preferential Procurement Policy).
  - b) evaluate each bidder's ability to execute the contract;
  - c) evaluate the bids to ensure value for money for the municipality;
  - d) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears for more than three months or valid lease agreements or letter from traditional authorities.
  - e) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter;
  - f) submit to the adjudication committee a report and reasons in the event of a bid not being awarded.
- 2) Composition of Bid Evaluation Committee

A bid evaluation committee must as far as possible be composed of

  - a) Standing members
    - i) Manager or official appointed by the Accounting Officer
    - ii) Supply chain management official
  - b) Other members:
    - i) At least one knowledgeable / professional official from the Directorate for whom the bid is called.
    - ii) Technical experts, consultants or advisors, provided that these experts may only actively contribute to discussions, but not vote on the items evaluated.

## **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.
  - c) Consider the report and recommendations of the bid evaluation committee where it is recommended that the tender not be awarded; and either
    - i) take a decision that the tender not be awarded for the reasons presented and that it be re-advertised or not be re-advertised; or
    - ii) take a decision that the tender be awarded and make a final award or a recommendation to the accounting officer to make the final award.
- 2) A bid adjudication committee shall be composed at least four senior managers including the following:-
  - a) the Chief Financial Officer as the Chairperson or, if the Chief Financial Officer is not available, the Deputy Chief Financial Officer, in cases where the two are not available another manager reporting directly to the chief financial officer or deputy chief financial officer and designated by the chief financial officer;
  - b) the Manager: Supply Chain Management or delegated SCM practitioner; and
  - c) Directors or in their absence, a duly delegated official appointed by the Accounting Officer.
  - d) In the event of an equal of votes the chairperson shall have a casting vote over and above a deliberate vote.
- 3) The Technical Director or advisor o must be present at the Bid Adjudication meeting where bids related to engineering are to be considered.
- 4) The Chairperson of the Bid Evaluation Committee or in his absence an official nominated by the Chief Financial Officer should be present at the Adjudication Meetings to introduce the reports to the Committee and assist in clarifying issues that were dealt with in the Evaluation Committee meetings without voting rights.
- 5) 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.
- 6) The Accounting officer or Bid Adjudication committee may recommend the consultant to perform risk assessment on price before appointment of the recommended bidder.

- 7) The Accounting Officer must appoint the CFO or in his absence, the deputy CFO, as chairperson of the committee.
- 8) Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.
- 9) 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 clause (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.
- 10) 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.
- 11) The accounting officer must comply with section 114 of the Local Government: Municipal Finance Management Act 56 of 2003 –
  1. *If a tender other than the one recommended in the normal course of implementing the supply chain management policy of a municipality or municipal entity is approved, the accounting officer of the municipality or municipal entity must, in writing, notify the Auditor-General, the relevant provincial treasury and the National Treasury and, in the case of a municipal entity, also the parent municipality, of the reasons for deviating from such recommendation.*
  2. *Subsection (1) does not apply if a different tender was approved in order to rectify an irregularity."*

**30. Quorum in all bid committees**

Quorum at bid committee meetings shall be fifty percent plus one of total members.

**31. Multi awards to one service provider**

- a) Service providers will only be awarded one project per stream.

- b) Service provider will be considered for further award upon completion of the previous project or general goods and services rendered.
- c) In instances where only one service provider met functionality requirements and the service provider has already been recommended in the same project stream, the service provider will be eligible for appointment in the same project stream after the approval of the accounting officer.

### **32. 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 clause 22(1). Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

### **33. 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 (VAT included); or
  - b) the transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT included).
- 4) If SITA comments on the submission and the Municipality disagree with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National Treasury, the relevant provincial treasury and the Auditor General.

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

- 1) The accounting officer may procure goods or services under a contract secured by another organ of state, but only if –
  - a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
  - b) there is no reason to believe that such contract was not validly procured;
  - c) there are demonstrable discounts or benefits to do so; and
  - d) that other organ of state and the provider have consented to such procurement in writing.
- 2) Sub-clauses (1)(c) and (d) do not apply if –
  - a) a municipal entity procures goods or services through a contract secured by its parent municipality; or
  - b) a municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.
- 3) Prior considering the use of section 32, the full cost benefits analysis must be performed by the user department and cost benefit analysis must be first approved by the BAC if the project will be below R3m or accounting officer if the project is above R3m.

**35. 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 gases and fuel, should be avoided where ever possible.
- 2) Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the employee duly authorised in terms of the Occupational Health and Safety Act, 1993 (Act No. 85 of 1993).

**36. Proudly SA Campaign**

The Municipality supports the Proudly SA Campaign to the extent that, as far as possible, preference is given to procuring local goods and services.

**37. Appointment of consultants**

- 1) The accounting officer may procure consulting services provided that any Treasury guidelines and the relevant professional body requirements in respect of consulting services are taken into account when such procurements are made.
- 2) Consultancy services must be procured through competitive bids if:
  - a) the value of the contract exceeds R200 000 (VAT included); or
  - b) the duration period of the contract exceeds one year.

- 3) In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of –
  - a) all consultancy services provided to the municipality in the last five years; and
  - b) any similar consultancy services provided to the municipality 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.

**38. 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 -
        - a) the possibility of human injury or death;
        - b) the prevalence of human suffering or deprivation of rights;
        - c) the possibility of damage to property, or suffering and death of livestock and animals;
        - d) the interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the municipality as a whole;
        - e) the possibility of serious damage occurring to the natural environment;
        - f) the possibility that failure to take necessary action may result in the municipality not being able to render an essential community service;
        - g) the possibility that the security of the state could be compromised.
      - 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 tacitly approved by the relevant director or his delegatee prior to incurring the expenditure



and must be reported to the Municipal Manager or delegated official on the ensuing days.

- ii) if such goods or services are produced or available from a single provider only upon submission of certification letter from DTI;
  - 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,
  - vi) in the case of strip and quote, quotations will be sourced from one service providers listed on the database on rotational basis.
  - vii) Renewal and acquisition of IT licenses shall be sourced directly from accredited agencies.
- b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature; and
- c) may condone any irregular expenditure incurred in contravention of, or that is not in accordance with a requirement of this Policy, provided that such condonation and the reasons therefore shall be reported to Council at the next ensuing meeting.
- 2) The accounting officer must record the reasons for any deviations in terms of subclauses (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-clause (2) does not apply to the procurement of goods and services contemplated in clause 11(2) of this policy.

#### 4) Limited bidding/Close Bid

It is allowed under this policy that the accounting officer may use limited bidding to procure goods and services but approval must only be granted where there is sufficient motivation / reasons and after a careful and thorough analysis of the market.

- (i) "Multiple source"- There is a limited competition, hence only a few prospective bidders are allowed to make proposal. This should be based on a thorough analysis of the market.

- (ii) “Single Source”- This should be based on a thorough analysis of the market and use a transparent and equitable pre-selection process, to request only one amongst a few prospective bidders to make a proposal.
- (iii) “Sole source”- There is no competition and it has been proven through careful and transparent market analysis that only one bidder exists ( for example, sole distribution rights etc.)

### **39. 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-clause (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-clause (3), including any responses from the unsolicited bidder, to the National Treasury and the relevant provincial treasury for comment.
- 5) The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the accounting officer, depending on its delegations.
- 6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
- 7) When considering the matter, the adjudication committee must take into account –

- a) any comments submitted by the public; and
  - b) any written comments and recommendations of the National Treasury or the relevant provincial treasury.
- 8) If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the accounting officer must submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.
  - 9) Such submission must be made within five day 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 day of the submission.
  - 10) Closed bids shall only be accepted after the municipality failed to attract potential service providers through normal competitive bidding processes

#### **40. Combating of abuse of 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-clauses (1)(b)(ii), (e) or (f) of this policy.
- 3) Restrictive practices are prohibited:
  - a) In terms of section 4 (1) (b) (iii) of the Competition Act No. 89 of 1998, as amended, an agreement between, or concerted practice by, firms, or a decision by an association of firms, is prohibited if it is between parties in a horizontal relationship and if a bidder is or a contractor was involved in collusive bidding.
  - b) If a bidder or contractor, based on reasonable grounds or evidence obtained by the municipality, has engaged in the restrictive practice referred to above, the municipality may refer the matter to the Competition Commission for investigation and possible imposition of administrative penalties as contemplated in section 59 of the Competition Act No. 89 of 1998.
  - c) If a bidder or contractor has been found guilty by the Competition omission of the restrictive practice referred to above, the purchaser may, in addition and without prejudice to any other remedy provided for, invalidate the bid for such item(s) offered, and / or terminate the contract in whole or part, and / or restrict the bidder or contractor from conducting business with the public sector for a period not exceeding ten (10) years and / or claim damages from the bidder or contractor concerned.
- 4) **Blacklisting criteria:**
  - a) Fraudulent and corrupt activities shall amount to 10 years sanction
  - b) Collusive activities shall amount to 10 years sanction

- c) Misrepresentation of facts or false declarations shall amount to 5 years sanction
- d) Poor or non-performance shall amount to 2 years sanction

### **Part 3: Logistics, Disposal, Risk and Performance Management**

#### **41. Logistics management**

The accounting officer must establish and implement an effective system of logistics management, which must include -

- 1) 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;
- 2) the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
- 3) the placing of manual or electronic orders for all acquisitions other than those from petty cash;
- 4) 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;
- 5) 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;
- 6) regular checking to ensure that all assets are properly managed and maintained in terms of Council's Asset Management Policy; and 7) monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

#### **42. Disposal management**

Assets must be disposed of in terms of Council's Asset Management Policy as well as the Immoveable Property Management Policy.

#### **43. 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.

#### **44. 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**

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

Bids in excess of R30 000 will only be evaluated if the municipality is in possession of a bidder's valid original tax clearance certificate which declares that the bidder's tax matters have been declared to be in order by the South African Revenue Services (SARS). Alternatively the central supplier database will be checked to verify the tax matters of the recommended bidders.

**46. Prohibition on awards to persons in the service of the state**

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 in respect of a contract that would cause a conflict of interest.

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

The accounting officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R2 000 (VAT included) to a close family member of a person in the service of the state, or has been in the service of the state in the previous twelve months, including –

- 1) the name of that person;
- 2) the capacity in which that person is in the service of the state; and
- 3) the amount of the award.

**48. 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-clause (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-clause (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 clause 47(1) of this policy; or
      - iii) any alleged breach of this code of ethical standards.
- 3) Declarations in terms of sub-clauses (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.

**49. 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 subclause (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-clause (1) does not apply to gifts less than R350 in value.

**50. Sponsorships**

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.

**51. Objections and complaints**

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

**52. 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 relevant provincial treasury if –
  - a) the dispute, objection, complaint or query is not resolved within 46 day; or
  - b) no response is forthcoming within 46 day.
- 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 clause must not be read as affecting a person's rights to approach a court at any time.

**53. Contracts providing for compensation based on turnover**

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

**54. Dispute resolution on payment of Contractors and/or Service Providers**

- 1) All the dispute on payment from the user department must be reported to the office of the CFO in writing and circular 49 must be utilised to resolve the issue.
- 2) All the disputed payment must be reported on section 71 reports as part of statutory reporting;

**55. Payment of sub-contractors or joint venture partners and Cessionary payment**

- 1) Payment of sub-contractors or joint venture partners  
The chief financial officer or an official designated by the chief financial officer may consent to the direct payment of sub-contractors or joint venture partners by way of:
  - a) an approved agreement between the two parties provided it is within 30% threshold as required by the preferential regulation; or
- 2) Cessionary payment  
The municipality shall accept cessionary payment under the following conditions:
  - a) Signed agreement between the parties involved.
  - b) Provided that the cedee submit original and valid tax clearance certificate.
  - c) The cedee is not blacklisted in the National Treasury database

Cessionary payments shall be approved by delegated officials in terms of approved delegations.

3. Cession can only entered into if it is for purchase of the material or stock by the appointed service provider or financing cession to the appointment service provider.
4. No official other than the Chief Financial Officer ,Deputy Chief Financial Officer of Supply Chian manager shall enter into cession on behalf of the municipality
5. Cession below R30 000 can be signed by the SCM Manager;
6. Cession between R30 000 and R200 000 shall be signed by the Deputy Chief Financial Officer.
7. Cession between above R200 000 shall be signed by the Chief Financial Officer.

**56. Extending/ Expansion of Contracts**

1. It is recognized that, in exceptional cases, an accounting officer may deem it necessary to expand or vary order against the original contract.
2. Contract(s) may be expanded or varied by not more than 20% for construction related goods, works and/or services and 15% for all other goods or services of the original value of the contract after approval by the BAC and while on tenders above R10 Million must be approved by the Accounting Officer after the BAC has recommended to the Accounting Officer on the proposed variations.
3. Any expansion or variation of contract in excess of these thresholds must be dealt with in terms of the provision to section 116(3) of the MFMA which will be regarded as an amendment to contract and should be approved by council.
4. Contracts for supply of goods and services (Month to Month contracts) may not be extended for a period more of than three months.

**57. Contracts having budgetary implications beyond three financial years**

The 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.

**58. Short title and commencement**

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

**POLOKWANE**

**MUNICIPALITY**

**SUPPLY CHAIN**

**MANAGEMENT POLICY**

**PART B**

**POLOKWANE MUNICIPALITY**  
**SUPPLY CHAIN MANAGEMENT POLICY – PART B**

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**Part B**

**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, 2011

**PREAMBLE**

**WHEREAS** the Polokwane 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 Polokwane 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, 2011 are herewith integrated into the Polokwane Municipality's Supply Chain Management Policy to form the basis of the evaluation criteria for quotations and competitive bids.

**POLOKWANE MUNICIPALITY  
SUPPLY CHAIN MANAGEMENT POLICY – PART B**

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**DEFINITIONS AND APPLICATION**

**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:

<b>"Act"</b>	means the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);
<b>"all applicable taxes"</b>	includes Value-Added Tax, Pay-as-you-Earn, Income Tax, Unemployment Insurance Fund Contributions and Skills Development Levies;
<b>"B-BBEE"</b>	means Broad-Based Black Economic Empowerment as defined in Section 1 of the Broad-Based Black Economic Empowerment Act;
<b>"B-BBEE status level of contributor"</b>	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;
<b>"Broad-Based Black Economic Empowerment Act" (B-BBEEA)</b>	means the Broad-Based Black Economic Empowerment Act, 2003 (Act No.53 of 2003);
<b>"Comparative price"</b>	means the price after the factors of a non-firm price and all unconditional discounts that can be utilised have been taken into consideration;
<b>"Consortium or Joint"</b>	means an association of persons for the purpose of



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<b>Venture"</b>	combining their expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract;
<b>"Contract"</b>	means the agreement that results from the acceptance of a bid by the Polokwane Municipality;
<b>"designated sector"</b>	means a sector, sub-sector or industry that has been designated by the Department of Trade and Industry in line with national development and industrial policies for local production, where only locally produced services, works or goods or locally manufactured goods meet the stipulated minimum threshold for local production and content;
<b>"Firm price"</b>	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;
<b>"Functionality"</b>	means the measurement according to predetermined norms, as set out in the tender documents, of a service or commodity that is designed to be practical and useful, working or operating, taking into account, among other factors, the quality, reliability, viability and durability of a service and the technical capacity and ability of a tenderer;
<b>"imported content"</b>	means that portion of the tender price represented by the cost of components, parts or materials which have been or are still to be imported (whether by the supplier or its subcontractors) and which costs are inclusive of the costs abroad, plus freight and direct importation costs, such as landing costs, dock dues, import duty,

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	sales duty or other similar tax or duty at the South African port of entry;
<b>“local content”</b>	means that portion of the tender price which is not included in the imported content, provided that local manufacture does take place;
<b>“Micro-Enterprise”</b>	means a very small business, often involving only the owner, some family members and at the most one or two paid employees. They usually lack `formality` in terms of business licences, value-added tax (VAT) registration, formal business premises, operating permits, operating permits and accounting procedures. Most of them have a limited capital base and only rudimentary technical or business skills among their operators. However, many micro-enterprises advance into viable small businesses. Earning levels of microenterprises differ widely, depending on the particular sector, the growth phase of the business and access to relevant support.
<b>"Non-firm prices"</b>	means all prices other than "firm" prices;
<b>"Person"</b>	includes reference to a juristic person;
<b>"Rand value"</b>	means the total estimated value of a contract in South African currency, calculated at the time of bid invitations and includes all applicable taxes and excise duties;
<b>“stipulated minimum threshold”</b>	means that portion of local production <b>and content</b> as determined by the Department of Trade and Industry;

<b>"Sub-Contract"</b>	means the primary contractor's assigning or leasing or making out work to, or employing, another person to support such primary contractor in the execution of part of a project in terms of the contract;
<b>"Survivalist Enterprise"</b>	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

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	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.
<b>"Tender"</b>	means a written offer in a prescribed or stipulated form in response to an invitation by the Polokwane Municipality for the provision of services, works or goods, through price quotations, advertised competitive bidding processes or proposals;
<b>"Total revenue"</b>	bears the same meaning assigned to this expression as 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, 2003 and promulgated in the Government Gazette on 9 February 2007;
<b>"Trust"</b>	means the arrangement through which the property of one person is made over or bequeathed to a trustee to administer such property for the benefit of another person; and

**"Trustee"**

means any person, including the founder of a trust, to whom property is bequeathed in order for such property to be administered for the benefit of another person.

**2 Application, Objectives & General Requirements**

**2.1 Application**

The Polokwane Municipality must, unless the Minister of Finance has directed otherwise, only apply a preferential procurement system which is in accordance with the Regulations.

**2.2 Objectives**

The objectives of Councils' policy are to:

- 1) Provide clarity on the municipality's approach to procurement, particularly with regards to requirements of preferential procurement;
- 2) Provide access to contracts for historical disadvantaged individuals;
- 3) Promote participation by SMMEs as defined in Annexure D and as amended from time to time;
- 4) Promote capacity development and skills transfer;
- 5) Promote Local Economic Development.

**2.3 General requirements**

- 1) Any specific goal required for consideration in the bidding process must be clearly determined by the Bid Specification Committee and be defined in the bid documentation, taking into account prescriptions of the Construction Industry Development Board [CIDB] in respect of construction related contracts.
- 2) Outputs required will be quantified and will form part of the contractual arrangement upon awarding of the contract.

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**PREFERENCE POINT SYSTEM AND BROAD-BASED BLACK ECONOMIC EMPOWERMENT STATUS, EVALUATION OF BIDS ON FUNCTIONALITY, AWARD OF CONTRACTS TO BIDDERS NOT SCORING THE HIGHEST NUMBER OF POINTS AND THE CANCELLATION AND RE-INVITATION OF BIDS**

**3 Planning and stipulation of preference point system to be utilized**

- 1) The Polokwane Municipality must, prior to making an invitation for bids -
  - a) properly plan for, and, as far as possible, accurately estimate the costs of the provision of services, works or goods for which an invitation for bids is to be made; and
  - b) determine and stipulate the appropriate preference point system to be utilized in the evaluation and adjudication of the bids.
  - c) determine whether the services, works or goods for which an invitation is to be made has been designated for local production and content in terms of Clause 9.

**4 Evaluation of bids based on functionality**

- 1) The Polokwane Municipality must in the bid documents indicate if, in respect of a particular bid invitation, bids will also be evaluated on functionality;
- 2) The evaluation criteria for measuring functionality must be objective.
- 3) When evaluating bids on functionality, the-
  - a) evaluation criteria for measuring functionality,
  - b) the weight of each criterion,
  - c) the applicable values; as well as
  - d) the minimum qualifying score for functionality, must be clearly indicated in the bid documents.
- 4) A bid must be disqualified if it fails to achieve the minimum qualifying score for functionality as indicated in the bid documents; and
- 5) Bids that have achieved the minimum qualification score for functionality must be evaluated further in terms of the preference point systems prescribed in Clause 5 and 6.
- 6) **The Municipality reserves the rights to use the quality based selection method for tenders deemed to be complex in nature.**

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**5 The 80/20 preference point system for acquisition of goods, works and / or services up to a Rand value of R50 million**

- 1)(a) The following formula must be used to calculate the points for price in respect of competitive bids / price quotations with a Rand value equal to, or above R 30 000 and up to a Rand value of R50 000 000 (all applicable taxes included):

$$Ps = 80 \left( 1 - \frac{Pt - Pmin}{Pmin} \right)$$

Where

Ps = Points scored for comparative price of bid / offer under consideration

Pt = Comparative price of bid / offer under consideration

Pmin = Comparative price of lowest acceptable bid / offer.

- 1)(b) The Polokwane Municipality may, however, apply this formula for price quotations with a value less than R 30 000, if and when appropriate.
- 2) A maximum of 20 points must be awarded to a bidder for attaining the B-BBEE status level contemplated in the B-BBEE Codes of Good Practice on Black Economic Empowerment, issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act, 2003 and promulgated in the **Government Gazette** on 9 February 2007.
- 3) Points must be awarded to a bidder on the following basis:

**B-BBEE Status Level of Contributor Number of Points**

<b>B-BBEE Status Level of Contributor</b>	<b>Number of Points</b>
<b>1</b>	<b>20</b>
<b>2</b>	<b>18</b>
<b>3</b>	<b>16</b>
<b>4</b>	<b>12</b>
<b>5</b>	<b>8</b>
<b>6</b>	<b>6</b>
<b>7</b>	<b>4</b>
<b>8</b>	<b>2</b>

<b>Non-compliant contributor</b>	<b>0</b>
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- 4) The points scored by a bidder in respect of B-BBEE contribution contemplated in sub-regulation (3) must be added to the points scored for price.
- 5) Only the bid with the highest number of points scored may be selected.

**6 The 90/10 preference point system for acquisition of goods, works and / or services with a Rand value above R50 million**

- 1) The following formula must be used to calculate the points for price in respect of bids with a Rand value above R50 000 000 (all applicable taxes included):

$$Ps = 90 \left( 1 - \frac{Pt - Pmin}{Pmin} \right)$$

Where

Ps = Points scored for comparative price of tender or offer under consideration;

Pt = Comparative price of tender or offer under consideration; and

Pmin = Comparative price of lowest acceptable tender or offer.

- 2) Subject to sub-clause (3), points must be awarded to a tenderer for attaining their B-BBEE status level of contributor in accordance with the table below:

**B-BBEE Status Level of Contributor Number of Points**

<b>B-BBEE Status Level of Contributor</b>	<b>Number of Points</b>
<b>1</b>	<b>10</b>
<b>2</b>	<b>9</b>
<b>3</b>	<b>8</b>
<b>4</b>	<b>5</b>
<b>5</b>	<b>4</b>
<b>6</b>	<b>3</b>
<b>7</b>	<b>2</b>
<b>8</b>	<b>1</b>
<b>Non-compliant contributor</b>	<b>0</b>

- 3) A maximum of 10 points be allocated in accordance with sub-clause (2).



- 4) The points scored by a tenderer in respect of the level of B-BBEE contribution contemplated in sub-clause (2) must be added to the points scored for price as calculated in accordance with sub-clause (1).
- 5) Subject to regulation 7, the contract must be awarded to the tenderer who scores the highest total number of points.

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### **7 Award of contracts to bids not scoring the highest number of points**

A contract may be awarded to a tenderer that did not score the highest total number of points if objective criteria in addition to specific goals justify the award to another tenderer.

### **8 Evaluation of Bids that Scored Equal Points**

In the event that two or more bids have scored equal total points, the successful bid must be the one scored the highest points for B-BBEE.

If two or more bids have equal points, including equal preference points for B-BBEE, the successful bid must be the one scoring the highest score for functionality if functionality is part of the evaluation process.

In the event that two or bids are equal in all respect, the award must be decided by the drawing of lots

### **9 Cancellation and re-invitation of bids**

- 1) In the event that, in the application of the **80/20 preference** point system as stipulated in the tender documents:
  - a) all tenders received exceed the estimated Rand value of **R50 000 000**, the tender invitation must be cancelled.
  - b) If one or more of the acceptable tenders received are within the prescribed threshold of **R50 000 000**, all tenders received must be evaluated on the 80/20 preference point system.
- 2) In the event that, in the application of the **90/10 preference** point system as stipulated in the tender documents,
  - a) all tenders received are equal to, or below **R50 000 000** the tender must be cancelled.

- b) If one or more of the acceptable tenders received are above the prescribed threshold of **R50 000 000** all tenders received must be evaluated on **the 90/10 preference** point system.
- 3) In the event that the Polokwane Municipality has cancelled a tender invitation as contemplated in sub-clause (1)(a) and 2(a), tenders must be re-invited and the tender documents must stipulate the correct preference point system to be applied.
- 4) The Polokwane Municipality may, prior to the award of a tender, cancel a tender if:
  - a) due to changed circumstances, there is no longer a need for the services, works or goods requested, or
  - b) funds are no longer available to cover the total envisaged expenditure; or
  - c) no acceptable tenders are received.
  - d) In cases where the highest scoring bidder declines the offer, the municipality reserves the rights to appoint the second highest bidder or not based on the reasonable grounds.
- 5) The decision to cancel a tender in terms of sub-clause (4) must be published in the media in which the original tender invitation was advertised.

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**LOCAL PRODUCTION AND CONTENT, B-BBEE STATUS LEVEL CERTIFICATES, CONDITIONS, DECLARATIONS, REMEDIES, AND TAX CLEARANCE**

**10. Local Production and Content**

- 1) The Polokwane Municipality must, in the case of designated sectors, where in the award of tenders local production and content is of critical importance, advertise such tenders with a specific tendering condition that only locally produced goods, services or works or locally manufactured goods, with a stipulated minimum threshold for local production and content will be considered.
- 2) The National Treasury will issue instructions, circulars and guidelines to all organs of state, with specific report mechanisms to ensure compliance with sub-clause (1).
- 3) Where there is no designated sector, the Polokwane Municipality may include, as a specific tendering condition, that only locally produced services, works or goods or locally manufactured goods with a stipulated minimum threshold for local production and content, will be considered, on condition that such prescript and threshold(s) are in accordance with the specific directives issued for this purpose by the National Treasury in consultation with the Department of Trade and Industry.
- 4) Every tender issued in terms of Clause 9 must be measurable and audited.

- 5) Where necessary, tenders referred to in sub-clause (1) and (3), a two-stage tendering process may be followed, where the first stage involves functionality and minimum threshold for local production and content and the second price and B-BBEE with the possibility of price negotiations only with the short listed tenderer/s.
- 11. Broad –Based Black Economic Empowerment Status Level Certificates**
- 1) Tenders with annual total revenue of R5 million or less qualify as Exempted Micro Enterprises (EMEs) in terms of the Broad-Based Black Economic Empowerment Act, and must submit a certificate issued by a registered auditor, accounting officer (as contemplated in section 60(4) of the Close Corporation Act, 1984 (Act No. 69 of 1984) or an accredited verification agency.
- 2) Tenders other than exempted Micro-Enterprises (EMEs) must submit their original and valid B-BBEE status level verification certificate or a certified copy thereof or **written affidavits**, substantiating their B-BBEE rating.
- 3) The submission of such certificates must comply with the requirements of instructions and guidelines issued by the National Treasury and be in accordance with notices published by the Department of Trade and Industry in the *Government Gazette*.

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- 4) The B-BBEE status level attained by the tenderer must be used to determine the number of points contemplated in regulations 5(2) and 6(2).
- 12. Conditions**
- 1) Only a tenderer who has completed and signed the declaration part of the tender documentation may be considered.
- 2) The Polokwane Municipality must, when calculating comparative prices, take into account any discounts which have been offered unconditionally.
- 3) A discount which has been offered conditionally must, despite not being taken into account for evaluation purposes, be implemented when payment is processed.
- 4) Points scored must be rounded off to the nearest 2 decimal places.
- 5) a) In the event that two or more tenders have scored equal total points, the successful tender must be the one scoring the highest number of preference points for B-BBEE.
- b) However, when functionality is part of the evaluation process and two or more tenders have scored equal points including equal preference points for BBEE, the successful tender must be the one scoring the highest score for functionality.

- c) Should two or more tenders be equal in all respects, the award shall be decided by the drawing of lots.
- 6) A trust, consortium or joint venture will qualify for points for their B-BBEE status level as a legal entity, provided that the entity submits their B-BBEE status level certificate.
- 7) A trust, consortium or joint venture will qualify for points for their B-BBEE status level as an unincorporated entity, provided that the entity submits their consolidated B-BBEE scorecard as if they were a group structure and that such a consolidated B-BBEE scorecard is prepared for every separate tender.
- 8) A person must not be awarded points for B-BBEE status level if it is indicated in the tender documents that such a tenderer intends sub-contracting more than 25% of the value of the contract to any other enterprise that does not qualify for at least the points that such a tenderer qualifies for, unless the intended subcontractor is an exempted micro enterprise that has the capability and ability to execute the sub-contact.
- 9) A person awarded a contract may not sub-contract more than 25% of the value of the contract to any other enterprise that does not have an equal or higher B-BBEE status level than the person concerned, unless the contract is sub-contracted to an exempted micro enterprise that has the capability and ability to execute the sub-contract.

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- 10) A person awarded a contract in relation to a designated sector, may not subcontract in such a manner that the local production and content of the overall value of the contract is reduced to below the stipulated minimum threshold.
- 11) When the Polokwane Municipality is in need of a service provided by only tertiary institutions, such services must be procured through a tendering process from the identified tertiary institutions.
- 12) Tertiary institutions referred to in sub-clause (11) will be required to submit their B-BBEE status in terms of the specialized scorecard contained in the B-BBEE Codes of Good practice.
- 13)
  - a) Should the Polokwane Municipality require a service that can be provided by one or more tertiary institutions or public sector, the appointment of a contractor must be done by means of a tendering process;
  - b) Public entities will be required to submit their B-BBEE status in terms of the specialised scorecard contained in the B-BBEE Codes of Good Practice.

### **13. Declarations**

- 1) A tender must, in the manner stipulated in the document, declare that-
  - a) the information provided is true and correct;
  - b) the signatory to the tender document is duly authorised; and
  - c) documentary proof regarding any tendering issue will, when required, be submitted to the satisfaction of the Polokwane Municipality.

### **14. Remedies**

- 1) The Polokwane Municipality must, upon detecting that-
  - a) The B-BBEE status level of contribution has been claimed or obtained on a fraudulent basis; or
  - b) any of the conditions of the contract have not been fulfilled, act against the tenderer or person awarded the contract.
- 2) The Polokwane Municipality may, in addition to any other remedy it may have against the person contemplated in sub-clause (1) -
  - a) disqualify the person from the tendering process;
  - b) recover all costs, losses or damages it has incurred or suffered as a result of that person's conduct;
  - c) cancel the contract and claim any damages it has suffered as a result of having to make less favourable arrangements due to such cancellation;
  - d) restrict the tenderer or contractor, its shareholders and directors, or only the shareholders and directors who acted on a fraudulent basis, from obtaining

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- e) forward the matter for criminal prosecution.
- business from any organ of state for a period not exceeding 10 years, after the *audi alteram partem* (hear the other side) rule has been applied; and

### **15. Tax clearance**

No tender may be awarded to any person whose tax matters have not been declared by the South African Revenue Services to be in order.

### **16. Mechanisms to support preferential procurement**

- 1) Determination of bid requirements in relation to bid value  
The municipality will set targets for the supply of goods and services, and link specific requirements relating to enterprise with HDI ownership and/or SMME status.
- 2) Establishment/maintain a database of SMME service providers

The municipality will establish a database of HDI, SMME and other service providers in order to track their records of services to the municipality.

3) Creation of an enabling environment

The municipality will create an enabling environment to enable SMMEs to become part of the supply chain management process. Steps to be taken include, but are not limited to:

a) Surety Requirements

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

b) Access to Bidding Information

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

c) Bidding Advice Centre

Assistance will, where practically possible, be provided by the SCM Unit to increase SMME awareness and share in the supply chain and procurement process.

d) Sub-Contracting

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

e) Proposed Process

- i) Bids shall be packaged into suitably sized segments of subcontractors to target SMMEs wherever possible.
- ii) A review of all term (period) contracts shall be undertaken to assess the viability of packaging these into smaller sub-contracts. These bids should be

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issued in smaller manageable sub-contracts so that preference can be given to local SMMEs.

- iii) Appropriate standards, specifications, delivery dates and related contractual obligations shall be employed to help smaller businesses to cope and compete.

f) Standard payment terms

- i) All money owed by the municipality must be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.
- i
- g) Simplification of Tender Documentation
  - i) Bid submission documents will be rationalised and simplified to make it easier for small businesses to deal with the paperwork involved in tendering.
  - ii) All bid submission forms shall be regularly reviewed and the various bid/contractual documents shall be standardised as far as possible.
  - iii) Essential information shall be consolidated and bid forms reformatted in line with the aims of this policy.
- h) Retention
  - i) Retention on Major contracts should be limited to 5% of the tender sum.  
Where the value of the surety required has been reduced, or even waived, the usual 10% retention shall apply. The value of retention deducted will therefore be as follows:
    - a) **Micro and Minor:** 10% of the value of work carried out with no limit, reducing to 5% for the duration of the maintenance period.
    - b) **Major:** 10% of the value of the work carried out, up to a limit of 5% of the tender sum, with no reduction for the duration of the maintenance period.
  - ii) Retention in respect of the procurement of goods and services will not generally be called for, but where required, will be in accordance with the limits described above.
  - iii) For turnkey/design and construction projects, the above retention limits may be reviewed by the Municipality's Director: Infrastructure and Planning.
- i) Bid Advertising
 

In order to reach the largest number of HDI owned and SMME service providers possible, the Municipality will advertise invitations to bid through a range of media..

  - a) The Municipality will provide an appropriate time period within which bidders can request additional clarification and will be sensitive to the issues of language in this regard.

## 17. SHORT TITLE

This part of the policy is called the Preferential Procurement Policy of the Polokwane Municipality.





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**ANNEXURE A**

**GENERAL PRINCIPLES GOVERNING THE MUNICIPALITY IN ITS INTERACTION WITH BIDDERS**

In dealing with bidders bidding for municipal work, the municipality will adhere to the basic principles of:

**1 Efficiency**

- a) The municipal officials must administer the procurement process in the most efficient manner possible, avoiding time delays and duplication of activities.
- b) Where such delays are unavoidable, the municipal officials must inform all bidders of the nature of the delay and the revised time frames.

**2 Courtesy**

All staff members of the Municipality will deal with bidders in a courteous and respectful manner.

**3 Transparency**

- a) All bid processes will be open to the legal scrutiny of the public and interested parties.
- b) The Municipality will take all reasonable steps to ensure that the processes are clearly defined and understandable to all interested parties.

**4 Access to information**

The Municipality will take reasonable steps to ensure that all bidders have equal access to information on the goods or services to be bid for, as well as the bid process itself.

**5 Fair distribution of work**

The Municipality will take reasonable steps to make sure that the procurement of goods or services is fairly distributed amongst the service providers in the event of equality of bids. This will be done to avoid the excessive procurement of goods or services from one provider/supplier only.

## **6 Competition**

The municipality will encourage fair competition between suppliers that provide goods and services to it.

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**ANNEXURE B**

**CRITERIA TO EVALUATE TECHNICAL AND FINANCIAL ABILITY**

Regardless of the scope and value of the contracts involved, all contracts will be judged on grounds of:

**1. Compliance with bid conditions:**

- 1.1 Bids submitted on time
- 1.2 Bid forms signed.
- 1.3 All essential information provided

**2. Meeting technical specifications and compliance with bid conditions**

- 2.1 Where requested in bid documentation, bidders must describe how they will produce the required outputs outlined in the bid documentation in terms of either goods or services.
- 2.2 The ability to produce the required goods or services within the stated time frame may be included as criteria for compliance.

**3. Infrastructure and resources available**

Bidders must indicate their capacity i.e. the extent of infrastructure under their control and resources available to enable them to execute the contract.

**4. Quality/ Durability**

- 4.1 Where requested, bidders must provide evidence that they will be able to adhere to generally accepted levels of quality in the provision of the product or services under consideration.
- 4.2 Where bidders are so requested, they must clearly explain their mechanisms for quality assurance and review.

**5. Size of enterprise and current workload**

- 5.1 Bidders must give an indication of the resources available for the contract they are bidding on.
- 5.2 Bidders must give an indication of the number and value of other contracts being undertaken by them at the date of bid, as to enable the Municipality to ascertain their ability to execute the contract.

**6. Staffing profile**

- 6.1 Bidders must indicate the number of full-time employees employed by the company in Polokwane and Overberg at the time of bidding. Such information

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must include a breakdown in terms of race and gender at top and middle management levels.

6.2 Bidders must also indicate the experience of top and middle management staff, especially where the experience of the company as a whole is limited.

6.3 Bidders must indicate the number of disabled persons employed.

**7. Previous experience**

7.1 Bidders must indicate the number of years that they have been operating their business.

7.2 Bidders must provide evidence of previous experience in providing the goods or services under consideration, by providing a minimum of three contactable and relevant references.

**8. Financial ability to execute the contract**

8.1 Bidders must indicate the revenue generated by their company in the previous financial year.

8.2 Bidders must provide an indication of their financial ability to execute the contract.

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**ANNEXURE C**

**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**

- 1.1 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.
- 1.2 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.
- 1.3 Officials and other role players involved in SCM should be fair and impartial in the performance of their functions. They should at no time afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual. They should not abuse the power and authority vested in them.

**2 Conflict of interest**

**An official or other role player involved with supply chain management –**

- 2.1 must treat all providers and potential providers equitably;

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- 2.2 may not use his or her position for private gain or to improperly benefit another person;
- 2.3 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;
- 2.4 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;
- 2.5 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 ;
- 2.6 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;
- 2.7 must declare any business, commercial and financial interests or activities undertaken for financial gain that may raise a possible conflict of interest;
- 2.8 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
- 2.9 should not take improper advantage of their previous office after leaving their official position.

**3 Accountability**

- 3.1 Practitioners are accountable for their decisions and actions to the public.
- 3.2 Practitioners should use public property scrupulously.
- 3.3 Only accounting officers or their delegates have the authority to commit the municipality to any transaction for the procurement of goods and / or services.
- 3.4 All transactions conducted by a practitioner should be recorded and accounted for in an appropriate accounting system.

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- 3.5 Practitioners should not make any false or misleading entries into such a system for any reason whatsoever.
- 3.6 Practitioners must assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system.
- 3.7 Practitioners must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including:
- i) any alleged fraud, corruption, favouritism or unfair conduct;
  - ii) any alleged contravention of the policy on inducements, rewards, gifts and favours to municipalities or municipal entities, officials or other role players; and
  - iii) any alleged breach of this code of conduct.
- 3.8 Any declarations made must be recorded in a register which the accounting officer must keep for this purpose.
- 3.9 Any declarations made by the accounting officer must be made to the mayor who must ensure that such declaration is recorded in the register.

**4 Openness**

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

**5 Confidentiality**

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

**6 Bid Specification / Evaluation / Adjudication Committees**

- 6.1 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.
- 6.2 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.
- 6.3 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.

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6.4 No person should –

- 6.4.1 interfere with the supply chain management system of the municipality; or
- 6.4.2 amend or tamper with any price quotation / bid after its submission.

**7. Combative Practices**

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

- 7.1 Suggestions to fictitious lower quotations;
- 7.2 Reference to non-existent competition;
- 7.3 Exploiting errors in price quotations / bids;
- 7.4 Soliciting price quotations / bids from bidders / contractors whose names appear on the Register for Tender Defaulters



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**Polokwane Municipality's SCM Policy for  
Infrastructure procurement and delivery management**

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## <sup>1</sup> **Scope**

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

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

## <sup>2</sup> **Terms, definitions and abbreviations**

### **2.1 Terms and definitions**

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

**Agent:** person or organization that is not an employee of Polokwane that acts on the Polokwane's behalf in the application of this document

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

**Conflict of interest:** any situation in which:

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

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

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

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

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

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

**Gratification:** an inducement to perform an improper act

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

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

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

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

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

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

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

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

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

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

## **2.2 Abbreviations**

For the purposes of this document, the following abbreviations apply

CIDB: Construction Industry Development Board

SARS: South African Revenue Services

## **<sup>3</sup>General requirements**

### **3.1 Delegations**

**3.1.1** The **Council of Polokwane** hereby delegates all powers and duties to the Municipal Manager which are necessary to enable the Municipal Manager to:

- a) discharge the supply chain management responsibilities conferred on accounting officers in terms of Chapter 8 or 10 of the Local Government Municipal Finance Management Act of 2003 and this document;
- b) maximise administrative and operational efficiency in the implementation of this document;

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

dcomply with his or her responsibilities in terms of section 115 and other applicable provisions of the Local Government Municipal Finance Management Act of 2003 Act.

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

**3.1.3** The **Municipal Manager** shall for oversight purposes:

- a) within 30 days of the end of each financial year, submit a report on the implementation of this the policy and the equivalent policy of any municipal entity under the sole or shared control of the Polokwane Municipality, to the council of the Polokwane Municipality / within 20 days of the end of each financial year, submit a report on the implementation of this policy to the board of directors, who must then submit the report to the municipal manager of Polokwane Municipality for submission to the council;
- b) whenever there are serious and material problems in the implementation of this policy, immediately submit a report to the Council,
- c) within 10 days of the end of each quarter, submit a report on the implementation of the policy to the Executive Mayor; and
- d) make the reports public in accordance with section 21A of the Municipal Systems Act of 2000.

### **3.2 Implementation of the Standard for Infrastructure Procurement and Delivery Management**

**3.2.1** Infrastructure procurement and delivery management shall be undertaken in accordance with the all applicable legislation and the relevant requirements of the latest edition if the National Treasury Standard for Infrastructure Procurement and Delivery Management.<sup>5</sup>

**3.2.2** Pre-feasibility and feasibility reports are required on 15 June 2016

### **3.3 Supervision of the infrastructure delivery management unit**

The Infrastructure Delivery Management Unit shall be directly supervised by the Chief Financial Officer.

### **3.4 Objections and complaints**

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

### **3.5 Resolution of disputes, objections, complaints and queries**

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

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

**3.5.2** The Designated person shall assist the person appointed in terms of 3.5.1 to perform his or her functions effectively.

**3.5.3** The person appointed in terms of 3.5.1 shall:

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

**3.5.4** A dispute, objection, complaint or query may be referred to the **Limpopo Treasury** if:

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

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

## **Control framework for infrastructure delivery management**

### **4.1 Assignment of responsibilities for approving or accepting end of stage deliverables<sup>12</sup>**

The responsibilities for approving or accepting end of stage deliverables shall be as stated in Table 1.

## **4.4 Gateway reviews**

### **4.4.1 Gateway reviews for major capital projects above a threshold**

**4.4.1.1 The Municipal Manager** shall appoint a gateway review team in accordance with the provisions of clause 4.1.13.1.2 of the standard to undertake gateway reviews for major capital projects.

**Table 1: Responsibilities for approving or accepting end of stage deliverables in the control framework for the management of infrastructure delivery**

**Table 1: Responsibilities for approving or accepting end of stage deliverables in the control framework for the management of infrastructure delivery**

Stage			Person assigned the responsibility for approving or accepting end of stage deliverable
NO	Name		
0	Project Initiation		Director Engineering accepts the initiation report
1	Infrastructure planning		Director Engineering approves the infrastructure plan
2	Strategic resourcing		Director Engineering approves the delivery and /or procurement strategy
3	Pre-feasibility		Director Engineering accepts the pre-feasibility report
	Preparation and Briefing		Director Engineering accepts the strategic brief
	Feasibility		Director Engineering accepts the feasibility report
4	Concept and Viability		Director Engineering accepts the concepts report
5	Design Development		Director Engineering accepts the design development report
6	Design Documentation	6A Production Information	Director Engineering accepts the parts of the production information which are identified when the design development report is accepted as requiring acceptance
		6B Manufacture fabrication and construction information	The Contract manager accepts the manufacture, fabrication and construction information



Stage		Person assigned the responsibility for approving or accepting end of stage deliverables
No	Name	
7	Works	The contract manager certifies completion of the works or the delivery of goods and associated services
8	Handover	The owner or end user accepts liability for the works
9	Package completion	The contract manager or supervising agent certifies the defects certificate in accordance with the provisions of the contract The contract manager certifies final completion in accordance with the provisions of the contract <i>[Designated person]</i> accepts the close out report

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### Control framework for infrastructure procurement

**5.1** The responsibilities for taking the key actions associated with the formation and conclusion of contracts including framework agreements above the quotation threshold shall be as stated in Table 2.

**5.2** The responsibilities for taking the key actions associated with the quotation procedure and the negotiation procedure where the value of the contract is less than the threshold set for the quotation procedure shall be as follows:

- a) The Municipal Manager shall grant approval for the issuing of the procurement documents, based on the contents of a documentation review report developed in accordance with the provisions of the standard;

- b) the authorised person may award the contract if satisfied with the recommendations contained in the evaluation report prepared in accordance with the provisions of the standard.

**5.3** The responsibilities for taking the key actions associated with the issuing of an order in terms of a framework agreement shall be as stated in Table 3.

## **<sup>6</sup> Infrastructure delivery management requirements**

### **6.1 Institutional arrangements**

#### **6.1.1 Committee system for procurement**

##### **6.1.1.1 General**

**6.1.1.1.1** A committee system comprising the documentation committee, evaluation committee and tender committee shall be applied to all procurement procedures where the estimated value of the procurement exceeds the financial threshold for quotations and to the putting in place of framework agreements.

**6.1.1.1.2** The evaluation committee shall, where competition for the issuing of an order amongst framework contractors takes place and the value of the order exceeds the financial threshold for quotations, evaluate the quotations received.

**6.1.1.1.3** No member of, or technical adviser or subject matter expert who participates in the work of the any of the procurement committees or a family member or associate of such a member, may tender for any work associated with the tender which is considered by these committees.

**Table 2: Procurement activities and gates associated with the formation and conclusion of contracts above the quotation threshold**

Activity		Sub-Activity (see Table 3 of the standard)		Key action	Person assigned responsibility to perform key action
1*	Establish what is to be procured	1.3 <b>PG1</b>	Obtain permission to start with the procurement process	Make a decision to proceed / not to proceed with the procurement based on the broad scope of work and the financial estimates.	Municipal Manager
2*	Decide on procurement strategy	2.5 <b>PG2</b>	Obtain approval for procurement strategies that are to be adopted including specific approvals to approach a confined market or the use of the negotiation procedure	Confirm selection of strategies so that tender offers can be solicited	Municipal Manager
3	Solicit tender offers	3.2 <b>PG3</b>	Obtain approval for procurement documents	Grant approval for the issuing of the procurement documents	Procurement documentation committee
		3.3 <b>PG4</b>	Confirm that budgets are in place	Confirm that finance is available for the procurement to take place	Chief Financial Officer
4	Evaluate tender offers	4.2 <b>PG5</b>	Obtain authorisation to proceed with next phase of tender process in the qualified, proposal or competitive negotiations procedure	Review evaluation report, ratify recommendations and authorise progression to the next stage of the tender process	Manager: Supply Chain Management
		4.7 <b>PG6</b>	Confirm recommendations contained in the tender evaluation report	Review recommendations of the evaluation committee and refer back to evaluation committee for reconsideration or make recommendation for award	Tender committee
5	Award contract	5.3 <b>PG7</b>	Award contract	Formally accept the tender offer in writing and issue the contractor with a signed copy of the contract	Municipal Manager
		5.5 <b>GF1</b>	Upload data in financial management and payment system	Verify data and upload contractor's particulars and data associated with the contract or order	Chief Financial Officer

**Table 2 (concluded)**

Activity		Sub-Activity		Key action	Person assigned responsibility to perform key action
6	Administer contracts and confirm compliance with requirements	6.4 <b>PG8A</b>	Obtain approval to waive penalties or low performance damages.	Approve waiver of penalties or low performance damages	Municipal Manager
		6.5 <b>PG8B</b>	Obtain approval to notify and refer a dispute to an adjudicator	Grant permission for the referral of a dispute to an adjudicator or for final settlement to an arbitrator or court of law	Municipal Manager
		6.6 <b>PG8C</b>	Obtain approval to increase the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at the award of a contract or the issuing of an order up to a specified percentage <sup>21</sup>	Approve amount of time and cost overruns up to the threshold	Municipal Manager
		6.7 <b>PG8D</b>	Obtain approval to exceed the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at award of a contract or the issuing of an order by more than 20% and 30%, respectively	Approve amount of time and cost overruns above a the threshold	Municipal Manager
		6.8 <b>PG8E</b>	Obtain approval to cancel or terminate a contract	Approve amount	Municipal Manager
		6.9 <b>PG8F</b>	Obtain approval to amend a contract	Approve proposed amendment to contract	Municipal Manager

**Table 3: Procurement activities and gates associated with the issuing of an order above the quotation threshold in terms of a framework agreement**

6.1.1.3

<b>Activity</b>		<b>Key action</b>	<b>Person assigned responsibility to perform key action</b>
<b>1 FG1</b>	Confirm justifiable reasons for selecting a framework contractor where there is more than one framework agreement covering the same scope of work	Confirm reasons submitted for not requiring competition amongst framework contractors or instruct that quotations be invited	Municipal Manager
<b>3 FG2</b>	Obtain approval for procurement documents	Grant approval for the issuing of the procurement documents	Municipal Manager
<b>4 FG3</b>	Confirm that budgets are in place	Confirm that finance is available so that the order may be issued	Chief Financial Officer
<b>6 FG4</b>	Authorise the issuing of the order	If applicable, review evaluation report and confirm or reject Recommendations. Formally accept the offer in writing and issue the contractor with a signed copy of the order	Chief Financial Officer

## **Evaluation committee**

**6.1.1.3.1** The **Municipal Manager** shall appoint on a procurement by procurement basis in writing:

- a) the persons to prepare the evaluation and, where applicable, the quality evaluations, in accordance with clauses 4.2.3.2 and 4.2.3.4 of the standard, respectively; and
- b) the members of the evaluation committee.

**6.1.1.3.2** The evaluation committee shall comprise not less than three people. The chairperson shall be an employee of Polokwane Municipality with requisite skills. Other members shall include a supply chain management practitioner and, where relevant, include an official from the department requiring infrastructure delivery.

**6.1.1.3.3** The evaluation committee shall review the evaluation reports prepared in accordance with sub clause 4.2.3 of the standard and as a minimum verify the following in respect of the recommended tenderer:

- a) the capability and capacity of a tenderer to perform the contract;
- b) the tenderer's tax and municipal rates and taxes compliance status;
- c) confirm that the tenderer's municipal rates and taxes and municipal service charges are not in arrears;
- d) the Compulsory Declaration has been completed; and
- e) the tenderer is not listed in the National Treasury's Register for Tender Defaulters or the List of Restricted Suppliers.

**6.1.1.3.4** No tender submitted by a member of, or technical adviser or subject matter expert who participates in the work of the procurement documentation committee or a family member or associate of such a member, may be considered by the evaluation committee.

**6.1.1.3.5** The chairperson of the evaluation committee shall promptly notify the Chief Financial Officer of any respondent or tenderer who is disqualified for having engaged in fraudulent or corrupt practices during the tender process.

### **6.1.1.4 Tender committee<sup>23</sup>**

**6.1.1.4.1** The tender committee shall comprise of least four Senior Managers or their mandated delegate including the following :

- a) Chief Financial Officer who shall be the chairperson:
- b) Manager Supply Chain Management
- c) Technical Expert in the relevant field

**6.1.1.4.2** No member of the evaluation committee may serve on the tender committee. A member of an evaluation committee may, however, participate in the deliberations of a tender committee as a technical advisor or a subject matter expert.

**6.1.1.4.3** The tender committee shall:

- a) consider the report and recommendations of the evaluation committee and:
  - 1) verify that the procurement process which was followed complies with the provisions of this document;
  - 2) confirm that the report is complete and addresses all considerations necessary to make a recommendation;
  - 3) confirm the validity and reasonableness of reasons provided for the elimination of tenderers; and
  - 4) consider commercial risks and identify any risks that have been overlooked or fall outside of the scope of the report which warrant investigation prior to taking a final decision; and
- b) refer the report back to the evaluation committee for their reconsideration or make a recommendation to the authorised person on the award of a tender, with or without conditions, together with reasons for such recommendation.

**6.1.1.4.4** The tender committee shall consider proposals regarding the cancellation, amendment, extension or transfer of contracts that have been awarded and make a recommendation to the authorised person on the course of action which should be taken.

**6.1.1.4.5** The tender committee shall consider the merits of an unsolicited offer and make a recommendation to the Municipal Manager.

**6.1.1.4.6** The tender committee shall report to the Municipal Manager any recommendation made to award a contract to a tenderer other than the tenderer recommended by the evaluation committee, giving reasons for making such a recommendation.

**6.1.1.4.7** The tender committee shall not make a recommendation for an award of a contract or order if the recommended tenderer or framework contractor has:

- a) made a misrepresentation or submitted false documents in competing for the contract or order; or
- b) been convicted of a corrupt or fraudulent act in competing for any contract during the past five years.

**6.1.1.4.8** The tender committee may on justifiable grounds and after following due process, disregard the submission of any tenderer if that tenderer or any of its directors, members or trustees or partners has abused the delivery management system or has committed fraud, corruption or any other improper

be informed where such tenderers are disregarded.

## **6.1.2 Actions of an authorised person relating to the award of a contract or an order**

### **6.1.2.1 Award of a contract**

**6.1.2.1** The authorised person shall, if the value of the contract inclusive of VAT, is within his or her delegation, consider the report(s) and recommendations of the tender committee, or in the case of the awards for contracts below the quotation threshold, the recommendation of the

**6.1.1.4.4** No member of the evaluation committee may serve on the tender committee. A member of an evaluation committee may, however, participate in the deliberations of a tender committee as a technical advisor or a subject matter expert.

**6.1.1.4.5** The tender committee shall:

- c) consider the report and recommendations of the evaluation committee and:
  - 1) verify that the procurement process which was followed complies with the provisions of this document;
  - 2) confirm that the report is complete and addresses all considerations necessary to make a recommendation;
  - 3) confirm the validity and reasonableness of reasons provided for the elimination of tenderers; and
  - 4) consider commercial risks and identify any risks that have been overlooked or fall outside of the scope of the report which warrant investigation prior to taking a final decision; and
- d) refer the report back to the evaluation committee for their reconsideration or make a recommendation to the authorised person on the award of a tender, with or without conditions, together with reasons for such recommendation.

**6.1.1.4.8** The tender committee shall consider proposals regarding the cancellation, amendment, extension or transfer of contracts that have been awarded and make a recommendation to the authorised person on the course of action which should be taken.

**6.1.1.4.9** The tender committee shall consider the merits of an unsolicited offer and make a recommendation to the Municipal Manager.

**6.1.1.4.10** The tender committee shall report to the Municipal Manager any recommendation made to award a contract to a tenderer other than the tenderer recommended by the evaluation committee, giving reasons for making such a recommendation.

**6.1.1.4.11** The tender committee shall not make a recommendation for an award of a contract or order if the recommended tenderer or framework contractor has:

- c) made a misrepresentation or submitted false documents in competing for the contract or order; or
- d) been convicted of a corrupt or fraudulent act in competing for any contract during the past five years.

**6.1.1.4.8** The tender committee may on justifiable grounds and after following due process, disregard the submission of any tenderer if that tenderer or any of its directors, members or trustees or partners has abused the delivery management system or has committed fraud, corruption or any other improper

be informed where such tenderers are disregarded.

**6.1.3 Actions of an authorised person relating to the award of a contract or an order**

**6.1.2.2 Award of a contract**



**6.1.2.1** The authorised person shall, if the value of the contract inclusive of VAT, is within his or her delegation, consider the report(s) and recommendations of the tender committee, or in the case of the awards for contracts below the quotation threshold, the recommendation of the designated person and either:

- a) award the contract after confirming that the report is complete and addresses all considerations necessary to make a recommendation and budgetary provisions are in place; or
- b) decide not to proceed or to start afresh with the process.

**6.1.2.2** The authorised person shall immediately notify the Designated Person if a tender other than the recommended tender is awarded, save where the recommendation is changed to rectify an irregularity. Such person shall, within 10 working days, notify in writing the Auditor-General, the National Treasury and Limpopo Treasury, and, in the case of a municipal entity, also the parent municipality, of the reasons for deviating from such recommendation.

### **6.1.2.3 Issuing of an order**

The authorised person shall, if the value of an order issued in terms of a framework contract, is within his  
Of the \_\_\_\_\_ as

Relevant, and either:

- a) authorise the issuing of an order in accordance with the provisions of clause 4.25 of the standard; or
- b) Decide not to proceed or to start afresh with the process.

### **6.1.3 Conduct of those engaged in infrastructure delivery**

#### **6.1.3.1 General requirements**

**6.1.3.1.1** All personnel and agents of **Polokwane Municipality** shall comply with the requirements of the CIDB Code of Conduct for all Parties engaged in Construction Procurement. They shall:

- a) behave equitably, honestly and transparently;
- b) discharge duties and obligations timeously and with integrity;
- c) comply with all applicable legislation and associated regulations;
- d) satisfy all relevant requirements established in procurement documents;
- e) avoid conflicts of interest; and
- f) Not maliciously or recklessly injure or attempt to injure the reputation of another party.

**6.1.3.1.2** All personnel and agents engaged in **Polokwane Municipality's** infrastructure delivery management system shall:

- a) not perform any duties to unlawfully gain any form of compensation, payment or gratification from any person for themselves or a family member or an associate;
- b) perform their duties efficiently, effectively and with integrity and may not use their position for private gain or to improperly benefit another person;

- c) strive to be familiar with and abide by all statutory and other instructions applicable to their duties;
- d) furnish information in the course of their duties that is complete, true and fair and not intended to mislead;
- e) ensure that resources are administered responsibly;
- f) be fair and impartial in the performance of their functions;
- g) at no time afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual;
- h) not abuse the power vested in them;
- i) not place themselves under any financial or other obligation to external individuals or firms that might seek to influence them in the performance of their duties;
- j) assist Polokwane Municipality in combating corruption and fraud within the infrastructure procurement and delivery management system;
- k) not disclose information obtained in connection with a project except when necessary to carry out assigned duties;
- l) not make false or misleading entries in reports or accounting systems; and
- m) Keep matters of a confidential nature in their possession confidential unless legislation, the performance of duty or the provision of the law require otherwise.

**6.1.3.1.2** An employee or agent may not amend or tamper with any submission, tender or contract in any manner whatsoever.

#### **6.1.3.2 Conflicts of interest**

**6.1.3.2.1** The employees and agents of **Polokwane Municipality** who are connected in any way to procurement and delivery management activities which are subject to this policy, shall:

- a) disclose in writing to the employee of the Polokwane Municipality to whom they report, or to the person responsible for managing their contract, if they have, or a family member or associate has, any conflicts of interest; and
- b) not participate in any activities that might lead to the disclosure of Polokwane Municipality proprietary information.

**6.1.3.2.2** The employees and agents of Polokwane Municipality shall declare and address any perceived or known conflict of interest, indicating the nature of such conflict to whoever is responsible for overseeing the procurement process at the start of any deliberations relating to a procurement process or as soon as they become aware of such conflict, and abstain from any decisions where such conflict exists or recuse themselves from the procurement process, as appropriate.

**6.1.3.2.3** Agents who prepare a part of a procurement document may in exceptional circumstances, where it is in Polokwane Municipality's interest to do so, submit a tender for work associated with such documents provided that:

- a) Polokwane Municipality states in the tender data that such an agent is a potential tenderer;
- b) all the information which was made available to, and the advice provided by that agent which is relevant to the tender, is equally made available to all potential tenderers upon request, if not already included in the scope of work; and
- c) the procurement documentation committee is satisfied that the procurement document is objective and unbiased having regard to the role and recommendations of that agent.

#### **6.1.3.3 Evaluation of submissions received from respondents and tenderers**

**6.1.3.3.1** The confidentiality of the outcome of the processes associated with the calling for expressions of interest, quotations or tenders shall be preserved. Those engaged in the evaluation process shall:

- a) not have any conflict between their duties as an employee or an agent and their private interest;
- b) may not be influenced by a gift or consideration (including acceptance of hospitality) to show favour or disfavour to any person;
- c) deal with respondents and tenderers in an equitable and even-handed manner at all times; and
- d) not use any confidential information obtained for personal gain and may not discuss with, or disclose to outsiders, prices which have been quoted or charged to Polokwane Municipality.

**6.1.3.3.2** The evaluation process shall be free of conflicts of interest and any perception of bias. Any connections between the employees and agents of Polokwane Municipality and a tenderer or respondent shall be disclosed and recorded in the tender evaluation report.

**6.1.3.3.3** Polokwane Municipality personnel and their agents shall immediately withdraw from participating in any manner whatsoever in a procurement process in which they, or any close family member, partner or associate, has any private or business interest.

#### **6.1.3.4 Non-disclosure agreements**

Confidentiality agreements in the form of non-disclosure agreements shall, where appropriate, be entered into with agents and potential contractors to protect Polokwane Municipality's confidential information and interests.

**6.1.3.5.1** The employees and agents of Polokwane Municipality as well as their family members of associates shall not receive any of the following from any tenderer, respondent or contractor or any potential contractor:

- a) money, loans, equity, personal favours, benefits or services;
- b) overseas trips; or
- c) any gifts or hospitality irrespective of value from tenderers or respondents prior to the conclusion of the processes associated with a call for an expression of interest or a tender.

**6.1.3.5.3** The employees and agents of Polokwane Municipality shall not purchase any items at artificially low prices from any tenderer, respondent or contractor or any potential contractor at artificially low prices which are not available to the public.

**6.1.3.5.4** All employees and agents of Polokwane Municipality may for the purpose of fostering inter-personal business relations accept the following:

- a) meals and entertainment, but excluding the cost of transport and accommodation;
- b) promotional material of small intrinsic value such as pens, paper-knives, diaries, calendars, etc;
- c) incidental business hospitality such as business lunches or dinners, which the employee is prepared to reciprocate;
- d) complimentary tickets to sports meetings and other public events, but excluding the cost of transport and accommodation, provided that such tickets are not of a recurrent nature; and
- e) gifts in kind other than those listed in a) to d) which have an intrinsic value greater than R350 unless they have declared them to the Municipal Manager.

**6.1.3.5.5** Under no circumstances shall gifts be accepted from prospective contractors during the evaluation of calls for expressions of interest, quotations or tenders that could be perceived as undue and improper influence of such processes.

**6.1.3.5.6** Employees and agents of Polokwane Municipality shall without delay report to the Municipal Manager any incidences of a respondent, tenderer or contractor who directly or indirectly offers a gratification to them or any other person to improperly influence in any way a procurement process, procedure or decision.

#### **6.1.3.6 Reporting of breaches**

Employees and agents of Polokwane Municipality shall promptly report to the Municipal Manager any alleged improper conduct which they may become aware of, including any alleged fraud or corruption.

#### **6.1.4 Measures to prevent abuse of the infrastructure delivery system**

The Municipal Manager shall investigate all allegations of corruption, improper conduct or failure to comply with the requirements of this policy against an employee or an agent, a contractor or other role player and, where justified:

#### **6.1.3.5 Gratifications, hospitality and gifts**

**6.1.3.5.2** The employees and agents of Polokwane Municipality shall not, directly or indirectly, accept or agree or offer to accept any gratification from any other person including a commission, whether for the benefit of themselves or for the benefit of another person, as an inducement to improperly influence in any way a procurement process, procedure or decision.

**6.1.3.5.3** The employees and agents of Polokwane Municipality as well as their family members or associates shall not receive any of the following from any tenderer, respondent or contractor or any potential contractor:

- d) money, loans, equity, personal favours, benefits or services;
- e) overseas trips; or
- f) any gifts or hospitality irrespective of value from tenderers or respondents prior to the conclusion of the processes associated with a call for an expression of interest or a tender.

**6.1.3.5.5** The employees and agents of Polokwane Municipality shall not purchase any items at artificially low prices from any tenderer, respondent or contractor or any potential contractor at artificially low prices which are not available to the public.

**6.1.3.5.6** All employees and agents of Polokwane Municipality may for the purpose of fostering inter-personal business relations accept the following:

- e) meals and entertainment, but excluding the cost of transport and accommodation;
- f) promotional material of small intrinsic value such as pens, paper-knives, diaries, calendars, etc;
- g) incidental business hospitality such as business lunches or dinners, which the employee is prepared to reciprocate;
- h) complimentary tickets to sports meetings and other public events, but excluding the cost of transport and accommodation, provided that such tickets are not of a recurrent nature; and
- f) gifts in kind other than those listed in a) to d) which have an intrinsic value greater than R350 unless they have declared them to the Municipal Manager.

**6.1.3.5.7** Under no circumstances shall gifts be accepted from prospective contractors during the evaluation of calls for expressions of interest, quotations or tenders that could be perceived as undue and improper influence of such processes.

**6.1.3.5.8** Employees and agents of Polokwane Municipality shall without delay report to the Municipal Manager any incidences of a respondent, tenderer or contractor who directly or indirectly offers a gratification to them or any other person to improperly influence in any way a procurement process, procedure or decision.

#### **6.1.3.7 Reporting of breaches**

Employees and agents of Polokwane Municipality shall promptly report to the Municipal Manager any alleged improper conduct which they may become aware of, including any alleged fraud or corruption.

#### **6.1.5 Measures to prevent abuse of the infrastructure delivery system**

The Municipal Manager shall investigate all allegations of corruption, improper conduct or failure to comply with the requirements of this policy against an employee or an agent, a contractor or other role player and, where justified:

- a) take steps against an employee or role player and inform the National Treasury and Limpopo Treasury of those steps;
- b) report to the South African Police Service any conduct that may constitute a criminal offence;
- c) lodge complaints with the Construction Industry Development Board or any other relevant statutory council where a breach of such council's code of conduct or rules of conduct are considered to have been breached;
- d) cancel a contract if:
  - 1) it comes to light that the contractor has made a misrepresentation, submitted falsified documents or has been convicted of a corrupt or fraudulent act in competing for a particular contract or during the execution of that contract; or
  - 2) an employee or other role player committed any corrupt or fraudulent act during the tender process or during the execution of that contract.

#### **6.1.5 Awards to persons in the service of the state**

**6.1.5.1** Any submissions made by a respondent or tenderer who declares in the Compulsory Declaration that a principal is one of the following shall be rejected:

- a) a member of any municipal council, any provincial legislature, or the National Assembly or the National Council of Provinces;
- b) a member of the board of directors of any municipal entity;
- c) an official of any municipality or municipal entity;

#### **6.1.6 REVIEW OF POLICY**

This policy shall be implemented as at 1 July 2022 and shall be reviewed on an annual basis to ensure that it is in line with the municipality's strategic objectives and with legislation.





DRAFT

**CREDIT CONTROL & DEBT COLLECTION POLICY**

**2022 / 2023**



## **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 and debt collection policy;

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

And whereas the Municipal Council of the Municipality of Polokwane has adopted by-laws in line with section 98 of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) to give effect to this policy.

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

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: -

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## 1. DEFINITIONS

<b>Act</b>	The Local Government Act: Municipal Systems Act 2000 (Act No. 32 of 2000) as amended from time to time.
<b>Authorised Representative</b>	The person or instance legally appointed by the Council to act or to fulfil a duty on its behalf.
<b>Arrears</b>	Amount due, owing and payable in respect of fees, charges, surcharges on fees, property rates and other municipal taxes and services, levies, penalties and duties.
<b>Agreement</b>	Means the contractual relationship between the municipality and a consumer whether in writing or not.
<b>Account/ Municipal account</b>	<p>Account in name of customer held with the Polokwane Municipality.</p> <p>(a) 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 account, specifying charges levied by the Municipality, or any authorized and contracted service provider, in the format of, but not limited to:- Show the levies for property rates and services</p> <p>(b) Monthly account rendered monthly and shows the levies for property rates and/ or building clause, availability charge, sewage, refuse removal, electricity, water, sundries, housing rentals and instalments, as well as monthly instalments for annual services paid monthly.</p>
<b>Basic service</b>	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.

<b>Chief Financial Officer</b>	An officer of the municipality appointed as the Head of the Finance Department (Budget and Treasury) 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.
<b>Child-headed household</b>	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 and household income of below the indigent threshold.
<b>Council or Municipal Council</b>	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 Polokwane.
<b>Credit Control</b>	The functions relating to and aimed at the collection of any monies due and payable to the Municipality.
<b>Debt Collection</b>	The function relating to and aimed at the collection of any monies due and payable to the Municipality after due date has passed or not paid on due date.
<b>Closely connected Person</b>	Any immediate relative of the person namely spouse, child, parent, parent-in-law, life partner, siblings (brother or sister from same parents) and in laws,
<b>Customer</b>	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 households).
<b>Consumer</b>	Means "Customer"
<b>Due date</b>	Means the date on which the amount payable in respect of an account becomes due, owing and payable by the customer, which date shall be determined by council from time to time.
<b>Defaulter</b>	A person who owes money to the Municipality in respect of a municipal account after the due date for payment has expired

<b>Director</b>	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.
<b>Equipment</b>	A building, structure, pipe, pump, wiring, cable, meter, machine or any fittings.
<b>Household</b>	all persons who are jointly living on a stand or site on a permanent basis and who receives electricity and / or water from one meter, regardless whether the person rents or owns the property.
<b>Indigent</b>	A household which is not financially capable of paying for the delivery of basic services and meeting the criteria determined by Council from time to time – this also includes poor households as per the Municipality's Indigent Policy.
<b>Interest</b>	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 or any other sundry services or surcharge at a standard rate as draft by Council from time to time.
<b>Municipality</b>	Means Polokwane Municipality established in terms of the Local Government Structures Act, 1998 as amended from time to time.
<b>Municipal Manager</b>	The accounting officer appointed in terms of section 82 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) as amended from time to time 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) as amended from time to time 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.
<b>Municipal Services</b>	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.
<b>Occupier</b>	Any person who occupies any property or part thereof, without any regard to the title under which he / she so occupies the property.
<b>Premises or Property</b>	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) as amended from time to time or in terms of the Deeds Registry Act, 1937 (Act No. 47 of 1937); as amended from time to time or b) A sectional plan registered in terms of the Sectional Titles Act, 1986 (Act No. 95 of 1986); as amended from time to time which is situated within the area of jurisdiction of the Municipality.
<b>Owner</b>	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 it; or

	<p>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;</p> <p>ix. Owner in terms of Municipal Property Rates Act.</p> <p>(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;</p> <p>d) In the case of a property for which a lease agreement of 30 years or more has been entered into, the lessee thereof;</p> <p>e) Regarding:-</p> <p>(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), as amended from time to time and without restricting the above-mentioned stipulations, the developed or body corporate of the communal property; or</p> <p>(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;</p> <p>(f) Any legal entity, including but not limited to:-</p> <p>(i) a company registered in terms of the Companies Act, 1973 (Act No. 61 of 1973), a trust inter vivos, trust mortis causa, a closed corporation registered in terms of the Closed Corporations Act, 1984 (Act No. 69 of 1984), and any voluntary organisation.</p> <p>(ii) Any local, provincial or national government;</p> <p>(iii) Any council, board or entity established in terms of any legislation applicable to the Republic of South Africa; and</p> <p>(iv) any embassy or other foreign entity.</p>
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## **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 collected and 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.

2.7 Provide for actions that may be taken by the Municipality to secure payment of accounts that are in arrears including and not limited to the termination or restriction of services and legal actions

2.8 Provide for alternative debt repayment arrangements in accordance with the terms and conditions of this policy

2.9 Create an environment which enables a customer to repay the outstanding debt and establish culture of payment for services rendered by the Municipality.

2.10 Effectively and efficiently deal with defaulters in accordance with the terms and conditions of this policy

2.11 Provide for procedures and mechanisms to ensure that all monies due and payable to the Municipality are collected.

## **3. PRINCIPLES:**

The credit control and debt collection policy is based on the following principles –

### **3.1 GENERAL**

- (i) The administrative integrity of the Municipality must be maintained at all costs.
- (ii) The democratically elected councillors are responsible for making the policies, while it is the responsibility of the Municipal Manager to ensure execution of these policies.
- (iii) The policy and its application provides for the specific circumstances of the community to which it relates.
- (iv) The credit control and debt collection procedures must be understandable, uniform, fair and consistently applied.
- (v) Credit control must be effective, efficient and economical.
- (vi) The measures taken must be sustainable in the long term.

### **3.2 COUNCIL**

- (i) To enable the Council to differentiate between those customers that cannot pay from those that simply do not want to pay, the “Indigent Policy” will be applied.
- (ii) The Credit Control and Debt Collection Policy may be supported by procedure manual(s) and/or Revenue Enhancement strategies that may be put in place by the Chief Financial Officer and Revenue Manager.
- (iii) The Credit Control and Debt Collection Policy shall super cede all other policies aimed at achieving the same purpose to which the current credit control policy seeks to achieve.

### **3.3 CUSTOMERS**

- (a) All new customers must complete an official application form formally requesting the Municipality to connect them to the service supply lines. Existing customers may be required to complete new forms to update their information from time to time as determined by the Municipal Manager.
- (b) Application forms, agreements and documents relating to this policy must be available in English. Officials designated to control and manage these documents may be able to explain the contents thereof in other four languages dominant in Limpopo.

(c) A copy of the application form, conditions of services and extracts of the Council's Customer Care Policy, Credit Control and Debt Collection Policy and By-Laws may be handed to every customer on request at a fee prescribed by council from time to time.

(d) Application forms may be used to, amongst others, categorize customers according to credit risk and to determine relevant levels of services and deposits required.

(e) Unauthorized consumption, connection and reconnection, the tempering with or theft of meters, service supply equipment and reticulation network and fraudulent activity in connection with the provision of Municipal services will lead to disconnections, charges, penalties, loss of rights and/or criminal prosecutions.

(f) The Council shall not conduct any business activity with or accept new services application to any customer who is in arrears with the Municipality except if a suitable payment arrangement for repayment of arrears is made.

(g) The Council shall not refund any credit/ deposit to any customer or customer's nominee who is in arrears with the Council.

(h) The Municipality may whenever possible, combine any separate accounts of a person who is liable for payment to the Municipality, into one consolidated account.

(i) A Person applying for a Municipal consumable service must enter into a Service Agreement with the Municipality in order for such Municipal service to be provided. The Municipality may disconnect the services of a meter where a service deposit has not been paid.

### **3.4 COUNCILOR SERVICES ACCOUNTS**

In accordance with the provisions of Schedule 1, of the Municipal Systems Act, 32 of 2000, an elected councillor residing within demarcated area of the Council and is individually or jointly responsible for account, may not be in arrears for municipal service fees, surcharges on fees rates or any other municipal taxes, levies and duties levied by the Council for more than 3 (three) months.

Notwithstanding any relevant procedure, method or action that may be taken in terms of this policy, the Municipal Manager may deduct amounts due for more than 3 (three) months from such councillor's remuneration.

### **3.5 STAFF/ OFFICIALS SERVICES ACCOUNTS**

In accordance with the provisions of Schedule 2, of the Municipal Systems Act, 32 of 2000, an official of council, residing within demarcated area of the Council and is individually or jointly responsible for account, may not be in arrears for municipal service fees, surcharges on fees rates or any other municipal taxes, levies and duties levied by the Council for more than 3 (three) months.

Notwithstanding any relevant procedure, method or action that may be taken in terms of this policy, the City Manager may deduct amounts due for more than 3 (three) months from such official's remuneration.

### **4. PERFORMANCE EVALUATION**

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

### **5. REPORTING**

5.1 The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to the Mayor as supervisory authority in terms of the Systems Act. This report shall contain particulars on:-

- a. Cash collection statistics, showing high-level debt recovery information (number of consumers; enquiries; arrangements; default arrangements; growth or reduction of arrear debt).
- b. Where possible, the statistics should ideally be divided into wards, business (commerce and industry), domestic, government, institutional and other such divisions.
- c. Performance of all areas against targets agreed to in section 4 of this policy document.

5.2 If in the opinion of the Chief Financial Officer, Council will not achieve cash receipt income equivalent of the income projected in the annual budget as draft by Council,

the Chief Financial Officer will report this with motivation to the Municipal Manager who may immediately move for a revision of the budget according to realistically realizable income levels.

5.3 The Mayor as Supervisory Authority shall report quarterly to Council as contemplated in section 99(c) of the Systems Act.

## **6. CUSTOMER CARE AND MANAGEMENT**

In relation to the levying of rates and other services by a municipality and the charging of fees for municipal services, a municipality must, within its financial and administrative capacity -

- a) Establish a sound customer management system that aims to create a positive and reciprocal relationship between persons liable for these payments and the municipality, and where applicable, a service provider;
- b) Establish mechanisms for customers to give feedback to the municipality or other service provider regarding the quality of the services and the performance of the service provider;
- c) Take reasonable steps to ensure that customers are informed of the costs involved in service provision, the reasons for the payment of service fees, and the manner in which monies raised from the service are utilized;
- d) Where the consumption of services has to be measured, take reasonable steps to ensure that the consumption by individual customers is measured through accurate and verifiable metering systems;
- e) Ensure that persons liable for payments, receive regular and accurate accounts that indicate the basis for calculating the amounts due;
- f) Provide accessible mechanisms for customers to query or verify accounts and metered consumption, and appeal procedures which allow such persons to receive prompt redress for inaccurate accounts;
- g) Provide accessible mechanisms for dealing with complaints from customers, together with prompt replies and corrective action by the municipality;

h) Provide mechanisms to monitor the response time and efficiency in complying with paragraph (g); and

i) Provide accessible pay points and variety of reliable payment methods which will include cash, debit of credit card swiping facilities, electronic fund transfer, debit order, bank order payments and bank guaranteed cheque.

## **7. ACCOUNTS ADMINISTRATION**

### **7.1 ACCOUNTS AND BILLING**

7.1.1 Accounts must be rendered and administered in accordance with the Policy, other prescribed requirements and any other law.

7.1.2 Failure by the Council to render an account does not relieve a customer of the obligation to pay any amount that is due and payable in terms of these By-laws.

7.1.3 The customer is entitled to accurate, timeous and understandable bill as far as possible.

7.1.4 The Council may, in accordance with the provisions of section 102 of the Act –

a) Consolidate any separate accounts of a customer liable for payments in terms of these Policy to the Council;

b) Credit any payment by such customer against any account of that customer; and

c) Implement any of the debt collection and credit control measures provided for in these By-laws in relation to any arrears on any of the accounts of a customer.

7.1.5 The amount due and payable by a customer constitutes a consolidated debt, and any payment made by a customer of an amount less than the total amount due, will, be allocated in reduction of the consolidated debt in the order prescribed by the Municipality.

(a) Any amount paid by a customer in excess of an existing debt may be held in credit for the customer in anticipation of future rates and fees for municipal services. (b) No interest is payable on any amount contemplated in paragraph (a)

### **7.2 ACCOUNT QUERIES**

- (a) Account query refers to the instance when a customer queries any specific amount or any content contained in any account as rendered by the Council;
- (b) Query can be raised verbally or in writing at any of the Council's administrative offices
- (c) Customer to furnish in writing full personal particulars including acceptable means of identification, contact details and account number in respect of which amount owing is queried;
- (d) Customer may be represented by a duly appointed nominee or agent, and such nominee or agent shall upon request produce sufficient proof of such appointment;
- (e) Pending the outcome of query, customer may apply for temporary payment extension in terms of provisions of this policy;
- (f) The customer shall, pending the resolution and outcome of the query, continue to make regular payments as per account statement;
- (g) Should a customer not be satisfied with the outcome of the query, a customer may lodge an appeal in terms of section 62, as read with section 95 (f), of the Local Government: Municipal Systems Act 32 of 2000.

### **7.3 DISPUTES**

- (a) A customer may lodge an appeal in terms of section 62, as read with section 95 (f), of the Local Government: Municipal Systems Act 32 of 2000.
- (b) Customer to furnish in writing full personal particulars including acceptable means of identification, contact details and account number in respect of which amount owing is disputed
- (c) Only disputes lodged by registered account holder will be considered.
- (d) Customer may be represented by a duly appointed nominee or agent, and such nominee or agent shall upon request produce sufficient proof of such appointment.
- (e) Should any written dispute arise as to the amount owing on the account in respect of all services by a customer, the customer shall, pending the resolution and outcome of that dispute, continue to make regular minimum payments based on the average

charges for the preceding three months prior to the arising of the dispute, plus interest, until the resolution of that dispute.

(f) Should any written dispute arise as to the amount owing on part of the account or service by a customer, the customer shall, pending the resolution and outcome of that dispute, continue to make regular payments on services that are NOT in dispute PLUS the average charges for the preceding three months prior to the arising of the dispute in respect of remaining part of account or disputed service until the resolution of that dispute.

## **8. INTEREST CHARGES**

Interest will be levied on all accounts not paid by due date at a rate prescribed by council from time to time and in accordance with Section 97 (e) of Municipal Systems Act, 32 of 2000.

8.1 No interest shall be earned on a credit balance

8.2 Interest may only be reversed under the following circumstances—

- a) Exemptions as determined by Council from time to time
- b) If the Municipality has made an administrative error on the account
- c) Where any debt accrued as a result of incorrect charge or any administrative error
- d) Where Council or any other authorised committee or delegated official approves such reversal from time to time;

## **9. ACCOUNT DUE DATE & ALLOCATION OF PAYMENT**

a) Account due date shall be the 25<sup>th</sup> day of the month.

Interest shall accrue after 30 days from date of account on unpaid accounts. The interest shall accrue for each completed month in respect of any arrears remaining unpaid after 30 days of the account, a part of a month shall be deemed to be a completed month on the basis that interest is charged as from the first day of the account been in arrears.

b) Only payments receipted through the Municipal financial system on or before account due date will be deemed to have been duly received.



c) Payments by customers through 3rd party vendors, will only be deemed to have been received when receipted through the Municipal financial system.

d) Any amount paid by the Customer in excess of an existing debt may be held in credit for the Customer in expectancy of future rates and fees for Municipal services charges, and no interest will be payable on that amount.

## **10. CREDIT CONTROL**

### **10.1 OBJECTIVE**

10.1.1 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

10.1.2 To limit risk levels by means of effective management tools.

10.1.3 To provide for restrictions, limitations, termination of services for non-payment.

### **10.2 SERVICE APPLICATION, AGREEMENTS, CUSTOMER SCREENING AND SECURITIES**

10.2.1 All consumers (owners) 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 and is responsible for payment unless where the Municipality is the owner of the property.

10.2.2 Applicants for Municipal services may be checked for credit worthiness, which may include checking information from banks, credit bureaus, other local authorities, trade creditors and employers.

10.2.3 The consumer applying for services must bring proof of ownership or consent from the owner, proof of residential address and physical address

10.2.4 Where the applicant is a legal entity, being a company, closed corporation, trust, etc.

a) Sureties must also be signed by the directors, members, trustees, etc.

b) Must supply details of their director, 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 case of a trust, all the trustees in their personal capacity.

10.2.5 On the signing of the agreements, customers will be entitled to access the policy document, which are available on [www.polokwane.gov.za](http://www.polokwane.gov.za) or on request at any Municipal office service centre at a fee prescribed by the council from time to time.

10.2.6 On the signing of the agreement, consumers will receive a copy of the agreement for their records.

10.2.7 The Municipality reserves the right to refuse supplying services should such applicant owe monies to the Municipality until such debt is paid in full or an acceptable arrangement to settle has been made with the Municipality. Should the applicant prove to the Chief Financial Officer or the Manager Revenue or delegated Senior official that he/she is unable to pay, the application will be dealt with in terms of the Municipality's Indigent Policy and arrangements may be granted on exceptional cases.

10.2.8 The Municipality reserves the right to decline the application for services if any of the tenants or previous tenants or owner is in arrears or of a person who is closely connected to a customer who has defaulted with account payments and who resides or is to reside on the same premises, until such debt is settled in full or accepted arrangement has been made. The Municipality may also reject the application for services of any concern that is not a natural person should such concern be in arrears with any other municipal account for which it, or any member or director is responsible or partially responsible.

10.2.9 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.

10.2.10 All new customers shall pay a deposit as determined from time to time the Municipality council which may be increased by the CFO in the event of non-payment. Councillors and officials of the Municipality are not exempted from paying security deposit.

10.2.10 All new customers shall pay a deposit in line with council prescripts.

10.2.11 Deposits can vary according to the credit worthiness or legal category of the applicant, subject to minimum requirements as outlined in the Deposit policy.

10.2.12 The Municipality will not pay any interest on deposits.

10.2.13 On the termination of the agreement the amount of the deposit, less any outstanding amount due to the Municipality, will be refunded to the consumer.

10.2.14 All information furnished may be verified by the Municipality with any or all data information institutions, credit information bureau's and any financial institutions as may be deemed necessary by the Municipality in determining a person's credit worthiness or for any other reason as determined by the delegated Senior official.

### **10.3 RESPONSIBILITY FOR AMOUNTS DUE**

10.3.1. In terms of Section 118 (3) of the Systems Act, an amount due for municipal service fees, surcharge on fees, property rates and other municipal taxes, levies and duties is a charge upon the property in connection with which the amount is owing and enjoys preference over any mortgage bond registered against the property. Accordingly —

a) The owner of such property shall be liable for charges incurred in connection with such property and all municipal debts must be paid by the owner of such property without prejudice to any claim or right of recovery which the Municipality may have against another person;

b) The Municipality reserves the right to cancel a contract with the Customer in default and register the owner of such property for services on the property; and

c) Subject to the right to a basic water supply as contemplated in the Water Services Act, 1997 (Act No. 108 of 1997), as amended, the Municipality will not provide any services on the property until all municipal debts on the property have been paid in full or suitable arrangements have been made to pay such debts. The Municipality reserves the right to determine the manner in which access to a basic water supply will be provided.

10.3.2 Where the property is owned by more than one person, each owner shall be jointly and severally liable, the one paying the other to be absolved, for all municipal debts charged on the property.

10.3.3 Owners with their tenants who are registered as Customers shall be held jointly and severally liable, the one paying the other to be absolved, for debts on their property, except for property rates.

10.3.4 When a Juristic person opens a Service Account, the directors, members or trustees as the case may be must sign personal suretyships in favour of the Municipality. Liability for outstanding amounts maybe extended to such directors, members or trustees jointly and severally, the one paying the other to be absolved.

10.3.5 The Municipality may —

In a case of an Owner who is in arrears:

- (i) recover from a tenant, occupier or agent such monies as are owing by the tenant, occupier or agent to the owner, as payment of the arrears owing by such owner for so long as a tenant or occupier occupies a property in respect of which arrears are owing, or an agent acts for an owner in respect of whose property arrears are owing;
- (ii) recover the amount in whole or in part despite any contractual obligation to the contrary on the part of the tenant, occupier or agent; or
- (iii) recover from the tenant, occupier or agent an amount which is limited to the amount of the rent or other money due and payable, but not yet paid by the tenant, occupier or agent;

10.3.6 Should the tenant, occupier or agent as contemplated in subsection 10.3.5 refuse to pay the Municipality, the services of the tenant, occupier or agent may be disconnected.

10.3.7 Should any dispute/query arise as to the amount owing, the Customer shall pay all amounts which are not subject to the dispute and average of the service under dispute that are due and payable, pending the finalisation of the dispute lodged in respect of the specific amount owed by the Customer.

#### **10.4 RIGHT OF ACCESS TO PREMISES**

10.4.1 The owner and or occupier of property must allow an authorized 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 municipal service as stipulated in Section 101 of Municipal Systems Act, 32 of 2000.

10.4.2 The owner is responsible for the cost of relocating a meter if satisfactory access is not possible.

10.4.3 If a person fail to comply, 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.

#### **10.5 ENFORCEMENT MECHANISM**

10.5.1 The Municipality will issue a credible statement of account reflecting all services charge, units of water & electricity consumed (where applicable), due date and monies payable. Where the Municipality fails to render the account, subsection 7.1.2 of this policy shall apply.

10.5.2 The Municipality may deliver notices electronically or in accordance with section 115 of the Municipal Systems Act and section 3 of PAJA.

10.5.3 Subject to the provisions of section 95(e) of the Systems Act, a failure to receive or accept accounts does not relieve a Customer of the obligation to pay any amount due and payable. The onus is on the Customer to make every effort to obtain a copy of the account, or establish the amount payable for payment.

10.5.4 The Municipality may print a message on a statement of account to remind customers to pay before or on due date to avoid interest charges and other credit control measures.

10.5.5 The Municipality may remind the customer to pay the account before or on due date by using and not limited to SMS, MMS, email and Telephone call.

10.5.6 A 14 Days' notice may be issued before cut off or restriction of supply for accounts in arrears.

10.5.7 In the event of queries and disputes section 7.2 and 7.3 of this policy shall apply.

10.5.8 The customer may apply/ request payment extension in writing before the due date stating reasons for such request and proposed date for payment.

10.5.9 The Municipality shall have the right to discontinue or restrict the supply of services due to late or non-payment of accounts relating to any consumer and or owner of property.

10.5.10 All debtors who are in arrears for more than 60 days may have their water and electricity meters converted to prepaid at municipality's sole discretion.

## **10.6 PRE-PAYMENT METERING SYSTEM**

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 consumers in arrears by blocking access to pre-payment meters.

e) 60/40% prepayment debt recovery, the municipality may allocate 60% of payment to the arrears and 40% to the purchase of electricity to customers who purchases prepaid electricity with other services in arrears.

## **10.7 CONTRACTORS WHO TENDER TO THE MUNICIPALITY**

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 or account 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 may 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 may include a condition allowing the Municipality to deduct any moneys owing to the Municipality from contract payments.

d) A tenderer may be required to declare all the municipal account numbers for which it is responsible and/or partially responsible.

## **11. DEBT COLLECTION**

### **11.1 OBJECTIVE**

11.1.1 To implement procedures which ensure the collection of debt, meeting of service targets and the prevention of escalation in arrear debt.

11.1.2 THE PRINCIPLE: The money owed to the Municipality for more than 30days after due date would be classified as debt to be collected following the procedures as outlined in this section of the policy.

### **11.2 ACTIONS TO SECURE PAYMENTS INCLUDING TERMINATION OF SERVICES AND SERVICE AGREEMENTS**

11.2.1 The Municipality and/or Service provider may take the following actions to secure payments of arrears in respect to Municipal services.

11.2.1 At least fourteen (14) days' notice is required from the Customer upon termination of an account, to enable the Municipality to take final meter readings and process account adjustments.

11.2.1 The Municipality or service provider may contact the customer telephonically and/or physically.

(a) Council will endeavour, within the constraints of affordability, to make personal or telephonic contact with all arrear debtors to encourage their payment, and to inform them of their arrears state, their rights (if any) to conclude arrangements or to indigence subsidies, other related matters and will provide information on how and where to access such arrangements or subsidies.

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

11.2.1 Council reserves the right to deny or restrict the sale of electricity or water to consumer and or the owners who are in arrears with their rates and or other service charge.

11.2.2 60/40% prepayment debt recovery, the municipality may allocate 60% of payment to the arrears and 40% to the purchase of electricity to customer who purchases prepaid electricity with other services in arrears. Or allow the customer to purchase 40% of the amount paid.

11.2.3 If a person is indigent a pre-paid electricity meter and a flow limiter water meter may be installed free of charge.

11.2.4 The deposit of any defaulter will be adjusted and brought into line with relevant policies of Council (Consumer Deposit Policy) and this deposit may be charged into the account.

11.2.5 Once the tenant's consumption account in arrears is terminated, the account may thereafter be linked to the owner's rates account.



11.2.6 The Municipality may exercise its common-law right where a tenant on a property is in breach of his or her contract with the Municipality, and link the debt to the owners' account. The tenant shall forfeit his or her deposit to the owner where the outstanding debt is paid by the owner.

11.2.7 The Municipality may terminate a service agreement, or any other arrangement with the municipality having given a written notice of not less than 14 days to the Customer, if the Customer concerned has breached or failed to comply with any specific term or condition of the service agreement.

### **11.3 THE POWER TO RESTRICT OR DISCONTINUE SUPPLY OF MUNICIPAL SERVICES**

11.3.1 The Council or duly appointed agent may terminate and / or restrict the supply of water, electricity or in the case of pre-paid electricity withhold the selling of electricity in terms of the prescribed disconnection procedures, or discontinue any other service to any premises associated with the customer, whenever a consumer of any service

–

11.3.2 after the expiry of the period for payment in terms of the final demand/ final notice referred to in section 11.2.1.1, fails to make full payment on the due date or fails to make acceptable arrangements for the repayment of any amount for municipal services, property rates or taxes or other amounts due in terms of this policy;

11.3.3 No proof of registration as an indigent was furnished within the period provided for in the final demand / final notice referred to in section 11.2.1.1;

11.3.4 No payment was received in accordance with an agreement for payment of arrears;

11.3.5 fails to comply with a condition of supply imposed by the council;

11.3.6 obstructs the efficient supply of electricity, water, or any other municipal services to another customer;

11.3.7 Supplies such municipal service to a consumer/owner who is not entitled thereto or permits such service to continue;

11.3.8 causes a situation, which in the opinion of the council is dangerous, or a contravention of relevant legislation;

11.3.9 in any way bridges the supply or illegally reconnect previously disconnected municipal services;

b) The Council shall hand deliver, per mail or per electronic means available, to the physical address of property or most recent recorded address or electronic contact address and / or number of such customer, a discontinuation notice informing such consumer –

(i) That the provision of the service will be, or has been discontinued on the date stated on the discontinuation notice;

(ii) Of the steps which can be taken to have the service reconnected;

(iii) Of the minimum amount payable to restore service.

c) The right of the Council or any duly appointed agent to restrict or discontinue water and electricity to any premises, owner of property, tenant on property, customer or occupant of property, shall be subject to the relevant legislature.

d) The Council reserves the right to deny or restrict or reduce the sale of electricity or water to properties which are in arrears with their rates or other municipal charges.

## **11.4 RECONNECTION OF SERVICES**

11.4.1 Upon paying the full amount owed or the conclusion of acceptable arrangements as prescribed in section 11.6 of this policy the service will be reconnected and soon as conveniently possible

11.4.2 The cost of the restriction or disconnection and reconnection will be determined by tariffs draft by Council and will be payable by the consumer.

## **11.5 DEBT FOR WHICH AN ARRANGEMENTS CAN BE DONE**

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

## **11.6 CONCLUSION OF AGREEMENT**

11.6.1 If a customer cannot pay his/her account with the Municipality then the Municipality may enter into an extended term of payment not exceeding 12 months, stipulating that the debt will be paid together with the monthly and/or annual accounts, with the customer.

11.6.2 The customer must:-

- a) Complete a new application form;
- b) Sign an acknowledgement of debt;
- c) Sign a consent to judgment;
- d) Sign an emolument or stop order if he or she is in employment;
- e) Submit proof of income on the prescribed form;
- f) Pay the current portion of the account in cash;
- g) Pay an adjusted security deposit equal to the sum of two time's average consumption during the preceding 12 months; (conditional)
- h) sign an acknowledgement that, if the arrangements being negotiated are later defaulted on, that no further arrangements will be possible and that disconnection of water and electricity will follow immediately, as will legal proceedings;
- i) Acknowledge liability of all costs incurred; and
- j) Annually, no later than 28 February, submit new proof of income.

## **11.7 ARRANGEMENTS THAT CAN BE ENTERED INTO:**

### **11.7.1 Domestic Customers:**

(a) First (1st) default in a financial year:

(i) 50% or minimum of 10% on exceptional circumstances of the outstanding amount plus cost of the credit control actions together with the current account is payable immediately.

(b) On Second (2nd) default in one financial year the Municipality May Demand:

I. Full arrears amount plus the cost of credit control actions, together with the current account.

II. Deny arrangements or provide monthly extensions.

#### **11.7.2 Business and other Institutions:**

(a) First (1st) default in financial year:-

(i) 60% of the outstanding amount plus cost of the credit control actions may be required.

(b) Second (2nd) default in financial year:-

(i) Full outstanding amount plus cost of credit control actions may be required.

(ii) No arrangements may be allowed.

(iii) Consumer deposit charges may be adjusted in line with the deposit policy.

#### **11.7.3 Government Departments**

(a) First Default

(i) The municipality will strive within the spirit of co-operative governance to collect all amount due by departments and will disconnect services where commitment is not honoured.

(ii) Report same to National Treasury where applicable (Sect 64(3) MFMA).

#### **11.7.4 Owners Accounts**

(a) The owner's accounts without services will be handed over to the debt collectors to instigate legal proceedings. The owner's accounts in arrears may be consolidated in terms of section 102 of the Municipal Systems Act in order to affect Credit control and debt collection.

## **11.8 DEBT COLLECTION PROCEDURE**

11.8.1 Council may handover accounts that are 90 days and older to external debt collection company's after all internal processes have been exhausted and there is no positive respond.

11.8.2 The handover will be done through creation of child account linked to the main account. The child account will be closed when it is paid up or balance cleared. The debt collector will not be responsible for collection on the debt on the main account where child account is created.

11.8.3 Annual accounts: Should accounts remain unsettled three (3) months after it became due and payable, notice will be given to the owner/consumer that the amount owed should be settled within fourteen (14) days, failure of which it would be handed over for collection.

11.8.4 Should there be no reaction on the notices; accounts are forthwith handed over for collection, which may include legal proceedings.

11.8.5 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.

11.8.6 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.

11.8.7 Attorneys should report to Council on a monthly basis on the progress made and the cost aspect regarding each debtor.

## **11.9 INDIGENT**

11.9.1 Customers who qualify as indigent households will be assisted in terms of the indigent policy.

## **11.10 THEFT AND FRAUD**

11.10.1 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 unauthorized 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.

11.10.2 The Municipality has the right to obtain authorization from the Magistrate for the imposition of fines for the offences.

11.10.3 The Municipality may terminate and/or remove the supply of services including the removal of circuit breakers to a customer should such conduct as outlined above, be detected and certified.

11.10.4 The total bill owing, including penalties, assessment of unauthorized 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. Corrective measures may be put in place to calculate lost consumption and levy penalty due to illegal connections or tampering of meters, refer to tariff schedule.

11.10.5 Council will maintain monitoring systems and teams in order to identify and monitor customers who are undertaking such illegal actions.

11.10.6 Council reserves the right to lay criminal charges and/or to take any other legal action against both vandals and thieves.

11.10.7 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.

## **11.11 INCENTIVES**

Incentives and disincentives may be used in collection procedures as draft by council.

## **11.12 LEGAL PROCESS (USE OF ATTORNEYS/USE OF CREDIT BUREAUS)**

11.12.1 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.

11.12.2 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.

11.12.3 The Municipality will establish procedures and codes of conduct with such outside parties. 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.

11.12.4 All steps in the credit control procedure will be recorded for the Municipality's records and for the information of the debtor.

11.12.5 All costs of this process will be for the account of the debtor.

11.12.6 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.

11.12.7 The Municipality may consider the cost effectiveness of the legal process, and will receive reports on relevant matters and report to the Executive Mayor.

11.12.8 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.

11.12.9 Customers will be informed of the powers and duties of such agents and their responsibilities, including their responsibility to observe agreed codes of conduct.

11.12.10 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.

11.12.11 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.

11.12.12 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 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.

### **11.13 COST OF COLLECTION**

**The Municipal manager may recover from the debtor, all costs in cases where such costs are incurred by or on behalf of the City, including;**

All costs of legal processes such as interest, penalties, service discontinuation costs and legal costs associated with credit control and debt collection, where ever applicable, are for the account of the debtor and should reflect at least the cost of the particular action.

### **11.14 CLEARANCE CERTIFICATE**

11.14.1 In terms of section 118(3) of the Act an amount due for municipal service fees, surcharges on fees, property rates and other municipal taxes, levies and duties is a charge upon the property in connection with which the amount is owing and enjoys preference over any mortgage bond registered against the property,

11.14.2 The municipality will require an estimation of up to four month before issuing clearance figures.



11.14.3 All payments will be allocated to the registered seller's municipal accounts and all refunds will be made to such seller unless advised otherwise.

11.14.3 Clearance figures for all accounts handed over to debt collectors may make provision for Collection costs at the draft commission percentage.

11.14.4 The Municipality will only issue a clearance certificate once a completed prescribed application form from the conveyancer has been received.

11.14.5 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 have been paid. Should the certificate be issued on payments for three months preceding the date of clearance, the outstanding balance will be due and against the property or any owner thereof with or without their knowledge on transfer.

11.14.6 Accordingly, all such municipal debts shall be payable by the owner of such property without prejudice to any claim which the municipality may have against any other person,

11.14.7 On application for clearance any arrangements, acknowledgement of debt shall be cancelled, and all debts on the property shall become due, owing and payable.

11.14.8 The payments of clearance certificate must be made in cash or by irrevocable bank guarantee, or attorney`s trust cheque, there shall be no refunds on cancellation of sale, and the certificate shall be valid for a period of 60 days from date of issue.

11.14.9 No Clearance certificate, in terms of section 118 of the Municipal Systems Act, will be issued were the registered owner (and, in this instance, the seller) has not complied with any relevant legislation, policy or agreement relating to the property in question;

11.14.10 By virtue of registration of the property, the registered owner accepts liability for all services rendered by the City to the said property, except as provided for in other legislation or policy;

11.14.11 All figures issued in terms of section 118 of the Systems Act will only be valid for the validity period attached to such figures and only payments made within the validity period will, for the

Purpose of issuing the certificate, be offset against these figures. A late payment made will be regarded as a payment on account and may be offset against any debt of such debtor.

11.14.12 Polokwane Municipality reserves the right to pursue the debt incurred by the seller by lodging an interdict with a competent court prior to any transfer to obtain a court order ordering the sale in execution of a property.

11.14.12 Subject to section 118 (1) of the Systems Act the City manager has the right to offset any credit , or any amount due to a debtor, against any debit pertaining to that same debtor; or

(a) To transfer any debt to another account of the same debtor.

11.14.12 The City Manager has the right to transfer any property debt, incurred by a tenant, to any account of the registered owner, provided the registered owner was the owner of the property at the time the debt was incurred.

## **11.15 BUSINESS RESCUE**

31.1 In terms of Section 118 (3) of the Systems Act, an amount due for municipal service fees, surcharge on fees, property rates and other municipal taxes, levies and duties is a charge upon the property in connection with which the amount is owing and enjoys preference over any mortgage bond registered against the property. Accordingly

31.1.1 Where in terms of the Companies Act, 2008, a company is required to publish a notice in terms of subsection (3)(a) or (4)(b) of Section 129 relating, respectively to the adoption of a resolution to be placed under business rescue or the appointment of a business rescue practitioner, it must simultaneously give notice to the Municipality by registered post for the attention of Manager of Revenue.

## **11.16 DECEASED ESTATES**

11.15.1. The Executor or representative of a Deceased Estate shall be liable for payment of all debts on the property.

11.15.2. The purposes of liability for an account, including a consolidated account, the occupier or occupiers of a property which vests in a deceased estate where neither an executor nor representative has been appointed, will be regarded as the Deemed Owner. The municipality may request a deemed owner to sign a services agreement. Where there is more than one occupier on the property, every occupier will be jointly and severally liable for an account or consolidated account.

11.15.3. "Deemed Ownership" does not confer any rights on an occupier other than the liability to pay the accounts.

11.15.4. Failure by the executor to inform the Municipality that the property forms part of a deceased estate may result in the disconnection of services, until an executor or representative has been appointed.

11.15.5 Where a deceased estate is insolvent (liabilities exceed all assets) and a property is sold by the executor pursuant to section 34 of the Administration of Deceased Estates Act, 1965 (Act 66 of 1965), the Municipality enjoys preferent creditor status in terms of section 118 (1) of the MSA. Accordingly, no revenue clearance certificate will be issued until all amounts assessed for the prescribed 2 year period, have been paid. The balance of the debt will be dealt with as guided by the law on the administration of deceased estates.

## **11.17 IRRECOVERABLE DEBT**

11.16.1 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 R1 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

1. There is a danger of a contribution; or

2. 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

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.

## **11.18 ABANDONMENT OF CLAIMS**

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

11.17.2 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.

11.17.3 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.

## **12. SHORT TITLE**

This policy will be called Credit control and debt collection policy of Polokwane municipality

## **13. REVIEW OF POLICY**

This policy shall be implemented as at 1 July 2022 and shall be reviewed on an annual basis to ensure that it is in line with the municipality's strategic objectives and with legislation.



**POLOKWANE LOCAL MUNICIPALITY**

**DRAFT**

**TARIFF POLICY 2022/2023**

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## 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 differentiations do not amount up to unfair discrimination;

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



## 1. DEFINITIONS

In this tariff policy, unless the context otherwise indicates –

<b>“basic service”</b>	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;
<b>“break even”</b>	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;
<b>“capital contributions”</b>	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;
<b>“Commercial Unit/Erf”</b>	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.
<b>“community services”</b>	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;
<b>“consumer, customer, owner, occupier, account holder”</b>	means individuals and other legal entities against whom a tariff, fee, charge or other levy specific to identifiable services are levied. The levying of tariffs, fees, charges, etc depends on statutory clauses, approved tariffs in terms of by-law, contracts, agreements or tacit uses of services in certain circumstances. Such levies are payable on presentation of an invoice or monthly statement issued by the Municipal Manager. Payments are due by the date indicated for the transaction in an agreement, contract or on an invoice or monthly statement, as the case may be;
<b>“Council” or “municipal council”</b>	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 Municipality of Polokwane;
<b>“economic services”</b>	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;
<b>“lifeline”</b>	Available to pre-paid consumers whose connection is $\leq 30$ Amp 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;
<b>“fixed costs”</b>	means costs which do not vary with consumption or volume produced;
<b>“multi-purpose”</b>	In relation to a property, means the use of a property for more than one purpose;
<b>“Municipality”</b>	the institution that is responsible for the collection of funds and the provision of services to the customers of Polokwane;
<b>“Municipal Manager”</b>	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 respect of such a delegated power, function or duty;
<b>“resident”</b>	means a person who normally resides in the municipal area;
<b>“residential unit”</b>	Means a single residential erven, flats, townhouse and group development, retirement villages, guest houses, bed and breakfast and households related consumers that do not fall in one of the above household consumer categories;
<b>“the Act”</b>	means the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000);
<b>“total cost”</b>	means the sum of all fixed and variable costs associated with a service;
<b>“trading services”</b>	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;
<b>variable costs”</b>	means costs that vary with consumption or volume produced;
<b>“wet Industry”</b>	Defined as an industry using water as essential and fundamental input in the production process.

## **2. PURPOSE OF POLICY**

The Polokwane 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 Polokwane 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 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.
- 3.2. Tariffs for the four major services rendered by the Municipality, namely:
  - (a) electricity;
  - (b) water;
  - (c) sewer (waste water); and
  - (d) refuse removal (solid waste),shall, as far as possible, be calculated at a level which will recover all expenses associated with the rendering of these services.
- 3.3. During the annual budget processes, the Municipality shall, as far as circumstances reasonably permit, ensure that the tariffs levied in respect of the four major services generate operating surpluses.
- 3.4. Surpluses generated on major services will be determined during the approval of the annual operating budget.
- 3.5. Surpluses generated on major services shall be applied in relief of property rates.
- 3.6. 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.
- 3.7. Capital contributions to finance new developments and subdivisions will be required from all developers.

- 3.8. All users of municipal services, within a category of users, will be treated equitably.
- 3.9. The amount payable by consumers and/or owners will generally be in proportion to usage of the service.
- 3.10. 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.
- 3.11. 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.
- 3.12. 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.
- 3.13. Tariffs must reflect the total cost of services.
- 3.14. 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 making profits on trading services in order to subsidise property rates and general services.
  - (c) Service providers retain a fair rate of return on their investments.
- 3.15. Provision may be made in appropriate circumstances for surcharges on tariffs.
- 3.16. Efficient and effective use of resources may be encouraged by providing for penalties to prohibit or restrict exorbitant use.
- 3.17. 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.
- 3.18. Provisions may be made for the subsidisation of the indigent and the promotion of local economic development by creating costs votes in the service budgets and including the costs in tariff calculations.
- 3.19. VAT is excluded in all tariffs unless indicated.
- 3.20. This policy shall be binding on all tariffs other than those governed by legislation which supersedes the Act.

- 3.21. A property used for multiple purposes must, for purposes related to the services concerned and the categories of users will be calculated at the appropriate and applicable rate for each distinct use of the property.
- 3.22. In order to provide the Municipality with appropriate security for payment of amounts owing to it from time to time for services rendered, the Council shall impose a system of deposits payable by customers. The deposits shall be set with due regard to the potential financial risk associated with the amounts owing from time to time 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 users.

#### **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) municipality;
  - (g) consumers with whom special agreements were made;
  - (h) consumers in certain geographical areas;
  - (i) sport and recreation facilities
  - (j) private schools & educational institutions; and
  - (k) public benefit organisations and such like institutions.
- 4.2. Council may differentiate between different categories of users, debtors, service providers, services, service standards, geographical areas and other matters as long as the differentiation does not amount to of these tariffs be assigned to a category determined by the council for properties used for a purpose corresponding with the dominant use of the property if the Municipality cannot readily make an apportionment in 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, 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

## **6. PROPERTY RATES POLICY.**

The property rates will be levied in terms of the Municipal Property Rates Act and the cent amount in a rand will be levied in a tariff schedule as approved by Council.

## **7. INDIGENT RELIEF.**

- 7.1. 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.
- 7.2. All such relief will be reflected, accounted for and disclosed separately in invoices, account statements, budgets, financial statements or reports.
- 7.3. During implementation of such policy, recognition will be taken that the existing tariffs and procedures may require amendment to accommodate the above clauses and that such amendments will be phased in over time.
- 7.4. Indigent households are expected to manage their consumption of services within the levels of relief granted.
- 7.5. 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.

## **8. SERVICE, EXPENDITURE CLASSIFICATION AND COST ELEMENTS**

### **8.1. Service classification**

- 8.1.1. 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.

- 8.1.2. 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.

### **8.2. Expenditure classification**

Expenditure will be classified in accordance with GRAP.

### 8.3. **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.

### 9. **TARIFF TYPES.**

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

#### 9.1. **“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.

#### 9.2. **“Cost related two to four-part tariff”:-**

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.

#### 9.3. **“Inclining block tariff”:-**

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

#### 9.4. **“Declining block tariff”:-**

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

#### 9.5. **“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.

- 10.6. **“Cost plus mark-up tariff”:** -  
This tariff is for other services rendered.

## **10. CALCULATION OF TARIFFS FOR MAJOR SERVICES.**

### **10.1. General**

In order to determine the tariffs which must be charged for the supply of the four major 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: -

- 10.1.1. Cost of bulk purchases in the case of electricity and water.
- 10.1.2. Distribution costs, including distribution losses in the case of electricity and water.
- 10.1.3. Depreciation and finance charges.
- 10.1.4. Maintenance of infrastructure and other assets.
- 10.1.5. 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.
- 10.1.6. The intended surplus to be generated for the financial year shall be applied generally in relief of rates and general services.
- 10.1.7. Where a consumer has an option to choose between different tariffs on a service such option must be executed before the 30 of September to be implemented for the specific financial year.

### **10.2. ELECTRICITY.**

- 10.2.1. The guidelines and policy issued by the National Energy Regulator from time to time will form the basis of calculating tariffs.
- 10.2.2. The Municipality has standardized on the use 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 Meters will therefore be disallowed unless special health circumstances exist, in which extreme case a credit meter will be installed by special concession from the Director of Energy Services and by payment of the required change of meter fees as well as the required deposit.



- 10.2.3. 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.
- 10.2.4. The fixed costs, or portions thereof, will be recovered through an energy or time-of-use charge.
- 10.2.5. 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.
- 10.2.6. To apply the abovementioned principles, the consumer types and cost allocations reflected in the following table will be used: -

<b>CATEGORY OF CONSUMER</b>	<b>TARIFF COMPONENTS</b>				
	<b>Basic/Demand/. Service Charge (Rand/consumer/ month)</b>	<b>Active Energy Charge (cent/ kWh/ month)</b>	<b>Seasonally Time-of-use Energy Charge Peak / Standard /Off-peak (sent/kWh/month)</b>	<b>Level of consumption</b>	<b>Capacity Charge (Rand/KVA/ month)</b>
<b>Single Phase:</b> (Domestic Prepaid /Conventional meters)	X	X		<b>IBT BLOCK</b> 1) 0 - 50 kWh 2) 51 – 350 kWh 3) 351-600 kWh 4) > 600kWh	
<b>Single Phase:</b> (Domestic Pre- paid meters)	X	X		<b>IBT BLOCK</b> 1) 0 - 50 kWh 2) 51 – 350 kWh 3) 351-600 kWh 4) > 600kWh	
<b>Single Phase:</b> (Commercial)	X	X		Flat rate	
<b>Single Phase:</b> (Commercial Pre –Paid meter )	X	X		Flat rate	
<b>Three Phase:</b> (Domestic Pre- paid meter) ≤ 100A	X	X		<b>IBT BLOCK</b> 1) 0 - 50 kWh 2) 51 – 350 kWh 3) 351-600 kWh 4) > 600kWh	
<b>Three Phase:</b> (Commercial conventional and prepaid meter) ≤ 100A	X	X		Flat rate	
<b>Three Phase:</b>	X	X		Flat rate	



(Commercial Pre-Paid meter) ≤100A					
<b>Bulk:</b>					
> 100 A	<b>X</b>	<b>X</b>		Flat rate	<b>X</b>
Time of Use based on Ruraflex Munic for LV or HV			<b>X</b>	Flat rate	<b>X</b>
<b>Departmental (Municipality)</b>		<b>X</b>			

- (a) 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 determined by Council from time to time.
- (b) Where a property or unit is not connected to the electricity reticulation system, but can reasonably be so connected, an availability tariff will be payable.

10.2.7.A fixed basic charge for electricity will be levied on a monthly basis on all properties and units.

10.2.8 Where consumers within an approved township establishment are not connected to the electricity services, but can reasonably be so connected, an availability tariff will be payable.

### 10.3. **WATER.**

10.3.1 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.

10.3.2. The first 6kl of water consumption per month shall be supplied pro rata free of charge to all indigent water consumers.

10.3.3 Because water is a scarce national resource, and this Municipality is committed to the prudent conservation of such resources, the tariff levied for domestic consumption of water shall escalate according to the volume of water consumed.

10.3.4. 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)
DOMESTIC SUPPLY		<b>X</b>	0 – 5 KL 6 -15 KL 16 – 30 KL 31 -50 KL 51-100 KL >100 KL
NON-DOMESTIC SUPPLY	<b>X</b>	<b>X</b>	0 – 30 KL 31 -50 KL 51-100 KL

			>100 KL
CATEGORY OF CONSUMER	BASIC FIXED CHARGE (RAND/METER/MONTH)	UNIT CHARGE PER KL	LEVEL OF CONSUMPTION (RAND)
INDUSTRIAL SUPPLY	X	X	0 – 30 KL 31 – 50 KL 51-100 KL 101-20 000 KL >20 000 KL
SILIKON SMELTERS	X	X	0 – 20 000 KL > 20 000 KL
PUBLIC WORKS	X	X	Flat Rate
DALMADA WATER CORPORATION & BROADLANDS	X	X	Flat Rate
SCHOOLS & HOSTELS	X	X	Flat Rate
POTGIETERSRUS PLATINUM LTD	X	X	Flat Rate
LEZMIN 3535	X	X	Flat Rate
Departmental (Municipality)		X	Flat Rate

10.3.5. After accounting for free water and basic charges, the cost of water in the first step will be calculated at break even.

10.3.6. 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 certain water consumers.

10.3.7. Where consumers within an approved township establishment are not connected to the water services, but can reasonably be so connected, an availability tariff will be payable.

#### 10.4. **REFUSE REMOVAL.**

10.4.1. A 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.

10.4.2. An availability charge per month will be levied on all erven or units within an approved township establishment where no building plan has been approved.

10.4.3. The fixed basic charge will be based on surface area of the erf or the floor area of the building or per skip container

<b><u>CATEGORY OF CONSUMER</u></b>	<b><u>CHARGE BASED O SURFACE AREA OF STAND, ERF OR PREMISES</u></b>	<b><u>CHARGE BASED ON FLOOR AREA OF BUILDING</u></b>	<b><u>LEVEL OF CHARGE (RAND MONTH)</u></b>
<p>1.Dwelling houses, churches and church halls which are used for that purpose and</p> <p>2.Improved premises used exclusively by and registered in the name of the Boy Scouts, Girl Guides, Voortrekkers or a similar organisation-per unit and</p> <p>3.Fats</p>	<b>X</b>		<p>(a) On an erf with a surface area not exceeding 500m<sup>2</sup></p> <p>(b) All erven with a surface area in excess of 500m<sup>2</sup></p> <p>(i) For the first 500m<sup>2</sup> of the surface area of the erf</p> <p>(ii) Thereafter, for the following 500m<sup>2</sup> or part thereof, of the surface area of the erf</p> <p>(iii) Thereafter, per 500m<sup>2</sup> or part thereof, of the surface area of the erf</p> <p>(iv) Maximum charge (11 000m<sup>2</sup>)</p>
State supported schools, technicons, colleges and universities and related amenities			Flat Rate per 1m <sup>3</sup> container

<p>1.Hostels and related amenities for educating institutions and or</p> <p>2.Old age homes as well as youth centres/homes whereof the body corporate is registered as a welfare organisation in terms of applicable National Welfare Acts and or</p> <p>3.Homes, crèches or other similar amenities mainly used for the fulltime caring and/or education of the aged, crippled and intellectually/mentally handicapped and whereof the body corporate is registered as a welfare organisation in terms of the applicable National Welfare Acts:</p>		<b>X</b>	Per 300m <sup>2</sup> or part thereof, of the total floor area of the building
<p>1.Hotels licensed in terms of the Liquor Act, as amended and</p> <p>2.Non-residential buildings and sectional titles on industrially/commercially zoned stands and</p> <p>3.Any other building:</p>		<b>X</b>	<p>(i) Up to and including 300m<sup>2</sup> or part thereof, of the total floor area</p> <p>(ii) Thereafter, per 100m<sup>2</sup> or part thereof, of the total floor area of the building</p> <p>(iii) Maximum charges are applicable</p>
<b>Other Services</b>			
For the removal of domestic refuse where a mass container is specifically supplied for use by a specific premises			Flat Rate per mass container per removal

<u>CATEGORY OF CONSUMER</u>	<u>CHARGE BASED ON SURFACE AREA OF STAND, ERF OR PREMISES</u>	<u>CHARGE BASED ON FLOOR AREA OF BUILDING</u>	<u>LEVEL OF CHARGE (RAND MONTH)</u>
For the removal of garden refuse other than placed in plastic bags, per removal			Flat Rate per removal
For the removal of non-perishable refuse, excluding garden refuse			Estimated cost + 10%
Occasional Services:			Flat Rate per removal
Weltevreden Landfill Site Weighbridge.			Flat Rate per ton or part thereof.
Carcass removal and disposal thereof			Flat Rate per removal category

## **10.5. SEWERAGE.**

### **10.5.1 APPLICATION FEES.**

The Engineer shall determine application fees in terms of the provisions of section 2(1) of the By Laws.

The assessment of the charges shall be based upon the total square area of the building, addition or alteration to an existing building. The charges are incorporated in the building plan fees and shall be payable in advance when the building plans are submitted. In case of any dispute arising in respect of the assessment of the application fees, the matter shall be subject to the right of appeal as determined in Section 3 of the By Laws.

### **10.5.2.CHARGES.**

The owner of any erf or piece of land, with or without improvements, which is, or in the opinion of the Council can be, connected to the sewer, shall monthly pay to the Council, in terms of the provisions of Section 5 of the By-Laws the following charges:

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

<u>CATEGORY OF CONSUMER</u>	<u>CHARGE BASED ON SURFACE AREA OF STAND, ERF OR PREMISES</u>	<u>CHARGE BASED ON FLOOR AREA OF BUILDING</u>	<u>LEVEL OF CHARGE</u>
<b>1. Availability charges</b>			
(i) Improved residential erven with a surface area not exceeding 500m <sup>2</sup>			No Charge
<b>2. All other erven</b>	X		<p>(i) For the first 500m<sup>2</sup> or part thereof, of surface area of the erf:</p> <p>(ii) Thereafter, per 500m<sup>2</sup> or part thereof, up to 2 000m<sup>2</sup> of the surface area of the erf:</p> <p>(iii) Thereafter, per 1 000m<sup>2</sup> or part thereof, of the surface area of the erf:</p> <p>(iv) Additional charge per unimproved erf:</p> <p>(v) Maximum charge (887 000m<sup>2</sup>):</p>
<b>3. Additional charges</b>			

1.Dwelling-houses, churches, church halls as well as buildings used exclusively by and registered in the name of the Boy Scouts, Girl Guides, Voortrekkers or similar organisation.			<p>(i) For the first dwelling-house, church, church hall or other building mentioned in 2(1) above erected on any erf or piece of land, per building</p> <p>(ii) For the second or subsequent dwelling-house, church, church hall or other building mentioned in 2(1) above, per building</p>
<b>2. Flats – per flat</b>			Flat Rate
3. State supported schools, technicons, colleges, universities and related amenities, excluding hostels per 35 personnel and pupils or part thereof:			Rate Per 35 personnel and pupils or part thereof
<p>4. Amenities for lodging which include:</p> <p>(i) Hostels and related amenities for educational institutions.</p> <p>(ii) Old age homes as well as youth centres/homes whereof the body corporate is registered as a welfare organisation in terms of the applicable National Welfare Acts -</p>			Rate Per 12 residents, personnel and pupils/students, or part thereof

(iii)	Homes, crèches or other similar amenities mainly used for the full time care and/or education of the aged, crippled, mentally/intellectually handicapped where the body corporate is registered as a welfare organisation in terms of the applicable National Welfare Acts -			Rate Per 8 residents and personnel or part thereof
(iv)	Hotels licensed in terms of the Liquor Act, as amended:		X	For each 100m <sup>2</sup> or part thereof of the total floor area on each storey, including the basement and outbuildings available for hotel purposes
5.	Non-residential buildings on industrially/commercially zoned stands:			<p>(i) For each bath (plunge bath and shower bath included) water closet, urinal pan or compartment, slop hopper, washing trough</p> <p>(ii) For each trough or channel used for, or destined to be used for urinal or water closet purposes, for each 650mm or part thereof.</p>



			<p>For each grease trap:</p> <p>(i) Not in excess of 150mm in diameter</p> <p>(ii) In excess of 150mm up to and including 200mm in diameter</p> <p>(iii) In excess of 200mm up to and including 300mm in diameter</p> <p>(iv) In excess of 300mm in diameter</p>
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6. Any other building or improvement:			<p>(i) For each bath (plunge and shower bath included) water closet, urinal pan or compartment, or slop hopper, or washing trough</p> <p>(ii) For each trough or channel used for or destined to be used for urinal or water closet purposes, for each 650mm or part thereof</p> <p>(iii) For each grease trap:</p> <p>(i) Not in excess of 150mm in diameter</p> <p>(ii) In excess of 150mm up to and including 200mm in diameter</p> <p>(iii) In excess of 200mm up to and including 300mm in diameter</p> <p>(iv) In excess of 300mm in diameter</p>
<b>4.CONSERVANCY TANKS</b>			
Erven that cannot be connected to the main sewer and where a			Flat rate per month

conservancy tank is installed:			
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Charges for Industrial Effluent and for Chemical and Bacteriological Analysis will be calculated according to a formula which will be indicated in the Tariff of Charges on an annual basis.

## 10.6. **MINOR TARIFFS.**

10.6.1. All minor tariffs shall be standardised within the municipal region.

10.6.2. 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.

10.6.3. **Minor tariffs may include but are not limited to the following:-**

<b>A</b>	Administration	<ul style="list-style-type: none"> <li>▪ Access to information</li> <li>▪ Administration Costs</li> <li>▪ Advertisements</li> <li>▪ Bank cost on foreign accounts</li> <li>▪ Deposit Consultation</li> <li>▪ Duplicate Accounts</li> <li>▪ Facsimiles</li> <li>▪ Interest on Arrear Accounts</li> <li>▪ Interest on Arrear Accounts</li> </ul>	<ul style="list-style-type: none"> <li>▪ Management consultation</li> <li>▪ Photocopies</li> <li>▪ Placard / Poster Costs</li> <li>▪ Section 62 Appeals</li> <li>▪ Tender Objections</li> <li>▪ Tender Participation Costs</li> <li>▪ Top Management Consultation</li> <li>▪ Trace of Direct Deposits</li> </ul>
<b>B</b>	Building Control	<ul style="list-style-type: none"> <li>▪ Administration storage fee</li> <li>▪ Alterations</li> <li>▪ Building Plans</li> <li>▪ Contravention Levy</li> <li>▪ Demolition Fees</li> <li>▪ Deposits</li> <li>▪ Encroachments</li> <li>▪ Heritage Investigations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Inspection Fees</li> <li>▪ Land Use Planning</li> <li>▪ Photocopies of Building Plans</li> <li>▪ Plan Printing Fees</li> <li>▪ Plan Scrutiny Fees</li> <li>▪ Re-inspection fees</li> <li>▪ Searching Fees</li> </ul>
<b>C</b>	Cemeteries	<ul style="list-style-type: none"> <li>▪ Garden of Remembrance</li> <li>▪ Grave-sites</li> </ul>	<ul style="list-style-type: none"> <li>▪ Indication of grave</li> </ul>
<b>D</b>	Commercial Filming/Photographing	<ul style="list-style-type: none"> <li>▪ Permits</li> </ul>	
<b>E</b>	Credit Control & Debt Collecting	<ul style="list-style-type: none"> <li>▪ Administration fee</li> <li>▪ Notices</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sheriff fee</li> <li>▪ Tracing fee</li> </ul>
<b>F</b>	Dog Tax	<ul style="list-style-type: none"> <li>▪ Licenses</li> </ul>	
<b>G</b>	Electricity	<ul style="list-style-type: none"> <li>▪ Builders connection</li> <li>▪ Bulk Service Development Fees</li> <li>▪ Call-out fee</li> <li>▪ Cancellation Fee</li> <li>▪ Capital Contributions</li> <li>▪ Certificates</li> <li>▪ Change from Bulk to Time of use</li> <li>▪ Change of Circuit Breaker</li> <li>▪ Commission of Bulk Meter</li> </ul>	<ul style="list-style-type: none"> <li>▪ Meter Verification</li> <li>▪ MV Switching</li> <li>▪ New Service Connections</li> <li>▪ Reconnection</li> <li>▪ Remedial Action Fee</li> <li>▪ Removal of meter</li> <li>▪ Rental of Equipment</li> <li>▪ Repair of Cables or Additional Joints</li> </ul>

		<ul style="list-style-type: none"> <li>▪ Connection and Disconnection of Service</li> <li>▪ Consumer Deposits</li> <li>▪ Contractor Inspection</li> <li>▪ Conversion of meters</li> <li>▪ Credit Control and Debt Collection</li> <li>▪ Damaged meter</li> <li>▪ Disconnection</li> <li>▪ Extension Fee</li> <li>▪ Fee recalculation – no access</li> <li>▪ Meter Testing</li> </ul>	<ul style="list-style-type: none"> <li>▪ Repositioning of Meter</li> <li>▪ Service Connections</li> <li>▪ Special Meter Readings</li> <li>▪ Still-off inspections</li> <li>▪ Street Lighting</li> <li>▪ Sundry Services</li> <li>▪ Tariff change</li> <li>▪ Unsafe/illegal leads per visit</li> <li>▪ Upgrading extension Fee</li> <li>▪ Verification of meter reading</li> <li>▪ Way leave</li> <li>▪ Wheeling</li> </ul>
H	Fire Services & Disaster Management	<ul style="list-style-type: none"> <li>▪ Plot Clearing</li> </ul>	<ul style="list-style-type: none"> <li>▪ Re-inspection Fee under the Bylaw</li> </ul>
I	Housing	<ul style="list-style-type: none"> <li>▪ Administration</li> </ul>	<ul style="list-style-type: none"> <li>▪ Rental</li> </ul>
J	Law Enforcement	<ul style="list-style-type: none"> <li>▪ Business Licenses</li> <li>▪ Bylaw on outdoor advertising</li> <li>▪ Impoundment of Hawkers goods</li> </ul>	<ul style="list-style-type: none"> <li>▪ Inspection Fees</li> <li>▪ Pound fee Dogs and Cats</li> <li>▪ Pound fee other animals</li> </ul>
K	Libraries	<ul style="list-style-type: none"> <li>▪ Deposits</li> <li>▪ Facsimiles</li> <li>▪ Photocopies</li> <li>▪ Scanning</li> <li>▪ Internet Usage</li> <li>▪ Lost Cards</li> </ul>	<ul style="list-style-type: none"> <li>▪ Penalty for Late Return</li> <li>▪ Rental of Library Amenities</li> <li>▪ Reservations</li> <li>▪ Special Requests</li> <li>▪ Subscription</li> <li>▪ Visitors Fee</li> </ul>
L	Municipal Buildings	<ul style="list-style-type: none"> <li>▪ Deposits</li> <li>▪ Rental of Amenities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Rental of Equipment</li> </ul>
M	Operational Cost	<ul style="list-style-type: none"> <li>▪ Street Signage</li> </ul>	<ul style="list-style-type: none"> <li>▪</li> </ul>
		<ul style="list-style-type: none"> <li>▪</li> </ul>	<ul style="list-style-type: none"> <li>▪</li> </ul>
O	Property Administration	<ul style="list-style-type: none"> <li>▪ Application lease/purchase</li> <li>▪ Encroachment Fee</li> </ul>	<ul style="list-style-type: none"> <li>▪ Memorial Benches</li> <li>▪ Radio Mask</li> </ul>
P	Public Works	<ul style="list-style-type: none"> <li>▪ Felling and Pruning of Trees</li> <li>▪ Private Work</li> <li>▪ Sale of Miscellaneous Items</li> <li>▪ Storm Water Drainage</li> </ul>	<ul style="list-style-type: none"> <li>▪ Street Signage</li> <li>▪ Tar and Patch Work</li> <li>▪ Vehicle Entrances</li> </ul>
Q	Recreational Amenities	<ul style="list-style-type: none"> <li>▪ Boat Launching</li> <li>▪ Boat License/Permits</li> <li>▪ Caravan Parks</li> <li>▪ Community Halls</li> <li>▪ Deposit</li> <li>▪ Hawker Stalls Lagoons</li> <li>▪ Lagoons</li> </ul>	<ul style="list-style-type: none"> <li>▪ Office Rental</li> <li>▪ Open Spaces</li> <li>▪ Public Open Space</li> <li>▪ Schuss Houses</li> <li>▪ Spaces for Sport</li> <li>▪ Sport Events</li> <li>▪ Swimming pool</li> </ul>
R	Roads	Capital Contributions	<ul style="list-style-type: none"> <li>▪ Bulk Service Development Fee</li> </ul>
S	Refuse Removal	<ul style="list-style-type: none"> <li>▪ Capital Contributions</li> <li>▪ Deposits</li> <li>▪ Mass Containers</li> </ul>	<ul style="list-style-type: none"> <li>▪ Refuse Bins</li> <li>▪ Rental of Bulk Containers</li> <li>▪ Replacement of Bulk Containers</li> <li>▪ Self Dumping</li> </ul>
T	Sewage	<ul style="list-style-type: none"> <li>▪ Bulk Service Development Fee</li> <li>▪ Capital Contributions</li> <li>▪ Connection of tanks</li> <li>▪ Disposal</li> </ul>	<ul style="list-style-type: none"> <li>▪ Service Connections</li> <li>▪ Tank Services</li> <li>▪ Testing of tanks</li> </ul>
U	Stony Point	<ul style="list-style-type: none"> <li>▪ Annual Permit</li> </ul>	<ul style="list-style-type: none"> <li>▪ Visitors</li> </ul>
V	Swimming Pool	<ul style="list-style-type: none"> <li>▪ Entrance Fee</li> <li>▪ Galas</li> </ul>	<ul style="list-style-type: none"> <li>▪ Training session</li> </ul>
W	Town Planning	<ul style="list-style-type: none"> <li>▪ Advertising Cost</li> <li>▪ Application Fee</li> </ul>	<ul style="list-style-type: none"> <li>▪ Registered Letter</li> <li>▪ Removal of Title Deed</li> </ul>

		<ul style="list-style-type: none"> <li>▪ Contravention Levy</li> <li>▪ Departure Fee</li> <li>▪ Extension of Time</li> <li>▪ Land use planning Fee</li> </ul>	<ul style="list-style-type: none"> <li>▪ Restrictions</li> <li>▪ Spatial Development Framework</li> <li>▪ Sub-division</li> <li>▪ Zoning Fee</li> </ul>
<b>X</b>	Traffic	<ul style="list-style-type: none"> <li>▪ Deposits</li> <li>▪ Disabled Parking Tokens</li> <li>▪ Driver's Licenses</li> <li>▪ Escorting and Other Services</li> <li>▪ Learner's Licenses</li> <li>▪ Parking Meters</li> <li>▪ Professional Driver's Permits</li> </ul>	<ul style="list-style-type: none"> <li>▪ Removal of Vehicles</li> <li>▪ Roadworthy Certificates</li> <li>▪ Storage Fees</li> <li>▪ Taxi Rank Tokens</li> <li>▪ Towing Charge</li> <li>▪ Vehicle Registration</li> <li>▪ Wheel clamping fee</li> </ul>
<b>y</b>	Valuation	<ul style="list-style-type: none"> <li>▪ Access to Information</li> <li>▪ Clearance Certificates</li> <li>▪ Deeds Office Registrations</li> <li>▪ Impact studies</li> </ul>	<ul style="list-style-type: none"> <li>▪ Revaluation</li> <li>▪ Valuation Certificates</li> <li>▪ Valuation Roll</li> <li>▪ Voters' Roll</li> </ul>
<b>Z</b>	Water	<ul style="list-style-type: none"> <li>▪ Bulk Service Development</li> <li>▪ Call-out Fee</li> <li>▪ Capital Contributions</li> <li>▪ Connection &amp; Disconnection</li> <li>▪ Consumer Deposits</li> <li>▪ Convert to flow restrictor meter</li> <li>▪ Credit Control and Debt</li> <li>▪ Collection</li> <li>▪ Damaged Water Meter</li> <li>▪ Fee recalculation – no access</li> <li>▪ Final meter reading</li> <li>▪ Irrigation Water</li> <li>▪ Meter Testing</li> <li>▪ Meter verification</li> </ul>	<ul style="list-style-type: none"> <li>▪ New Service Connections</li> <li>▪ Registration of borehole</li> <li>▪ Remedial Action Fee</li> <li>▪ Rental of Equipment</li> <li>▪ Repair of meter</li> <li>▪ Repositioning of meter</li> <li>▪ Service Connections</li> <li>▪ Special Meter Readings</li> <li>▪ Still-off" inspections</li> <li>▪ Sundry Services</li> <li>▪ Temporary connections</li> <li>▪ Verification of meter reading</li> </ul>

10.6.5. 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.

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

- 11.1. 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.
- 11.2. 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.
- 11.3. 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.
- 11.4. All tariffs approved must have been considered at the annual budget meeting.

## **12. IMPLEMENTING AND PHASING-IN OF THE POLICY.**

- 12.1. 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 adjusted by the Council from time to time and the Tariff By-laws referred to in section 75 of the Act.
- 12.2. The Council may determine conditions applicable to community service of a regulators nature. These conditions will be reflected in the standing orders of the Council.

## **13. PROCEDURES AND ACCOUNTABILITY.**

- 13.1. 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 for implementation. These procedures will include aspects in this Policy and subscribe to sound principles of internal control.
- 13.2. 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.

## **14. SHORT TITLE.**

This Policy shall be called the **Tariff Policy of the Polokwane Municipality.**

## **15. REVIEW OF POLICY**

This policy shall be implemented as at 1 July 2022 and shall be reviewed on an annual basis to ensure that it is in line with the municipality's strategic objectives and with legislation.





**DRAFT**

**PROPERTY RATES POLICY**

**2022/2023**



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## **PREAMBLE**

**WHEREAS** section 229 of the Constitution of the Republic of South Africa empowers municipalities to levy property rates, subject to national legislation;

**AND WHEREAS** section 2 of the Local Government: Municipal Property Rates Act No. 6 of 2004 is the national legislation that empowers a municipality to levy a rate on property in its area;

**AND WHEREAS** in terms of section 3(1) of the Local Government: Municipal Property Rates Act No. 6 of 2004 the council of a municipality must adopt a rates policy consistent with the Act on the levying of rates on rateable property in the municipality;

**AND WHEREAS** section 3(2) of the Local Government: Municipal Property Rates Act No. 6 of 2004 prescribes what issues are to be addressed in the rates policy;

**AND WHEREAS** any exemptions, rebates or reductions provided for in the Rates Policy must, in terms of section 3(5) of the Local Government: Municipal Property Rates Act No. 6 of 2004, comply and be implemented in accordance with a prescribed national framework;

**NOW THEREFORE** the Council of the Polokwane Municipality has adopted the Policy as set out hereunder: -

## 1. DEFINITIONS

For the purpose of this Policy any word or expression to which a meaning has been assigned in the Act, shall bear that same meaning in this Policy, and unless the context indicates otherwise:

<b>“Act”</b>	means the Local Government: Municipal Property Rates Act, No. 6 of 2004 (Act No. 6 of 2004) as amended;
<b>“Agricultural property”</b>	means a property that is used primarily for agricultural purposes but, without derogating from section 9, excludes any portion thereof that is used commercially for the hospitality of guests, and excludes the use of a property for the purpose of eco-tourism or for the trading in or hunting of game includes the remainder of town. Farm properties and agricultural holdings smaller than 5 hectare may be categorised as residential.
<b>“Annually”</b>	means once every financial year;
<b>“Bona fide farmer”</b>	means a farmer who is carrying on farming operations where his/her actions as well as his/her intentions are genuine intentions to develop land as a farming proposition.
<b>“Business and commercial”</b>	means the activity of trade in goods or services and includes any office or other accommodation on the same erf, the use of which is incidental to such business, with the exclusion of the business of mining, agriculture, farming, or inter alia, any other business consisting of cultivation of soils, the gathering in of crops or the rearing of livestock or consisting of the propagation and harvesting of fish or other aquatic organisms.
<b>“Category”</b>	(a) in relation to property, means a category of properties determined in terms of Section 5 of this policy; and (b) In relation to owners of properties, means a category of owners determined in terms of Section 6 of this policy.
<b>“Child-headed household”</b>	means a household where the main caregiver of the said household is younger than 18 years of age. Child-headed household means a household headed by a child as defined in the section 28(3) of the Constitution.
<b>“Exemption”</b>	in relation to the payment of a rate, means an exemption granted by a Municipality in terms of Section 15 of the Act;
<b>“Illegal use”</b>	means a use that is inconsistent with or in contravention with the permitted use of the property.
<b>“Industrial”</b>	means a branch of trade or manufacturing, production assembling or processing of finished or partially finished products from raw materials or

	fabricated part, on so large scale that capital and labour are significantly involved. This may include grain silos, factories and any office or other accommodation on the same property, the use of which is incidental to the use of such property.
<b><i>“Indigent”</i></b>	means an indigent person referred to in the Indigent Support Policy of the Polokwane Municipal Council
<b><i>“Multiple purposes”</i></b>	in relation to a property, means the use of a property for more than one purpose, subject to section 9.
<b><i>“Municipal properties”</i></b>	means those properties of which the municipality is the registered owner.
<b><i>“Mining”</i></b>	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; as defined in the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002);
<b><i>“Owner”</i></b>	<p>(a) in relation to a property referred to in paragraph (a) of the definition of <i>“property”</i>, means a person in whose name ownership of the property is registered;</p> <p>(b) in relation to a right to in paragraph (b) of the definition of <i>“property”</i>, means a person in whose name the right is registered;</p> <p>(bA) in relation to a time sharing interest contemplated in the Property Time-sharing Control Act, 1983 (Act No. 75 of 1983), means the management association contemplated in the regulations made in terms of section 12 of the Property Time-sharing Control Act, 1983, and published in Government Notice R327 of 24 February 1984;</p> <p>(bB) <i>in relation to a share block company</i>, the share block company as defined in the Share Block Control Act, 1980 (Act No. 59 of 1980);</p> <p>(bC) in relation to buildings, other immovable structures and infrastructure referred to in section 17(1)(f), means the holder of the mining right or the mining permit;</p> <p>(c) in relation to a land tenure right referred to in paragraph (c) of the definition of <i>“property”</i>, means a person in whose name the right is registered or to whom it was granted in terms of legislation; or</p> <p>(d) in relation to public service infrastructure referred to in</p>

	<p>paragraph (d) of the definition of “<i>property</i>”, means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of “<i>publicly controlled</i>”:</p> <p>Provided that a person mentioned below may for the purposes of this Act be regarded by a municipality as the owner of a property in the following cases:</p> <ul style="list-style-type: none"> <li>(i) a trustee, in the case of a property in a trust excluding state trust land;</li> <li>(ii) an executor or administrator, in the case of a property in a deceased estate;</li> <li>(iii) a trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;</li> <li>(iv) a judicial manager, in the case of a property in the estate of a person under judicial management;</li> <li>(v) a curator, in the case of a property in the estate of a person under curatorship;</li> <li>(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;</li> <li>(vii) a lessee, in the case of a property that is registered in the name of a municipality and is leased by it;</li> <li>(viiA) a lessee, in the case of property to which a land tenure right applies and which is leased by the holder of such right; or</li> <li>(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;</li> </ul>
<b>“Permitted Use”</b>	<p>Means the limited purposes for which the property may be used in terms of:</p> <ul style="list-style-type: none"> <li>(a) any restrictions imposed by - <ul style="list-style-type: none"> <li>I. A condition of title.</li> <li>II. A provision of the Polokwane applicable Town Planning or land use scheme as amended from time to time.</li> <li>III. Any legislation applicable to any specific property or properties.</li> </ul> </li> <li>(b) any alleviation of any such restrictions;</li> </ul>
<b>“person”</b>	includes an organ of state;

<b>“Pensioner”</b>	refers to a person who is at least 60 years of age and is in receipt of a total monthly income from all sources (including the income of the spouse of the owner) not exceeding an amount to be determined by the Council;
<b>“Primary Property”</b>	means the primary residential property where a person has his or her permanent principal home to which he or she returns or intends to return.
<b>“Property”</b>	means: <ul style="list-style-type: none"> <li>(a) immovable property registered in the name of a person, including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person;</li> <li>(b) a right registered against immovable property in the name of a person, excluding a mortgage bond registered against the property;</li> <li>(c) a land tenure right registered in the name of a person or granted to a person in terms of legislation; or</li> <li>(d) public service infrastructure</li> </ul>
<b>“Public benefit organisation”</b>	means property owned by public benefit organisations and used for any specific public benefit activity listed in item 1 (welfare and humanitarian), item 2 (health care), and item 3 (education and development) of part 1 of the Income Tax Act
<b>“Private open space”</b>	means land that is owned and used for practising of sport, play- or leisure facilities or used as a botanical garden, private park, cemetery or nature area or roads.
<b>“Publicly controlled”</b>	means owned by or otherwise under the control of an organ of state, including: <ul style="list-style-type: none"> <li>(a) a public entity listed in the Public Finance Management Act 1999 (Act No 1 of 1999);</li> <li>(b) a municipality; or</li> <li>(c) a municipal entity as defined in the Municipal Systems Act 32 of 2000</li> </ul>
<b>“Public service infrastructure”</b>	means publicly controlled infrastructure of the following kinds: <ul style="list-style-type: none"> <li>(a) national, provincial or other public roads on which goods, services or labour move across a municipal boundary;</li> <li>(b) water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public;</li> </ul>

	<ul style="list-style-type: none"> <li>(c) power stations, power substations or power lines forming part of an electricity scheme serving the public;</li> <li>(d) gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;</li> <li>(e) railway lines forming part of a national railway system;</li> <li>(f) communication towers, masts, exchanges or lines forming part of a communications system serving the public;</li> <li>(g) runways aprons and the air traffic control unit at national or provincial airports; including the vacant land know as the obstacle free zone surrounding these, which must be vacant for the air navigation purposes;</li> <li>(h) breakwaters, sea wall, channels, basins, quay walls, jetties, roads, railway or infrastructure used for the provision of water, lights, power, sewerage or similar services of ports, or navigational aids comprising of lighthouses, radio navigational aids, buoys, beacons or any other device or system used to assist the safe and efficient navigation of vessels;</li> <li>(i) any other public controlled infrastructure as may be prescribed; or</li> <li>(j) a right registered against immovable property in connection with infrastructure mentioned in paragraphs (a) to (i);</li> </ul>
<b>“public service purposes”,</b>	<p>in relation to the use of a property, means property owned and used by an organ of state as-</p> <ul style="list-style-type: none"> <li>(a) Hospitals and clinics;</li> <li>(b) schools, pre-schools, early childhood development centres or further education and training colleges;</li> <li>(c) national and provincial libraries and archives;</li> <li>(d) police stations;</li> <li>(e) correctional facilities; or</li> <li>(f) courts of law,</li> </ul> <p>but excludes property contemplated in the definition of "public service infrastructure";</p>
<b>“Place of Worship”</b>	<p>means property used primarily for the purposes of congregation, excluding a structure that is primarily used for educational instruction in which secular or religious education is the primary instructive medium: Provided that the property is: -</p> <ul style="list-style-type: none"> <li>(a) registered in the name of a religious community;</li> <li>(b) registered in the name of a trust established for the sole benefit of a religious community; or</li> <li>(c) subject to land tenure right</li> </ul>
<b>“Rate”</b>	<p>means a municipal rate on property envisaged in Section 229(1)(a) of the Constitution;</p>

<b><i>“Rateable property”</i></b>	means property on which a municipality may in terms of Section 2 of the Act levy a rate, excluding property fully excluded from the levying of rates in terms of Section 17 of the Act;
<b><i>“Ratio”</i></b>	in relation to section 19, means the relationship between the cent amount in the rand applicable to residential properties and different categories of non-residential properties: Provided that the two relevant cent amounts in the Rand are inclusive of any relief measures that amount to rebates of general application to all properties within a property category;
<b><i>“Rebate”</i></b>	in relation to a rate payable on a property, means a discount granted in terms of Section 15 of the Act on the amount of the rate payable on the property;
<b><i>“Reduction”</i></b>	in relation to a rate payable on a property, means the lowering in terms of Section 15 of the Act of the amount for which the property was valued and the rating of the property at that lower amount;
<b><i>“Residential property”</i></b>	means a property included in a valuation roll in terms of section 48(2)(b) as residential in respect of which the primary use or permitted use is for residential purposes without derogating from section 9;
<b><i>State owned properties”</i></b>	refers to property used or owned by the State other than public service purposes properties.



## **2. BACKGROUND**

### **2.1 INTRODUCTION**

The Local Government Municipal Property Rates Act (Act no 6 of 2004) as amended from time to time requires a municipality to develop and adopt a rates policy consistent with the Act on the levying of rates on rateable property in the Municipality.

Property rates are the most reliable source of revenue for the Municipality. Services financed from rates include installation and maintenance of streets, roads, sidewalks, lighting, and storm water drainage facilities, building and operating clinics, parks, recreational facilities and cemeteries. Property rates revenue is also used to fund municipal administration such as computer equipment, stationery, and costs of Governance, such as Council and community meetings, which facilitate community participation on issues of Integrated Development Plans (IDPs) and municipal budgets.

The Council has resolved, in compliance with the provision of the Act, to impose a rate and as a consequence, this rates policy has been developed within the parameters of the applicable legislation relating to property rates.

### **2.2 GUIDING PRINCIPLES**

The following principles will ensure that the Municipality treats persons liable for rates equitably in terms of the Act:

- (a) Ratepayers with similar properties will pay similar levels of rates
- (b) The ability of ratepayers to pay their rates will be taken into account by the Council in dealing with the indigent's ratepayers. The municipality will provide relief measures through exemptions, reduction and rebates.
- (c) The determination of the tariffs and the levying of rates must allow the Council to promote local, social and economic development.

## **2.3 STRATEGIC FOCUS**

In determining the rates, exemptions, rebates and reductions, the Council may consider the following:

- (a) the impact of rates on the community,
- (b) the impact of rates on business
- (c) the Integrated Development Plan (IDP) of Council
- (d) the impact of rates on the Local Economic Development (LED) strategy of the Council
- (e) when determining the rates on properties the following aspects must be taken into account namely:
  - (i) the effects of rates on the poor, including appropriate measures in order to alleviate the rates burden on them; and
  - (ii) the effect of reaching the objectives set out in paragraph 2.4 of this policy.
- (f) in developing or amending this policy, the Council commits itself to a process of community participation as envisaged in section 4 of the Act and chapter 4 of the Municipal Systems Act, 2000 (Act No 32 of 2000) (MSA). In addition to the requirements laid down in the MSA, the Council will engage interested parties and structures, such as ratepayer organisations, directly in the process of community participation. In addition, use will be made of established community consultation structures, such as Ward committees, to ensure thorough participation with regard to the afore-mentioned process.

## **2.4 OBJECTIVES OF THE POLICY**

The key objectives of the policy are to:

- (a) ensure that all owners of rateable property are informed about their liability to pay assessment rates;
- (b) specify relief measures for ratepayers who may qualify for relief or partial relief in respect of the payment of rates through exemptions, reductions and rebates contemplated in section 8 of this policy and section 15 of the Act;
- (c) set out the criteria to be applied by the Council if it increases rates and levies differential rates on different categories of property;
- (d) provide for categories of public benefit organisations, approved in terms of Section 30(1) of the Income Tax Act, 1962 (Act no 58 of 1962) as amended, which ratepayers are eligible for exemptions, reductions and rebates and therefore may apply to the Council for relief from rates;
- (e) recognise the state, organs of state and owners of public service infrastructure as property owners;

- (f) encourage the development of property;
- (g) Ensure that all persons liable for rates are treated equitably as required by the Act.
- (h) determine the level of increases in rates

### **3. ANNUAL OPERATING BUDGET AND POLICY REVIEW**

The Council must annually consider the levying of rates and determine the rate in the rand during the budget process when it is tabled in the council in terms of section 16 of the Municipal Finance Management Act and if necessary, amend its rates policy. Any amendments to the rates policy must take into account public comments and inputs.

In determining the level of increases in the rates, the criteria to be applied include the following:

- (a) The inflation rate as indicated by the consumer price index;
- (b) Take into consideration the medium term budget growth factors as determined by National Treasury guidelines.

### **4. LEVYING OF RATES**

#### **4.1 RATE TO BE LEVIED ON ALL RATEABLE PROPERTIES**

In terms of section 7(1)(2) of the Act, the municipality will not levy rates on properties where the municipality is the owner except in terms of the lease agreement.

#### **4.2 PERIOD FOR WHICH RATES MAY BE LEVIED**

In terms of Section 12 of the Act,

- (a) When levying rates, a municipality must levy the rate for a financial year and the rate lapses at the end of the financial year for which it was levied.
- (b) The rates levied for a financial year may not be increased during the financial year only as provided for in Section 28(6) of the Municipal Finance Management Act.

#### **4.3 THE EFFECTIVE DATE OF THE RATES POLICY:**

This rates policy takes effect from 1 July 2022 and subject to review on an annual basis.

## **5. DIFFERENT CATEGORIES OF PROPERTIES**

5.1 Subject to section 19 of the Act, in terms of the criteria set out in this rates policy, levy different rates for different categories of rateable property, as determined in section 8 subsection (2) and (3) of the MPRA, the categories were determined according to the following criteria: -

- 5.1.1 actual use of the property;
- 5.1.2 permitted use of the property;
- 5.1.3 a combination of 5.1.1 and 5.1.2

In order to create certainty and to ensure consistency, the criteria listed above shall be applied in the following manner:

- Polokwane municipality considered the actual use on the compilation of the valuation roll.
- if, for whatever reason, the actual use of a property cannot be determined in terms of subparagraph (5.1.1), the permitted use thereof shall then be determined in order to appropriately categorise such property.
- Properties used for multiple purposes shall be categorised and rated in a manner provided in section 9 (2) of the Act and the combination of actual and permitted use will be considered.

5.2. The Council has determined the following categories of property in line with section 8(2) of the Act for purposes of rating:

- (1) residential properties
- (2) industrial properties
- (3) business and commercial properties
- (4) agricultural properties;
- (5) properties owned by an organ of state and used for public service purposes;
- (6) municipal properties
- (7) public service infrastructure;
- (8) mining
- (9) private open space
- (10) properties used for multiple purposes;
- (11) places of worship
- (12) properties owned by public benefit organizations and used for specified public benefits activities
- (13) non-permitted use

5.3 The Council has determined the following ratios relevant to each category to the rate on residential properties:

<b>Rating Category</b>	<b>Ratio</b>
Residential Property	1
Industrial Properties	2
Business and Commercial	2
Agricultural Properties	0.25
Properties owned by organ of state and used for public service purposes	2
Municipal Properties	0
Public Service Infrastructure	0.25
Mining	2
Private open space	1
Properties owned by public benefit organisations and used for specified public benefits activities.	0.25
Places of worship	0
Illegal land use/non-permitted use	8

## **6. CATEGORIES OF OWNERS OF PROPERTY AND CATEGORIES OF PROPERTIES FOR PURPOSES OF EXEMPTIONS, REDUCTIONS AND REBATES.**

The Council has determined the following categories of owners of property or categories of properties in terms of section 15 of the Act.

- (a) Residential
- (b) Indigent Owners and Child Headed Households
- (c) Pensioners
- (d) Owners of Business or Industrial Property with high market values

## **6.1 RESIDENTIAL**

In addition to the impermissible rate on the first R15 000 of the market value of residential in terms of section 17(1)(h) of the Act a further reduction may be granted by Council during the annual budget as per Tariff Schedule.

## **6.2 INDIGENT OWNERS AND CHILD HEADED HOUSEHOLDS**

The Council has adopted an Indigent Support Policy that provides for the alleviation of the rates burden on the low-income sectors of the community within the Municipality. Indigent owners and child headed households are exempted from payment of rates.

## **6.3 PENSIONERS**

The aim of this rebate is to alleviate the burden on pensioners who have fixed income and limited resources. Pensioners may receive a reduction and a rebate of an amount as determined by Council during the annual budget.

Subject to the criteria set out in below:

Pensioners may be granted a rebate on their Primary Property, from the date the applicant qualifies.

The applicant must meet the following criteria:

- (a) he or she must produce a valid South African bar coded identity document;
- (b) where couples are married in community of property and the property is registered in both their names, the age of the eldest will be the qualifying factor;
- (c) not be in receipt of an indigent assessment rate rebate;
- (d) A rebate will only be granted in respect of a property on which only one dwelling is erected and such dwelling be occupied by the applicant and his/her dependants.

## **6.4 OWNERS OF BUSINESS OR INDUSTRIAL PROPERTY WITH HIGH MARKET VALUES**

Properties used for business or industrial purposes whose improved market value is R50 000 000 and above may receive rebates as approved by Council from time to time.

Market Value R 50 000 000 – R 99 999 999	2% rebate
Market Value R 100 000 000 – R 499 999 999	5% rebate
Market Value R 500 000 000 and above	10% rebate

## REQUIREMENTS FOR EXEMPTIONS, REDUCTIONS AND REBATES

### General requirements:

An application for rebates, exemptions and reductions on the prescribed application form should reach the office of the Chief Financial Officer during the financial year, or when invitation is done by the municipality for registration or renewal. A once-off application must be submitted with the implementation of every new valuation roll. The applicant applies only once for the reduction and it remains valid for the duration of the valuation roll. The municipality may at its own discretion request the applicants to renew applications.

Confirm the aforementioned details by means of a sworn affidavit.

Rebates granted in error or due to false or incorrect information supplied by the applicant, will be reversed immediately from the date of inception of the rebate.

Should any incorrect information be furnished in the application form property rates will be levied at the normal tariff.

### Exemptions may be subject to the following conditions:

- (a) Application must be made in writing in the prescribed format and will be valid for duration of validity period of valuation roll;
- (b) Applicants must produce 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 (Act 58 of 1962);
- (c) The Municipal Manager or his/her nominee must approve all applications;
- (d) The Council retains the right to refuse exemptions if the details supplied in the application form are incomplete, incorrect or false;
- (e) If during the currency of any financial year, any such land or building is used for any purpose other than the purpose so exempted, the Council shall impose rates thereon or on such portion so used, at a rate proportionate to the period of such use.

### The rebate will lapse:

- (a) On alienation of the property; or
- (b) If any such land or building is used for any purpose other than the purpose so exempted;

On expiry of validity period of valuation roll

## **7. SPECIAL RATING AREAS**

7.1 The Council may by resolution establish special rating areas and levy an additional rate on property in that area for the purpose of raising funds for improving or upgrading that area.

7.2 Any exclusion, exemption, reduction or rebate granted in terms of this policy does not affect the additional rate payable by the owner in a Special Rating Area.

## **8. LIABILITY FOR RATES:**

### **8.1 PROPERTY RATES PAYABLE BY OWNERS**

- (a) Rates levied on a property must be paid for by the owner of the property.
- (b) Joint owners are jointly and severally liable for payment of rates on the property.
- (c) The municipality will deliver monthly accounts to the latest address on the municipality's record, however Rates payers remains liable for the payment of the rates whether or not an account has been received and if the account was not received the onus shall be on the rate payer concerned should make necessary enquiries with the municipality.
- (d) Rates raised as a charge based on administrative error can be corrected to a maximum of five years, limited to two years of the previous valuation roll.

### **8.2 SECTION 78 APPLICATIONS**

Application fee will be payable on review of entry in the Valuation Roll (outside time frame).

### **8.3 METHOD AND TIME OF PAYMENT:**

Council shall recover an annual levy payable:

- (a) On a monthly basis in twelve (12) equal instalments on or before the due date as determined by council; or
- (b) Single or one (1) annual amount, as may be agreed to with the owner of the property on or before the due date as determined by council
- (c) From the owner as a whole on the billing date (No prorata in the case of transfer of property and the registration date).
- (d) Interest on arrear rates shall be charged at the rate determined by council from time to time.

### **8.4 PAYMENT AND RECOVERY OF RATES:**

Payment and recovery of rates shall be in accordance with Council's Credit Control and Debt Collection policy, section 28 and 29 of the Act and relevant By-laws.



## **8.5 FREQUENCY OF VALUATIONS**

The Municipality will every five years prepare a new valuation roll by means of a general valuation of all rateable property within the Municipality. At least one supplementary valuation roll will be prepared during a financial year as required by the Act.

## **9. SHORT TITLE**

This policy shall be called the Property Rates Policy of the Polokwane Municipality for financial year 2022/2023.

## **10. REVIEW OF POLICY**

This policy shall be implemented as at 1 July 2022 and shall be reviewed on an annual basis to ensure that it is in line with the municipality's strategic objectives and with legislation.



**DRAFT**

# **SUBSISTENCE AND TRAVELLING POLICY**

**2022-2023**

## **DIRECTORATE CORPORATE AND SHARED SERVICES**

### **BUSINESS UNIT: HUMAN RESOURCES**

**ITEM:**

**REF NO:**

### **REVISED SUBSISTENCE AND TRAVELLING ALLOWANCE POLICY**

#### **Report of the Manager Human Resources**

#### **PURPOSE**

The purpose of the report is to obtain approval of the revised Subsistence and Travelling Allowance Policy.

#### **DISCUSSION**

Council resolved in 2008 to update the Subsistence and Travel (S & T) Allowance policy by agreeing on new tariffs. The S&T Policy differs from the travelling allowance that is paid to officials for using their personal vehicles to perform duties for the Municipality.

The rates that were approved in 2008 are reviewed annually and are adjusted in line with standard applicable procedures and guidelines (e.g. SARS annual guidelines applicable to S & T and MFMA Circular 97).

The rates are as follows:

<b>DESCRIPTION</b>	<b>PREVIOUS</b>	<b>NEW REVISED</b>
*Day Allowance : Incidental Costs	R139.00	R152.00
Overnight Allowance – own booking (D,B&B incl)	R752.00(Inclusive)	R782.00(Inclusive)
<b>Meals:</b>	<b>MFMA Circular 97</b>	<b>MFMA Circular 97</b>
* Breakfast	R110(Band 1)	R110(Band 1)
* Lunch	R160(Band 1, 2 & 3)	R160(Band 1, 2 & 3)
* Dinner	R180(Band 1 & 2)	R180(Band 1 & 2)
* The above rates are applicable only where accommodation is arranged by Council but meals are not provided for in the package or where employees made their own accommodation arrangements		
*Traveling outside border SA: Non adjacent Countries	Prescribed amount applicable to the relevant country(SARS guidelines, PAYE-GEN-01-G03-A02 – Subsistence Allowance – Foreign Travel)	Prescribed amount applicable to the relevant country(SARS guidelines, PAYE-GEN-01-G03-A02 – Subsistence Allowance – Foreign Travel)
Traveling outside border SA: Adjacent Countries		
*Prescribed rate per kilometer:	Tariffs for the use of Motor Transport <b>(Department of Transport)</b>	Tariffs for the use of Motor Transport <b>(Department of Transport)</b>
NB = In all instances amounts exceeding the above must be supported by proof of actual payments / documentation or else ONLY the amounts reflected above will be paid.		

**\*Foot Note: The items marked with an asterisk will be amended annually in terms of the SARS Guidelines as attached marked “Annexure C” and/or applicable MFMA Circulars, e.g. MFMA Circular 97**

### **Day allowance**

Day allowance will be increased from R139.00 to R152.00 for incidental expenditure.

### **Overnight allowance**

Overnight accommodation may only be booked where the return trip exceeds 500 kilometers.

#### **1. Where all accommodation is being arranged and paid for Council in advance.**

In scenario 1, the person will only receive a day allowance of R152.00 for every day away from his home base.

DESCRIPTION	PREVIOUS	NEW REVISED
Overnight Allowance	Council paid in advance	Council paid in advance
Day away (for every day)	R139.00	R152.00
Day of return ( <b><u>longer</u></b> than 6 hours away from base)	<b>MFMA Circular 97</b>	<b>MFMA Circular 97</b>
<b>Meals:</b>		
* Breakfast	R110(Band 1)	R110(Band 1)
* Lunch	R160(Band 1, 2 & 3)	R160(Band 1, 2 & 3)
* Dinner	R180(Band 1 & 2)	R180(Band 1 & 2)
* The above rates are applicable only where accommodation is arranged by Council but meals are not provided for in the package.		
*Prescribed rate per kilometer:	Tariffs for the use of Motor Transport ( <b>Department of Transport</b> )	Tariffs for the use of Motor Transport ( <b>Department of Transport</b> )
NB = In all instances amounts exceeding the above must be supported by proof of actual payments / documentation or else ONLY the amounts reflected above will be paid.		

#### **2. Where the person travelling pays for his own costs.**

In scenario 2 the person will be getting an overnight allowance only for the days away from his home base. The difference between the current and the proposed is as follows:

DESCRIPTION	PREVIOUS	NEW REVISED
Overnight Allowance – own booking (D,B&B incl)	R752.00(Inclusive)	R782.00(Inclusive)
Day away (for every day)	R139.00	R152.00
Day of return ( <b><u>longer</u></b> than 6 hours away from base)	<b>MFMA Circular 97</b>	<b>MFMA Circular 97</b>
<b>Meals:</b>		
* Breakfast	-	-
* Lunch	-	-
* Dinner	-	-
* The above rates are applicable only where accommodation is arranged by Council but meals are not provided for in the package.		
*Prescribed rate per kilometer:	Tariffs for the use of Motor Transport ( <b>Department of Transport</b> )	Tariffs for the use of Motor Transport ( <b>Department of Transport</b> )
NB = In all instances amounts exceeding the above must be supported by proof of actual payments / documentation or else ONLY the amounts reflected above will be paid.		

### **International Allowance**

It is recommended that an all inclusive amount per day applicable to the relevant country, be paid for meals and incidental cost allowances for visits to countries outside the Republic of South Africa as stipulated in the SARS Guide for Employers in respect of Allowances (Subsistence Allowance – Foreign Travel).

It is the responsibility of the employee to keep documentation in respect of expenditure incurred for tax purposes.

### **Travel Allowance**

<b>DESCRIPTION</b>	<b>PREVIOUS</b>	<b>NEW REVISED</b>
Travel Costs	Tariffs for the use of Motor Transport ( <b>Department of Transport</b> )	Tariffs for the use of Motor Transport ( <b>Department of Transport</b> )
Toll Fees	Will be paid on submitting proof of payment	Will be paid on submitting proof of payment
Parking Fees	Will be paid on submitting proof of payment	Will be paid on submitting proof of payment

### **Comments: Chief Financial Officer**

### **RECOMMEND**

1. That Mayoral Committee approves the Revised Subsistence and Travelling Allowance Policy attached as Annexure “A”, S & T Procedures attached as Annexure “B” and the claim form attached as Annexure “D”.

2. That Council approves Subsistence and Travelling allowances as to be paid follows:

<b>DESCRIPTION</b>	<b>PREVIOUS</b>	<b>NEW REVISED</b>
*Day Allowance : Incidental Costs	R139.00	R152.00
Overnight Allowance – own booking (D,B&B incl)	R752.00(Inclusive)	R752.00(Inclusive)
<b>Meals:</b>	<b>MFMA Circular 97</b>	<b>MFMA Circular 97</b>
* Breakfast	R110(Band 1)	R110(Band 1)
* Lunch	R160(Band 1, 2 & 3)	R160(Band 1, 2 & 3)
* Dinner	R180(Band 1 & 2)	R180(Band 1 & 2)
* The above rates are applicable only where accommodation is arranged by Council but meals are not provided for in the package.		
*Traveling outside border SA: Non adjacent Countries	Prescribed amount applicable to the relevant country(SARS guidelines, PAYE-GEN-01-G03-A02 – Subsistence Allowance – Foreign Travel)	Prescribed amount applicable to the relevant country(SARS guidelines, PAYE-GEN-01-G03-A02 – Subsistence Allowance – Foreign Travel)
Traveling outside border SA: Adjacent Countries		
*Prescribed rate per kilometer:	Tariffs for the use of Motor Transport ( <b>Department of Transport</b> )	Tariffs for the use of Motor Transport ( <b>Department of Transport</b> )
NB = In all instances amounts exceeding the above must be supported by proof of actual payments / documentation or else ONLY the amounts reflected above will be paid.		

**Day allowance / Overnight allowance:** (Where all accommodation is being arranged and paid for by Council in advance):

DESCRIPTION	PREVIOUS	NEW REVISED
Overnight Allowance	Council paid in advance	Council paid in advance
Day away (for every day)	R139.00	R152.00
Day of return ( <b><u>longer</u></b> than 6 hours away from base)	<b>MFMA Circular 97</b>	<b>MFMA Circular 97</b>
<b>Meals:</b>		
* Breakfast	R110(Band 1)	R110(Band 1)
* Lunch	R160(Band 1, 2 & 3)	R160(Band 1, 2 & 3)
* Dinner	R180(Band 1 & 2)	R180(Band 1 & 2)
* The above rates are applicable only where accommodation is arranged by Council but meals are not provided for in the package.		
*Prescribed rate per kilometer:	Tariffs for the use of Motor Transport ( <b>Department of Transport</b> )	Tariffs for the use of Motor Transport ( <b>Department of Transport</b> )
NB = In all instances amounts exceeding the above must be supported by proof of actual payments / documentation or else ONLY the amounts reflected above will be paid.		

**Day allowance / Overnight allowance:** (Where the person travels at his/her own costs):

DESCRIPTION	PREVIOUS	NEW REVISED
Overnight Allowance - own booking(D,B&B incl)	R752.00(Inclusive)	R782.00(Inclusive)
Day away (for every day)	R139.00	R152.00
Day of return ( <b><u>longer</u></b> than 6 hours away from base)	<b>MFMA Circular 97</b>	<b>MFMA Circular 97</b>
<b>Meals:</b>		
* Breakfast	-	-
* Lunch	-	-
* Dinner	-	-
* The above rates are applicable only where accommodation is arranged by Council but meals are not provided for in the package.		
*Prescribed rate per kilometer:	Tariffs for the use of Motor Transport ( <b>Department of Transport</b> )	Tariffs for the use of Motor Transport ( <b>Department of Transport</b> )
NB = In all instances amounts exceeding the above must be supported by proof of actual payments / documentation or else ONLY the amounts reflected above will be paid.		

### **Travel Allowance**

DESCRIPTION	PREVIOUS	NEW
Travel Costs	Tariffs for the use of Motor Transport ( <b>Department of Transport</b> )	Tariffs for the use of Motor Transport ( <b>Department of Transport</b> )
Toll Fees	Will be paid on submitting proof of payment	Will be paid on submitting proof of payment
Parking Fees	Will be paid on submitting proof of payment	Will be paid on submitting proof of payment

3. That all accommodation be booked in hotels or other accommodation in line with the policy.
4. That the allowances in respect of Day Allowance, Overnight Allowance – own booking, Breakfast, Lunch, Dinner, travelling inside and outside RSA borders and Prescribed rate per kilometer be amended annually in terms of the SARS Guide for employers in respect of allowances attached as Annexure “C”, and/or applicable MFMA Circulars, e.g. MFMA Circular 97; the inflation rate with specific reference to Overnight allowance – own booking and Tariffs for the use of Motor Transport (**Department of Transport**); and that the amendments be effective from 1<sup>st</sup> July of each year.

## **ANNEXURE “A”**

### **POLICY FOR TRAVELLING AND SUBSISTENCE ALLOWANCES**

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## 1. POLICY VISION

Polokwane Municipality believes that human resources are its most valuable resource in the attainment of its goals and objectives and that it is in the interest of the Council to compensate the persons representing the Council or their duly authorized delegates for additional expenses incurred by them in the execution of their official duties.

## 2. AIM

The aim of this policy is to lay down guideline for Councilors and Officials for the payment of traveling and subsistence allowances.

## 3. OBJECTIVES

Subject to the provisions of the standard Conditions of Services and any other Agreement with the Bargaining Council applicable to the Council and its employees, the objective of the policy is:

- a) To fairly compensate persons / employees representing the Council for essential additional expenses incurred by them in the execution of their official duties.
- b) To ensure uniformity in the payment of subsistence and traveling allowances.
- c) To limit or avoid night traveling as far as possible.

## 4. DEFINITIONS

Unless the context indicates otherwise, the following definitions shall apply:

**OCCASIONS:** Any occasions outside the area of jurisdiction of the Polokwane Municipality geographical area where an employee is required or expected to attend a meeting, Conference, Congress, seminar, Training course, Training program, Workshop, Discussions or any other occasion to which a person is delegated to by the Council.

**WEEKENDS:** Saturdays and Sundays except when an occasion takes place on a Saturday or a Sunday in which case it shall be deemed as a weekday

**BARGAINING:  
COUNCIL** The Bargaining Council for the Local Government undertaking

**OFFICIAL:** A person appointed by the Council or duly elected and appointed Councilors.

**COUNCIL:** Polokwane Municipality, its Executive Committee or any employees of the Council acting in accordance with delegated authority.

**SUBSISTANCE:  
ALLOWANCE** An allowance as determined from time to time by the Council and which differentiates between an overnight allowance and a day allowance.

**WEEKDAYS** : Mondays to Fridays as well as single days over weekends on which occasions take place.

**OVERNIGHT ALLOWANCE** : An allowance determined by Council which will be payable if the delegate is obliged to travel outside a radius of 250 km from the Municipal Head Office and the travelling is at his/her own costs.

**DAY ALLOWANCE:** An allowance payable to a delegate who is away from his/her place of work for an occasion within a range of 160km from the Municipal Head Office or where accommodation is fully booked or paid for.

**ACCOMMODATION:** Overnight accommodation includes bed, breakfast and dinner. Where dinner is not included it will be handled as a reimbursive expense up to a maximum amount as determined by Council.

**INTERNATIONAL TRAVEL** : Travel to all countries not bordering South Africa where the R currency is not acceptable in all business.

**ADJACENT COUNTRIES** : All countries bordering South Africa where the R currency are acceptable in all business.

**INCIDENTAL EXPENSES** : Incidental expenses include laundry, telephone costs, busfare, taxi, gifts, repairs etc.

## 5. DELEGATIONS

5.1 The authority to delegate Councilors and officials to attend an occasion resides with the following authority:

DELEGATED PERSON	APPROVAL
a. Executive Mayor	Speaker
b. Municipal Manager, Speaker, Chief Whip and Councilors	Executive Mayor
c. Managers	Municipal Manager or the delegated Manager
d. Officials	SBU Manager or the delegated Manager
e. Across border traveling	Executive Mayor/Mayoral Committee
f. Occasions longer than 5 days	Municipal Manager

5.2 The acting or delegated municipal official cannot sign his or her own claim.

5.3 It is the responsibility of each manager to ensure that all expenditure of the travelling cost will be within the budget allocated to that department.

5.4 Budget adjustments for over expenditure on the vote for travelling and subsistence can only be done with the approval of the Municipal Manager on recommendations of the Chief Financial Officer.

5.5 All traveling arrangements and payment thereof will only be done once the prescribed form is approved by the delegated approving person.

## **6. CONDITIONS AND IMPLEMENTATION**

### **6.1. Traveling Allowance**

- 6.1.1. The Council reserves the right to determine on the cost effective grounds, the means of transport when an official is delegated by the Council to attend an occasion.
- 6.1.2. More than one official delegated by Council to attend the same occasion must as far as possible use one vehicle and the discretion lies with the relevant manager and that will be controlled by the availability of funds within the budget.
- 6.1.3. Subject to the provisions of sub clause 5.1 an official who is delegated to attend an occasion at a centre further than the Limpopo Province and which is serviced by a recognized and/or registered airline shall be afforded the opportunity to make use of air transport. The decision will be based on cost effectiveness.
- 6.1.4. Should a person be delegated to attend an occasion, he/she will be entitled to an accommodation allowance and 100% of the running cost or the tariff determined by the Council irrespective of whether the person get a traveling allowance or not. In case of public transport, the actual cost incurred will be payable.
- 6.1.5. Subject to sub clause 6.1.4. the person delegated to attend an occasion presented over a continuous period of time will be entitled to a travelling allowance as determined in 6.1.4 in order to enable the person to visit his normal home every second weekend within the duration of the occasion.

### **6.2. Subsistence during the week**

Where a person travels within this range, a day allowance as determined by Council from time to time will be paid.

- This will only be paid for an occasion outside Polokwane Municipality area of jurisdiction
- Where an occasion that will take place is of the nature that the person will have to sleep over it will have to be approved by the Delegations above under paragraph (5) and will be handled accordingly.

#### **6.2.1. Outside a radius of 250 km from the Municipal Offices**

- Where a person travels outside a radius of 250 km from the Polokwane Municipal Offices and no accommodation is paid for or compulsory accommodation (meals included) is supplied, that person will be paid an inclusive overnight allowance as determined by Council from time to time.
- Where an advance and or compulsory accommodation (meals included) is provided, a person will be paid a day allowance only.
- Where accommodation is arranged for and paid for by Council and where no dinner is provided within the paid accommodation an additional amount as determined by Council from time to time will be paid as prove of actual cost.

### **6.3. Subsistence allowance during weekends**

6.3.1. The payment of subsistence allowance during week days is *mutatis mutandis* applicable to the payment of subsistence during weekends.

6.3.2. Subsistence is not payable for those weekends wherefore in terms of sub clause 6.1.5 a locomotion allowance is payable in order to enable him to visit his/her home in the duration of the occasion.

### **6.4. Council has the choice between traveling costs and subsistence during weekends.**

Council reserves the right regarding the decision whether a person should be compensated for travelling costs to his/her home or subsistence costs in order to enable the person to stay over the weekend should the duration of an occasion include a weekend.

### **6.5. Delegation of officials to the funeral of a deceased colleague.**

6.5.1. If an employee in the service of Council dies, a maximum of four officials can be delegated to attend the funeral in an official capacity.

6.5.2. A maximum of one night and two days be paid to the officials delegated by Council within the rules as indicated in above clauses.

6.5.3. That only one vehicle be used and that travelling allowance be paid for one vehicle only.

6.5.4. That the travelling allowance as contemplated in 6.5.3 above be calculated as determined in 5.5.

### **6.6. Approval of Delegation**

6.6.1 That authority to delegate Councilors and officials to attend an occasion resides the following authority.

<b>DELEGATED PERSON</b>	<b>APPROVAL</b>
a. Executive Mayor	Speaker
b. Chief Whip, Speaker and Councilors	Executive Mayor
c. Municipal Manager	Executive Mayor
d. Directors/ CFO	Municipal Manager
e. Manager	Director/ CFO
f. Officials	SBU Manager

***(The acting or delegated Municipal officer cannot sign his/ her own claim).***

6.6.2. It is the responsibility of each Manager to ensure that all costs incurred because of travelling will be within the budget allocated to that Directorate.


6.6.3. Budget adjustments for over expenditure on the vote for travelling and subsistence can only be done with the approval of the Municipal Manager on recommendations of the Chief Financial Officer.

6.6.4. All travelling arrangements and payment thereof will only be done once the prescribed form is approved by the delegated approving person.

## 7. HOTEL ACCOMODATION(DOMESTIC)

- 7.1. Actual cost limited to an amount as determined by MFMA **Circular 97** per night to cover the cost of bed and breakfast.
- 7.2. Polokwane Municipality to be invoiced for accommodation by travelling agency on hotel groups / guests houses, before departure.
- 7.3. Where a block booking is done Polokwane Municipality is to be invoiced by the coordinating organization before departure.
- 7.4. Alternatively, the official may prefer to stay privately, for which he can claim an amount as determined by the inflation rate on costs per night. The limited amount per night, bed and breakfast as determined by Council will apply in all other cases.
- 7.5. A daily allowance as determined by SARS guidelines for incidental expenses and meals as determined by MFMA Circular 97 will be paid by the Polokwane Municipality for traveling outside the area of jurisdiction. This allowance will be calculated from the date of departure up to and including the date of arrival back to Polokwane Municipality
- 7.6. The 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.
- 7.7. Overnight accommodation may only be booked where the return trip exceeds 500 kilometers.
- 7.8. National Treasury has established maximum allowable rates for domestic accommodation. When sourcing accommodation for officials, municipalities and municipal entities should find options that are equal to or lower than the rates in Table 1, as contained in Annexure A to MFMA Circular 97, depending on the allowable star grading and the band. Competition and cost effectiveness must remain a key principle.

**TABLE 1: RATES SET FOR DOMESTIC HOTEL ACCOMMODATION**

<b>Accommodation Grid</b>			
<b>Voucher Includes</b>	<b>BAND 1</b>	<b>BAND 2</b>	<b>BAND 3</b>
	Room Only Tourism Levy VAT	Bed & Breakfast Tourism Levy VAT	Dinner, Bed and Breakfast Tourism Levy VAT 2 x soft Drink at Dinner
Graded Hotel, Boutique Hotel, Lodge or Resort			
	<b>BAND 1</b>	<b>BAND 2</b>	<b>BAND 3</b>
1 Star	R590	R730	R855
2 Star	R920	R1 050	R1 230
3 Star	R1,120	R1,230	R1,400
4 Star	R1,275	R1,380	R1,550
5 Star	R2,140	R2,250	R2,500

Bed & Breakfast, Country House or Guest house			
	BAND 1	BAND 2	BAND 3
1 Star	R 3350	R180.00	R270.00
2 Star	R 510	R250.00	R350.00
3 Star	R 920	R400.00	R520.00
4 Star	R 1020	R600.00	R750.00
5 Star	R 1225	R800.00	R975.00
Self-Catering*			
	BAND 1	BAND 2	BAND 3
1 Star	R 590		
2 Star	R 920		
3 Star	R 1 120		
4 Star	R 1 275		
5 Star	R 1 475		
Meals**			
	BAND 1	BAND 2	BAND 3
Breakfast	R110	-	-
Lunch	R160	R160	R160
Dinner	R180	R180	-
<b>Total</b>	<b>R450</b>	<b>R340</b>	<b>R160</b>
<i>Accommodation costs are assumed to be inclusive of Parking and WI-FI (if available), and exclusive of Laundry Expenses.</i> <i>*Including Exclusive and Shared Facilities. Exclusive facilities offer travellers a sole occupancy unit consisting of one or more bedrooms and self-contained public areas e.g. kitchen, dining area and lounge. Shared Facilities consisting of one or more bedrooms and self-contained shared public areas e.g. kitchen, dining area and lounge.</i> <i>**Maximum amounts that can be claimed for meals. The claim for the actual amounts must be supported by a receipt .</i>			

- 7.9. If a negotiated rate for a specific star grading is equivalent to or lower than the rate for the lower star grading, the official may be accommodated in the establishment with the higher star grading. This means that an official may be accommodated in a four-star establishment if the rate at the four-star establishment is the same as or lower than a three-star establishment.
- 7.10. Where there is an alternative star grading indicated in Table 1(i.e 4/5 or 3/4), the maximum allowable rate of the lower star grading will be the benchmark. The higher star grading can only be booked if:
- The higher star graded facility is the only available option due to location and availability; or
  - The municipality has negotiated lower rates with the higher star graded facility.

## 8. FLIGHT (“Class” category of flight tickets)

The Accounting Officer –

- 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
- May approve the purchase of business class tickets for officials, political office bearers and persons reporting directly to the accounting officer for flight exceeding five hours or less; and

In the case of the Accounting officer, the Mayor may approve the purchase of economy class where the flying time is five hours or less and business class tickets for flights exceeding five hours.

Notwithstanding the above, 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.

National Treasury has negotiated with South African Airways (SAA) and Comair/British Airways(BA) for upfront discounted air fares for government employees, including councillors, travelling domestically for official purpose.

For SAA, the discounts range from 5% (L class) up to 30% (Y Class) for Economy Class tickets; and 10% (D Class) up to 26% (C Class) for Business Class tickets. Business class is not encouraged, however where a single flight exceeds 5 hours, consideration may be applied.

For BA the discounts range from 10%(O, Q class) up to 25% (Y class) for Economy Class Tickets; and 20%(J Class) for Business Class tickets.

In order to make full use of the corporate discount with SAA and BA the municipality must instruct the appointed TMC's or persons making bookings for domestic airline tickets, to book against relevant deal codes as detailed in Annexure B of MFMA Circular 97.

## **9. VEHICLE RENTAL**

An official or a political office bearer of a municipality must utilize municipal fleet where viable, prior to hiring vehicles; make use of shuttle services, if the cost of such a service is below the cost of hiring a vehicle.

Officials and councilors must make use of the most cost effective option so as to reduce travel costs.

An official or a political office bearer of a municipality must not hire vehicles from a category higher than Group B or an equivalent class; and where a different class of vehicle is required for a particular terrain or to cater for the special needs of an official or where the number of officials attending a specific event necessitate a higher class vehicle; written approval of the Accounting Officer must first be sought prior to hiring such a vehicle.

Officials and councilors can be permitted to accept up-graded group of hired vehicles if such an upgrade is offered with no extra charge or at a lower charge than a Group B vehicle.



## **10. ALLOWANCES: INTERNATIONAL**

### **10.1. Hotel Accommodation**

Actual costs with a maximum rand equivalent as determined by the Rand/Dollar exchange rate per day. Polokwane Municipality to be invoiced by the travelling agency for the accommodation before departure.

### **10.2. Subsistence allowance**

The rand equivalent as determined by the Rand/ foreign currency exchange rate to a maximum prescribed amount applicable to the relevant country as per SARS guidelines, PAYE-GEN-01-G03-A02 – Subsistence Allowance – Foreign Travel will be paid per day. The day of arrival and day of departure to be calculated as full days. The allocated amount is to be utilized for meals and incidental expenses such as laundry, telephone costs, bus fare, taxi, train fare, gifts, repairs etc.

That subsistence allowance for foreign visits per person is brought into line with financial policies, which determines differentiated subsistence rates for individual countries. These rates are determined and adjusted on an ongoing basis according to a data base supplied primarily by SARS.

## **11. FLIGHT**

The 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 approve the purchase of business class tickets for officials, political office bearers and persons reporting directly to the accounting officer for flight exceeding five hours or less; and

In the case of the Accounting officer, the Mayor may approve the purchase of economy class where the flying time is five hours or less and business class tickets for flights exceeding five hours.

Notwithstanding the above, 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.

## **12. VEHICLE RENTAL (International)**

The lowest class of rental will be allowed, unless otherwise approved by Council. Four or less delegated attending the same conference, etc. are required to hire only one vehicle, even in cases where they have booked different accommodation. No advances on vehicle rental will be made available. A certified invoice from a traveling agency issued by a vehicle rental agency must be submitted to the Council for payment. Should a delegate need to travel to the airport to embark on a flight, the chauffeur service of the Council should be utilized to transport the delegate to the airport. Should the chauffeur service not be available, a delegate may use his own vehicle and will be compensated in accordance with the applicable AA tariffs. The cost of parking tickets to leave the vehicle at the airport and may be claimed from Council upon submission of original receipts.



### **13. VISAS**

Where applicable a visa/s is required for international visits the costs will be paid by Polokwane Municipality upon submission of an invoice or receipt from the travelling agency or embassy.

### **14. PAYMENT OF TRAVELLING AND SUBSISTENCE ALLOWANCE TO CANDIDATES ATTENDING INTERVIEWS FOR VACANT POSITIONS AND EXTERNAL PARTICIPANTS FOR DISCIPLINARY HEARINGS.**

- 14.1. Travelling costs will be payable at 100% of the Department of Transport tariffs to candidates/external participants who have to travel far to attend interviews/disciplinary hearings and travel back again to their home/places of work. In the case of public transport, the actual costs incurred will be payable.
- 14.2. Travelling by air will only be allowed in exceptional cases after approval by the Municipal Manager. If a candidate/external participant on his/her own account do travel by air for an interview/disciplinary hearing and he/she has to rent a car to travel to Polokwane and back to the airport the payment for the latter will only be effected as per the stipulation of clause 14.1.
- 14.3. Payment of the above mentioned travelling costs will be subject to budget availability.

### **15. HOTEL ACCOMODATION FOR INTERVIEW CANDIDATES AND EXTERNAL PARTICIPANTS FOR DISCIPLINARY HEARINGS:**

- 15.1. If a candidate/participant has to travel further than 500km to Polokwane, then he/she may be allowed to sleep over at the Council's expense, subject to budget availability.
- 15.2. Human Resources Management and Legal Services will be responsible for arranging accommodation and meals for short listed candidates and external disciplinary hearings participants, where applicable.
- 15.3. In cases where accommodation for short listed candidates and external participants in disciplinary hearings is necessary the actual accommodation cost will be paid by Council.
- 15.4. The need for possible group arrangement for accommodation will be determined when the short listed candidates are invited for interviews and external participants are being invited for disciplinary hearings.
- 15.5. It is the responsibility of Human Resources Management and Legal Services to inform the candidates and external disciplinary hearings participants of the contents of clause 14 of this Policy.

### **16. PROCEDURE**

All claims and procedures in terms of this policy will be determined by the CFO and all persons submitting claims must adhere to the stipulations thereof.

## **17. RESPONSIBILITY**

It is the responsibility of Directors/SBU Managers to ensure that Council's Policy with regard to accommodation and subsistence allowance is adhered to and that it shall at all times be scientifically funded and that all statutory provisions be adhered to.

It is the responsibility of each individual to inform the CFO if an occasion was cancelled and to repay any monies received in advance within two days of becoming aware.

## **18. DEVIATIONS FROM THE POLICY**

- 18.1. Specific circumstances necessitate deviations from the approved policy. These relate to:
- No time for prior travel booking through travel agencies.
  - Where accommodation cannot be arranged within the cost limit as stipulated in the policy.
  - Vehicles as stipulated not available.
- 18.2. In order to manage the travel and subsistence policy it is of most importance that any deviation be limited to exceptional circumstances. Should there be any deviations from the Subsistence and Travelling Allowance Policy it is recommended that prior written approval have to be granted as follows:
- Officials by the Director/ CFO and Municipal Manager
  - Municipal Manager by the Executive Mayor
  - Councilors and Members of the Mayoral Committee by the Executive Mayor
  - Executive Mayor by the Speaker.

Any deviation from the Subsistence and Travelling Allowance Policy should be submitted to Municipal Manager for consideration and approval prior to any visit.

## **19. GENERAL**

- Any travel arrangements should only be made after approval in terms of the approved set of delegations.
- Travel arrangements should be made timely in order to ensure that the maximum discount is received thereby minimizing the cost to the municipality.
- Prescribed rates per kilometer will be amended in line with Tariffs for the use of Motor Transport (Department of Transport).

## **ANNEXURE “B”**

### **PROCEDURES TO CLAIM TRAVELLING AND SUBSISTENCE ALLOWANCES**

#### **1. AIM**

The aim of this procedure is to lay down a procedure for Councilors and Officials to submit their claims for the payment of traveling and subsistence allowances and the use of their private vehicles.

#### **2. PROCEDURE**

##### **a. Application Form**

The relevant application form must be completed and approved by the delegated official for:

- Accommodation arrangements and payment therefore can be done;
- Flight tickets and or alternative transport arrangements can be done or payment can be made;
- Any motor vehicle hire arrangements can be done or paid for:

##### **b. Time limits**

All duly completed and approved claims must be submitted to the Office of the Financial Manager three (3) days before the actual cost will occur, in order to provide sufficient time for the Financial Manager to have enough cash available. A register with the Clerk processing the claims must be completed when a claim is submitted. The claim will be numbered and the Financial Manager will only be held responsible for claims written into the register.

##### **c. Payment Method**

Subsistence and traveling allowances will be handled as a cash advance to the maximum amount of R600-00. Any excess amount will be paid via cash focus directly into nominated accounts. Cash advances will be paid out the day before departure and cash will be transferred on Tuesdays for departures Wednesday and Thursday and on Thursdays for departures Friday, Monday and Tuesday.

##### **d. Cancellations**

In the event of the cancellation of an occasion after claims has been paid out and transferred repayment of such an advance must be within 2 working days with the official concerned with traveling claims.

##### **e. Dinner**

Claims in respect dinner not included in bookings will be limited to an amount as determined by Council. Claims in this regard will only be paid out as a reimbursement expense, which means that expense has to be incurred first before it can be claimed by a person.

##### **f. Supporting Documents**

- (i) prior principle approval for trip,
- (ii) agenda / purpose of trip and
- (iii) attendance register(s)etc.

##### **g. Responsibility**

It is the responsibility of each official / Councilor to make sure that he / she complies with this procedure.



**Draft**

**Unauthorised, Irregular,  
Fruitless and Wasteful Expenditure Policy**

**2022/2023**

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## **ABBREVIATIONS/ACRONYMS**

Except if otherwise stated in this policy, the following abbreviations or acronyms will represent the following words:

CFO	-	Chief Financial Officer
COO	-	Chief Operations Officer
EM	-	Executive Manager
MIG	-	Municipal Infrastructure Grant
PLK	-	Polokwane Municipality
MFMA	-	Municipal Finance Management Act, 2003, No. 56 of 2003
MPAC	-	Municipal Public Account Committee
MM or AO	-	Municipal Manager or Accounting Officer
SAPS	-	South African Police Services
MSA	-	Municipal Systems Act, 2000, No. Act 32 of 2000
Structures Act	-	Municipal Structures Act, 1998, Act No 117 of 1998
RPOBA	-	Remuneration of Public Office Bearers Act
Policy	-	Policy on unauthorised, irregular, fruitless and wasteful expenditure
MBRR	-	Municipality Budget Rules and Regulations

## **1 INTRODUCTION**

1.1. In terms of section 62 of the Municipal Finance Management Act No. 56 of 2003 (herein referred to as “MFMA”), the accounting officer is responsible for managing the financial affairs of Polokwane Municipality (POLOKWANE MUNICIPALITY) and he/she must, for this purpose, inter alia:

- a) Take all reasonable steps to ensure that unauthorised, irregular; fruitless and wasteful expenditure and other losses are prevented; and
- b) Ensure that disciplinary or, when appropriate, criminal proceedings are instituted against any official or councillor of Polokwane Municipality who has allegedly committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA.

1.2. This is to ensure the effective, efficient and transparent systems of financial, risk management and internal control.

## **2 OBJECTIVE**

2.1. This document sets out Polokwane Municipality’s policy and procedures with regards to unauthorised, irregular, fruitless and wasteful expenditure.

2.2. This policy aims to ensure that, amongst other things:

- a) Unauthorised, irregular, or fruitless and wasteful expenditure is detected, processed, recorded, and reported in a timely manner;
- b) Officials and councillors have a clear and comprehensive understanding of the procedures they must follow when addressing unauthorised, irregular, fruitless and wasteful expenditure;

- c) Polokwane Municipality's resources are managed in compliance with the MFMA, the municipal regulations and other relevant legislation; and
- d) All officials and councillors are aware of their responsibilities in respect of unauthorised, irregular, fruitless and wasteful expenditure.

### **3 ENABLING LEGISLATION**

The following enabling legislation sets the precedent for the development of Polokwane Municipality's unauthorized, irregular, fruitless and wasteful expenditure Policy:

- a) The Constitution of the Republic of South Africa, 1996, Act No 108 of 1996;
- b) The Municipal Finance Management Act, 2003, No 56 of 2003;
- c) The Remuneration of Public Office Bearers Act;
- d) Municipal Systems Act, 2000, Act No 32 of 2000;
- e) MFMA Circular 68;
- f) Any other legislation, regulation or circular that may impact this policy; and
- g) Municipal Structures Act No. 117 of 1998.

### **4 APPLICATION OF THIS POLICY**

3.1. This policy applies to all officials and councillors of POLOKWANE MUNICIPALITY.

3.2. This policy should be read in conjunction with the following of Polokwane Municipality:

- a) Delegations of Authority;
- b) Procedures for unauthorised, irregular, fruitless and wasteful expenditure;
- c) Policy on financial misconduct;
- d) Breach of the Code of Conduct for Municipal Staff Members; and
- e) Breach of the Code of Conduct for Councillors.

3.3. Officials and Councillors must ensure all instances of unauthorised, irregular expenditure as well as fruitless and wasteful expenditure is prevented where possible, and is detected and reported in a timely manner.

### **5 DEFINITIONS**



Except if otherwise indicated:

**“Councillor”** means member of municipal council of POLOKWANE MUNICIPALITY.

**“Fruitless and wasteful expenditure”** means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

**“Financial Misconduct”** means any misappropriation, mismanagement, waste or theft of the finances of a municipality, and also includes any form of financial misconduct specifically set out in sections 171 and 172 of the Act.

**“Irregular expenditure”**, in relation to a municipality or municipal entity, means: a) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;

- b) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of this Act;
- c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998, (Act 20 of 1998);
- d) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of POLOKWANE MUNICIPALITY or any of the municipality’s bylaws giving effect to such policy, and which has not been condoned in terms of such policy or by-law; or
- e) excludes expenditure by a municipality which falls within the definition of “Unauthorised expenditure”.

**“Official”**, in relation to a POLOKWANE MUNICIPALITY, means:

- a) an employee of Polokwane Municipality;
- b) a person seconded to a Polokwane Municipality or to work as a member of the staff of the Polokwane Municipality; or
- c) a person contracted by a Polokwane Municipality to work as a member of the staff of the Polokwane Municipality or otherwise than as an employee.

**„Overspending”** means:

- a) in relation to the budget of a municipality, means causing the operational or capital expenditure incurred by the municipality during a financial year to

exceed the total amount appropriated in that year's budget for its operational or capital expenditure, as the case may be;

- b) In relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or
- c) In relation to expenditure under section 26, means causing expenditure under that section to exceed the limits allowed in subsection (5) of that section.

**“Political Office Bearer”** means the speaker, executive mayor, mayor, deputy mayor, or a member of the executive committee as referred to in the Municipal Structures Act.

**“Prohibited expenditure”** in relation to this policy means unauthorised, irregular, fruitless and wasteful expenditure;

**“Senior Manager”** has the meaning assigned to it in section 1 of the MFMA and in relation to Polokwane Municipality refers to Executive Managers and CFO.

**‘Unauthorised expenditure’**, means:

any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes-

- a) overspending of the total amount appropriated in the municipality's approved budget;
- b) overspending of the total amount appropriated for a vote in the approved budget;
- c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of 'allocation' otherwise than in accordance with any conditions of the allocation; or
- f) a grant by Polokwane Municipality 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 department or functional areas of the municipality; and

- (b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

## **6 UNAUTHORISED EXPENDITURE**

6.1. Polokwane 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.

6.2. Expenditure incurred within the ambit of POLOKWANE MUNICIPALITY's virement policy is not regarded as unauthorised expenditure.

6.3. 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.

6.4. Unauthorised expenditure would include:

- a) Any overspending in relation to both the operational budget and capital budget of the municipality;
- b) Overspending in relation to each of the votes on both the operational budget and capital budget;
- c) Use funds allocated to one department for purposes of another department or for purposes that are not provided for in the budget;
- d) Funds that have been designated for a specific purpose or project within a departments vote may not be used for any other purpose;
- e) Any use of conditional grant funds for a purpose other than that specified in the relevant conditional grant framework is classified as unauthorised expenditure;
- f) Any grant to an individual or household unless it is in terms of the municipality's indigent policy, bursary scheme, corporate social responsibility policy, councillors discretionary grant or the grants-inaid ;
- g) Unforeseen and unavoidable expenditure not authorised within an adjustments budget within 60 days after the expenditure was incurred; and
- h) Any overspending on non-cash items, for example depreciation, impairments, provisions.

- 6.5. Officials and councillors must ensure that all instances of fruitless and wasteful expenditure are prevented where possible, and are detected and reported in a timely manner

**6.6. Expenditures that are NOT classified as unauthorized expenditure**

Given the definition of unauthorised expenditure, the following are examples of expenditure that are NOT unauthorised expenditure:

- i. Any over-collection on the revenue side of the budget as this is not an expenditure; and
- ii. Any expenditure incurred in respect of:
  - any of the transactions mentioned in section 11(1)(a) to (j) of the MFMA;
  - re-allocation of funds and the use of such funds in accordance with a council approved virement policy;
  - 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
  - overspending of an amount allocated by standard classification on the main budget Table A5 (Budgeted Capital Expenditure by vote, standard classification and funding) of the MBRR so long as it does not result in overspending of a „vote“ on the main budget Table A5.

6.6.1 Money withdrawn from a bank account under the following circumstances, without appropriation, in terms of an approved budget, is not regarded as unauthorised expenditure:

- a) To defray expenditure authorised in terms of section 26 (4) of the MFMA, [*Section 26: Consequences of failure to approve a budget before the start of the budget year*];
- b) To defray unforeseen / unavoidable expenditure circumstances strictly in accordance with Section 29 (1) of the MFMA [*Section 29: Unforeseen and unavoidable expenditure*] failing which the unforeseen /unavoidable expenditure is unauthorised;
- c) re-allocation of funds and the use of such funds in accordance with a council approved virement policy;

- d) Expenditure incurred from a special bank account for relief, charitable or trust purposes provided of course that it is done strictly in accordance with Section 12 of the MFMA [*Section 12: Relief, charitable, trust or other funds*];
- e) To pay over to a person or organ of state money received by the Polokwane Municipality on behalf of that person or organ of state, including—
  - (i) money collected by the Polokwane Municipality on behalf of that person or organ of state by agreement; or
  - (ii) any insurance or other payments received by the Polokwane Municipality for that person or organ of state;
- f) To refund money incorrectly paid into a bank account;
- g) To refund guarantees, sureties and security deposits;
- h) For cash management and investment purposes in accordance with section 13 [*Section 13: Cash Management and Investments*]; and
- i) To defray increased expenditure in terms of section 31 [*Section 31: Shifting of funds between multi-year appropriations*].

6.6.2 Any expenditure approved in terms the Municipal Budget and Reporting Regulations (MBRR).

## 7 IRREGULAR EXPENDITURE

- 7.1. Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality" supply chain management policy.
- 7.2. Irregular expenditure is actually expenditure that is in violation of some or other procedural/legislative requirement as specified in the MFMA.
- 7.3. Irregular expenditure excludes unauthorised expenditure.
- 7.4. Although a transaction or an event may trigger irregular expenditure, a Council will only identify irregular expenditure when a payment is made. The recognition of irregular expenditure must be linked to a financial transaction.
- 7.5. If the possibility of irregular expenditure is determined prior to a payment being made, the transgression shall be regarded as a matter of non-compliance.

## **7.6. Remuneration of councillors**

7.6.1 Payments to POLOKWANE MUNICIPALITY councillors cannot exceed the upper limits of the salaries, allowances and benefits for those councillors as promulgated in the Public Officers Bearers Act.

7.6.2 Any remuneration paid or given in cash or in kind to a person as a councillor or as a member of a political structure of POLOKWANE MUNICIPALITY otherwise than in accordance with 7.6.1 including any bonus, bursary, loan, advance or other benefit, must be classified as irregular expenditure.

## **7.7. Irregular staff appointments**

7.7.1 No person may be employed in POLOKWANE MUNICIPALITY unless the post to which he or she is appointed, is provided for in the POLOKWANE MUNICIPALITY's staff establishment of the municipality as approved by the council.

7.7.2 Any person who takes a decision contemplated in subparagraph (7.7.1) knowing that such decision is unlawful, will be held personally liable for any irregular or fruitless and wasteful expenditure that the municipality may incur as a result of such invalid decision.

7.8. Officials and councillors must ensure that all instances of fruitless and wasteful expenditure are prevented where possible, and are detected and reported in a timely manner.

# **8 FRUITLESS AND WASTEFUL EXPENDITURE**

8.1. All officials and councillors must always act cautiously when spending public money and ensure that they abide by the public and accountability principles which are to promote "efficient, economic and effective use of resources and the attainment of value for money".

8.2. Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

8.3. This type of expenditure is incurred where no value for money is received for expenditure or the use of resources. No particular expenditure is explicitly identified by the MFMA as fruitless and wasteful.

8.4. Expenditure incurred that has been budgeted for (authorised) and was not regarded as irregular expenditure could be classified as fruitless and wasteful expenditure.

8.5.1 An expense is only fruitless and wasteful in terms of this policy if:

- (i) It was made in vain (meaning that the municipality did not receive value for money) and;
- (ii) and would have been avoided had reasonable care been exercised (meaning that the official or councillor concerned did not carelessly or negligently cause the expenditure to be incurred by the municipality furthermore another official or councillor under the same circumstances would not have been able to avoid incurring the same expenditure).

8.5.2 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-

- a) 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
- b) Is the expenditure being incurred at the right price, right quality, right time and right quantity?

8.6 Officials and councillors must ensure that all instances of fruitless and wasteful expenditure are prevented where possible, and are detected and reported in a timely manner.

**WASTEFUL EXPENDITURE**

- 9.1. Reporting of unauthorised, irregular, fruitless and wasteful expenditure must be done at the appropriate level, as this could constitute financial misconduct as follows:
- a) a Councillor of a municipality, must be reported to the Speaker of the council;
  - b) the municipal manager and speaker, must be reported to the mayor;
  - c) executive managers or the chief financial officer, or the chief operating officer of a municipality, must be reported to the municipal manager;
  - d) All cases of prohibited expenditure reported as per a), b) and c) above must be referred to MPAC for investigation unless the allegations are frivolous, vexatious, speculative or obviously unfounded; and
  - e) officials below executive management level of the municipality must be reported to the CFO unless in the professional opinion of the CFO or MM the nature or the amount of the prohibited expenditure warrants the case to be referred to MPAC.
- 9.2. All reports made by officials, councillors must be treated with utmost confidentiality.
- 9.3. The MM must promptly inform the Mayor, the MEC for local government in the Province and the Auditor-General, in writing, of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality:
- a) whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and
  - b) the steps that have been taken:
    - To recover or rectify such expenditure; and
    - To prevent a recurrence of such expenditure.
- 9.4. All expenditure classified as unauthorised, irregular, fruitless and wasteful expenditure must be reported to:
- a) The Finance Portfolio Committee on a monthly basis;
  - b) Mayoral Committee on a monthly basis;
  - c) Council on a quarterly basis;



- d) MPAC on a quarterly basis; and
- e) Audit Committee on a quarterly basis.

9.5. In accounting for unauthorised, irregular, fruitless and wasteful expenditure, municipal manager or delegated officials (as may be relevant) must ensure that:

- a) All confirmed unauthorised, irregular, fruitless and wasteful expenditure must be recorded in separate account, in the accounting system of Polokwane Municipality, created for each of the above types of expenditure;
- b) All such expenditure is disclosed in the annual financial statements as required by the MFMA and treasury requirements; and
- c) Details pertaining to unauthorised, irregular, fruitless and wasteful expenditure must be disclosed in the Municipality's Annual Report.

## **10                    MAINTAINING OF REGISTER FOR UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**

10.1. Council must maintain a register of all incidents of unauthorised, irregular, fruitless and wasteful expenditure:

- a) This register will be maintained by the CFO for all officials other than the CFO and MM;
- b) A separate register must be maintained by the MM for expenditure incurred by CFO;
- c) A separate register must be maintained by the Mayor for expenditure incurred by the MM; and
- d) The Speaker will maintain a register for expenditure incurred by the Mayor and Councillors.

10.2. These registers must be updated on a monthly basis.

## **11                    INVESTIGATION OF UNAUTHORISED AND IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**

11.1. MPAC must institute an investigation of all prohibited expenditure reported in terms of clause 9.1. (d), above.

- 11.2. The CFO must seek the Municipal Managers approval to investigation all prohibited expenditure reported to him/her in terms of clause 9.1(e) unless the allegations are frivolous, vexatious, speculative or obviously unfounded.
- 11.3. Once the nature of the expenditure is confirmed as unauthorised, irregular, fruitless and wasteful expenditure, the person to whom the prohibited expenditure was reported in terms of clause 9.1 above must institute the necessary procedures which could include disciplinary as well criminal proceedings.
- 11.4. The user department responsible for initiation of the transaction shall be responsible for the UIF.

## **12 DISCIPLINARY AND CRIMINAL CHARGES FOR UIF**

### **IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**

- 12.1. After having followed a proper investigation, as per paragraph 11 above, the MPAC or the Municipal Manger as the case may be must determine whether there is a prima facie case and that a Councillor or official made, permitted or authorized prohibited expenditure.
- 12.2. If a prima facie case has been established, as per paragraph 12.1 above, then MPAC, mayor or municipal Manager (as may be relevant) must institute disciplinary action as follows:
  - a) *Financial misconduct in terms of section 171 of the MFMA*: in the case of an official that deliberately or negligently:
    - (i) contravened a provision of the MFMA which resulted in prohibited expenditure; or
    - (ii) made, permitted or authorised an irregular expenditure (due to non- compliance with any of legislation mentioned in the definition of irregular expenditure);
  - b) *Breach of the Code of Conduct for Municipal Staff Members*: in the case of an official whose actions in making, permitting or authorizing an prohibited expenditure constitute a breach of the Code; and
  - c) *Breach of the Code of Conduct for Councillors*: in the case of a Councillor, whose actions in making, permitting or authorizing an irregular expenditure constitute a breach of the Code. This would also include instances where a councillor knowingly voted in favour or agreed with a

resolution before council that contravened legislation resulting in prohibited expenditure when implemented, or where the Councillor improperly interfered in the management or administration of the municipality.

12.3. The MPAC, mayor or municipal manager or delegated officials (as may be relevant) must promptly report to the SAPS all cases of alleged:

- a) Irregular expenditure that constitute a criminal offence; and
- b) Theft and fraud that occurred in the municipality.

12.4. The Mayor must take all reasonable steps to ensure that all cases referred to in the above paragraph are reported to the South African Police Service if:

- a) The charge is against the MM; or
- b) The MM fails to comply with the above paragraph.

### **13. RECOVERY UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**

13.1. The MM or delegated person must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure:

- a) in the case of unauthorised expenditure, is
  - I. authorised in an adjustment budget, OR
  - II. certified by the municipal council, after investigation by MPAC, as irrecoverable and is written off by council; and
- b) in the case of irregular or fruitless and wasteful expenditure, is after investigation by MPAC, certified by council as irrecoverable and written off by council.

13.2. Irregular expenditures resulting from breaches of the Public Office-Bearers Act must be recovered from the Councillor to whom it was paid.

13.3. Once it has been established who is liable for the unauthorised, irregular, fruitless and wasteful expenditure, the Municipal Manager must in writing request that the liable Councillor or official pay the amount within 30 days or in reasonable instalments.

13.4. Without limiting liability in terms of the common law or other legislation, the MM must recover any such expenditure, in full, from official or Councillor where:

- a) In the case of a Councillor, the Councillor knowingly or after having been advised by the MM that the expenditure is likely to result in unauthorised, irregular or fruitless and wasteful expenditure, instructed an official of Polokwane Municipality to incur the expenditure; and
- b) In case of the official, the official deliberately or negligently incurred such expenditure.

13.5. The fact that the Council may have approved the expenditure for writing off or deemed it to be irrecoverable is no excuse in:

- a) Either disciplinary or criminal proceedings against a person charged with the commission of an offence or a breach of the MFMA relating to such unauthorised, irregular or fruitless and wasteful expenditure; or
- b) Recovery of such expenditure from such person.

13.6. 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.

#### **14 CONSEQUENCES OF NON-COMPLIANCE**

14.1. Any official or councillor who does not comply with their reporting duties in terms of this policy could be found guilty of Financial Misconduct.

14.2. Any councillor or official of Polokwane Municipality will be committing an act of financial misconduct if that councillor or official deliberately or negligently makes or permits, or instructs another official of Polokwane Municipality to make, an unauthorised, irregular or fruitless and wasteful expenditure.

#### **15 PROTECTION OF OFFICIALS OR COUNCILLORS WHO HAVE REPORTED UNAUTHORIZED, IRREGULAR, 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, threats such official or councillor should immediately report such threats, victimisation or intimidation immediately to the MM or the Mayor where applicable.

15.2. The MM or Mayor must immediately take appropriate action to ensure that 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 concerned, the MM or the Mayor, where applicable.

## **16      REVIEW OF POLICY**

- a) Annually in line with the budget cycle and submitted with the budget policies; or
- b) Sooner if new legislation, regulation or circulars are issued that will impact this policy.



# **INVENTORY MANAGEMENT POLICY**

**2022/2023**

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## 1. Objectives of Inventory Management Policy

- ❖ Implement appropriate internal controls and effective inventory management system to ensure that goods placed in **stores** are secured and only used for the intended purposes.
- ❖ Determining and setting of inventory levels that includes minimum and maximum **stock levels** and lead times whenever goods are placed in stock.
- ❖ Monitoring and review of **service provider's** performance to ensure compliance with specifications and contract conditions.

## 2. Inventory Management

- ❖ Inventory Management provides for an effective system in order for the setting of inventory levels, placing of requisition for order, receiving and distribution of goods, inventory management, expediting orders, vendor performances, maintenance and contract management.

## 3. Status Quo of the System used to record Inventory movement.

- ❖ There is only one centralized **stores** whereby all stock items are **categorised** according to sections, e.g. cleaning materials, protective clothing, stationery, refreshments, electrical, water & sanitation, plumbing & building materials, etc.

## 4. Access to Stores

- ❖ The central stores should be operated as a closed store, whereby , suppliers and end – user department are excluded from stores area except on a specially approved and escorted basis.

## 5. Procedures and Internal control measures.

### 5.1 Stock Levels

- ❖ The following should be determined to maintain optimum stock levels:
  - a. Minimum, maximum and re- order levels
  - b. Slow moving or obsolete stock



## 5.2 Stock Level Maintenance:

- ❖ Monitoring and maintaining of stock levels and creating of stock requisitions to ensure the availability of stock at all times:
  - The stock controller or delegated official on **weekly basis** to print out a report of stock items outside minimum and maximum levels.
  - The report informs the stock controller of the items that reached minimum for re-ordering.
  - The stock controller or delegated official will then do physical verification and then electronically generate requisitions on the system to enable the Chief Buyer/SCM practitioners to invite quotations for the acquisition of stock materials or alternatively to utilise long term contract awarded.

## 6. Review of stock levels

- ❖ In order to manage the stores operations effectively, Strategic Business units should continually review their stock holding based on the information such as number of stock issues, levels of service achieved, total value of stock held and stock turnover.
- ❖ Once yearly the stock level reviews are conducted with Strategic Business Units to maintain accurate minimum, maximum and re-order levels and to ensure the availability of stock/materials at all times for the end-users to reach their set goals or targets.
- ❖ Redundant and obsolete stock should be identified and cleared regularly by the strategic business units.

## 7. Purchase requisition for stock items

- ❖ All purchase requisition for stock replenishment must be approved by the Assistant Manager: Logistics or delegated official prior to the acquisition.

## 8. Expediting of orders

- ❖ The Buyer will be required to monitor and expedite outstanding purchased orders.
- ❖ If the delivery conditions reflected on the purchase order from are not complied with, it should be followed up with the supplier immediately.
- ❖ The Buyer should sent the reminder correspondences to the suppliers based on the reminder levels that are set in the purchased order and such correspondence entails amongst:
  - Reminder to the supplier of the pending delivery, delivery period, quality and quantity

- Promises made by the supplier
  - The impact of failure to deliver on time
- ❖ The Buyer must report to the stock controller about the outstanding orders that were not delivered as per agreed delivery dates with the supplier on weekly bases.
  - ❖ The stock controller / Buyer based on the information at hand and analysis thereof refer the report of the non performing suppliers to the contract management section for action to be taken or to the Assistant manager logistics.

## **9. Receiving and issuing of stock materials**

### **9.1 Receiving of stock**

- ❖ All orders placed, but still to be delivered are kept in a file cupboard in the receiving section, must be updated daily with new orders placed.
- ❖ Follow –ups should be done on all orders issued and the comments should be recorded on the order register.
- ❖ All the orders issued should be delivered within 14 days' failure to do so the service provider should be reported to contract management so that the order will be cancelled and the second lowest be called to deliver the goods.
- ❖ Stock items which could not be delivered within 14 days because of the manufacturing process their orders will be treated as an exceptional.
- ❖ All the invoices received for the stock items should be recorded in the invoice register for monitoring purposes.
- ❖ When any item is received at Municipal stores the following procedure must be followed:
  - An official order must exist on the financial system for the indicated delivery and the items to be delivered must correspond with the items on the official order.
  - The delivery note, original tax invoice and statement must accompany the delivery.
  - The receiving storekeeper should do the verification and inspection of what was received against what was ordered – order number, price, quantity and specification correspond to the same information on the delivery note, original tax invoice and statement, and if not all of the above-mentioned is not in place, the items are not allowed to be accepted.
  - During the verification and inspection damaged stock if found, will then communicate with the service provider for return of the items for credit or replacement and a copy of all relevant documentations are attached for reference.
  - After signing of the delivery note, original tax invoice and statement, the responsible official must make sure that the bin location as appearing on the order for each product must be written on the cartoon(s) containing the relevant item for shelving or packing.
  - The receiving storekeeper after receiving of a signed delivery note or invoice, he/she then update the stock received on the system.
  - After updating of the stock, the receiving storekeeper or delegated official should verify the receipt on the system and shelf before they prepares orders, invoices and delivery notes for approval and must be forwarded to the creditors to effect payments, and do filing for record keeping.
  - No stock should be received without an official purchased order unless on exceptional cases and must be communicated to the Stock Controller, Assistant Manager: Logistics and the Buyer.

- All the stock items received immediately after inspection, verification and capturing of orders are packed onto the shelves according to the bin location and must be correctly numbered as per stock item numbers or stock catalogue code.

## **9.2 Issuing of stock**

### **9.1.1 System Requisition**

- ❖ No issuing of stores items or commencement of the process may take place without properly captured online requisition.
- ❖ Online processing of requisitions are done by the Strategic Business Units official's delegated responsibility for creation of the requisitions and the requisition number is allocated by the system.
- ❖ The SBU Manager or an official delegated the authority will then approve the requisition and after approval the items requested are allocated for collection.
- ❖ The official responsible for collection of materials will then submit a requisition number the issuing section for collection.
- ❖ Online requisition should be collected within 48 hours failure to do so the requisition will be cancelled on the third day.
- ❖ The stock items should be issued on FIFO basis.
- ❖ Online issuing of requisitions are done daily by the issuing section and printout of requisition which has a issue, vote number, description and quantity.
- ❖ When issuing the official responsible will then check the correctness of the quantity of the items requested, the description as per request and the official issued and received the materials must sign the requisition.
- ❖ The signed requisitions after issuing are filed for record keeping and audit purposes.

### **9.1.2 Offline Requisitions**

- ❖ During standby, power failure , system problem and when the network is down manual requesting of stock should be done manually and immediately when the system is up and running, the issuing official must capture all manual requisitions to update the stock on the system.
- ❖ All offline requisitions should be captured within 48hours after the system is up and running.
- ❖ All offline requisitions should be numbered and recorded on the register of offline requests.
- ❖ The copies of the online requisitions must be attached to the manual requisitions.
- ❖ At the end of each working day the Stock controller or delegated official must check the manual requisition file to ensure that all manual issues have been processed or captured timely and maintain proper record keeping system for inventory.

## **10. Coding of Stock Items**

- ❖ All stock items are to be classified in terms of a unique identifying item number and description.

## **11. Damaged Goods**

- ❖ All damaged goods should not be received from the suppliers must be returned to the supplier for credit or replacement.
- ❖ Damaged goods which are notified during the daily or quarterly stock take should be recorded in the damaged goods register and be reported.

## **12. Stores and warehousing management**

- ❖ Quarterly stock count and Annual stock taking/counting are conducted to ensure that discrepancies between the physical and the stock figure reflected on the system are reconciled immediately and corrected timely.
- ❖ Inventory count will be conducted on a quarterly and annual basis to maintain effective and efficient inventory management system. The stock take will take place on the last day the quarter and last month the financial year.
- ❖ Stock items which do not form part of the inventory will only be included in the inventory list upon the approval of a formal memorandum by the Director.
- ❖ The inventory will be recognised at cost or net realisable value.
- ❖ The Office of the Auditor General and internal audit forms part of annual stock taking.

### **12.1 Procedure for stock taking**

- (a) The stock controller together with the senior storekeeper confirms that the following are in place at the stores prior to the start of the count:
- before counting of a specific area commences, the stock controller of the stores must ensure that all internal requisitions, return to store, standby requisitions and orders (receipt) have been processed on the financial system. this is to ensure that the correct quantities are counted and verified against the financial system list printed for counting.
  - if any of the outstanding purchased orders had been delivered before the stock take, the goods receipt must be processed before the stock take process commences.
  - if any of the outstanding purchased orders had been delivered before the stock take cannot be captured on the system for some reason, copies of the invoices must be recorded and attached on the physical inventory document next to the item to be reconciled together with the counted stock.
  - if any of the outstanding purchased orders are delivered during the stock take, must be placed in a designated area and be marked. no receipts are permitted to be captured on the system during stock take.
  - in case where stores do have items not kept as stock but are kept for sbu, s, these items must be in a designated area clearly marked.
  - all redundant and obsolete stock that has been removed from bins stores and is stored in a designated area in the store together with a list identifying all items in a location to be marked for obsolete and redundant stock, if this items had been deleted from the inventory lists (financial system) but not yet taken to the scrap yard

at disposal area. all items where possible must be in boxes and sealed with the signatures of the officials who counted obsolete and redundant items and must be clearly marked in the area. where items are still in the bins must be clearly marked as the bins, the bins must be clearly marked as obsolete /redundant stock.

- in cases where items already had been identified as obsolete and redundant stock, but not been removed from the registers (financial system), these items must remain in their bin locations and be counted as part of the annual stock take.
- all items must be in correct bins and that the description on the corresponds with the items in the bins.

(b) the stock controller responsible for the stores will ensure the following are in place before the official stock take:

- that there is enough manpower (officials) for the stock take consisting of two officials per team.
- that the logistics management of stores to notify all heads of sections and council's external auditors of the stock take date.
- black pens and stickers for stock counts (no pencil figures will be accepted) to be issued to each stock counter team before counting.
- if there is any possibility of overtime, the stock controller must ensure authorization for overtime is approved before the stock take.

(c) during the stock take the following procedures must be adhered to and the stock controller will be responsible for all processes.

- Counting teams be listed and sign an attendance register and each team will consist of two officials.
- Each counting team will receive a count list printed from financial system on the day the stock take commences for the section they are responsible for that is numbered against the officials names on the list. E.g. Section 01 must be numbered on the list as 1 against the first team – List 2, the second team - List 3 etc.
- All counting teams must start simultaneously with the first count.
- All quantities counted must be written in the space provided next to the item on the financial system list in ball point pen.
- Each page counted must be signed by both officials responsible for counting on the list as well as the date of the count.
- The Stock controller will do spot check counts and will write the figures in red pen on the list in his /her possession and sign against each count. The Stock controller will check his counts against the counted items by the teams as control to ensure correct counts. The Stock controller must on a continuous basis ensure that all procedures and processes set out in this procedure are strictly adhered to and where deviations are identified to be rectified immediately.
- The Stock controller will be responsible for the stock take and must continually be aware of all problems during the count.
- If the stock count takes place over a few days all stock count lists will be kept by the Stock controller at the end of each counting day.

(d) During /after the first count had been done , the Stock controller must ensure a discrepancy list are generated for second count and the recount must be done by different counting team that did the first count of the specific section location.

- (e) After the second count the figures must again be compared with the first count and the differences report.
- (f) If the second count corresponds with the system, then the second count is accepted as correct.
  - If the second count differs from the system but corresponds with the first count, the counted figures are accepted as correct and indicated as surplus or shortage.
  - If the second count and the first count differ from the system, the items must be indicated on a new count list for a third count.
- (g) If the third count must be done, the stock controller with the senior storekeeper and storekeeper will do it. The third count must be done according to the same procedure as stated above.
- (h) The third count will again be compared with the differences report and the first two counts.
  - If the third count corresponds with the system, the count is accepted as correct.
  - If the third count corresponds with either of the first two counts, the corresponding figures counted will be accepted as correct and the difference between the counted figure and the system figure must be shown as a surplus or a shortage.
  - If the third count differences still occurs the item must be investigated further to identify the problem until a proper solution for the continuous discrepancies are found.
- (i) The final list of all counts (1, 2 and 3) of all surpluses and shortages must be signed by the Senior storekeeper, Storekeeper of the stores and Auditors as confirmation of all parties involved that the figures counted are correct and are the final figures counted, be handed to Chief financial Officer.
  - The final list of surpluses and shortages will not be left in the possession of any party involved in the count for further investigations.
  - The Senior Storekeeper and Storekeeper Can ask for copies of the list direct after the final count.
  - The Stock Controller will after finalizing of the count, take all counting lists, all differences reports, attendance registers with the final stock take list and file all documentation in the file.
- (j) After the stock take a report of such surpluses and shortages has to be generated and be submitted to council for adjustment of the surpluses and shortages or for further steps to be taken, if necessary and/ or authorise stock as redundant or obsolete.

### **13. Safeguarding of Inventory**

- ❖ Inventory shall at all times be safeguarded and kept in a secured area.
- ❖ Only authorised official will have access to stores and no person other than logistics personnel or any person designated by the Chief Financial Officer, may have control over the administration of inventory.
- ❖ All the inventory items shall be adequately insured against loss and damage.



- ❖ All theft on inventory items shall be reported to the South African Police Services and Insurance Company.

#### **14. Vendor Performance Management**

- ❖ Unsatisfactory performance shall be communicated by the Buyer to suppliers in writing compelling the supplier to perform according to the order or the SLA and thus to rectify or to restrain from unacceptable actions.
- ❖ Directives regarding action in such cases should appear in the general conditions.
- ❖ If the supplier continue with non- performance the Buyer should refer the matter to contract management section for them to terminate the contract or order.

#### **15. Reporting**

- ❖ Stock controller or delegated official should provide a monthly report, which must include information relating to:
  - Monthly reconciliation
- ❖ On a quarterly basis provide a report on stock taking conducted for the quarter, which must include: Surpluses, shortages, damaged and stolen items.

#### **16. REVIEW OF POLICY**

This policy shall be implemented as at 1 July 2022 and shall be reviewed on an annual basis to ensure that it is in line with the municipality's strategic objectives and with legislation.



**Draft**

# **Cost Containment Policy**

**2022-2023**



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## 1. DEFINITIONS

**“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”** 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”** Polokwane Local Municipality

## 2. PURPOSE

The purpose of the policy is to regulate spending and to implement cost containment measures at Polokwane Local Municipality.

## 3. OBJECTIVES OF THE POLICY

The objectives of this policy are to:

3.1 To ensure that the resources of the municipality are used effectively, efficiently and economically;

3.2 To implement cost containment measures.

## 4. SCOPE OF THE POLICY

This policy will apply to all:

4.1 Councillors'; and

4.2 Municipal employees.

## 5. LEGISLATIVE FRAMEWORK

This policy must be read in conjunction with the -

5.1 The Municipal Finance Management Act, Circular 97, published on 7 December 2016;

5.2 Municipal Cost Containment Regulations, 7 June 2019; and

5.3 Travel and subsistence policy.

## 6. POLICY PRINCIPLES

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

(i) Use of consultants

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

## **7. USE OF CONSULTANTS**

- 7.1 Consultants may only be appointed after an assessment of the needs and requirements have been conducted to support the requirement of the use of consultants.
- 7.2 The assessment referred to in 7.1 must confirm that the municipality does not have requisite skills or resources in its full time employ to perform the function that the consultant will carry out.
- 7.3 When consultants are appointed the following should be included in the Service Level Agreements:
- (i) Consultants should be appointed on a time and cost basis that has specific start and end dates;
  - (ii) Consultants should be appointed on an output-specific, specifying deliverables and the associated remuneration;
  - (iii) Ensure that cost ceilings are included to specify the contract price as well travel and subsistence disbursements and whether the contract price is inclusive or exclusive of travel and subsistence; and
  - (iv) ensure the transfer of skills by consultants to the relevant officials
  - (v) All engagements with consultants should be undertaken in accordance with the municipality's supply chain management policy.
- 7.4 Consultancy reduction plans should be developed.
- 7.5 All contracts with consultants must include a retention fee or a penalty clause for poor performance.
- 7.6 The specifications and performance of the service provider must be used as a monitoring tool for the work that is to be undertaken and performance must be appropriately recorded and monitored.

## **8. VEHICLES USED FOR POLITICAL OFFICE-BEARERS**

- 8.1 The threshold limit for vehicle purchases relating to official use by political office–bearers must not exceed seven hundred thousand rand (R700 000) or 70% of the total annual remuneration package for the different grades, whichever is lower.
- 8.2 The procurement of vehicles must be undertaken using the national government transversal mechanism, unless it may be procured at a lower cost through other procurement mechanisms.
- 8.3 Before deciding to procure a vehicle, the Accounting Officer must provide the council with information relating to the following criteria that must be considered:
- (i) Status of current vehicles
  - (ii) Affordability
  - (iii) Extent of service delivery backlogs
  - (iv) Terrain for effective usage of vehicle

(v) Any other policy of council

8.5 Regardless of their usage, vehicles for official use by public office bearers may only be replaced after completion of 120 000 kilometres.

8.6 Notwithstanding 8.5, a municipality may replace vehicles for official use by public office bearers before the completion of 120 000 kilometres only in instances where the vehicle experiences serious mechanical problems and is in a poor condition, and subject to obtaining a detailed mechanical report by the vehicle manufacturer or approved dealer.

## **9. TRAVEL & SUBSISTENCE**

9.1 An accounting officer:

(i) May only approve the purchase of economy class tickets for officials where the flying time for a flight is five (5) hours or less; and less; and

(ii) For flights that exceed five (5) hours of flying time, may purchase business class tickets *only* for accounting officers, and persons reporting directly to accounting officers.

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

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

9.4 Officials of the municipality must:

(i) Utilize the municipal fleet, where viable, before incurring costs to hire vehicles;

(ii) Make use of a shuttle service if the cost of such a service provider is lower than:

- the cost of hiring a vehicle;
- the cost of kilometres claimable by the employee; and
- the cost of parking.

(iii) not hire vehicles from a category higher than Group B; and

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

### **Circular 97**

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

## **10. DOMESTIC ACCOMMODATION**

10.1 An accounting officer must ensure that costs incurred for domestic accommodation and meals are in accordance with the maximum allowable rates for domestic accommodation and meals, as communicated by National Treasury, from time to time, and the travel and subsistence policy of the municipality.

## **11. CREDIT CARDS**

11.1 An accounting officer must ensure that no credit card or debit card linked to a bank account of the municipality is issued to any official or public office-bearer.

11.2 Where officials or public office bearers incur expenditure in relation to official municipal activities, such officials and public office bearers must use their personal credit cards or cash, and will request reimbursement from the municipality in terms of the travel and subsistence policy and petty cash policy.

;

## **12. SPONSORSHIPS, EVENTS & CATERING**

12.1 The municipality may not incur catering expenses for meetings that are only attended by persons in the employ of the municipality, unless prior written approval is obtained from the accounting officer.

12.2 Catering expenses may be incurred by the accounting officer for the following, if they exceed five (5) hours:

- (i) Hosting of meetings;
- (ii) Conferences;
- (iii) Workshops;
- (iv) Courses;
- (v) Forums;
- (vi) Recruitment interviews; and
- (vii) Council proceedings

12.3 Entertainment allowances of officials may not exceed two thousand rand (R2000,00) per person per financial year, unless otherwise approved by the accounting officer.

12.4 Expenses may not be incurred on alcoholic beverages.

12.5 Social functions, team building exercises, year-end functions, sporting events, budget speech dinners and other functions that have a social element must not be financed from the municipal budget or by any supplier or sponsor such as but not limited to:

- staff year-end functions
- staff wellness functions
- attendance of sporting events by municipal officials

12.6 Expenditure may not be incurred on corporate branded items like clothing or goods for personal use of officials, other than uniforms, office supplies and tools of trade, unless the costs thereto are recovered from the affected officials.

12.7 Expenditure may be incurred to host farewell functions in recognition of officials who retire after serving the municipality for ten (10) or more years, or retire on grounds of ill health, the expenditure should not exceed the limits of the petty cash usage as per the petty cash policy of the municipality.

## **13. COMMUNICATION**

13.1 All municipal related events must, as far as possible, be advertised on the municipal website, instead of advertising in magazines or newspapers.

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

#### **14. CONFERENCES, MEETINGS & STUDY TOURS**

- 14.1 Appropriate benchmark costs must be considered prior to granting approval for an official to attend a conference or event within and outside the borders of South Africa.
- 14.2 The benchmark costs may not exceed an amount determined by National Treasury.
- 14.3 When considering applications from officials to conferences or events within and outside the borders of South Africa, the accounting officer must take the following into account:
- (i) The official's role and responsibilities and the anticipated benefits of the conference or event;
  - (ii) Whether the conference or event will address the relevant concerns of the Municipality;
  - (iii) The appropriate number of officials to attend the conference or event, not exceeding three officials; and
  - (iv) Availability of funds to meet expenses related to the conference or event.
- 14.4 The amount referred to in 14.2 above excludes costs related to travel, accommodation and related expenses, but includes:
- (i) Conference or event registration expenses; and
  - (ii) Any other expense incurred in relation to the conference or event.
- 14.5 When considering the cost for conferences or events the following items must be excluded, laptops, tablets and other similar tokens that are built into the price of such conferences or events.
- 14.6 Attendance of conferences will be limited to one (1) per annum with a maximum of two (2) delegates.
- 14.7 Meetings and planning sessions that entail the use of municipal funds must, as far as practically possible, be held in-house.
- 14.8 Municipal offices and facilities must be utilized for conferences, meetings and strategic planning sessions where an appropriate venue exists within the municipal jurisdiction.
- 14.9 The municipality must take advantage of early registration discounts by granting the required approvals to attend the conference, event or study tour, in advance.

## **15. OTHER RELATED EXPENDITURE ITEMS**

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

## **16. ENFORCEMENT PROCEDURES**

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

## **17. DISCLOSURES OF COST CONTAINMENT MEASURES**

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

## **18. IMPLEMENTATION & REVIEW PROCESS**

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

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

- 19.1 Any person must report an allegation of non-compliance to the cost containment policy to the accounting officer of the municipality.
- 19.2 The accounting officer must investigate the allegations and if frivolous, speculative or unfounded, terminate the investigations.
- 19.3 If the accounting officer determines the allegations are founded, a full investigation must be conducted by the disciplinary board.
- 19.4 After completion of a full investigation, the disciplinary board must compile a report on the investigations and submit a report to the accounting officer on:

- Findings and recommendations; and/or
- Whether disciplinary steps should be taken against the alleged transgressor.

19.5 The accounting officer must table the report with recommendations to the municipal council.

19.6 Subject to the outcome of the council decision the accounting officer must implement the recommendations.

## 20. **SHORT TITLE**

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