

CITY OF MATLOSANA

PROPOSED

BUDGET POLICIES 2017/2018

FIND HEREWITHIN THE FOLLOWING REVISED BUDGET POLICIES:

- ❖ CUSTOMER CARE, CREDIT CONTROL & DEBT COLLECTION POLICY
- ❖ PROVISION FOR DEBT IMPAIRMENT POLICY
- ❖ INVESTMENT & CASH MANAGEMENT POLICY
- ❖ IRRECOVERABLE BAD DEBT POLICY
- ❖ RATES POLICY
- ❖ TARIFF POLICY
- ❖ INDIGENT RELIEF POLICY
- ❖ SUPPLY CHAIN MANAGEMENT POLICY
- ❖ SCM POLICY FOR INFRASTRUCTURE PROCUREMENT AND DELIVERY MANAGEMENT

**THE FOLLOWING BUDGET POLICIES WERE UNCHANGED AND
REMAINED IN PLACE**

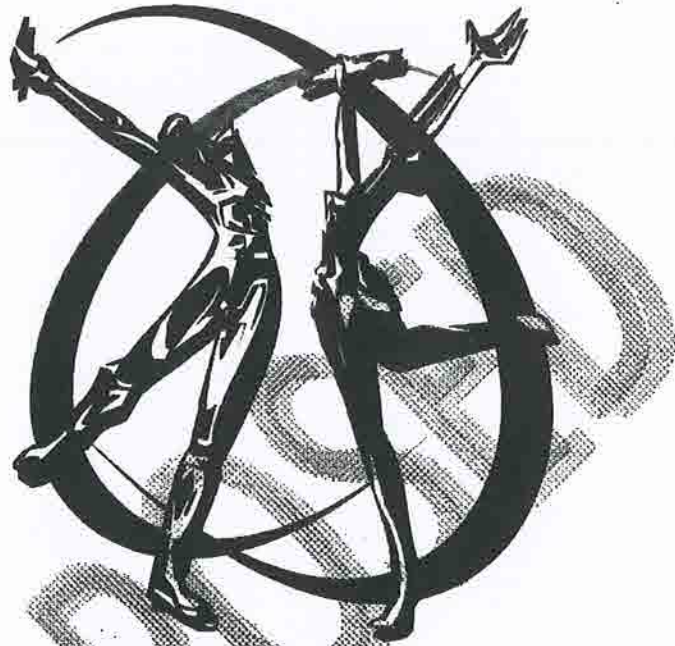
- ❖ BUDGET POLICY
- ❖ ASSET MANAGEMENT POLICY
- ❖ BORROWING POLICY
- ❖ FUNDING & RESERVE POLICY
- ❖ TRANSFER OF FUNDS POLICY
- ❖ GRANT POLICY

&

PROPOSED

BUDGET TARIFFS 2017/2018

CITY OF MATLOSANA



CUSTOMER CARE, CREDIT CONTROL & DEBT COLLECTION POLICY

2017/2018

PREAMBLE

WHEREAS section 96 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) as amended requires a Council to adopt, maintain and implement a credit control and debt collection and customer care policy;

AND WHEREAS section 97 of the Systems Act prescribes what such policy must provide for;

AND WHEREAS Municipalities are required in certain circumstances to comply with the National Credit Act No. 34 of 2005;

NOW THEREFORE the Municipal Council of the City of Matlosana adopts the policies as set out in this document.

TABLE OF CONTENTS

ARRANGEMENT OF SECTIONS

CHAPTER 1: DEFINITIONS

CHAPTER 2: GENERAL OBJECTIVES AND PRINCIPLES

CHAPTER 3: DUTIES AND FUNCTIONS

CHAPTER 4: PERFORMANCE EVALUATION AND REPORTING

CHAPTER 5: CUSTOMER CARE POLICY

**CHAPTER 6: CREDIT CONTROL AND DEBT COLLECTION
POLICY**

TABLE OF CONTENTS **ARRANGEMENT OF SECTIONS**

| | |
|--|----|
| CHAPTER 1 | 6 |
| INTERPRETATION | 6 |
| 1. Definitions | 6 |
| CHAPTER 2 | 9 |
| GENERAL OBJECTIVES AND PRINCIPLES | 9 |
| 2. General Objectives | 9 |
| 3. Principles | 9 |
| CHAPTER 3 | 10 |
| DUTIES AND FUNCTIONS | 10 |
| 1. Duties and functions of Council | 10 |
| 2. Duties and functions of Councillors | 11 |
| 3. Duties and functions of Executive Mayor | 12 |
| 4. Duties and functions of The Municipal Manager | 12 |
| 5. Duties and functions of Communities, Ratepayers And Residents | 13 |
| CHAPTER 4 | 13 |
| PERFORMANCE EVALUATION AND REPORTING | 13 |
| 9. Objective | 13 |
| 10. Income Collection Targets | 13 |
| 11. Consumer Service Targets | 14 |
| 12. Administrative Performance | 14 |
| 13. Reporting | 14 |
| CHAPTER 5 | 15 |
| CUSTOMER CARE POLICY | 15 |
| 14. Objective | 15 |
| 15. Communication | 15 |
| 16. Metering | 16 |
| 17. Accounts and Billing | 16 |
| 18. Payment Facilities and Methods | 18 |
| 19. Incentives for Prompt Payment | 19 |
| 20. Enquiries, Appeals and Service Complaints | 19 |
| 21. Consumer Assistance Programmes | 20 |
| 22. Consumer Categories | 29 |
| 23. Background | 30 |

TABLE OF CONTENTS

ARRANGEMENT OF SECTIONS

| | |
|--|-----------|
| CHAPTER 6 | 30 |
| CREDIT CONTROL AND DEBT COLLECTION POLICY | 30 |
| 23. Credit Control Objectives | 30 |
| 24. Factors that affect the Implementation of a Full Credit Control System | 30 |
| 25. Credit Control Principles | 30 |
| 26. Necessity for Credit Control | 31 |
| 27. Debt Collection Responsibility of Municipalities | 31 |
| 28. Contents of Policy | 32 |
| 29. Supervisory Authority | 33 |
| 30. Implementing Authority | 33 |
| 31. Roles and Responsibilities | 33 |
| 32. Service Application and Agreements | 34 |
| 33. Right of Access to Premises | 36 |
| 34. Enforcement Mechanisms | 36 |
| 35. Theft and Fraud | 37 |
| 36. Consumer screening and securities | 38 |
| 37. Persons and Business who Tender to the Council | 39 |
| 38. Debt Collection | 40 |
| 39. Personal contact | 40 |
| 40. Legal Process/Use of Attorneys/Use of Credit Bureaus | 40 |
| 41. Rates clearance | 41 |
| 42. Cost of Collection | 42 |
| 43. The Pre-payment Meter System | 42 |
| 44. Abandonment of Claims | 43 |
| 45. Code of Conduct | 43 |
| 46. Responsibility for Amounts Due | 44 |
| 47. Queries, Verifications, Objections or Disputes | 45 |
| Dispute Form | 49 |
| Application Form | 52 |

CHAPTER 1

INTERPRETATION

1. Definitions

For the purpose of this policy, the wording or any expression has the same meaning as contained in the Act, except where clearly indicated otherwise and means the following:

“Act” - The Local Government Act: Systems Act, 2000 (Act No 32 of 2000) as amended from time to time;

“Authorized Representative” - Person or instance legally appointed by the Council to act or to fulfil a duty on its behalf;

“Chief Financial Officer” - the person appointed by Council to administer its finances regardless of the designation or title attached to the post; or the person delegated by the Chief Financial Officer

“Consumer” - any occupier of any property to which the Council has agreed to supply services or already supplies services to, or failing such an occupier, then the owner of the property;

“Council” -the municipal Council of the City of Matlosana;

“Credit control and debt collection” - means the functions relating to the collection of unpaid debt payable to the Council and the restructuring of such debt;

“Defaulter” - a consumer who owes money to the Council after the due date has expired;

“Delegated Person” – any person empowered or nominated by the Chief Financial Officer to per duties as set out in this policy

“Equipment” - a building or other structure, pipe, pump, wire, cable, meter, engine or any accessories;

"Households" - persons older than 18 years that occupied a property within the jurisdiction of the Council regardless whether the person rents or owns the property;

"Interest" - a charge levied, with the same legal priority as service charges, on arrear amounts calculated at a standard rate equal to an interest rate of 15% per annum.

"Council" - the institution that is responsible for the collection of funds and the provision of services to the consumers of;

"Municipal account" - shall include levies or charges in respect of the following services and taxes:

- (a) Electricity consumption,
- (b) Water consumption,
- (c) Refuse removal,
- (d) Sewerage services,
- (e) Basic electricity charges
- (f) Basic water charges
- (g) Rates,
- (h) Interest and/or surcharges,
- (i) Housing rentals and instalments,
- (j) Miscellaneous and sundry charges

"Municipal Manager" - the person appointed as Municipal Manager in terms of section 82 of the Local Government: Structures Act, 1998, (Act 117 of 1998) and include any person acting in that position or to whom authority was delegated;

"municipal services" - those services provided by the Council, such as, inter alia the supply of water and electricity, refuse removal, sewerage treatment, and for which services charges are levied;

"Occupier" - any person, who occupies any property or part thereof, without taking cognisance of the title in which he or she occupies the property,

"Official business language" - English

"Owner" –

- (a) The person in whose name the property is legally vested;
- (b) in the case where the person in whose name the property is vested, is insolvent or deceased, or is disqualified in terms of any legal action, the person who is responsible for administration or control of the property as curator, trustee, executor, administrator, legal manager, liquidator, usufructuary, servitude holder or any other legal representative;
- (c) In the case where the Council are unable to establish the identity of such person, the person who are entitled to derive benefit from the property or any buildings thereon;
- (d) In the case of a lease agreement in excess of 30 years was entered into, then the lessee;
- (e) Regarding:
 - (i) a portion of land allotted on a sectional title plan and which is registered in terms of the Sectional Title Act, 1986 (Act 95 of 1986), without limiting it to the developer or managing body to the communal property;
 - (ii) a portion as defined in the Sectional Title Act, the person in whose name that portion is registered to in terms of a "sectional title, including the legally appointed representative of such person;
- (f) Any legal entity including but not limited to:
 - i. a company registered in terms of the Companies Act, 1973 (Act 61 of 1973), a trust inter vivo, trust mortis causa, a closed corporation registered in terms of the Close Corporation Act, 1984 (Act 69 of 1984) and any voluntary organisation;
 - ii. Any provincial or national government department, local authority;
 - iii. Any Council or management body established in terms of any legal framework applicable to the Republic of South Africa; and
 - iv. Any embassy or other foreign entity.
- (g) owned by a Council and which has been disposed of, but which has not been transferred to the person to whom it has been disposed of, from the date of the disposition concerned, such person; and
- (h) owned by or under the control or management of a Council while held under a lease or any express or tacit extension thereof or under any other contract or under servitude or right analogous thereto, the person so holding the immovable property.

“Property” - any portion of land, of which the boundaries are determined, within the jurisdiction of the Council.

CHAPTER 2

GENERAL OBJECTIVES AND PRINCIPLES

2. General Objectives

- (1) The objectives of this policy are to:-
 - (a) provide a framework where the Council can exercise its executive and legislative authority with regard to credit control and debt collection;
 - (b) ensure that all monies due and payable to the Council are collected and used to deliver services in the best interests of the community, residents and consumers and in a financially sustainable manner;
 - (c) provide a framework for customer care and indigent support;
 - (d) describe credit control measures and sequence of events;
 - (e) outline debt collection and credit control procedures and mechanisms; and
 - (f) set realistic targets for credit control and debt collection;
 - (g) comply with NCA (National credit Act) where applicable
- (2) All internal communications should be in the official business language.

3. Principles

- (1) The administrative integrity of the Council must be maintained at all costs. The democratically elected Councillors are responsible for policy making, while it is the responsibility of the Municipal Manager to ensure the execution of these policies.
- (2) All consumers must complete an official application form, formally requesting the Council to connect them to service supply lines. The most important rights and obligations of the consumer and Council must be included in the service application form.
- (3) A copy of the application form, conditions of services and extracts of the relevant Council's customer care, credit control and debt collection policy and by-laws must be handed to every consumer on request.

- (4) Billing is to be accurate, timeous, and understandable.
- (5) The consumer is entitled to reasonable access to pay points and to a variety of reliable payment methods.
- (6) The consumer is entitled to efficient, effective, and reasonable responses to enquiries and appeals, and should suffer no disadvantage during the processing of such requests.
- (7) Enforcement of payment must be prompt, consistent, and effective.
- (8) Unauthorised consumption, connection and reconnection, the tampering with or theft of meters, service supply equipment and the reticulation network and any fraudulent activity in connection with the provision of municipal services will lead to disconnections, penalties, loss of rights and criminal prosecutions.
- (9) Incentives and disincentives may be used in collection procedures.
- (10) The collection process must be cost-effective.
- (11) Results will be regularly and efficiently reported and monitored.
- (12) Application forms will be used to, *inter alia*, categorise consumers according to credit risk and to determine relevant levels of services and deposits required.
- (13) The Municipality may appropriate a customers' deposit on any account related to that customer due to unpaid services and thereafter the consumer is liable for the payment of a new deposit amounting to twice the monthly consumption on said account. A new service agreement must also be entered into with the Municipality
- (14) Targets for performance in both consumer service and debt collection will be set and
- (15) Where practically possible the debt collection and customer care policies would be handled independently of each other and the organisational structure will reflect the separate functions.
- (16) Consumers that meet Council's indigent criteria must be identified and supported but must take note that their indigent status will be listed for ITC purposes.
- (17) Any consumer who falls into arrears and fails to react to any of the measures in this policy, may be listed for ITC purposes

CHAPTER 3

DUTIES AND FUNCTIONS

4. Duties and Functions of Council

- (1) To approve a budget consistent with Council's Integrated Development Plan.

- (2) To impose rates and service charges to finance the budget.
- (3) To facilitate sufficient funds to give access to basic services for the poor.
- (4) To provide for a bad debt provision, in line with the payment record of consumers as reflected in the financial statements of the Council.
- (5) To set an improvement target for debt collection, in line with acceptable accounting ratios and resources available to the Municipal Manager.
- (6) To approve a reporting framework for customer care, credit control and debt collection.
- (7) To consider and approve by-laws to give effect to the Council's policy.
- (8) To revise the budget should Council's targets for customer care, credit control and debt collection not be met.
- (9) To take disciplinary actions against Councillors, officials and agents who do not execute Council policies and by-laws, or act improperly in terms of such policies and by-laws.
- (10) To approve a list of attorneys that will act for Council in all legal matters relating to debt collection.
- (11) To delegate the required authorities to monitor and execute the customer care, credit control and debt collection policy and by-law to the Executive Mayor and Municipal Manager.
- (12) To provide sufficient capacity in the Council's Financial Directorate for customer care, credit control and debt collection. Alternatively to appoint a Service Provider, or debt collection agent.
- (13) To assist the Municipal Manager in the execution of his duties, if and when required.
- (14) To provide funds for the training of staff.

5. Duties and Functions of Councillors

- (1) Ward Councillors play a vital role in the current dispensation to
Communicate the expectations of consumers in a specific ward to Council as well as the service departments or unit
- (2) The Ward Councillor is also directly responsible to ensure that
Communication is forwarded to consumers in respect of this policy and to further ensure that consumers are paying for services received

- (3) The councillors will actively promote payment services rendered to the consumers in their respective wards and strive to create a culture of payment for services through ward committee members.
- (4) To adhere to the Code of Conduct for Councillors.
- (5) To give inputs regarding indigent applications.

6. Duties and Functions of Executive Mayor

- 1) To ensure that Council's budget, cash flow and targets for debt collection are met and executed in terms of the policy and relevant by-laws.
- 2) To monitor the performance of the Municipal Manager in implementing the policy and by-laws.
- 3) To review and evaluate the policy and by-laws in order to improve the efficiency of Council's customer care, credit control and debt collection procedures, mechanisms, and processes.
- 4) To report to Council.

7. Duties and Functions of the Municipal Manager

- 1) To implement good customer care management systems.
- 2) To implement Council's customer care, credit control and debt collection policy.
- 3) To install and maintain appropriate accounting and credit control systems.
- 4) To bill consumers.
- 5) To demand payment on due dates.
- 6) To raise interest and collection fees for payment defaults.
- 7) To appropriate payments received.
- 8) To collect outstanding debt.
- 9) To provide different payment methods.
- 10) To determine customer care, credit control and debt collection measures.
- 11) To determine all relevant work procedures for, inter alia, public relations, arrangements, disconnections of services, summonses, attachments of assets, sales in execution, write-off of debts, sundry debtors and legal processes.
- 12) To instruct attorneys to proceed with legal processes.
- 13) To set performance targets for staff.
- 14) To appoint staff to execute Council's policy and by-laws in accordance with Council's appointment policy.

- 15) To delegate certain functions to the Chief Financial Officer or Heads of departments.
- 16) To determine control procedures.
- 17) To monitor contracts with Service Providers in connection with credit control and debt collection.
- 18) To report to the Executive Mayor.

8. Duties and Functions of Communities, Ratepayers and Residents

- 1) To fulfil certain responsibilities, as brought about by the privilege and or right to use and enjoy public facilities and municipal services.
- 2) To pay service fees, rates on property and other taxes, levies and duties imposed by the Council on or before due date.
- 3) To obtain a duplicate account at the municipal help desk if an account is not delivered during the normal billing cycle.
- 4) To notify the Council when services are no longer required at a particular service delivery point and of address changes.
- 5) To safeguard and maintain service meters in a readable condition.
- 6) To observe the mechanisms and processes of the Council in exercising their rights.
- 7) To allow municipal officials reasonable access to their property to execute municipal functions.
- 8) To comply with the by-laws and other legislation of the Council.
- 9) To refrain from tampering with municipal services and property.
- 10) To maintain credit and pre-payment meters.

CHAPTER 4

PERFORMANCE EVALUATION AND REPORTING

9. Objective

The municipal Council in consultation with the municipal manager must establish a mechanism to set targets for debt collection, customer care and administrative performance, evaluate performances and take corrective actions on a regular basis to enhance credit control and debt collection

10. Income Collection Targets

Council to create targets that include:

Reduction in present monthly increase in debt in line with performance agreements determined by Council from time to time.

11. Consumer Service Targets

The Consumer targets as identified are as follows:

- (i) Response time to customer queries: Initial response within 5 working days
- (ii) Resolution of Queries/Disputes: 45 working days to resolve queries/disputes and appeals.
- (iii) Date of first account delivery for New consumers: By second billing cycle after date of application or occupation whichever is the latest.
- (iv) Reconnection time: within 24 hours after appropriate payment / arrangement has been made.
- (v) Meter reading cycle:
 - a) 100% of meters being read on monthly basis on a similar date with a maximum of 6 consecutive months estimated.
 - b) where a meter has a technical problem, Council may utilise previous periods as determined in Councils Tariff Policy to determine the average usage
- (vi) Indigent application: within 2nd billing cycle response for approval or disapproval, as well as provision of subsidy.

12. Administrative Performance

Council to create targets that will include:

- (a) Cost efficiency of debt collection.
 - Cost of collection not to exceed the capital debt amount;
 - All reasonable steps to be taken to limit cost to Council or the customer;
 - Cost of collection is to be recovered from the defaulting customers
- (b) Query and appeal periods according to this policy.

13. Reporting

- (1) The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to the Executive Mayor as supervisory authority

in terms of section 99 of the Systems Act, read with section 100(c). This report shall contain particulars on:

- (a) Cash collection statistics, showing high-level debt recovery information (numbers of consumers; enquires; arrangements; default arrangements; growth or reduction of arrear debt). Where possible, the statistics should ideally be divided into wards, business (commerce and industry), domestic, state, institutional and other such divisions.
- (b) Performance of all areas against targets agreed to in item 11 of this policy document.

(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 approved by Council, the Chief Financial Officer will report this with motivation to the Municipal Manager who will, if he agrees with the Chief Financial Officer, immediately move for a revision of the budget according to realistically realisable income levels.

(3) The Executive Mayor as Supervisory Authority shall, at intervals of 3 months, report to Council as contemplated in section 99(c) of the Systems Act.

CHAPTER 5

CUSTOMER CARE POLICY

14. Objective

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

15. Communication

- (1) The Council will, within its financial and administrative capacity, conduct an annual process of compiling and communicating its budget to the public where possible
- (2) Council's Customer care, Credit Control and Debt Collection Policy or relevant extracts thereof, will be available in English and will be made available by general

publication and on specific request, and will also be available for perusal at Council's offices.

- (3) Council will endeavour to distribute a regular newsletter when possible, which will give prominence to customer care and debt issues.
- (4) Ward Councillors will be required to hold regular ward meetings, at which customer care and debt collection issues will be given prominence.
- (5) The press will be encouraged to give prominence to Council's Customer care, Credit control, and Debt Collection policies, and will be invited to Council or Committee meetings where these are discussed.

16. Metering

- (1) The Council will endeavour, within practical and financial limits, to provide meters to every paying consumer for all services.
- (2) All meters will be read monthly, if at all possible. If the meter is not read monthly the Council will estimate the consumption in terms of Council's operational procedures;
- (3) Consumers are entitled to request verification of meter readings and accuracy within reason, but will be held liable for the cost thereof.
- (4) Consumers will be informed of meter replacements.
- (5) If a service is metered but it cannot be read due to financial and human resource constraints or circumstances out of the control of the Council or its authorised agent, and the consumer is charged for an estimated consumption the account following the reading of the metered consumption must articulate the difference between the actual consumption and the average consumption, and the resulting credit or debit adjustments.
- (6) In case where council does not have access to the meters that are inbound and an average has been taken by Council, it is the consumer's responsibility to submit a clear photo of the readings with the date imprinted thereon on which the photo was taken to Council should they dispute the averages levied

17. Accounts and Billing

- (1) Consumers on the billing system will receive an understandable and accurate bill from the Council, which bill will consolidate all service costs for that property.
- (2) Accounts will be produced in accordance with the meter reading cycle and due dates will be linked to the statement date.

- (3) Accounts will be rendered monthly in cycles of approximately 30 days at the address last recorded with the Council or its authorised agent.
- (4) It is the consumer's responsibility to ensure that postal address and other contact details are correct.
- (5) It is the consumer's responsibility to make enquiries and ensure timeous payments in the event of accounts not received.
- (6) Settlement or due dates will be as indicated on the statement.
- (7) Where an account is not settled in full, any lesser amount tendered and accepted shall not be deemed to be in full and final settlement of such an account.
- (8) Where any payment made to the Council or its authorised representative by negotiable instrument is later dishonoured by a bank, the Council, or its authorised agent:
 - (a) May recover the average bank charges incurred relating to dishonoured negotiable instruments against the account of the consumer.
 - (b) Shall regard such an event as a default on payment and disconnect/restrict services and levy the relevant costs thereof against the consumers account.
 - (c) May insist on cash payments for all future accounts.
- (9) The Council or its authorised agent must, if administratively possible, issue a duplicate account or any acceptable alternative to a consumer on request and a fee of R1.00 paid therefore if provided by Council
- (10) Accounts will be processed and posted by the last day of each month.
- (11) Consumers may request electronic accounts per email at no cost to the consumer, but should the consumer request an electronic account plus a hard copy of the account be then the applicable tariff in the tariff structure will be levied

REFUNDS

- (1) Any account holder may apply in the prescribed manner for a refund on any credit balance on their account.
- (2) The refund application will be considered and verified by the municipality in terms of its internal procedures.
- (3) The municipality reserves the right to periodically determine a bottom threshold for when it is entitled to decline to issue a refund where the cost and administrative burden of issuing the refund is out of balance with the amount to be refunded. The bottom threshold refund amount will be R100.00.

- (4) The municipality may at its discretion use any payment method when paying a refund to an account holder.
- (5) Any arrears on any account of the account holder requesting or entitled to a refund may be set off against any credit balance due to that account holder on any of his accounts before the refund is effected.
- (6) There is an obligation on all account holders to ensure that their contact details on the municipality's system are correct and updated at all times.
- (7) The municipality shall be entitled to write back or appropriate any unclaimed money arising from a credit balance of an account holder account, if such amount is not claimed by the account holder within a year from the date when it became due to him or her.

18. Payment Facilities and Methods

- (1) The Council will operate and maintain suitable payment facilities which will be accessible to all users.
- (2) Direct payments or electronic payments can be made into the bank account of the City of Matlosana, ABSA Bank, OR Tambo Street, Account no. 01000100176, Branch code 632005. The consumer must state the account number as reference on the deposit slip. It is important that the deposit slip, together with a breakdown of the amount be faxed to the Council at (018) 464 2318 without delay. Four (4) official business days must be allowed for processing.
- (3) The Council will, at its discretion, allocate a payment between service debts and a consumer who has overdue debt, may not specify that the payment is for a specific portion of the account.
- (4) The Council may in terms of section 103 of the Systems Act, with the consent of a consumer, approach an employer to secure a debit or stop order arrangement.
- (5) The consumer will acknowledge, in the consumer agreements that the use of consumer agents in the transmission of payments to the Council is at the risk of the consumer – also for the transfer time of the payment.
- (6) Any direct deposits without the relevant details or reference may be refused by Council via the bank or be confiscated by Council if not claimed within a year
- (7) Only bank guaranteed cheques will be accepted.

19. Incentives for Prompt Payment

- (1) During the budget process Council may, to encourage prompt payment and/or to reward regular payers, consider from time to time incentives for the prompt payment of accounts or payment by debit or stop order.
- (2) (a) where a consumer is prepared to pay off the capital amount on an outstanding account in one payment, then Council will write back all interest charged, warning fees, disconnection fees, and legal costs.
(b) Interest and other debt collection fees may also be reversed under the following circumstances:
 - if the Municipality has made an administrative error on the account;
 - where an owner takes over the debts of the tenant/s and
 - where the Chief Financial Officer or delegated person approves such reversal due to the fact that the only amount owing on the account comprises of interest or debt collection fees or sundry fees
- (3) That 10% discount of their monthly service account be awarded to Schools and Crèches who timeously pay their account, or arrears in full where applicable.
- (4) The cost associated with the other schemes, if introduced, will be reflected in annual budgets as additional expenditure, besides the point above

20. Enquiries, Appeals and Service Complaints

- (1) Within its administration and financial ability the Council will establish:
 - (a) A central complaints/feedback office;
 - (b) A centralized complaints database to enhance co-ordination of complaints, their speedy resolution, and effective communication with consumers;
 - (c) Appropriate training for officials dealing with the public to enhance communications and service delivery; and
 - (d) A communication mechanism to give Council feedback on the application of the policies on customer care and management, credit control and debt collection and other issues of concern.
- (2) If a consumer is convinced that his or her account is inaccurate, he or she can lodge a query with the Council for investigation of this account, and where necessary the relevant adjustments will be effected.

- (3) In the interim the debtor must pay the average of the last three months accounts where such history of the account is available. Where no such history is available, the debtor must pay without prejudice of rights an estimate provided by the Council before payment due date until the matter is resolved.
- (4) The relevant department will investigate and inform the debtor within one month of the outcome of the investigation.
- (5) Failure to make such agreed interim payment or payments will result in the consumer forming part of the normal credit control procedures.
- (6) A consumer may appeal against the finding of the Council or its authorized agent in terms of clause 20(2).
- (7) An appeal in terms of clause 20(6) must be made and lodged with the Council within 21 (twenty-one) days after the consumer became aware of the finding and must:
 - (a) Set out the reasons for the appeal.
 - (b) Pay any amount determined for the testing of a measuring device, if applicable.

21. Consumer Assistance Programmes

1. Water leakages

- (a) The consumer has the responsibility to control and monitor his/her water consumption to the property.
- (b) In cases of undetected water leakages on private property, the consumer pay for the normal water consumption as calculated by using the average consumption for three months prior to the leak, at the applicable sliding scale and that the "over-consumption" or "leak" be paid at a fixed charge based on the second category of the sliding scale of the water tariffs, for the months (maximum three) in question, or at the tariff as calculated by the CFO at the time, subject to the provision of proof by the resident regarding:
 - (i) The date on which the leak was first detected.
 - (ii) Steps taken by the resident to stop the leak.
 - (iii) The leak has actually stopped – investigation and confirmation by Council's official.
- (c) Following proof of the above, it should fall within the parameters of.
 - (i) the leak being repaired within five working days of detection
 - (ii) the leak did not last for longer than three (3) months from start to end.

2. Rate Rebates

Subject to certain criteria the municipal Council may grant rate rebates annually to certain categories of ratepayers in accordance to the Council's rates policy and by-law.

3. Arrangements and Extensions of Time for Payment

3.1 Arrangements

If a customer cannot pay his/her account with the Council then the Council may enter into an extended term of payment with the customer according to the applicable category of the customer. Consumers who default on two payments in respect of the arrangement made, will be denied the privilege of continuing with the arrangement and the full amount becomes payable. The customer must:

- i. Sign an acknowledgement of debt;
- ii. Sign a consent to judgement;
- iii. Provide a garnishee order/emolument order/stop order (if he or she is employed);
- iv. Acknowledge that interest will be charged at the prescribed rate should the arrangement be dishonoured;
- v. Pay the current portion and the proposed arrangement amount of the account;
- vi. Sign an acknowledgement that, if the arrangements being negotiated are later defaulted on, that no further arrangements will be possible, and that disconnection / restriction of water and electricity will follow immediately, as will legal proceedings.
- vii. Only one arrangement may be concluded between the Council and the consumer debtor.
- viii. Acknowledge liability of all costs incurred.
- ix. Prove levels of income and make reasonable payment of arrears based on the ability to pay.
- x. Interest on arrears in respect of all services and rates will be suspended whilst the debtor adheres to the conditions of the arrangement.

- xi. Consumers may make arrangements on behalf of the owner, but must then accept full liability for the outstanding amount of the owner and should provide Council with a letter, authorising the arrangement, from the owner or letting agency
- xii. Acknowledge and accept the following conditions with regards to debtors be applicable:

CATEGORIES OF DEBTORS

Interest on arrears in respect of all services and rates on arrangements will be suspended whilst the debtor adheres to the conditions of the arrangement which must be paid promptly on the due date on a monthly basis. No new arrangements are allowed unless any previous arrangements have been paid in full or unless for special reasons claimed. Should any arrangement default then the arrangement will be cancelled and the full outstanding amount will be payable.

Debts and arrangements to repay debts shall be treated holistically, but different repayment periods may be determined for different types of service, debtors, or areas within the general rule that repayment periods should be in sympathy with the instalments that the debtor can afford.

Consumers should make arrangements for arrears payment in such a manner that he/she will be able to honour these arrangements for outstanding debt plus the monthly current amount which should be paid in full on the due date. The following guidelines are stipulated.

Any deviations on this policy may only be made by the Director Finance or his designated officials

SOCIAL ASSESSMENT

Debts and arrangements to repay debts shall be treated holistically, but different repayment periods may be determined for different types of service, debtors or areas within the general rule that repayment periods should be in sympathy with the instalments that the debtor can afford in order to settle the arrears over a reasonable period in terms of the Customer Care, Credit Control and Debt Collection Policy. Any deviations on this policy may only be made by the Chief Financial Officer or his designated officials.

Household and Business Customers Arrangements

Household Arrangements

- (a) One of the key objectives of debt collection is to encourage customers to start paying their monthly accounts in full. In addition it is also necessary to ensure that arrear debt is addressed. The current average balances on customer accounts necessitate that innovative ideas be implemented to encourage customers to pay off their arrears. At the same time it is also of utmost importance that regular payers not be discouraged through the implementation of any possible incentives.
- (b) The main aim of an agreement will be to promote full payment of the current account and to address the arrears on a consistent basis. At the date of the arrangement a minimum of 30% of the capital arrear debt must be paid immediately for residential customers". The minimum amount less than 30% may be approved by the Chief Financial Officer or his delegated person/s.
- (c) A customer must enter into a written agreement with the Municipality to repay any outstanding and due amount to the Municipality under the following conditions:-
 - (i) The outstanding balance, costs and any interest thereon shall be paid in regular and consecutive monthly instalments;
 - (ii) The current monthly amount must be paid in full; and
 - (iii) The written agreement has to be signed on behalf of the Municipality by a duly authorised officer.
 - (iv) The agreement will be compliant with the requirements of the National Credit Act where applicable.
- (d) In order to determine monthly instalments a comprehensive statement of assets and liabilities of the customer must be compiled by a treasury official. To ensure the continuous payment of such arrangement the amount determined must be affordable to the customer, taking into account that payment of the monthly current account is a prerequisite for concluding an arrangement.
- (e) During the time of the debt collection process, but before the debt is handed over to the attorneys a customer may enter into an arrangement to payoff arrear debt,
- (f) No arrangements will be entertained by the Municipality on a debt that has been handed over for legal collection.

- (g) The Municipality will entertain only one arrangement with a customer to pay off arrear debt. Failure to abide by the arrangement will result in that:-
- (i) the arrangement shall be terminated with immediate effect; and
 - (ii) the outstanding balance shall immediately become due and payable;
 - (iv) The customer by signing the arrangement agreement to pay off arrear debt acknowledges the following: -
 - a. The debt is owed to the Municipality.
 - b. That on default of the arrangement agreement, interest on arrears will be charged on the amount due, electricity supply will be disconnected to the property of the customer or the customer will be blocked from the purchase of electricity or water on the prepayment system, and legal proceedings may be instituted to collect the debt.
 - c. Any costs, which include collection costs, charges, disbursements and legal costs relating to any of the debt collection methods applied to collect the debt may only be recovered from the defaulting customer within the provisions of the NCA.

Business Arrangements

- (a) At the date of the arrangement a minimum of 50% of the capital arrear debt must be paid immediately and any variance on the minimum shall only be approved by the Chief Financial Officer or his delegate
- (b) The balance of the debt which includes the capital amount and interest must be paid over a 6 to 12 month period provided payments are made monthly by the due date. Only the Chief Financial Officer or delegated person may approve any extension on this arrangement.
- (c) The total monthly instalment must include the current monthly charges plus the amount to pay off arrear debt.
- (d) No arrangements will be considered by the Municipality on a debt that has been handed over for legal collection (litigation).
- (e) Failure to maintain the arrangement will result in interest being reversed and full debt collection being implemented, with no possibility of reprieve.
- (f) Any arrangement outside of the foregoing must be approved by the Chief Financial Officer or appointed delegate

Schools / Hospitals / Government

No school, hospital, or Government Department may make an arrangement to pay off their outstanding debt or if otherwise approved only by the Chief Financial Officer or Municipal Manager.

Sport and Social Clubs

Sport & Social Clubs 50% of arrear amount plus current account as down payment. Balance over maximum of 3 months.

Churches and Religious Institutions

Churches & Religious 10% of arrear amount plus current account as down
Institutions payment. Balance over maximum of 6 months.

The arrangement amount plus the current amount to be paid promptly in full on a monthly basis.

ACCOUNT HOLDERS UNDER ADMINISTRATION

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

- i. The debt as at the date of the administration court order will be placed on hold, and collected in terms of the court order by the administrator's dividend.
- ii. The administrator is to open a new account on behalf of the debtor, with a new deposit
No account is to be opened/operated in the debtor's name as the debtor is not entitled to accumulate debt (refer section 74S of the Magistrates Courts Act 32 of 1944).
- iii. The administrator may not give the person who has been placed under administration permission to open an account
- iv. Until such time as this new account is opened, the debtor is to be placed on limited services levels. The consumer will be compelled to install a prepaid electricity meter at own cost, should one not already be in place. The Council will be entitled to recover the cost of the basic services by means of purchases made on the prepaid meter.
- v. Should there be any default on the current account the supply of services is to be limited or terminated and the administrator handed over for the collection of this debt.

INDIGENTS

Debtors who qualify and become registered as indigent, will have their arrears written off as per Councils Indigent Policy.

Should it be established that a recipient of indigent relief has supplied the Council with false information or not informed the Council of a change in circumstances within the household:

- (i) The indigent support will be stopped immediately.
- (ii) The recipient may be liable for the repayment of all indigent support received for the period involved which amount will be debited against the consumers account.
- (iii) Normal credit control in accordance with the Council's Credit Control and Debt Collection Policy will apply.
- (iv) Criminal charges may be instituted against the account holder for supplying false information.

Arrangements

Should an Indigent person fall into arrears and credit control actions have been taken against the consumer, the down payment and instalment will be calculated according to the person's income. The calculations will be done at 5% of the monthly income as a down payment and instalment. Indigents who are not employed must pay a minimum down payment of R50 and the instalment calculated over the period not exceeding twelve months

COUNCILLORS AND MUNICIPAL EMPLOYEES

- i In accordance with Schedule 2 of Systems Act, item 10, a staff member of a municipality may not be in arrears to the municipality for rates and services charges and the municipality may deduct any arrear amounts from a staff members' salary after this period, which will not exceed more than 25% of the persons gross salary
- ii All existing staff and Councillors who have not entered into an agreement to pay arrears must do so within thirty days of the approval of this policy by Council.

- iii All staff members joining the Municipality must within thirty days sign an agreement to pay arrears which must be prearranged by the Human Resources Section
- iv All agreements with Councillors will be calculated according to point (i). above but must not exceed the expiry date of the term of office
- v Salary deductions in terms of section 10 of schedule 2 of the Municipal Systems Act will be implemented on all staff members and councillors with arrears on their account irrespective of whether they enter into an arrangement or not

PROPERTY MANAGEMENT LEASES

1. The procedure for the recovery of arrears on leases is that the Council would pursue the debt, in accordance with the terms of the specific lease contract, and any policy related thereto, as determined by the Council from time to time, until all avenues are exhausted.
2. The Council may attach the rental of tenants or any other payments due to owners who are in arrears with their Municipal accounts.

ACCOUNTS HANDED OVER TO ATTORNEYS / DEBT COLLECTORS

Consumers that are currently handed over to an attorney/debt collector are not allowed to accumulate any new arrears, nor ask for any extension or arrangement on his current account. That all normal accounts of which a portion are handed over for the recovery by an attorney, may be blocked on the system for further extension/arrangements.

NEW TENANTS - OWNER ARREARS

1. Where it is found that the Owner is in arrears and a new tenant is to occupy the premises, the new tenant may, with the owner's approval, agree in writing as per agreement, to pay the services and arrears account. At least 50% of the monthly rental of the tenant is to be paid to Council until the arrears has been paid up.
2. If an amount due for rates levied in respect of a property is unpaid by the owner of the property after the date determined in terms of the Municipal Property Rates

Act, the Council may recover the amount in whole or any part thereof from a tenant or occupier of the property, despite any contractual obligation to the contrary on the tenant or occupier: Provided that such tenant or occupier may be entitled to deduct such amount recovered from the rent payable to the owner.

3.2. EXTENSION FOR PAYMENTS

A Customer may apply for extension of time for payment of the current account on the Municipal Account by completing the applicable form.

1. Any consumer shall be entitled to apply for deferment of payment of 30% of the current account until the 15th of the following month: provided that no consumer shall be granted deferment of payment more than three times a year.
2. Any consumer who is unable to pay his/her account by due date, may apply before the due date for an extension until the 30th of the month in which the amount is due and payable. In such an event the electricity supply shall only be discontinued in the event of the consumer not settling their account by the 30th, provided that this indulgence does not occur more than three times a year.
3. That no extension be granted to any consumer for his current account, who has been placed under administration or debt review, or any consumer who has already been handed over for debt collection in respect of arrears.
4. That pre-paid electricity may not be supplied to consumers who do not pay their current accounts and/or do not make arrangements for the payments of their arrears and the payment thereof.
5. An extension for payment granted in terms of this section, is subject to the Customer entering into the applicable Acknowledgment of Debt Agreement.

3.3 Disconnection/ Reconnection of services

- 3.3.1 Notices will be delivered to consumers who are in arrears at least 48 hours before being disconnected and a late payment fee levied irrespective if they were disconnected or not.
- 3.3.2 Proof of payment must be brought to Council offices if paid at other institutions for reconnections.
- 3.3.3 Proof of payment after hours must be brought to the Fire Brigade offices if paid at other institutions for reconnections.

- 3.3.4 Consumers who do not react to the notices may be disconnected between Monday and Friday and a disconnection fee will be levied. No disconnection will be made after 12h00 on a Friday, a day before a public holiday, or on weekends
- 3.3.5 Where a cable has been removed all outstanding fees must be paid by the consumer and a new application for services will have to be completed at council offices and the relevant deposit paid
- 3.3.6 Consumers paying after hours will only be reconnected until 20h00 at a special tariff as determined by Council.
- 3.3.7 Consumers may not be disconnected after 16h00 on weekdays or on weekends or Public holidays
- 3.3.8 No disconnected consumer will be reconnected on weekends and public holidays, unless under special circumstances

4. Indigent Relief

A basic level relief will be provided to qualifying households in terms of the provisions of the Indigent Support Policy.

5. Subsidy Categories

- (a) Subject to the extent of the equitable share contribution received and affordability levels, Council may provide free of charge to Indigent household consumers, the basic level of services as determined in the Indigent Policy
- (b) Further grants may be provided as determined from time to time in Council's policies and by-laws.

22. Consumer Categories

Consumers will be categorised according to specific classifications based on inter alia the type of entity, applicable tariffs and risk levels. Processes for credit control, debt collection, and customer care may differ from category to category, as deemed appropriate from time to time by the Municipal Manager.

CHAPTER 6

CREDIT CONTROL AND DEBT COLLECTION POLICY

Background

This Customer Care, Credit Control & Debt Collection Policy is applicable to the City of Matlosana which includes the entities of Klerksdorp, Jouberton, Alabama, Manzilpark, Sakhrol, Orkney, Kanana, Stilfontein, Khuma, Hartbeesfontein, and Tigane.

23. Credit Control Objectives

Credit control relates to the collection of cash from ratepayers, customers, and consumers of the various municipal services. Credit control under this definition would start once an account remains unpaid after a specified due date. In terms of modern practices and approaches, credit control is more aptly defined as an avenue of last resort within the ambit of customer management. The customer management approach focuses on the clients' needs in a responsive and responsible manner, the objective being to encourage payment to prevent the need for enforcement.

24. Factors that Might Affect the Implementation of a Full Credit Control System

- (1) Lack of administrative capacity to implement credit control within councils.
- (2) Lack of political support and commitment from Councillors.
- (3) Poor and inefficient accounting systems adopted by some municipalities resulting in inaccurate financial reports and incorrect statements.
- (4) Lack of financial resources throughout the payment collection system.
- (5) Insufficient customer pay points established by various councils.
- (6) Non-existence of a policy on indigents.
- (7) Incorrect meter readings.

25. Credit Control Principles

Credit control is the last step in ensuring payment for services rendered. Considering the level of unemployment and poverty in South Africa, the enforcement of payment for services will be ineffective if it is not based on acceptable principles and if the ability to pay is not separated from indigence. The following principles are applicable:

- (a) The Municipal Manager, who is entrusted with the determination and execution of credit control measures, must report to the Executive Mayor.
- (b) Enforcement and policy-making must be independent to ensure accountability.
- (c) Credit control measures must be understandable, uniform, fair, and consistently applied.
- (d) Credit control must be effective, efficient, and economical.
- (e) The measures must be sustainable in the long-term.
- (f) A proper indigent policy must be in place.

26. Necessity for Credit Control

- (1) The operations required in order to effect service delivery to the community are controlled and funded by the Council's operating budget which in turn is totally dependent on the collection of all the budgeted income. Any shortfall between actual income and budgeted income will mean that expenditure will have to be reduced. This could result in the curtailment of services or lowering of standards.
- (2) A further point is that the infrastructure required for the provision of services is provided by capital expenditure, which is often provided by external financing (loans). Loans must be repaid together with interest for which provision must be made in the operating budget. In addition to these capital charges, maintenance and operating costs of the newly acquired assets must be provided for in the operating budget. To meet all these costs it is imperative that all budgeted income be collected.
- (3) Raising external finance (loans) could become a problem if lenders feel that there is a risk that the municipalities may default or delay repayments. A factor that will therefore be closely monitored is the level of non-payment for municipal services.
- (4) In order to maintain Councils creditworthiness and to counter the effects of non-payment, municipalities may build up necessary reserves or dedicate income sources or assets as security for capital finance. The result is either slower or no service delivery or excessive reserving all of which are detrimental to ratepayers and consumers.

27. Debt Collection Responsibility of Council

- a) In terms of Section 96 of the Municipal Systems Act, No 32 of 2000, a Council:-
 - (1) must collect all money that is due and payable to it,

- (2) For this purpose, must adopt, maintain, and implement a credit control and debt collection policy which is consistent with its rates and tariff policies and complies with the provisions of this Act.
- b) Council recognizes the National Credit Act of 2005 but cognizance must be taken of the following:
 - (1) That arrears rates and interest does not fall under the National Credit Act of 2005.
 - (2) That according to Section 4 of the National Credit Act of 2005, the Act applies to every credit agreement within the Republic except as stated in Section 4(6)(b)(ii)
 - (3) Council may however take such applications into consideration and will consider such applications according to this policy, but will not be obliged to accept them as a whole.

28. Contents of Policy

In terms of Section 97 (1) of the Municipal Systems Act, No 32 of 2000, a credit control and debt collection policy must provide for:

- (1) credit control procedures and mechanisms;
- (2) debt collection procedures and mechanisms;
- (3) provide for indigent debtors that is consistent with its rates and tariff policies and any national policy on indigents;
- (4) realistic targets consistent with:-
 - (a) general recognized accounting practices and collection ratios;
 - and
 - (b) the estimates of income set in the budget less an acceptable provision for bad debts;
- (5) interest on arrears, where appropriate;
- (6) extensions of time for payment of accounts;
- (7) termination of services or the restriction of the provision of services when Payments are in arrears;
- (8) matters relating to unauthorized consumption of services, theft and damages;
- and
- (9) any other matters that may be prescribed by regulation in terms of section 104.

29. Supervisory Authority

In terms of section 99 of the Municipal Systems Act, No 32 of 2000, a Council's or executive mayor as the supervisory authority must:-

- (1) Oversee and monitor:-
 - (a) the implementation and enforcement of the Council's credit control and debt collection policy and any by-laws enacted in terms of section 98; and
 - (b) the performance of the municipal manager in implementing the policy and any by-laws;
- (2) When necessary, evaluate or review the policy and any by-laws, or the implementation of the policy and any such by-laws, in order to improve efficiency of its credit control and debt collection mechanisms, processes and procedures; and
- (3) At such intervals as may be determined by the Council report to a meeting of the Council

30. Implementing Authority

In terms of Section 100 of the Municipal System Act, No 32 of 2000, the municipal manager or service provider must:-

- (1) Implement and enforce the Council's Customers Care, Credit control and Debt Collection policy and any by-laws enacted in terms of Section 98;
- (2) in accordance with the Customer Care, Credit Control and Debt Collection policy and any such by-laws, establish effective administrative mechanisms, processes and procedures to collect money that is due and payable to the Council; and
- (3) At such intervals as may be determined by the Council report the prescribed particulars to a meeting of the supervisory authority referred to in Section 99.

31. Roles and Responsibilities

- (1) In terms of Section 99(a) of the Municipal Systems Act, No 32 of 2000, the Council's Executive Mayor must oversee and monitor the implementation and enforcement of the credit control and debt collection policy.
- (2) In terms of Section 99(b) of the Municipal Systems Act, No 32 of 2000, the Council's Executive Mayor must when necessary, evaluate or review the policy or the implementation of the policy in order to improve efficiency of its credit control and debt collection mechanisms, processes and procedures.
- (3) In terms of Section 100(a) the Municipal Manager must implement and enforce the Council's Customer Care, Credit Control and Debt Collection policy.

- (4) In terms of Section 100 (c) of the Municipal Systems Act, No 32 of 2000, the Municipal Manager must at such intervals as may be determined by the Council report the prescribed particulars to a meeting of the executive committee.
- (5) The communication of the credit control and debt collection policy to the community is the joint responsibility of the Councillors, Municipal Manager and municipal officials.
- (6) In terms of Section 11 (c) of Schedule 1 of the Municipal Systems Act, No 32 of 2000, a Councillor may not obstruct or attempt to obstruct the Municipal Manager or any employee of the Council to implement and enforce the Council's credit control and debt collection policy.

32. Service Application and Agreements

- (1) All consumers of services will be required to sign an agreement governing the supply and cost of municipal services. The agreement for municipal services is attached as annexure "A".
- (2) All consumers shall pay a deposit as determined from time to time by Council and which may be increased to three times the monthly consumption by the Municipal Manager or his designated official in the event of non-payment.
- (3) Prior to signing these agreements, consumers will be entitled to receive when available the policy document of the Council on request.
- (4) On the signing of the agreement, consumers will receive a copy of the agreement for their records.
- (5) Consumers are responsible for costs of collection and interest in the event of delayed and/or non-payment.
- (6) Existing consumers of services may be required to sign new agreements as determined by the Municipal Manager from time to time.
- (7) If a consumer fails or refuses to sign a new service agreement or pay the deposit as stipulated by Council, the Council may discontinue services until the necessary agreement has been signed or deposit been paid.
- (8) The consumer will also be held accountable for services already provided, costs incurred and any other costs associated with the collection of service fees and cost incurred.
- (9) All applicants for municipal services may be checked for creditworthiness including checking information from banks, credit bureaux, other local authorities, trade

creditors, and employers and will be listed at an ITC company due to non-payment of their services

10) The municipality may –

- a) Consolidate any separate accounts of any properties of persons liable for payments to the municipality;
- b) Credit a payment by such a person against any account of that person;
And
- c) Implement any of the debt collection and credit control measures provided for in this Chapter in relation to any arrears on any of the accounts of such a person and may terminate the services of such account.

Subsection (a) does not apply where there is a dispute between the municipality and a person referred to in that subsection concerning any specific amount claimed by the municipality from that person. Therefore the liability for payments not disputed is not suspended.

11) **DISSOLVING OF TENANT ACCOUNTS**

- a) The Council will only register accounts for accounts holders who are the owners of a property. No accounts will be registered for tenant account holders and the onus will be on the owner/agent to ensure that the monthly service and rates accounts are paid.
- b) All existing tenant accounts will be phased out in terms of a phasing out plan as follows:
 - All current existing tenant accounts will be kept as is, until the contract is terminated by the tenant/owner/agent or may be consolidated as over an extended period.
 - Should a tenant fall into arrears with more than 90 days then the account may be terminated and all services may be charged against the owners account. Council will only transfer service amounts and will write back all interest charged, warning fees, disconnection fees, and legal costs should Council be unable to link the tenant at an address within the Matlosana jurisdiction to which the debt can be mailed
 - Should an arrears closed tenant account have debt which exceeds 1,080 days (3 years) and cannot be linked to an account on Councils financial system, then the debt may be written off with approval of the Council only.

c) The Council may at its discretion upon application from the relevant authority/owner allow for the opening of tenant accounts in relation to the following circumstances, but the owner will still be held liable for the outstanding amount owing for services owed by the tenant:

- Tenants who are bona fide registered indigents in terms of the Indigent Relief Policy
- Business tenants accounts
- Government tenant accounts
- Flats
- Any other special circumstances

33. Right of Access to Premises

- (1) The owner and or occupier of property is to allow an authorised Representative of the Council access at all reasonable hours to the property in order to read, inspect, install or repair any meter or service connection for reticulation, or to disconnect, stop or restrict, or reconnect, the provision of any service.
- (2) The owner is responsible for all the cost associated with the relocation of a meter if satisfactory access is not possible and must be undertaken by the owner at own cost.
- (3) If a person should fail to comply with the provisions set out in clause 8(5) & (7) & 33(2), the Council or its authorised representative may by written notice require such person to restore access, or relocate the meter to the boundary at his/her own expense within a specified period.
- (4) Should the consumer not comply with the written request within the specified period, then Council will do the relocation of the meters without prior notice and recover the cost from such person by means of debiting the consumers account, which must be paid immediately

34. Enforcement Mechanisms

- (1) Interest can be raised as a charge on all accounts not paid by the due date.
- (2) Consumers who are in arrears with their municipal account and who have not made arrangements with the Council will have their supply of electricity and water, and other municipal services, suspended, restricted or disconnected.

- (3) Services in respect of household consumers must be paid on/or before the 15th of a month. The consumer may be notified by means of an SMS or notice after the 15th of a month and if the account has not been paid, the electricity services may be suspended and the water services may be restricted after 48 hours without further notice.
- (4) Before the supply of services is restored the outstanding municipal services account must be paid in full or an arrangement must be made with the Implementing Authority to settle the account in full. Only one (1) arrangement will be concluded between the City Council and the consumer in the settling of the arrear debt. Additional arrangements may only be made once the preceding arrangement has been paid in full
- (5) An Acknowledgement of Debt and consent to judgement must be completed with the arrangement that was concluded with the City Council for the paying off of arrear debts. Copies will be handed to the client on request.
- (6) By mutual agreement between the City Council and the consumer, debit orders can be completed for the monthly payment on all amounts that are owed to the City Council. If the arrangement (first arrangement) is dishonoured, the full balance will immediately become payable. The City Council will not conclude any further arrangements with the consumer concerned on the account.
- (7) No interest will be charged on the arrear amount of such an arrangement, provided that the consumer honours the arrangement, and the arrears are repaid in full within the agreed time frame.
- (8) Upon the liquidation of arrears, or the conclusion of acceptable arrangements for term payment, the service will be reconnected as soon as conveniently possible.
- (9) The cost of the warning late payment fee, restriction or disconnection, and the reconnection, will be determined by tariffs approved by Council and will be payable by the consumer.
- (10) The deposit of any defaulter will be adjusted and brought into line with relevant policies of Council according to section 32(2) of this policy

35. Theft and Fraud

- (1) Any person (natural or juristic) found to be illegally connected or reconnected to municipal services, tampering with meters, the reticulation network or any other supply equipment or committing any unauthorised act associated with the supply of municipal services, or supplying electricity to a nearby property from their premises, as well as theft of and damage to Council property, will be prosecuted.

- (2) The Municipal Manager will immediately terminate the supply of services to a consumer should such conduct as outlined above be detected and a fine issued according to the Electrical and Water Departments tariffs. The fine must be paid once off or an arrangement made to pay off the fine within 6 months, with the understanding that the 1st payment of the arrangement of the fine must be paid immediately together with the current account. This arrangement is only applicable for households or flats.
- (3) The total bill owing, including interest and collection fees, assessment of unauthorised consumption, discontinuation and reconnection fees, and increased deposits as determined by the Municipal Manager, if applicable, will be due and payable before any reconnection can be sanctioned or if as mentioned in point (2) above
- (4) The Municipal Manager will maintain monitoring systems in order to identify consumers who are undertaking such illegal actions.
- (5) Council reserves the right to lay criminal charges and/or to take any other legal action against both vandals and thieves.
- (6) Council will reward "whistle blowers" who report the tampering of meters and reconnection of disconnected / restricted meters as follows:
 - (a) A reward of R300 in respect of electricity installations will be paid where the culprit has been issued with a fine by the Electrical Department
 - (b) A reward of R300 in respect of water installations will be paid where the culprit has been issued with a fine by the Water Department
 - (c) The community must be informed of such rewards by means of notices in the media and at all pay points and other notice boards of Council.
 - (d) The identity of the Whistle blower will be kept strictly confidential and any person found in contravention of this matter will be dealt with accordingly

36. Consumer screening and securities

- (1) All applicants for municipal services may be checked for creditworthiness including banking details and information from credit bureaus, other local authorities, trade creditors, and employers.
- (2) Deposits will be required, and may vary according to the risk. A minimum deposit will be payable equal to twice the average monthly consumption of the past 3 months with / or a minimum amount as determined annually according to the tariff schedule from time to time.

- (3) At the discretion of the municipal manager or representative, deposits can be increased to a maximum of three months average consumption when the account falls into arrears after the current deposit has been confiscated to cover the outstanding debt
- (4) Deposits can vary according to the credit-worthiness or service or user category of the applicant.
- (5) New consumer deposits for business and industrial consumers may be reassessed three (3) months after the initial deposit date.
- (6) In cases where financial constraints are experienced with the payment of deposits for houses and flats, the situation be revisited to accommodate for the making of arrangements to pay the deposit in two or three equal instalments.
- (7) The Council does not pay any interest on consumer deposits.
- (8) On the termination of the agreement the amount of the deposit, less any outstanding amount due to the Council, will be refunded to the consumer.

37. Persons and Business who Tender to the Council

The Procurement Policy and Tender Conditions of the Council will include the following:

- (1) 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 tenderers obtain from the Council a certificate stating that all relevant municipal accounts owing by the tenderers 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.
- (2) No tender will be allocated to a person/contractor until a suitable arrangement for the repayment of arrears, has been made. No further debt may accrue during the contract period.
- (3) A condition allowing the Council to deduct any moneys owing to the Council from contract payments.

38. Debt Collection

1. To provide procedures and mechanisms to collect all the monies due and payable to Council 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.
2. Criteria for irrecoverable debt

Debt will only be considered as irrecoverable if it complies with the criteria as stipulated in the Councils Irrecoverable Bad Debt Policy:

3. Notwithstanding the above, the Council or its authorised officials will be under no obligation to write-off any particular debt and will always retain the sole discretion to do so.
4. Any debt under the amount of R1,000.00 which is dealt with in point 2 above, which is older than 90 days and is irrecoverable, may be written off by the Chief Financial Officer or by his/her delegated officials without any submission to Council
5. The municipality shall be entitled to reverse any amount written off as a bad debt where it is later found that an account holder has misrepresented (whether intentional or negligent) any information whatsoever in order to motivate such write-off of debt.
6. The municipality shall be entitled to effect the write back immediately against the account holder's municipal account upon noting the fraud or misrepresentation.
7. The municipality may write back any amount previously written off on behalf of an account holder if the account holder at any time has a credit balance reflected against any of his/her municipal accounts and requests a refund from the municipality for such credit balance. The write back principle will apply to all other account holders, including indigent account holders.

39. Personal contact

Telephonic contact, agents calling on clients:

- (1) Council will endeavour, within the constraints of affordability, to make personal, electronic 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.
- (2) 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.

40. Legal Process / Use of Attorneys / Use of Credit Bureaus / Debt Collectors

- (1) The Municipal Manager may, when a debtor is in arrears, commence legal process against that debtor, which process could involve warnings, final demands,

disconnections, restrictions, summonses, judgements, garnishee orders and as a last resort sale in execution of property.

- (2) The Municipal Manager will exercise strict control over this process, to ensure accuracy and legality within it, and will require regular reports on progress from outside parties, be they attorneys or any other collection agents appointed by Council.
- (3) The Council will establish procedures and codes of conduct where external service providers have been appointed to collect outstanding debtors.
- (4) Garnishee orders, in the case of employed debtors, are preferred to sales in execution, but both are part of Council's system of debt collection procedures.
- (5) All steps in the customer care and credit control procedure will be recorded for Council's records and for the information of the debtor.
- (6) Individual debtor accounts are protected and are not the subject of public information. However Council may release debtor information to credit bureaus.
- (7) The Council may consider the cost effectiveness of the legal process and will receive reports on relevant matters.
- (8) The Council may consider the use of agents as service providers and innovative debt collection methods and products. Cost effectiveness, the willingness of agents to work under appropriate codes of conduct and the success of such agents and products will be part of the agreement Council might conclude with such agents or service providers; and will be closely monitored by Council
- (9) Appropriate measures will be taken to inform consumers what the responsibilities of service providers will be regarding Customer Care, Credit Control and Debt Collection.
- (10) Once a consumer has been handed over for collection of his/her arrear account, arrangements or extension of time for payment, must be made directly with the appointed attorneys or any other collection agents.

41. Rates clearance

On the sale of any property in the municipal jurisdiction, Council will withhold the transfer until all rates and service charges in connections with a property are paid by withholding a rates clearance certificate.

- (1) In the case of Rates Clearance Application, the applications will be processed within ten working days or earlier.
- (2) Clearance certificates will be issued within 10 working days after required monies have been receipted.

- (3) The transfer of ownership will be done within 8 weeks from date of registration depending on the period the Deeds office takes to update the registration on their information.
- (4) Valuation Certificates will be issued immediately on the receipt of the fee charged.
- (5) Should any other costs arise due to an error on Councils side, Council is entitled to recover the costs if the debt has not prescribed.
- (6) The Information and addresses of the purchaser provided on the revenue clearance certificate shall be used as details of the new owner/ purchaser for the purposes of billing for rates, services, and consolidated accounts, until same is changed by the purchaser.

Council will not be held liable or responsible for accounts being delivered to the wrong address. It is the owners and transferring attorney's obligation to ensure that the correct postal address OR email is supplied

42. Cost of Collection

All costs of legal process's, including interest, service discontinuation costs, debt collection and costs associated with customer care or credit control, wherever applicable, are for the account of the debtor or unless otherwise specified.

43. The Pre-Payment Meter System

The Council will use its pre-payment system to:

- (1) link the provision of electricity by the Council to a "pre-payment" system comprising, first, a pre-payment of electricity kWh and;
- (2) liaise and recover payments in respect of arrear municipal taxes and other municipal levies, tariffs and duties in respect of services such as water, refuse removal, sanitation and sewage.
- (3) to enforce satisfactory recovery of arrears by implementing a percentage payment ratio: which will mean that a 70% percentage of a payment will be allocated towards arrears that is 60 days in arrears and a 30% percentage will be allowed for electricity.
- (4) the implementation of clause 6 of this paragraph does not exempt the consumer from normal credit control procedures if he/she falls behind with his / her current charges.
- (5) a consumer can convert from a conventional electricity meter to a prepaid installation at a cost (which includes the pre-paid meter and installation costs) as determined by Council, as well as credit in respect of the used meter in cash. Alternatively, the

consumer can repay the cost, interest free, in equal instalments over a period of *three* (3) months to the Council. In the event of the amount not being paid within the *three* months, further electricity coupons will not be issued to the relevant consumer.

- (6) The installation of pre-paid meters, with the written permission of the owner, is encouraged but those debtors, whose electricity supply has been disconnected three times for non-payment, will be compelled to install a pre-paid meter before the supply is reconnected. All energy dispensers are installed at the owner or tenant's expense.
- (7) Council may implement a blocking system whereby consumers who are in arrears will not be able to purchase prepaid electricity until the arrears has been paid in full or arrangements made to pay off the arrears in terms of this policy

44. Abandonment of Claims

- (a) The Municipal Manager must ensure that all avenues are utilised to collect the Council's debt from arrear debtors.
- (b) Circumstances whereby a municipal Council may validate the termination of debt collection procedures as contemplated in section 109(2) of the Act, are as follows:
 - 1. The insolvency of the debtor, whose estate has insufficient funds.
 - 2. A balance being too small to recover, for economic reasons considering the cost of recovery.
 - 3. Where a consumer or groups of consumers are unable to pay for services rendered.
- (c) The Municipal Manager must maintain audit trails in such instances; document the reasons for the abandonment of the actions or claims in respect of debts.

45. Code of Conduct

- 1. All municipal officials shall treat all debtors 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.
- 2. All councillors and officials shall conduct themselves according to the "Codes of Conduct" for councillors and municipal staff members as contained in Schedule 1& 2 of the Municipal Systems Act 32 of 2000

46. RESPONSIBILITY FOR AMOUNTS DUE

- 1) In terms of Section 118 (3) of the 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.
- 2) 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.
- 3) The Municipality reserves the right to cancel a contract with the customer in default and register the owner only for services on the property.
- 4) No new services will be permitted on a property until debts on the property are paid, or suitable arrangements made to pay such debts.
- 5) Where the property is owned by more than one person, each such person shall be liable jointly and severally, the one paying the other to be absolved, for all Municipal debts charged on the property.
- 6) Except for property rates, owners shall be held jointly and severally liable, the one paying the other to be absolved, with their tenants who are registered as customers, for debts on their property.
- 7) Refuse removal shall form part of the property debt, payable by the owner of the property.
- 8) Directors of Companies, members of Close Corporations and Trustees of Trusts shall sign personal surety ships with the Municipality when opening service accounts. If they are unable to sign the personal surety then a deposit equivalent to twice the usual deposit shall apply.
- 9) For so long as a tenant or an 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, then the Municipality may recover from such tenant, occupier or agent such moneys as are owing by the tenant, occupier or agent to the owner, as payment of the arrears owing by such owner.
- 10) The Municipality may recover the amount in whole or in part despite any contractual obligation to the contrary on the tenant/occupier/agent.
- 11) The amount the Municipality may recover from the tenant, occupier or agent is limited to the amount of the rent or other money due and payable, but not yet paid by the tenant, occupier or agent.

- 12) Should the tenant, occupier, and/or agent refuse to pay as above, to the Municipality, the services of the tenant, occupier and /or agent may be disconnected.
- 13) Should any dispute arise as to the *specified* amount owing, the customer shall pay all amounts which are not subject to the dispute.
- 14) Pre-paid meters shall not be installed until all outstanding debt has been paid in full, subject to clause hereto.
- 15) The owner of the property will be held liable for any tampering with the electricity metering equipment or the water metering equipment on the property by the owner or tenants, as well as charges that arise therefrom that might occur. If a meter was found to be registering incorrectly or tampered with, corrections will be done for a period not exceeding 24 months retrospectively based on a three months average consumption.

47. QUERIES, VERIFICATIONS, OBJECTIONS OR DISPUTES

(1) QUERY OR VERIFY

- a. Should the debtor not agree with an account, a written query must be lodged.
 - b. Where a tenant wishes to apply for a special reading, a permission letter from the owner must be attached.
- 1.1 In this sub-item to query or verify an account refers to the instance when a debtor queries any specific amount or any content contained in any account as rendered by the City of Matlosana to that person as per the process contained herein;
 - 1.2 any query can be raised orally in person at the enquiry specialists, Finance office of the City of Matlosana or by way of correspondence;
 - 1.3 when a debtor queries an account such debtor must furnish full personal particulars including any acceptable means of identification, all account numbers held with the COM, direct contact telephone numbers, fax numbers, postal and e-mail addresses and any other relevant particulars required by the COM;
 - 1.4 a debtor may be represented by a duly appointed nominee or agent; and such nominee or agent shall, upon request, produce sufficient proof of such appointment;
 - 1.5 all queries shall be acknowledged and dealt with as promptly and efficiently as possible by the COM; and
 - (i) where required an outcome shall be conveyed to the debtor; and

- (ii) where an account query has arisen, the amount queried shall not be subject to debt collection by the City until the query has been resolved and the outcome has been communicated to all parties, where relevant;
- 1.6 the City Manager may suspend any debt collection action, pending the outcome of any query;
- 1.7 notwithstanding any query on any account the account must still be paid, in terms of the provisions contained in this policy, once any queries have been resolved, where relevant; or
 - (i) subject to any other legislation, payment must be based on the normal average of past accounts rendered until the query is resolved by the City Manager; and
 - (ii) that portion of the account which is not subject to the query must still be paid; and
- 1.8 should a debtor not be satisfied with the outcome of the query, a debtor may lodge an objection
- 1.9 the onus will be on the debtor to ensure that a written acknowledgement of receipt is received for any correspondence lodged with the Municipality; and
- 1.10 the onus will be on the debtor to ensure that a suitable response to any query is received.

(2) OBJECTION

- 2.1 Should the debtor not agree with the outcomes of the query/verification, a written objection must be lodged. (Note that a query/verification must be lodged first)
- 2.2 In this sub-item an "objection" refers to the instance when a debtor disputes any specific amount claimed by the Municipality from that person.
- 2.3 Where an objection has been lodged, sub-item (2) of section 102 (2) of the Systems Act will apply.
- 2.4 Where a tenant wish to apply for a special reading, a permission letter from the owner must be attached.
- 2.5 when a debtor objects to an account, such debtor must furnish full personal particulars including any acceptable means of identification, all account numbers held with the COM, direct contact telephone numbers, fax numbers, postal and e-mail addresses and any other relevant particulars required by the COM;
 - 2.5.1 a debtor may be represented by a duly appointed nominee or agent; and such nominee or agent shall, upon request, produce a letter of authority;

- i all objections shall be acknowledged and dealt with as promptly and efficiently as possible by the COM; and where required an outcome shall be conveyed to the debtor; and
 - ii where an objection has been lodged, the amount objected to shall not be subject to debt collection by the City until the objection has been resolved and the outcome has been communicated to all parties, where relevant;
- 2.6 the City Manager may suspend any debt collection action, pending the outcome of any objection;
- (i) notwithstanding any objection on any account the account must still be paid, in terms of the provisions contained in this policy, once any objection have been resolved, where relevant; or subject to any other legislation, payment must be based on the normal average of past accounts rendered until the objection is resolved by the City Manager; and
 - (ii) that portion of the account which is not subject to the objection must still be paid; and
- 2.7 should a debtor not be satisfied with the outcome of the objection, a debtor may refer a 'dispute'.
- 2.8 the onus will be on the debtor to ensure that a written acknowledgement of receipt is received for any correspondence lodged with the Municipality; and the onus will be on the debtor to ensure that a suitable response to any objection is received

(2) DISPUTE

- 2.1 Should the debtor not agree with the outcomes of the objection, a dispute may be referred.
(Note that a query/verification & objection should be lodged first)
- 2.2 In this sub-item a "dispute" refers to the instance when a debtor disputes any specific amount claimed by the Municipality from that person.
- 2.3 where the dispute process has been implemented in terms of sub-item (2), section 102 (2) of the Systems Act will be applicable;
- 2.4 Council will immediately address the contents of the dispute letter, and our refrain to do so should not be interpreted as an acknowledgement of the correctness of the contents thereof.
Our rights in this regard are herewith expressly reserved.
- 2.5 Regarding the contents of the aforementioned the following:

- (i) The "dispute" envisaged in the [provisions of section 102(2) of the Local Government: Municipal Systems Act, Act 32 of 2000 (hereafter the "System Act") is limited to a dispute concerning a "...specific amount claimed by the municipality from that person" and the basis for the rate payer's/consumer's

objection thereto. If an item is properly identified and a dispute properly raised, debt collection and credit control measures cannot be implemented in regard to that specific item because of the provisions of the sub-section.

- (ii) As such the "dispute" which the consumer is endeavouring to declare by means of their letter, is a *valid dispute*, or is not a *valid dispute* as contemplated in terms of section 102(2) of the Systems Act.

2.6. Where there is a legitimate dispute on an account the following actions are not allowed:

- i) Council is not allowed to consolidate the account with another account;
- ii) Council is not allowed to cross credit on the account;
- iii) Council is not allowed to implement any credit control measures by the meaning of: cutting, restricting on the *newly created* dispute account.
- iv) Council may however implement credit control measures by the meaning of: cutting, restricting on the main account of the consumer

2.7 A "dispute account" with a *unique* number will be created whereas the current account as mentioned above should remain up-to-date. In the event where the current account falls in arrears, section 102(1)(c) of the Systems Act and reads thus "implement any of the debt collection and credit control measures provided for in relation to any arrears on any of the accounts of such a person."

2.8 Upon the resolving of the "dispute account" all corrections, if any exist, will be processed and the remainder thereof fully paid. Outcome herein be communicated to the consumer as soon as possible.

2.9 The official dispute form is hereby attached which must be used for the lodging of disputes

DISPUTE IN TERMS OF SECTION 95(f) READ TOGETHER WITH SECTION 102(2) OF THE LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT, 2000 (ACT 32 of 2000)AND AS AMENDED

Unique number:..... Date:.....
(For Office use only)

Sections 95(f) and 102 of the Local Government: Municipal Systems Act. 2000 (Act 32 of 2000), provide as follows:
95 Customer care and management
In relation to the levying of rates and other taxes by a municipality and the charging of fees for municipal services, a Municipality must, within its financial and administrative capacity –
(f) Provide accessible mechanisms for those persons to query of verify accounts and metered consumption and appeal procedures which allow such persons to receive prompt redress for inaccurate accounts.
102 Accounts
(1) A municipality may –
(a) Consolidate any separate accounts of persons liable for payments to the municipality;
(b) Credit a payment by such a person against any account of that person; and
(c) Implement any of the debt collection and credit control measures provided for in this Chapter in relation to any arrears on any of the accounts of such a person.
(2) Subsection (1) does not apply where there is a dispute between the municipality and a person referred to in that Subsection concerning any specific amount claimed by the municipality from that person.
Therefore, the person referred to hereunder requests that the following dispute be registered with the City of Matlosana and that the decision be made known to the complainant within 45 working days from date that the dispute was lodged.

A. PARTICULARS OF COMPLAINANT

Account number:.....

Owner/Tenant:.....

1. Full Names:.....

.....

2. Physical Address:

.....
.....
.....
.....

3. Postal Address:

.....
.....
.....
.....

4. Telephone Numbers:

Work:.....

Home:.....

Cellular phone:.....

Other (contact number):.....

Email address:.....

The Municipality may elect any one or more of the addresses above to which it can forward its decision and if it is sent by normal mail, it will be deemed to have come to the knowledge of the complainant within 14 (fourteen) days after it has been dispatched and if sent by email, within 48 (forty-eight) hours after it was sent electronically.

The onus will be on the complainant to ensure that he/she receives a written acknowledgement of the dispute.

B. NATURE OF THE DISPUTE

The complainant must give a full description of the amount/s involved and the nature of the dispute as well as the detailed reason or reasons in support of the dispute. Any documentation and/or proof in support of the dispute/query/verification must be attached hereto. If the proof consists of a photograph, the said photograph must clearly show the date, time and meter number. If the request is for the verification of an account or meter, the complainant must state this.

DETAILED DESCRIPTION OF THE DISPUTE

Amount being disputed: _____ Dispute in terms of: _____
(Water, Electricity or other: please specify)

Reason/s:

C. ACKNOWLEDGEMENT

The complainant hereby acknowledges that:

- 1. No dispute shall be deemed to have been lodged unless it was submitted in writing on the prescribed form. No dispute will be registered verbally whether in person or telephonically.
- 2. The submission of this dispute does not absolve the complainant of any commitments towards the City of Matlosana
- 3. No debt collection and credit control measures will be taken pertaining to the disputed amount.
- 4. Other levies on the account, which do not form part of the disputed amount, are still payable and are not included in the extension for payment.
- 5. If the complainant fails to effect payment of those levies on the account, which do not form part of the disputed amount, the City of Matlosana will have the right to implement any of its debt collection and credit control measures and may resolve in the disconnection of services.
- 6. In the interim, the complainant remains liable and must pay to the City of Matlosana the average of the last 3(three) months accounts pertaining to the dispute item where the history of the complaint's account is available. Where no such history is available, the complainant remains liable for the payment of an estimated amount as prescribed by the City of Matlosana, the payment for which the complainant will be liable until the matter has been resolved.
- 7. The City of Matlosana will provide the complainant with a written acknowledgement of receipt of the dispute and inform the complainant in writing of the outcome of the investigation within 45 working days.
- 8. Any adjustments to the complainant's account will be done in a reasonable time.
- 9. It is the complainant's responsibility to make sure that the City of Matlosana and/or an authorized representative of the Council is allowed access at all reasonable hours, to the property to read, inspect, install, or repair any meter or service connection. All meters must be clean and accessible.
- 10. The complainant is responsible for all costs associated with the relocation of a meter if satisfactory access is not possible and/or provided.
- 11. If it is found that there is no basis for the dispute then the complainant will be levied with any costs pertaining to the execution of the investigation.
- 12. The Council's authorized official's decision is final and will result in the immediate implementation of any debt collection and credit control measures provided for in the Customer Care, Credit Control and Debt Collection Policy after the complainant is provided with the outcome of the dispute.
- 13. The same amount will not again be defined as a dispute and will not be reconsidered as the subject of a dispute.
- 14. If the complainant is not satisfied with the outcome of the dispute he/she may under protest pay the amount in dispute and redress his/her action to the court of law.

Note: The unique number mentioned above must be quoted in all correspondence with the City of Matlosana.

D. INFORMATION REGARDING DISPUTES

All information regarding disputes can be forwarded to the following officials:

Chief Financial Officer

Postal address: PO Box 99, Klerksdorp, 2570

Physical address: Mayibuye building, C/O Bram Fischer & Emily Hobhouse Street, Klerksdorp, 2570

Telephone number: (018) 487 8300, Email address: finance@klerksdorp.org

Signature Complainant

Acknowledgement of receipt

Name and Surname Signature

(Please ensure that the consumer gets a copy of the dispute for reference purposes)

D: CONDITIONS OF AGREEMENT

| Accepted | Jurisdiction |
|--|---|
| <p>3 Produced</p> <p>se Agreement Or Letter From Owner Must Be Submitted</p> <p>n Submitted</p> <p>Agreement are for the purpose of convenience and reference only and shall not be</p> <p>dily nor amplify the terms of this Agreement nor any clause hereof:</p> <p>indicated as "applicant" on the front page of this agreement irrespective of whether</p> <p>consumed or use the service or not.</p> <p>Matosana.</p> <p>address where notices must be delivered.</p> <p>al meaning of such word.</p> <p>zed by the Applicant to apply for the supply of this/these services and to sign the</p> <p>nt. I hereby admit that I am liable, and hold myself bound to for the due and proper</p> <p>Council and which arises as a result of the supply and provision of the services by the</p> <p>ned this agreement without proper authorization.</p> <p>vision.</p> <p>vision of and payment for the service/s shall be subject to and governed by the Law of</p> <p>Council and Policies adopted from time to time by the Council and which specifically</p> <p>relationship to the provision of the services:</p> <p>agreement I acknowledge that I/we read and understand the contents of the relevant</p> <p>es which was made available to me by the Council on request.</p> <p>e afforded the opportunity to read and study the paragraph 1 mentioned By-laws and</p> <p>sily waived the right to do so and understand the consequences of my decision. *(delete</p> <p>licable)</p> | <p>Jurisdiction</p> <p>Without prejudice to the rights of the Council, at its option, to institute proceedings in any other court having jurisdiction, the Council and the Consumer hereby consent in terms of Section 45 of the Magistrate Courts Act, 1944, Act 32 of 1944, to the Council taking legal action for the enforcement of any rights under or arising from this agreement in a Magistrates Court which has jurisdiction in respect of the Consumer in terms of Section 28(1) of the Magistrates Court Act, 1944, notwithstanding the above will the parties have the right to approach the supreme court..</p> <p>Payment for services</p> <p>The Consumer undertakes to pay for services consumed before or on the date indicated on the monthly statement delivered by the Council to the Consumer at the postal address of the Consumer on the front page of this agreement.</p> <p>Direct Payments</p> <p>Direct payments or electronic payments can be made into the bank account of the City of Matosana, ABSA bank, Anderson Street, Account no. 01000100176, branch code 632005. The consumer must state the account number as reference on the deposit slip, together with a breakdown of the amount be faxed to the Council at (018) 464 2318 without delay. Four (4) official business days must be allowed for processing.</p> <p>Waiver</p> <p>The Debtor hereby expressly renounces the benefits of the non-reason or profound cause of the existence of the debt, the cases where there is an element of bookkeeping or accounting calculation is involved, the revision of accounts, no value recorded and, if there is more than one debtor, the debtor is jointly or separately liable for the debt or the creditor obtains the right to first act against the guarantor before the main debtor is excused. I also agree to the terms as stated in clause 3.17 of the Council's Customer Care, Credit Control, and Debt Collection Policy.</p> <p>Domicilium</p> <p>The Consumer chooses as the address where notices must be delivered, the address indicated as street address on the front page of this agreement. The Council as sender of notices chooses, Civic Centre, Bram Fischer Street Klerksdorp.</p> <p>Notices</p> <p>Every notice to be given by one party to the other in terms of this Agreement shall be in writing and shall be delivered by hand, or posted by prepaid registered post, in which case it shall irrefutably be deemed to have been given and such other party shall be deemed to have been informed of the contents of the notice on the fifth (5th) business day after posting.</p> <p>Change of Address and or Information</p> <p>The Consumer expressly undertake to inform the Council within 3 (days) after such occurrence -</p> <ol style="list-style-type: none">Of any change of any address indicated on the front page of this agreement.Of the change of any particulars or personal circumstances indicated on the front page of this agreement. <p>Discontinuation of Service</p> <p>The Consumer specifically agrees to inform the Council immediately in writing when the service is no longer required and specifically accept responsibility for the payment of services consumed as a result of any failure to inform the Council that the service is no longer required</p> |

CITY OF MATLOSANA



PROVISION FOR DEBT IMPAIRMENT POLICY

2017/2018

PROVISION FOR DEBT IMPAIRMENT POLICY

PURPOSE

To ensure that sufficient provision for bad debt is provided for.

OBJECTIVES

A provision shall be recognized when:

- a) An entity has a present obligation (legal or constructive) as a result of a past event,
- a) It is possible that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and
- b) A reasonable reliable estimate can be made of the amount of the obligation

If these conditions are not met, no provision shall be recognized.

SCOPE

This policy applies to the provision for bad debts.

ROLE CLARIFICATION

The Municipal Manager as an Accounting Officer remains the overseeing authority over all the provisions made on behalf of Council.

The Chief Financial Officer must perform the provision management functions as prescribed in Section 97(d)(ii) of the Local Government Municipal Systems Act 2000 and the delegation authority of the Council as prescribed in Section 82 of the Municipal Finance Management act, 2003 (Act 56 of 2003).

DELEGATIONS

The Chief Financial Officer may delegate the provisions responsibility to either his deputy or the provisions responsibility to either his deputy or the assistant managers as prescribed in Section 82 of the Municipal Finance Management Act, 2003 (Act 56 of 2003).

ADMINISTRATION

The administration shall be done by the Budget and Treasury Office

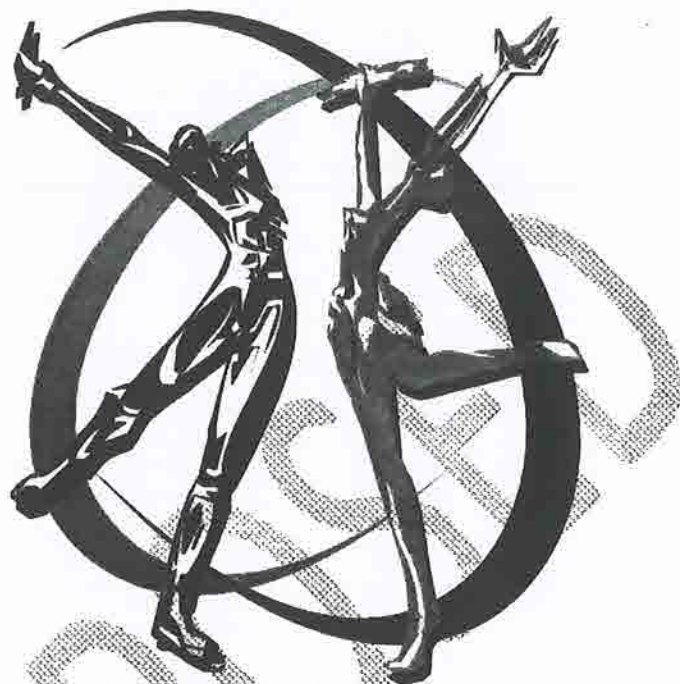
ADMINISTRATION PROCEDURE

- a) Annual provision for bad debt shall be provided for as follows:
 - 90% of all outstanding debts 90+ days and older based on the estimated age analysis of the financial year end of which the financial statements are drawn up for
 - and 50% for 60 days based on the estimated age analysis of the financial year end of which the financial statements are drawn up for.
- b) Provision for bad debt shall be provided for the following services:
 - (a) Rates
 - (b) Sewerage
 - (c) Water
 - (d) Electricity
 - (e) Refuse
 - (f) Basic electricity
 - (g) Basic water
 - (h) Sundry Debtors
- c) Debtors will be analyzed in terms of concentrations of individual risk classes showing each individual ageing

RECORDS AND REPORTS

- a) The Chief Financial Officer or the delegated official must keep all provisions transactions in accordance with General Recognized Accounting Practices.
- b) The Chief Financial Officer or the delegated official must report to the Accounting Officer / Municipal Manager the provisions portfolio in a prescribed form as required by the Municipal Regulation and must review and adjust the provisions with the adjustment budget

CITY OF MATLOSANA



INVESTMENT & CASH MANAGEMENT POLICY

2017/2018

TABLE OF CONTENTS

1. PURPOSE
2. INVESTMENT OBJECTIVES
3. DEFINITIONS
4. SCOPE
5. ROLE CLARIFICATIONS
6. DELEGATIONS
7. ADMINISTRATION
8. PERMITTED INVESTMENTS
9. PROHIBITED INVESTMENTS
10. INVESTMENT ETHICS
11. DELEGATION AUTHORITY
12. USE OF INVESTMENT MANAGERS
13. CASH MANAGEMENT
14. BANK AND CASH
15. INVESTMENT PROCEDURE
16. PRUDENTIALS
17. PAYMENT OF COMMISSION

18. RECORDS AND REPORTS

19. PORTFOLIO DIVERSIFICATION

20. RELATIONSHIPS WITH FINANCIAL INSTITUTIONS

21. MISCELLANEOUS PROVISIONS

22. INDEMNIFICATION OF INVESTMENT OFFICIALS

The purpose of establishing a formal investment and cash management policy is to set broad guidelines within which investment of funds can be made in compliance with the Municipal Finance Management Act, 2003 (Act No.56 of 2003), and the Municipal Investment Regulations prescribed by the Minister of Finance on 1 April 2005 in a Government Gazette No. 27431.

2. **INVESTMENT OBJECTIVES**

The primary objective of all investments will be based on a proper risk analysis before any investment is made. The secondary objective is the investment made shall be met by the liquidity of the council. The third objective shall be to achieve the maximum return as possible after the primary and secondary objectives are fulfilled.

- a. **"Analysis"** means that the overall value of funds shall not be diminished in the process of securing and investing those funds during the duration of the investments.
- b. **"Liquidity"** means that funds shall be made available to meet all anticipated obligations and a prudent reserve shall be kept available to meet unanticipated cash requirements. Availability has two elements, namely liquidity and the scheduling of cash flows. Liquidity is the ability to transform an investment into cash on short notice at its prevailing market value. Scheduling of cash flows means that investments are to mature or are to be transformed into cash in parity with the anticipated cash requirements.
- c. **"Achieve a return"** means to earn the optimum interest/income from funds proportionate to the objectives of safety and availability of the principle investment. At no time shall funds be invested in any security that could result in zero interest accrual if held to maturity.

3. **DEFINITIONS**

“Act” means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003)

“Financial institution” means Banks, Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984 (Act No. 45 of 1984); Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act No.46 of 1984); and any other legal brokers and dealers of the financial instruments.

“Investee” means an institution with which an investment is placed, or its agent;

“Investment officer” means an official who is delegated by the Chief Financial Officer (CFO), in accordance with the Act, to handle the Council's investments.

“Investment manager” means a natural person or legal entity that is a portfolio manager registered in terms of the Financial Markets Control Act, 1989 (Act No. 55 of 1989), and Stock Exchanges Control Act, 1985 (Act No. 1 of 1985), contracted by the Council entity to –

- (a) advise it on investments;
- (b) manage investments on its behalf; or
- (c) advise it on investments and manage investments on its behalf;

“Trust money” means money held in trust on behalf of third parties in a trust contemplated in terms of section 12 of the Act.

4. **SCOPE**

This investment policy applies to all investments. Investment income and interest will be allocated according to the requirements of Generally Accepted Municipal Accounting Practices and Generally Recognized Accounting Practices.

5. ROLE CLARIFICATION

The Municipal Manager as an Accounting Officer remains the overseeing authority over all investments that has been made on behalf of the Council.

The CFO must perform the cash Management and investment of funds as prescribed in Section 81 (e) of the Act and the delegation authority of the Council as prescribed in Section 60 (2) of the Local Government Municipal Systems Act, 2000 (Act 32 of 2000).

6. DELEGATIONS

The Chief Financial Officer may delegate the cash management and investment responsibility to either his deputy or to the assistant directors as prescribed in Section 82 (1) of the Act.

7. ADMINISTRATION

The Investment Committee will meet at least once a quarter to review and evaluate previous investment activity and yield, to review the current status of all funds held by the City of Matlosana, to discuss anticipated cash requirements and investment activity for the future, and to determine an investment strategy.

Any two members of the Committee may call a special meeting and two members shall constitute a quorum.

8. PERMITTED INVESTMENTS

As prescribed in a Municipal Investment Regulation in the Government Gazette No.27431 issued by the Minister of Finance, the permitted investments are as follows:

- a) securities issued by the national government;
- b) listed corporate bonds with an investment grade rating from a nationally or internationally recognized credit rating agency;
- c) deposits with banks registered in terms of the Bank Act, 1990 (Act No 94 of 1990);

- d) deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984 (Act no. 45 of 1984);
- e) deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act No. 46 of 1984);
- f) bankers' acceptance certificates or negotiable certificates of deposit of banks registered in terms of the Banks Act, 1990;
- g) guaranteed endowment policies with the intention of establishing a sinking fund;
- h) repurchase agreements with banks registered in terms of the Banks Act, 1990;
- i) municipal bonds issued by a municipality; and
- j) Any other investment type as the Minister may identify by regulation in terms of section 168 of the Act, in consultation with the Financial Services Board.

9. **PROHIBITED INVESTMENTS**

The Council shall not be permitted to make the following investments:

- (a) investments in listed or unlisted shares, or unit trusts
- (b) investments in standalone derivative instruments
- (c) investments denominated in, or linked to, foreign currencies
- (d) investments in market linked endowment policies

The Council shall not borrow for the purpose of investing.

10. **INVESTMENT ETHICS**

- (a) The Municipal Manager; Chief Financial Officer or their delegate are responsible for the investment of funds and must ensure that there is no interference in these processes.
- (b) 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 relationship with the said institution.

- (c) The gift must be declared to their Superior.

The Municipal Manager, Chief Financial Officer or their delegate must act according to their discretion and must report any serious cases of payment in kind or gifts, to the Municipal Council. Excessive gifts and hospitality should be avoided at all costs.

10. Risk Management

- 10.1 The preservation of principal is the foremost objective of the investment program. To attain this objective, diversification is required to ensure that the Municipal Manager or their nominee prudently manages risk exposure. Risk profiles should be minimized by only placing investments with institutions and instruments approved by the Public Investment Commission or the Republic of South Africa: National Minister of Finance.
- 10.2 Investment shall be made with care, skill, prudence, and diligence. The approach must be that which a prudent person acting in a like capacity and familiar with investment matters would use in the investment of funds of like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Municipality. Investment officials are required to:
 - (a) adhere to written procedures and policy guidelines
 - (b) exercise due diligence
 - (c) prepare all reports timeously
 - (d) exercise strict compliance with all legislation

11. DELEGATION OF AUTHORITY

The delegation to authorise investments must distinguish between short-term & long-term investments as provision of security is vested with the Municipal Council in terms of Section 48 of the MFMA and with reference to section 11(1) (h) of the MFMA dealing with cash management, the responsibility to make short investments lies with the Municipal Manager or Chief Financial Officer or any other senior financial officer authorised by either the Municipal Manager or the Chief Financial Officer/relevant

assignee.

The Local Government Municipal Systems Act of 2000 as amended, Section 3, (60) (2) states that the Municipal Council may only delegate to an Accounting Officer, Executive Committee or Executive Mayor or Chief Financial Officer decisions to make investments on behalf of the municipality within a policy framework determined by the Minister of Finance.

The Chief Financial Officer must ensure that a bank, insurance company or other financial institution, which at the end of a financial year holds, or at any time during a financial year held, an investment for the municipality must:

- Promptly disclose information regarding the investment when so requested by the National treasury or the Auditor-General
- Promptly disclose information of any possible or actual change, in the investment portfolio, that could or will have a material adverse effect.

12. USE OF INDEPENDENT INVESTMENT MANAGERS

Should the need arise to use an investment manager at the cost of Council; one will be appointed using Supply Chain Management principles and practices.

13. CASH MANAGEMENT

FOREWORD

The Chief Financial Officer, inter-alia, has to ensure financial viability and sustainability of the municipality. In order to achieve this in a sustainable manner, the Chief Financial Officer must ensure that internal financial systems and controls are in place that will enable the Municipality to detect mismanagement of funds.

In terms of section 7 (2) of the Municipal Finance Management Act No.56 of 2003 (chapter 3), all money received by a municipality must be paid into its bank account or accounts, and this must be done promptly and in accordance with chapter 3 of MFMA and any requirements that may be prescribed.

Section 8 (2) of this Act states that the following moneys must be paid into a municipality's primary bank account:

- All allocations to the municipality, including those made to the municipality for transmission to a municipal entity or other external mechanism assisting the municipality in the performance of its functions;
- All income received by the municipality on its investments;
- All income received by the municipality in connection with its interest in any municipal entity, including dividends;
- All money collected by a municipal entity or other external mechanism on behalf of the municipality; and
- Any other moneys as may be prescribed.

Section 8 (3) states that a municipality must take all reasonable steps to ensure that moneys referred to in sub-section (2) are paid into its primary bank account.

Section 13 (1) states that the Minister, acting with the concurrence of the Cabinet member responsible for local government, may prescribe a framework within which municipalities must:

- Conduct their cash management and investments; and
- Invest money not immediately required.

Section 13 (2) states that a municipality must establish an appropriate and effective

cash management and investment policy in accordance with any framework that may be prescribed in terms of sub-section (1).

Section 64 of MFMA (Chapter 8) states also says that:

- Subsection (1) The accounting officer is responsible for the management of the revenue of the municipality;
- Subsection (2(d) The accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure that all money received is promptly deposited in accordance with MFMA into the municipality's primary bank account;
- Subsection (2) (e) (iii) The accounting officer of a the municipality must ensure that the Municipality has and maintains a management, accounting and information system which accounts for receipts of revenue.

13.1 DEFINITIONS

In this section 13, unless the context indicates otherwise –

“account” means a notification by means of a statement of account to a person liable for payment of any amount for which he or she is liable to pay the Council in respect of the following:

- Electricity consumption based on a meter reading or estimated consumption;
- Water consumption based on a meter reading or estimated consumption;
- Refuse removal and disposal;
- Property Rates;

- Interest;
- Basic Water
- Basic Electricity
- Sewerage
- Miscellaneous and sundry fees and any other collection charges;

"accounting officer" in relation to a municipality, means the official referred to in section 60 of the Municipal Finance Management Act;

"cashier" means an official appointed to deal directly with customer monetary transactions.
A Cashier receives money (cash, cheque, credit card, and direct deposits) on behalf of the municipality;

"fee" means a fee prescribed for or in respect of any municipal service;

"municipal council" or "council" means the council of a municipality referred to in section 18 of the Municipal Structures Act as amended, 2000;

"Municipal Finance Management Act" means the Local Government: Municipal Finance Management Act No.56 of 2003, and any regulations made under that Act

"municipality" when referred to as

- a corporate body, means a municipality as described in section 2 of the Municipal Systems Act as amended; or
- a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act No.27 of 1998;

"Municipal manager" means a person appointed in terms of section 82 (1) (a) or (b) of the Municipal Structures Act (is the head of administration and also the accounting officer of the municipality);

"municipal service" means a service that a municipality in terms of its powers and functions provides or may provide to or for the benefit of the local community irrespective of whether such a service is provided, or to be provided, by the municipality through an internal mechanism contemplated in section 76 or by engaging an external mechanism contemplated in section 76; and fees, charges or tariffs are levied in respect of such a service or not;

"Municipal Systems Act" means the Local Government: Municipal Systems Act No.32 as amended of 2000;

"prescribed" means prescribed by the Council from time to time, by resolution;

"safe keeping" means a designated area such as a safe, lockable room or cupboard

13.2 PRINCIPLES

Section 64 (2)(d) and 64(e and h) of the Municipal Finance Management Act of 2003 indicates that all money received be promptly deposited in accordance with the Act into the Municipalities primary and other bank accounts, that it accounts for all receipts of revenue and that all revenue received be reconciled on at least a weekly basis

14. BANK AND CASH IN TERMS OF THE LOCAL GOVERNMENT:

MUNICIPAL FINANCE MANAGEMENT Act NO.56 of 2003, Chapter 3, Part 1

- All names of bank accounts must be changed to the name of the newly created municipality,
- New bank accounts must be opened if required,
- All cheques received from the disestablished municipalities must be banked,
- All bank accounts currently held and transferred to the municipality must be accounted for in the new accounting system,
- The official responsible must ensure that the name change on the accounts has been effected,
- All bank and cash must be made in terms of Cash Management Policy
- Every municipality must open and maintain at least one bank account in the name of the municipality and
- All money received by a municipality must be paid into its bank account in the name of the municipality as per the above mentioned legislative framework

15. INVESTMENTS PROCEDURE

- (a). Quotations should be invited from at least three financial institutions for the term for which the investment is to be placed. In the event

of one of the financial institutions offering a more beneficial rate for an alternative term, the other institutions invited to quote should be approached for their rates on the alternative term.

- (b) It is acceptable to obtain telephonic quotations, when placing funds.
- (c) The person responsible for calling for quotations from institutions should note the name of the institution, the person who has given the telephonic quote and the terms and interest applicable, e.g. whether interest is payable monthly or on maturity.
- (d) Having obtained the necessary number of quotations, the decision needs to be made regarding the best terms offered and the institution with whom the investment is to be placed. The investment objectives must be kept in mind.
- (e) An investment may only be made if it is denominated in Rand and is not indexed to, or affected by, fluctuations in the value of the Rand against any foreign currency.
- (f) The above procedure should be followed for any investment irrespective of the duration of the investment.
- (g) All investments made by an investment officer, or by an investment manager on behalf of the Council, must be in accordance with this investment policy.
- (h) All investments withdrawals should be authorised by the Municipal Manager or the CFO or the responsibility be delegated to the deputy or assistant director.

16. **PRUDENTIAL'S**

- (a) Investments must be made with such judgment and care, under the prevailing circumstances, as a person of prudence, discretion and intelligence would exercise in the management of that person's own affairs;
- (b) May not be made for speculation but must be a genuine investment;
And
- (c) Must in the first instance be made with primary regard being to the

probable safety of the investment, in the second instance to the liquidity needs of the municipality and lastly to the probable income derived from the investment.

- (d) Employees involved in the investment process should refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees who handle the investments should disclose any personal financial/investment positions that could be related to the performance of the investment portfolio.
- (e) Investment officers should avoid any transactions that might impair public confidence in the City of Matlosana.

17. PAYMENT OF COMMISSION

- (a) No fee, commission or other reward may be paid to a councillor, manager or any official of the municipality to a spouse or close family member of such councillor, manager, or official in respect of any investment made or referred by the municipality.
- (b) If an investee pays any fee, commission or other reward to an investment manager in respect of any investment made by the municipality, both the investee and the investment manager must declare such payment to the council of the municipality by way or a certificate disclosing full details of the payment.

18. RECORDS AND REPORTS

- (a) The CFO or the delegated official must keep all investment transaction in a proper register, in accordance with Generally Recognized Accounting Practices.
- (b) The CFO must within 7 working days at the end of each month report to the Accounting Officer/Municipal Manager the investment portfolio in a prescribed form as required by the Municipal Management Regulation.

- (c) The Accounting Officer must within 10 working days of the end of each month, submit to the Executive Mayor a report describing in accordance with Generally Recognized Accounting Practice the portfolio as at the end of the month.
- (d) The report must set out at least –
- the market value of each investment as at the beginning of the reporting period;
 - any changes to the investment portfolio during the reporting period;
 - and the market value of each investment as at the end of the reporting period.

19. **PORTFOLIO DIVERSIFICATION**

- (a) Funds, which are not required for immediate cash expenditures or to maintain, required compensating cash balances should be invested in interest bearing investments or accounts.
- (b) To reduce overall portfolio risk while attempting to attain market rates of return consistent with the primary objectives of safety and availability of funds, investments shall be diversified across types of investments, maturities of those investments, and institutions in which those investments are made.
- Investment Instruments
Investments shall be made only in those instruments specifically authorized by the law.
 - Institutions
The council must take all reasonable prudent steps consistent with the investment policy and according to standard of care set out in Prudentialism in this policy, to ensure that it places its investments with credit-worthy institutions.
- i. Funds shall only be deposited in a financial institution

whose performance has been reliable and whose safety rating, as determined by a reputable independent rating service

- ii. No single institution shall have, in cumulative total, as deposits and investments (other than safe kept investments) more than 50% of the City of Matlosana available funds for investment.
- iii. No funds may be invested in instruments that are prohibited by this policy.
- iv. When the appropriate Investment Officer or the Investment Manager must liquidate an investment that no longer has the minimum acceptable credit rating as specified in the investment policy.

20. RELATIONSHIPS WITH FINANCIAL INSTITUTIONS

All financial institutions with which the Council conducts investment activities must agree in writing to undertake reasonable efforts to prevent illegal and/or imprudent transactions involving the Council funds. Should it come to the attention of the Financial Services Manager that funds have been involved in illegal and/or imprudent transactions, this will be reported to the City of Matlosana along with options for dealing with the situation.

21. MISCELLANEOUS PROVISIONS

- (a) The responsibility and risk arising from any investment transaction vests in the Accounting Officer and the Chief Financial Officer.
- (b) All investments made by the municipality must be in the name of the Council.
- (c) No money may be borrowed for the purpose of investment.

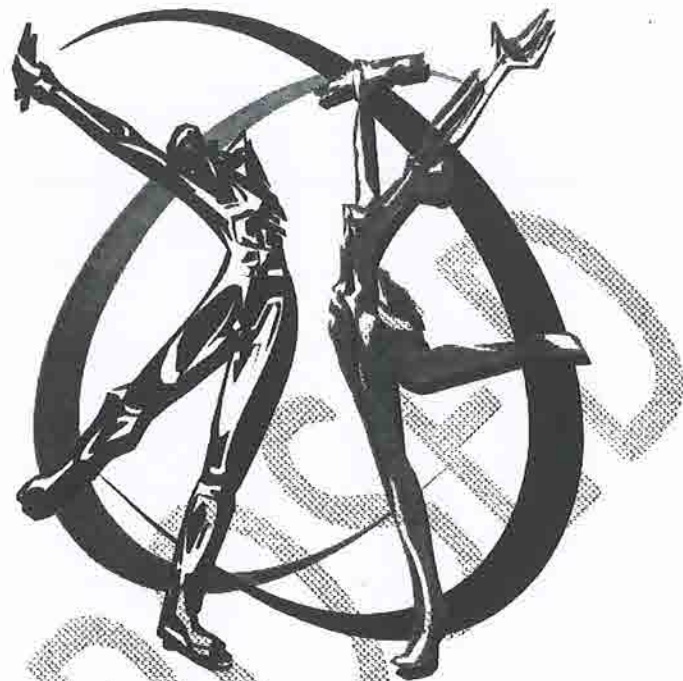
22. INDEMNIFICATION OF INVESTMENT OFFICIALS

Any investment officer exercising his or her authority with due diligence and prudence, and in accordance with the requirements of the Act, will not be held personally liable for any individual investment losses or for total portfolio losses.

Council will however have the right to collect any losses from an official, if an investment is made contrary to the stipulation of this policy or when gross negligence can be proved.

The Investment Policy is changed in accordance with the regulations as set out by the Minister of Finance in the Government Gazette No 27431

CITY OF MATLOSANA



IRRECOVERABLE BAD DEBT POLICY

2017/2018

IRRECOVERABLE BAD DEBT POLICY

INDEX

| | Page |
|------------------------------------|------|
| 1. Introduction | 2 |
| 2. Interpretations | 2 |
| 3. Criteria for irrecoverable debt | 3 |
| 4. Other cases | 6 |
| 5. Authorizations | 8 |

1. INTRODUCTION

The Municipal Manager must ensure that all avenues are utilised to collect the municipality's debt. However, for various reasons there will always be bad debt cases that needs to be catered for through a policy on the writing-off of irrecoverable debt for circumstances that allows for the valid termination of debt collection procedures as contemplated in section 109(2) of the Local Government: Municipal Systems Act (No 32 of 2000) as amended. The Municipal Manager must provide Council with a policy and guidelines with regards to the writing off of irrecoverable debts / bad debts, owed by consumers to Council and to ensure that all outstanding amounts owing to Council can be recovered effectively and economically and are financially viable

2. INTERPRETATIONS

For the purpose of this policy, the wording or any expression has the same meaning as contained in the Act, except where clearly indicated otherwise and means the following:

"Act" - The Local Government Act: Systems Act, 2000 (Act No 32 of 2000) as amended from time to time;

"Authorized Representative" - Person or instance legally appointed by the Council to act or to fulfil a duty on its behalf;

"Chief Financial Officer" - the person appointed by Council to administer its finances regardless of the designation or title attached to the post;

"Consumer" - any occupier of any property to which the Council has agreed to supply services or already supplies services to, or failing such an occupier, then the owner of the property;

"Council" - the municipal Council of the City of Matlosana;

"Credit control and debt collection" - means the functions relating to the collection of any monies due and payable to the Council;

"Defaulter" - a consumer who owes money to the Council after the due date has expired;

"Households" - all matured persons older than 18 years that occupied a property within the jurisdiction of the Council regardless whether the person rents or owns the property;

"Council" - the institution that is responsible for the collection of funds and the provision of services to the consumers of;

"Municipal account" - shall include levies or charges in respect of the following services and taxes:

- (a) electricity consumption,
- (b) water consumption,
- (c) refuse removal,
- (d) sewerage services,
- (e) basic electricity charges
- (f) basic water charges
- (g) property rates,
- (h) interest and/or surcharges,
- (i) housing rentals and instalments,
- (j) miscellaneous and sundry charges.

"Municipal Manager" - the person appointed as Municipal Manager in terms of section 82 of the Local Government: Structures Act, 1998, (Act 117 of 1998) and include any person acting in that position or to whom authority was delegated;

"property" - any portion of land, of which the boundaries are determined, within the jurisdiction of the Council.

3. CRITERIA FOR IRRECOVERABLE DEBT

Debt will only be considered as irrecoverable if it complies with the following criteria:

- 1) All reasonable notifications and cost effective legal avenues have been exhausted to recover a specific outstanding amount. However, in special cases where the requirements in terms of Council's Credit Control and Debt Collection Policy are impractical, the administration must motivate which other remedies were applied or actioned; or
- 2) any amount equal to or less than R500 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 can be written off without submission to Council; or
- 3) debt on an account which comprises of only interest
- 4) the cost to recover the debt does not warrant further action; or
- 5) the amount outstanding is the residue after payment of a dividend in the rand from an insolvent estate; or
- 6) there is a danger of a contribution;
- 7) no dividend will accrue to creditors; or
- 8) a deceased estate has no liquid assets to cover the outstanding amount following the final distribution of the estate; or
- 9) In case of death of the debtor a creditor's claim must be timeously registered against the deceased's estate or if an estate has no income or has not been registered and the death can be proved by any means, any amount not being recovered due to insufficient funds be written off.
- 10) it has been proven that the debt has prescribed; or
- 11) the debtor is untraceable or cannot be identified so as to proceed with further action; or
- 12) the debtor has emigrated leaving no assets of value to cost effectively recover Council's claims;
- 13) it is not possible to prove the debt outstanding; or
- 14) a court has ruled that the claim is not recoverable; or
- 15) the outstanding amount is due to an irreconcilable administrative error by the Council; or expenditure incurred, in respect of internal accounts raised in the name of the City of Matlosana, in any previous financial year; or
- 16) if an offer of full and final settlement is confirmed in writing by the City Manager in terms of the City of Matlosana: Credit Control and Debt Collection By-law; or
- 17) all arrears may be written off to bad debts where Council-
 - (i) expropriates any property; or
 - (ii) purchases any property in terms of item 10 (1) (f); or

- 18) all arrears may be written off to bad debts where a property has been forfeited to the State in terms of the Prevention of Organized Crime Act 121 of 1998; or
- 19) where the occupiers have been evicted from Council, Provincial or State properties due to criminal activities; or
- 20) through supporting the City's housing related debt management processes and in instances where a housing debtor has applied for and been granted a housing indigent grant in terms of the Housing Indigent Policy, all debt related to that property for that debtor (excluding capital debt of home ownership units), up to the date of granting of indigent status will be written back. Such write back will occur only once for any debtor, thereby allowing for a once off rehabilitation, where after the debtor will immediately be subject to the Customer Care, Credit Control & Debt Collection policy should the account again fall into arrears; or
- 21) where the Housing advises the Chief Financial Officer that a housing debtor has been granted a housing indigent grant such debtors rates, services and sundry debt related to that property for that debtor shall be written off once; or
- 22) should any tampering with or bypassing of the water and electricity meters be discovered, any arrears written-off, in terms of this sub-item, will become payable with immediate effect and any other action as per any legislation or policy that applies to such tampering and/or bypassing will be instituted;
- 23) should the Municipal Manager become aware that the focus of an organization has changed, or its financial position has improved or its registration as a non-profit organization or public benefit organization has lapsed or terminated within three years after the arrears were written-off, such arrears will become payable with immediate effect.
- 24) Where registered non-profit organizations or public benefit organizations would, except for being in arrears on their Municipal accounts, qualify to receive a rates rebate, in terms of the Rates Policy, will, with effect from the date of qualification, have all their arrears written off, thus ensuring that they meet all the criteria to receive the rates rebate and;
- (i) this assistance will only be granted once to an organization subject to the condition that an electricity prepayment meter must be installed at the organizations cost, where applicable;
 - (ii) should any tampering with or bypassing of the water and electricity meters be discovered, any arrears written-off, in terms of this sub-item, will become payable with immediate effect and any other action as per any legislation or policy that applies to such tampering and/or bypassing will be instituted;

- 25) should the Municipal Manager become aware that the focus of the organization has changed, or its financial position has improved or its registration as a non-profit organization or public benefit organization has lapsed or terminated within three years after the arrears were written-off, such arrears will become payable with immediate effect.
- 26) Arrears on closed tenant accounts which have debt which exceeds 1,080 days (3 years) and cannot be linked to an account on Council's financial system, not exceeding R500 on the account may be written off with approval of the Chief Financial Officer. Any amount exceeding R500 must be submitted to Council for approval to write off.
- 27) Irrecoverable debt of registered indigent consumers will be written off on a once off basis by Council subject to the stipulations in the Indigent policy.

4. OTHER CASES

a) 1) Housing

The allocation of stands and or houses (low cost) with State or Council associated funds by the applicable directorate, has in some instances resulted in debt being raised and carried on Council's Financial system in the name of the intended beneficiary as per Council's records, but who never took occupation of the property for one or more of the reasons that follows herein after or for a dispute that arose and can reasonably be motivated by the applicable Director or his/her delegated official.

- Occupation taken by illegal occupants
- Failure to have informed the intended beneficiary
- Failure of beneficiary to take occupation of the property due to the fact that the beneficiary cannot be traced
- Alteration of allocation not effected in council's records

2) The following scenarios are reflected;

All scenarios are subject to the conditions reflected in paragraph 1 above and are the responsibility of the Housing Manager

2.1 Where a debtor is untraceable or cannot be identified so as to proceed with further action, the Housing Manager or his delegate shall accordingly inform the CFO for possible

write off and the stand shall be re allocated to a new occupant by the delegated housing official.

2.2 On all residential permits issued for the historical townships, it is clearly stipulated that the allocated person shall take occupation or develop the site within three months from the date of signature of that permit. All such abandoned stands shall be identified and be reallocated by the delegated housing official on a "Voetstoot" basis and shall be approved by the Housing Manager or his delegate.

2.3 That all such privately owned properties be identified and be immediately handed over to Council's panel of attorneys for collection. When all legal avenues have been exhausted and amounts owed cannot be recovered, such cases be referred to the relevant Court for possible attachment of that immovable property.

2.4 In case of death of the debtor, a creditor's claim must be timeously registered against the deceased's estate, failing which the property be handed over for collection. (Estate). Such properties may ultimately be deregistered and shall revert back to Council.

2.5 That all cases where the estate (next of kin) is indigent and cannot afford the transfer costs from the deceased, Council seek funding either internally, or externally to resolve this challenge and that Council writes off the amounts due by the deceased.

b) Clearance Certificates

- i. In terms of legislation the Council will under normal circumstances not issue a clearance certificate on any property unless all outstanding amounts are paid to date. However due to the potential lack of resources of Council to implement its credit control policy, it might be possible that such a property may have accumulated such a significant outstanding balance over a period of time that it may not be within the ability of the new owner to pay such an amount in order to obtain a clearance certificate.
- ii. Where such circumstances may prevail the prospective new owner may apply to the Council for relief of such outstanding debt or a portion thereof.
- iii. Such application must be submitted to the Chief Financial Officer for consideration. In reviewing such application, the Chief Financial Officer must ensure that;

- Reasonable measures have already been taken to recover the outstanding amount from the current debtor.
 - The prospective buyer of the property is not in a financial position to settle the outstanding amount before a clearance certificate is issued.
- iv. It is not in the interest of the Council and/ or the community to withhold a clearance certificate before the outstanding debt is fully paid
- v. Any amount to be written off in terms of paragraph 2.2 above must be subject to the provision of paragraph 4 below.

c) Meritorious Cases

Notwithstanding the framework provided in this policy for the writing off of irrecoverable debt, Council mandates the CFO or his / her delegate to consider and recommend to Council meritorious cases and provide reasons for same.

4. AUTHORIZATIONS

- (a) Debt below R500 as stipulated above may be approved for writing off by the Chief Financial Officer or his delegated person as a delegated authority.
- (b) debt on an account which comprises of only interest may written off by the Chief Financial Officer or his delegated person as a delegated authority, due to the fact that there is no capital amount outstanding
- (c) In respect of other debt above R500, schedules indicating the debtor account number, the debtors name and the physical address in respect of which the debt was raised, address, erf number, if applicable, amount per account category as well as a reason to write-off the amount must be compiled and submitted to Council for approval as irrecoverable debt and writing off.
- (d) Notwithstanding the above, the Municipality or its authorized officials will be under no obligation to write-off any particular debt and will always retain sole discretion to do so.

CITY OF MATLOSANA



RATES POLICY

2017/2018

PREAMBLE

- (1) **WHEREAS** the Constitution of the Republic of South Africa, 1996, and the Local Government: Municipal Property Rates Act, Act 6 of 2004, as amended by the provisions of the Local Government: Municipal Property Rates Amendment Act, Act 29 of 2014 (hereinafter referred to as "the MPRA"), empowers the City of Matlosana (hereinafter referred to as "the Municipality") to impose rates on property
- (2) **AND WHEREAS** in terms of section 4(1)(c) of the Local Government: Municipal Systems Act, Act 32 of 2000 (hereinafter referred to as "the Systems Act"), the Municipality may, *inter alia*, levy rates on property to finance the operational expenditure of the Municipality
- (3) **AND WHEREAS** in terms of section 62(1)(f)(ii) of the Local Government: Municipal Finance Management Act, Act 56 of 2003 (hereinafter referred to as "the MFMA"), the Municipal Manager of the Municipality appointed in terms of section 82 of the Local Government: Municipal Structures Act, Act 117 of 1998 (hereinafter referred to as "the Structures Act"), must, in his capacity as the accounting officer of the Municipality, ensure that the Municipality has and implements a rates policy
- (4) **AND WHEREAS** the Municipality:
- (a) Must, in terms of section 3(1) of the MPRA, adopt a policy consistent with the MPRA on the levying of rates on rateable property within the municipal area of the Municipality
 - (b) Must, in terms of section 6(1) of the MPRA, adopt by-laws to give effect to the implementation of its rates policy
 - (c) Must, in terms of section 5(1) of the MPRA, annually review, and may, if necessary, amend this policy. Proposals for reviewing this policy must be considered by the Municipality in conjunction with its annual operating budget
 - (d) May, in terms of section 22 of the MPRA, levy an additional rate on property in a special rating area and, in doing so, may differentiate between different categories of property
- (5) **NOW THEREFORE**, this policy has been drafted in compliance with the provisions of sections 3(1) and 6(1) of the MPRA, and must be read within the context of the MPRA, and in as far as required, supplemented and amplified by the MPRA.

THE CITY OF MATLOSANA:

RATES POLICY

TABLE OF CONTENTS

CHAPTER 1

INTRODUCTORY PROVISIONS

| ITEM NO. | ITEM | PAGE NO. |
|----------|---------------------------|----------|
| 1. | DEFINITIONS | 6 |
| 2. | AIM AND PURPOSE | 13 |
| 3. | TITLE AND APPLICATION | 14 |
| 4. | COMMENCEMENT AND VALIDITY | 14 |
| 5. | RESPONSIBLE AUTHORITY | 15 |

CHAPTER 2

RATING PRINCIPLES AND CATEGORIES OF PROPERTY

| | | |
|----|--|----|
| 6. | OPERATIONAL BACKGROUND AND PRINCIPLES | 16 |
| 7. | ANNUAL OPERATING BUDGET | 17 |
| 8. | CATEGORIES OF PROPERTY FOR LEVYING OF DIFFERENTIAL RATES | 19 |

CHAPTER 3

DIFFERENTIAL RATING, EXEMPTIONS, REDUCTIONS AND REBATES

| | | |
|-----|--|----|
| 9. | DIFFERENTIAL RATING | 27 |
| 10. | CATEGORIES OF PROPERTY OWNERS FOR PURPOSES OF EXEMPTIONS, REDUCTIONS AND REBATES AND THE CRITERIA FOR EXEMPTIONS, REDUCTIONS AND REBATES | 28 |
| 11. | COST TO THE MUNICIPALITY DUE TO EXEMPTIONS, REDUCTIONS, REBATES, EXCLUSIONS, PHASING-IN AND THE BENEFIT THEREOF TO THE LOCAL COMMUNITY | 35 |

CHAPTER 4
GENERAL PROVISIONS

| | | |
|-----|---|----|
| 12. | SPECIAL RATING AREAS | 38 |
| 13. | RATE INCREASES | 40 |
| 14. | NOTIFICATION OF RATES | 41 |
| 15. | PAYMENT OF RATES | 42 |
| 16. | PAYMENT OF RATES ON PROPERTY IN SECTIONAL TITLE SCHEMES | 43 |
| 17. | ACCOUNTS TO BE FURNISHED | 44 |
| 18. | FREQUENCY OF VALUATION | 45 |
| 19. | COMMUNITY PARTICIPATION | 45 |
| 20. | REGISTER OF PROPERTY | 45 |
| 21. | CERTIFICATE OF OCCUPANCY | 45 |
| 22. | ILLEGAL USE OF PROPERTY | 46 |
| 23. | INSPECTION OF AND OBJECTIONS TO ENTRIES INTO THE VALUATION ROLL OF THE MUNICIPALITY | 46 |
| 24. | BY-LAWS TO GIVE EFFECT TO RATES POLICY | 47 |
| 25. | POLICY REVIEW | 47 |

SCHEDULES

| | |
|--------------|---|
| SCHEDULE "A" | REBATE ON RATES |
| SCHEDULE "B" | APPLICATION TO BE RATED AS AGRICULTURAL/FARMING PROPERTY USED FOR AGRICULTURAL/FARMING PURPOSES |
| SCHEDULE "C" | APPLICATION FOR A PENSIONER'S AND/OR DISABLE PERSON'S PROPERTY RATES REBATE |

CHAPTER 1

INTRODUCTORY PROVISIONS

1. DEFINITIONS

In this policy, except where the context otherwise indicates, or it is expressly stipulated otherwise, the following words and expressions shall have the respective meanings assigned to them hereunder, and words or expressions to which a meaning has been assigned in terms of the provisions of section 1 of the MPRA will have the meaning assigned thereto by the said act. All headings are included for convenience only and shall not be used in the interpretation of any of the provisions of this policy.

| NO. | WORD/EXPRESSION | DEFINITION |
|------------|--|--|
| "A" | | |
| 1.1 | "Account" | Means the account furnished to an owner by the Municipality once the owner becomes liable for the payment of rates and which reflects the amount due to the Municipality by such owner in respect of the rates, and depending on the context may also refer to an "account" as defined in terms of the provisions of the Credit Control & Debt Collection Policy and By-Law of the Municipality. |
| 1.2 | "Agent" | In relation to property, means a person appointed by the owner of such property: (a) to receive rental or other payments in respect of the property on behalf of the owner; (b) to make payments in respect of the property on behalf of the owner. |
| 1.3 | "Agricultural / farming property" | Means property which is used for agricultural and/or farming purposes, but excludes any portion thereof that is used commercially for the hospitality of guests and excludes the use of the property for the purpose of eco-tourism or for the trading in or hunting of game. |
| "C" | | |
| 1.4 | Category | (a) In relation to property, means a category of properties determined in terms of section 8; |

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| | | (b) in relation to owners of properties, means a category of owners determined in terms of section 15 (2); |
| 1.5 | "Certificate of occupancy" | Means the certificate of occupancy issued by the Municipality in terms of the provisions of section 14 of the National Building Regulations and Building Standards Act, Act 103 of 1977. |
| 1.6 | "Consent use" | Means the purpose for which land may lawfully be used and on which buildings may be erected and used only with the consent of the Municipality. |
| 1.7 | "Council" | Means the Municipal Council of the Municipality as referred to and constituted in terms of the provisions of section 157 of the Constitution. |
| 1.8 | "Current monthly rates" | Means the rate levied on a property in the month immediately preceding the month in which application for a rebate has been made, where such application is required in terms of this policy, and in all other events, the month preceding the month in which the rebate will come into operation. |
| "D" | | |
| 1.9 | Date of valuation | Means the date determined by City of Matlosana in terms of Sect 31 (1) |
| "E" | | |
| 1.10 | "Exemption" | In relation to the payment of a rate, means an exemption granted by the Municipality in terms of the provisions of section 15 of the MPRA. |
| "F" | | |
| 1.11 | "financial year" | Means the period commencing on the 1 st day of July in any calendar year and ending on the 30 th day of June of the following calendar year. |
| "G" | | |
| 1.12 | Government or State owned property | In so far as it relates to property owned and used by the State, means property owned and used by the National Government and North West Provincial Government for the provision of community type services, including but not limited to police stations, hospitals. All other property owned and utilised by the State will be classified in accordance with its zoning i.e. business for offices, residential for housing schemes etc. |

| "I" | | |
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| 1.13 | "Income Tax Act" | Means the Income Tax Act, Act 58 of 1962. |
| "M" | | |
| 1.14 | "MFMA" | Means the Local Government: Municipal Finance Management Act, Act 56 of 2003. |
| 1.15 | "MPRA" | Means the Local Government: Municipal Property Rates Act, Act 6 of 2004 as amended by Local Government: Municipal Property Rates Amendment Act, Act 29 of 2014. |
| 1.16 | "MPRA Rate Ratio Regulations" | Means the Municipal Property Rates Act: Regulations on the Rate Ratio between Residential and Non-Residential Properties promulgated in terms of the provisions of section 83 of the MPRA and published in GNR195 in GG 33016 of 12 March 2010. |
| 1.17 | "Municipality" | Means the CITY OF MATLOSANA (also referred to as the "COM"), a local government and legal entity with full legal capacity as contemplated in section 2 of the Systems Act, read with the provisions of Chapter 7 of the Constitution of the Republic of South Africa and sections 12 and 14 of the Local Government: Municipal Structures Act, Act 117 of 1998, with its main place of business and the offices of the Municipal Manager, as envisaged in terms of the provisions of section 115(3) of the Systems Act, at Bram Fisher Street, KLERKSDORP, NORTH WEST PROVINCE, and includes: <ul style="list-style-type: none"> (a) Its successor in title; or (b) A functionary exercising a delegated power or carrying out an instruction, in the event of any power being delegated as contemplated in terms of the provisions of section 59 of the Systems Act; or (c) An authorised service provider fulfilling a responsibility assigned to it by the Municipality through a service delivery agreement. |
| 1.18 | "Municipal property" | Means property owned by, vested in or under the control and management of the Municipality. |
| "N" | | |
| 1.19 | "Non-residential property" | Means all properties (including all undeveloped properties) other than those defined as "residential property". |
| "O" | | |
| 1.20 | "Owner" | Means: |

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| | | <p>(a) In relation to 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, means a person in whose name ownership of the property is registered;</p> <p>(b) In relation to a right registered against immovable property in the name of a person, excluding a mortgage bond registered against the property, means a person in whose name the right is registered;</p> <p>(b A) In relation to a time sharing interest contemplated in the Property Time-sharing Control Act, Act 75 of 1983, means the management association contemplated in the regulations made in terms of section 12 of the Property Time-sharing Control Act, and published in Government Notice R327 of 24 February 1984;</p> <p>(b B) In relation to a share in a share block company, the share block company as defined in the Share Blocks Control Act, Act 59 of 1980;</p> <p>(b C) 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 registered in the name of a person or granted to a person in terms of legislation, 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, means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of "publicly controlled",</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> <p>(i) A trustee, in the case of a property in a trust excluding state trust land;</p> <p>(ii) An executor or administrator, in the case of a property in a deceased estate;</p> <p>(iii) A trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;</p> <p>(iv) A judicial manager, in the case of a property in the estate of a person under judicial management;</p> |
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| | | <p>(v) A curator, in the case of a property in the estate of a person under curatorship;</p> <p>(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;</p> <p>(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> <p>(vii a) 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</p> <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" | | |
| 1.21 | "Public service infrastructure" | Means public service infrastructure as defined in the Municipal Property Rates Act, Act 6 of 2004. |
| "R" | | |
| 1.22 | "Rateable property" and "property" | <p>Means property on which the Municipality may in terms of the provisions of Sections 1, 2 and 7 of the MPRA levy a rate, excluding property fully excluded from the levying of rates in terms of the provisions of Section 17 of the MPRA and including a) immovable property registered in the name of a person, including, in the case of a sectional title scheme, sectional title unit registered in the name of a person;</p> <p>b) A right registered against immovable property in the name of a person, excluding a mortgage bond registered against property;</p> <p>c) A land tenure right registered in the name of person of granted to a person in terms of legislation, or d) public service infrastructure.</p> |
| 1.23 | "Ratepayer" | Means any owner of rateable property as well as any owner of rateable property held under sectional title, situate within the municipal area of the Municipality. |
| 1.24 | "Rates" | Means a municipal rate on property levied in terms of section 229(1) (a) of the Constitution and section 2(1) of the MPRA. |

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| 1.25 | "Rebate" | Means a discount granted in terms of the provisions of section 15 of the MPRA on the amount of the rate payable on the property. |
| 1.26 | "Reduction" | Means the lowering in terms of the provisions of section 15 of the MPRA of the amount for which the property was valued and the rating at that lower amount. |
| 1.27 | "Registered Indigent" | Means a person who has applied to the Municipality in terms of the Indigent Policy of the Municipality to be registered as a Registered Indigent, whose application was approved by the Municipality, and who is indicated as a Registered Indigent on the Indigent Register, as contemplated in terms of the Indigent Policy of the Municipality |
| 1.28 | "Residential property" | <p>Means property which is:</p> <ul style="list-style-type: none"> (a) Used exclusively for residential purposes, with not more than 2 (two) dwelling units per property, and includes any adjoining property registered in the name of the same owner and used together with such residential property as if it were one property (any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes); or (b) A unit registered in terms of the Sectional Titles Act, used exclusively for residential purposes, and includes any unit in the same sectional title scheme registered in the name of the same owner which is used together with the residential unit as if it were one property, for example a garage or domestic worker's quarters (any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes and for clearance application purposes); or (c) Owned by a share-block company and used predominantly (60% or more) for residential purposes; or (d) A retirement scheme or life right scheme used predominantly (60% or more) for residential purposes; or (e) A residence used for residential purposes situated on property used for or related to educational purposes; (f) Vacant Residential Property; |

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| | | But excludes hostels, old age homes, guesthouses and any vacant land, not zoned as "residential", irrespective of its zoning or intended usage. |
| "S" | | |
| 1.29 | "school" | Means a school as defined in terms of the South African Schools Act, Act 84 of 1996 and include both a private and a public school. |
| 1.30 | "Sectional Titles Act" | Means the Sectional Titles Act, Act 95 of 1986. |
| 1.31 | "Structures Act" | Means the Local Government: Municipal Structures Act, Act 117 of 1998. |
| 1.32 | "Systems Act" | Means the Local Government: Municipal Systems Act, Act 32 of 2000. |
| "T" | | |
| 1.33 | "technical and other colleges" | Means a public college and a private college as contemplated in the Further Education and Training Colleges Act, Act 16 of 2006. |
| 1.34 | "the/this policy" | Means the Property Rates Policy of the Municipality as adopted by the Municipality in terms of the provisions of section 3(1) of the MPRA. |
| 1.35 | "threshold" | Means the amount, determined from time to time by the Municipality during its annual budget process referred to in section 12(2) of the MPRA, to be deducted from the market value of residential properties, resulting in rates to be determined on the balance of the market value of such properties only. |
| "V" | | |
| 1.36 | "vacant land" | Means a property without any improvements thereto excluding Agricultural land |
| 1.37 | "valuation roll" | Means a valuation roll prepared in terms of the provisions of section 30 of the MPRA or a supplementary valuation roll prepared in terms of the provisions of section 78 of the MPRA. |
| "Z" | | |
| 1.38 | "zoning" | Means the purpose for which land may lawfully be used or on which buildings may be erected or used, or both, as contained in the applicable Land Use Management Scheme, or any revision or amendment thereof, and "zoned" has a corresponding meaning, provided that where a property carries multiple |

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| | | zoning rights, the categorisation of such property will be in accordance with the highest rating category. |
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2. AIM AND PURPOSE

- (1) This policy constitutes the policy as contemplated in terms of the provisions of section 3(1) of the MPRA and the aim and purpose of this policy is as set out in the provisions of section 3(3) of the MPRA.

- (2) The aim of this policy is to:
 - (a) Ensure that all owners of rateable property are informed about their liability for 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 as contemplated in terms of the provisions of section 15 of the MPRA;
 - (c) Empower the Municipality to specify a threshold at which rating in respect of residential properties may commence as provided for in terms of the provisions of section 15(1)(a) of the MPRA, which it is authorised to do;
 - (d) Set out the criteria to be applied by the Municipality when it:
 - (i) Increase or decreases rates
 - (ii) Levies differential rates on different categories of property;
 - (e) Provide for categories of public benefit organisations, approved in terms of the provisions of section 30(1) of the Income Tax Act, Act 58 of 1962 (hereinafter referred to as "the Income Tax Act"), which are ratepayers, and who may apply to the Municipality for relief from rates;
 - (f) Recognise the State, organs of state and the owners of public service infrastructure as property owners;
 - (g) Encourage the development of property;
 - (h) Ensure that all persons liable for rates are treated equitably as required by the MPRA; and
 - (i) Provide that any rebate is to benefit the owner in occupation of the property.

3. TITLE AND APPLICATION

- (1) This policy is known as the Rates Policy of the City of Matlosana.
- (2) This policy revokes all previous policies, decisions and/or *ad hoc* clauses within any other policy, regarding the subject matter of this policy.

4. COMMENCEMENT AND VALIDITY

This policy shall come into force and effect on the first implementation of the general valuation roll to be prepared by the Municipality in terms of the provisions of section 30, read with section 31 of the MPRA. This policy shall form part of the Municipality's budget related policies when such budget is tabled in the Council of the Municipality in terms of the provisions of section 16(2) of the MFMA for approval, in order to allow for the Council of the Municipality to consider and approve this policy in terms of the provisions of section 24(1) of the MFMA. Once this policy is approved by the Council, the general valuation roll to be compiled by the Municipality will be compiled taking account of the principles and provisions of this policy in as far as *inter alia* the different categories of properties and special rating areas are concerned.

5. RESPONSIBLE AUTHORITY

The responsible authority for the adoption, publication and implementation of this policy is the Municipality, and where applicable the Council of the Municipality.

CHAPTER 2

RATING PRINCIPLES AND CATEGORIES OF PROPERTY

6. OPERATIONAL BACKGROUND AND PRINCIPLES

- (1) This policy has been prepared to ensure equitable treatment by the Municipality in the levying of rates on property owners, including owners under sectional title as contemplated in terms of the Sectional Titles Act, as well as any other person who may become liable for the payment of rates based on the guiding principles of equity, affordability, poverty alleviation, social and economic development, financial sustainability and cost efficiency.
- (2) This policy must be read in conjunction with the provisions of the Land Use Management Scheme and the Town Planning and Townships Ordinance 15 of 1986, and any other applicable legislation, including, but not limited to, the MFMA, the Systems Act, and any legislation which replaces any of the aforementioned acts or ordinance.
- (3) The Municipality is required by the terms of section 16(1) of the MFMA, read with section 24(1) of the MFMA, to approve an annual operating budget prior to the commencement of every financial year. The income from rates must be used to finance in full or in part, the annual operating expenditure of the Municipality as reflected in such budget.
- (4) As provided in the MPRA, the Municipality has elected to differentiate between various categories of property and property owners. Some categories of property and categories of owners are granted relief from rates. The Municipality does, however, not grant relief from rates in respect of payments for rates to any category of owners or properties on an individual basis, other than by way of an exemption, rebate or reduction provided for in this policy.
- (5) Rates are levied in accordance with the provisions of the MPRA as a cent-in-the-rand based on the property value determined for a property as contained in the valuation roll and supplementary valuation roll.

7. ANNUAL OPERATING BUDGET

- (1) Rates and rate ratios shall be levied and established as part of the approved annual budget of the Municipality and shall remain valid and in force and effect until amended, changed or varied by the Council.
- (2) In terms of the provisions of section 28(6) of the MFMA a municipal tax may not be increased during a financial year, except when required in terms of a financial recovery plan.
- (3) The Municipality must consider the levying of rates annually during the budget process as contemplated in section 12(2) of the MPRA.
- (4) Rate increases must be used to finance the increase in operating costs of the municipal services and facilities of the Municipality.
- (5) In determining the level of increases or decreases in rates, the criteria to be applied may include the following:
 - (a) The inflation rate as indicated by the consumer price index, excluding mortgage bonds;
 - (b) The financing of increased operating expenditure in the budget of the Municipality;
 - (c) The financing of additional maintenance expenditure included in the operating budget of the Municipality;
 - (d) The financing of additional depreciation charges included in the operating budget of the Municipality;
 - (e) The additional cost of servicing debt included in the operating budget of the Municipality;
 - (f) The augmentation of any revenue shortfall;
 - (g) The financing from the annual operating budget of expenditure related to anything the Municipality is lawfully empowered to do for which provision has to be made in the budget;
 - (h) The taking into consideration of the medium term budget growth factors as determined by National Treasury;

- (i) The valuation roll; and
- (j) Any other relevant factor.

(6) Also in determining the level of increases or decreases in rates and in order to assist the Municipality in dealing with the criteria as set out above, the Municipality will make reference to the following classifications:

(a) Services:

- (i) Trading services (as referred to in the Tariff Policy);
- (ii) Non-trading services (as referred to in the Tariff Policy).

(b) Expenditure:

- (i) Salaries, wages and allowances;
- (ii) Bulk purchases;
- (iii) General expenditure;
- (iv) Repairs and maintenance;
- (v) Capital charges;
- (vi) Contribution to fixed assets;
- (vii) Contribution to funds;
 - (a a) bad debts;
 - (b b) working capital; and
 - (c c) statutory funds;
- (viii) Contribution to reserves;
- (ix) Gross expenditure [(i) to (viii)];
- (x) Less charge-out (inter-departmental charge-outs);
- (xi) Nett expenditure [(ix) less (x)];
- (xii) Income; and
- (xiii) Surplus/deficit [difference between (xi) and (xii)].

(c) Cost centres (to which the costs associated with rendering the service can be allocated):

- (i) By department;
- (ii) By section/service; and

(iii) By division/service.

- (7) Differential rates may be levied in terms of the provisions of section 8 of the MPRA according to the permitted use or, where applicable, the actual use of the property concerned.
- (8) In addition to the criteria specified above, the following criteria may be taken into account in determining whether a differential rate should be applied:
 - (a) The need to promote economic development;
 - (b) Any administrative advantages in applying a differential rate; and
 - (c) The need to alleviate the rates burden on the owners of any particular category of property specified in this policy.
- (9) Rates are levied in accordance with the MPRA as an amount in the Rand based on the market value of all rateable property as reflected in the valuation roll and any supplementary valuation roll, as contemplated in terms of Chapters 6 and 8 of the MPRA, respectively.
- (10) The rate levied by the Municipality on a residential property with a market value below a prescribed valuation level may, instead of a rate determined as set out in the afore stated paragraph, be a uniform fixed amount per property.

8. CATEGORIES OF PROPERTY FOR LEVYING OF DIFFERENTIAL RATES

- (1) The Municipality may levy different rates for different categories of rateable property, provided that the maximum ratio to the rate on residential property which may be imposed on agricultural/farming property, public service infrastructure property and public benefit organisation property may not exceed the ratio as published in terms of the MPRA Rate Ratio Regulations.
- (2) All rateable property will be classified within a specific category and will be rated upon the said classification, which will be in accordance with the actual use thereof, unless otherwise stated in this policy.

- (3) For purposes of levying different rates based on the permitted use of properties in terms of the provisions of section 8(1)(b) of the MPRA, read with sections 3(3)(b) and 3(3)(c) of the MPRA, the following categories of property are determined, as well as the main criteria to be used in order to determine the category of the property:

(a) (i) Residential property:

The criteria set out in the definition of "residential property" in terms of paragraph 1 of this policy applies *mutatis mutandis* as being the criteria to determine this category of property, and this category may also be sub-categorised to make provision for "Residential 1" or "Residential 2" land uses being executed on the property.

(ii) Vacant Residential Property:

Refers to property which is zoned as "residential" in terms of the Land Use Management Scheme, but which is unimproved and vacant land.

(b) Business and commercial property:

Refers to property on which the activity of buying, selling or trading in goods and/or services occurs, but excludes a property that forms part of the multi-purpose category, as referred to in sub-paragraph (3)(k) below. It includes any office or other accommodation on the same property, the use of which is incidental to the business, but excludes the business of mining. It further includes (and may include such sub-categories for) hotels, early development centres, private schools, private clinics, hospitals, guesthouses, bed and breakfast establishments and any vacant land which is being used for storage or parking in line with the zoning of such property and may also include a sub-category for vacant land zoned for business or commercial purposes in terms of the Land Use Management Scheme.

(c) Industrial property:

Refers to property on which a trade or manufacturing, production assembling or the processing of finished or partially finished products from raw materials or fabricated parts occurs on such a large scale which involves significant capital and labour resources and may also include a sub-category for vacant land zoned for industrial purposes in terms of the Land Use Management Scheme.

(d) Mining property:

Refers to property used for mining purposes or purposes incidental to mining operations as defined in the Mineral & Petroleum Resources Development Act, Act 28 of 2002, and including any building, other immovable structures and infrastructure above the surface required for purposes of mining and may also include a sub-category for vacant land zoned for mining purposes or purposes incidental to mining operations in terms of the Land Use Management Scheme, but excludes mining rights or a mining permit as defined in the Mineral & Petroleum Resources Development Act, Act 28 of 2002.

(e) Public service infrastructure property:

Refers to property utilised to accommodate public infrastructure of the following kinds (sub categories):

- (i) National, provincial or municipal public roads;
- (ii) Water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water or sewage pumps forming part of a water, waste water or sewer network serving the public;
- (iii) Power stations, power sub-stations or power lines forming part of an electricity network;
- (iv) Railway lines forming part of a national railway network;
- (v) Communication towers, masts, exchanges or lines forming part of a communication network;
- (vi) Runways or aprons at the municipal airport of the Municipality;
- (vii) Any other publicly controlled infrastructure as may be prescribed;
- (viii) Rights of way, easements or servitudes in connection with infrastructure mentioned in sub-paragraphs (3)(e)(i) to (3)(e)(viii) above; or
- (ix) Public open spaces;

but with the exemption that the public service infrastructure property referred to in paragraphs (a), (b), (e), (g) and (h) of the definition of "public service infrastructure", as contained in section 1 of the MPRA, may not be rated in terms of section 17(1)(aA) to the extent set out in the sliding-scale contained in section 93A(2) of the MPRA.

(f) Municipal properties:

Refers to property owned by, vested in or under the control and management of the Municipality and will consist of the following 2 (two) sub-categories:

(i) Municipal property: not rateable:

The following types of property owned by, vested in or under the control and management of the Municipality are not rateable:

- (aa) Public service infrastructure owned by the Municipality, including those referred to in sub-paragraph (3)(e) above;
- (bb) Waste-dump sites;
- (cc) Municipal burial grounds and adjacent public open space within the burial ground precinct;
- (dd) Property used for the provision of public parks and zoned as public open space and includes undeveloped municipal property which is for the purposes of this policy deemed to be public open space;
- (ee) Property used for culture, sporting and recreational facilities other than property subject to a registered lease in terms of the Formalities in respect of Leases of Land Act, Act 18 of 1969, in which case the area subject to the lease shall be separately rated; and
- (ff) Municipal housing schemes.

(ii) Municipal property: rateable:

The following types of property owned by, vested in or under the control and management of the Municipality are rateable:

- (a a) Property leased to third parties in terms of a lease registered in terms of the Formalities In Respect of Leases of Land Act, Act 18 of 1969. Where property owned by the Municipality is leased to a third party, the rating thereof shall be the prevailing rating applied to the principle property; and
- (b b) Municipal property used for purposes other than those specified in sub-paragraph(f)(i) above.

(g) Agricultural/farming property:

Property in this category is limited to agricultural/farming property zoned as agricultural/farming and used exclusively for agricultural purposes with the property owner deriving his principal source of income from the produce of the land on such property, but excludes any portion thereof that is used commercially for the hospitality of guests and excludes the use of the property for the purpose of eco-tourism or for the trading in or hunting of game. Agricultural/farming property not used for bona fide agricultural/farming purposes shall be rated according to the actual use thereof which include agricultural/farming property utilised commercially for the hospitality of guests, and/or eco-tourism or for the trading in or hunting of game. This category may be sub-categorised to provide for "Agricultural Residential", "Agricultural Business", "Agricultural Industrial", "Agricultural Game Farming", and may also include a sub-category for vacant land zoned for agriculture or agricultural purposes in terms of the Land Use Management Scheme.

(h) State-owned or organ of state-owned property (also referred to as "Government Property") and used for public service purposes:

- (i) Property owned by the state or an organ of state is rateable and will be categorised according to the zoning or use of the property; and
- (ii) If property owned by the state or an organ of state is zoned or used for residential purposes, the rates must, after presentation of a certificate of occupancy, be levied in terms of the residential tariff. The rebate afforded to state owned properties of organ of state owned properties does not apply to properties zoned or used for residential purposes as the rebate relating to residential properties already applies to such properties.

(i) Smallholdings used for:

(i) Exclusively used for agricultural/farming purposes:

Refers to a smallholding used predominantly (60% or more) for bona fide agricultural/farming purposes.

(ii) Residential purposes:

Refers to a smallholding used for residential purposes only.

(iii) Mixed use:

Refers to a smallholding used predominantly for residential purposes but has significant portions of the property devoted to purposes that fall within other categories of property, but excludes hostels, old age homes, guesthouses, bed and breakfast establishments, and any vacant land irrespective of its zoning or intended usage.

(iv) Industrial purposes:

Refers to a smallholding used for industrial purposes.

(v) Business and commercial purposes:

Refers to a smallholding which is used for business and or commercial purposes.

(vi) Any other purpose than those specified above:

Such smallholdings will be categorised in terms of any of the property categories referred to in this policy which is in accordance with its predominant use.

(j) Protected areas:

Refers to property which receives protection because of its recognised natural, ecological and/or cultural values.

(k) Property used for Multiple Purposes:

Refers to a property which is used for more than one purpose and such property will be rated in accordance with the highest tariff applicable to the permitted use thereof.

(l) Educational:

Refers to property owned by educational institutions which are registered with the South African Revenue Services in terms of the provisions of section 30 of the Income Tax Act and which provide education and development services as contemplated in terms of Part 1, section 4 of the Ninth Schedule to that Act and may include sub categories such as "private school" and "crèche".

(m) Public benefit organisation property and used for specified public benefit activities:

Refers to property owned by a public benefit organisation and hospitality industries used for specified public benefit activities as listed in Part 1 of the Ninth Schedule to the Income Tax Act.

(n) Property used for religious purposes:

Refers to property registered in the name of and used solely as a place of public worship, as defined in section 1 of MPRA, by a religious community, including an official residence, as defined in section 1 of the MPRA, registered in the name of such community which is occupied by an office-bearer of such community who officiates at services at that place of public worship.

(o) **Vacant**

Refers to a property without any improvements thereto except agricultural properties.

(p) **Private open space**

Refers to parks in private developed towns.

(q) **Private roads**

Refers to roads in private developed towns.

(r) **Guesthouses**

Refers to properties exclusively being used for bed and breakfast purposes.

(s) **Early development**

Refers to property exclusively being used for a day care centre and crèche for preschool children.

(4) In determining the category of a property referred to in sub-paragraph (3) above, the Municipality will take into consideration the following criteria, or a combination thereof:

- (a) The actual dominant use of the property concerned;
- (b) Conditions for township establishment and land use rights pertaining to the property;
- (c) The geographical area in which the property is situated;
- (d) The nature and extent of the improvements on the property.

(5) In order to ensure certainty and consistency in the application of the criteria mentioned in sub-paragraph (4) above, the Municipality will endeavour to apply the above criteria uniformly and in order of priority as follows:

- (a) Properties must firstly be categorised in accordance with its permitted land use in terms of the Land Use Management Scheme;
 - (b) In addition to the land use of a property, the actual dominant use of a property may also be used to categorise, or to narrow or confirm the category of such property. An inspection of the property concerned may be undertaken in order to obtain such information;
 - (c) Where the dominant and permitted use of a property differ, the actual dominant use will supersede the permitted use; and
 - (d) The geographical area where a property is situated, as well as the nature and extent of any improvements made to such property, may also be considered to categorise the property.
- (6) Property used for multiple purposes must be categorised and rated in accordance with the provisions of section 9 of the MPRA.
- (7) Property which is used in conflict to its zoning will be rated at the tariff applicable to properties used for business and commercial purposes.
- (8) Any property not falling within the ambit of the categories referred to above, shall be deemed to be business and commercial for the purposes of levying a rate.

CHAPTER 3

DIFFERENTIAL RATING, EXEMPTIONS, REDUCTIONS AND REBATES

9. DIFFERENTIAL RATING

- (1) The Municipality will apply a differential rating system based on the different property categories set out in paragraph 8 above, by means of a set rate to be applied to each category of property, provided that the maximum ratio to the rate on residential property which may be imposed on agricultural/farming property, public service infrastructure property and public benefit organisation property may not exceed the ratio as published in terms of the MPRA Rate Ratio Regulations.
- (2) The criteria for the implementation of the differential rating system on different categories of properties will be according to:
 - (a) The nature and use of the property;
 - (b) The sensitivity to rating of the category of property;
 - (c) The extent of municipal services and infrastructure available to the property;
 - (d) The nature and extent of reductions and rebates applicable to the owners of the category of property;
 - (e) The promotion of social and economic development; and
 - (f) Whether the property is being used for the use permitted for the property by the provisions of the Land Use Management Scheme of the Municipality.

10. CATEGORIES OF PROPERTY OWNERS FOR PURPOSES OF EXEMPTIONS, REDUCTIONS AND REBATES AND THE CRITERIA FOR EXEMPTIONS, REDUCTIONS AND REBATES

For purposes of exemptions, reductions and rebates from the payment of a rate levied on the different categories of property as contemplated in terms of the provisions of section 15(1) of the MPRA, the following categories of property owners and the criteria to be applied for the granting of exemptions, reductions and rebates to these categories of property owners are determined:

(1) Exemptions:

The following properties are either exempted from paying rates, or the owners thereof may apply to the Municipality to be exempted from the paying of rates as indicated below:

(a) An owner of residential property:

- (i) Low cost residential properties used for residential purposes are only fully exempted if the owner of such a property is a Registered Indigent in terms of the Municipality's Indigent Policy receiving indigent support. This is an important part of the Indigent Policy of the Municipality which is aimed primarily at alleviating poverty;
- (ii) All residential properties with a market value of less than the amount annually determined by the Municipality in the Tariff Policy are exempted from paying rates. The impermissible rates contemplated in terms of section 17(1)(h) of the MPRA are included in the amount referred to above as annually determined by the Municipality;
- (iv) Owners of residential properties earning an income below certain thresholds as determined and as set out in the Tariff Schedule as referred to in the Tariff Policy and By-Law of the Municipality.

(b) Property owned by the Municipality:

The Municipality is exempted from paying rates in respect of the property referred to in sub-paragraph 8(3)(f)(i) above.

(c) Property owned by Public Benefit Organisations:

The following Public Benefit Organisations must produce the relevant proof from paying rates on property, provided a true and certified copy of a tax exemption certificate which has been issued by the South African Revenue Services as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act is submitted together with such application:

(i) State or Organ of State owned Health Care Institutions:

State owned or Organ of State owned property used solely for health care institution purposes, provided that any and all profits from the use of such property are used entirely for the benefit of such health care institution.

(ii) Welfare Institutions:

Property used exclusively as an orphanage, non-profit retirement village, old age home or benevolent institution, including workshops used by the residents, laundry or cafeteria facilities, provided that any profits from the use of the property are used entirely for the benefit of the institution and/or to charitable purposes within the Municipality.

(iii) Educational Institutions:

Property owned by a non-profit educational institution, registered as such in terms of the applicable legislation.

(iv) Charitable Institutions:

Property owned by a non-profit institution or organisation, which performs charitable work.

(v) Sporting Bodies:

Property owned by an organisation which main purpose is to use such property for sporting purposes on a non-professional and non-profitable basis.

(vi) Cultural Institutions:

Property owned by an institution declared to be subject to the provisions of the Cultural Institutions Act, Act 119 of 1998.

(vii) Museums, Libraries, Art Galleries and Botanical Gardens:

Museums, Libraries, Art Galleries and/or Botanical Gardens, operated on a non-profit basis and open to the public.

(viii) Youth Development Organisations:

Property owned and used by an institution or organisation for the provision of youth leadership or a youth development programme on a non-profit basis.

(ix) Animal Welfare:

Property owned and used by an institution or organisation with the exclusive aim to protect birds, reptiles and/or animals on a non-profit basis.

(d) Property used for Religious purposes:

A Property used for Religious purposes as referred to in sub-paragraph 8(3)(n) above, is exempted from the payment of rates as per the provisions of section 17(1)(i) of the MPRA.

(e) Registered Indigents:

All Registered Indigents, registered in terms of the provisions of the Indigent Policy of the Municipality, shall be fully subsidised for the payment of property rates, as referred to in sub-paragraph (1)(a)(i) above as part of the indigent support such a person receives from the Municipality. The subsidy shall not be more than the applicable rate for

that year, and will be applied for the duration of that particular financial year.

(f) Property used for Public Service Purposes.

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

(2) An exemption from the payment of rates will only qualify to be considered for exemption by the Municipality subject to the following conditions:

- (a) On application, which application must be addressed in writing to the Municipality in the prescribed manner.
- (b) A true and certified copy of a tax exemption certificate issued by the South African Revenue Service must be submitted together with the application;
- (c) The Municipal Manager or the person to whom the authority to approve an application for an exemption has been delegated, must consider and approve or dismiss the application;
- (d) In considering the application for an exemption the Municipality may request any such further and/or additional information and/or documentation as it deems necessary in order to consider such application;
- (e) The Municipality reserves the right to refuse any exemption if the details provided in the application are incomplete, incorrect or false.

(3) Reductions:

- (a) The Municipality will consider reductions from rates payable by owners of property on an *ad hoc* basis, in any of the following circumstances:
 - (i) Partial or total destruction of a property and/or improvements on such property; and
 - (ii) In the event of a disaster, as defined in terms of the provisions of the Disaster Management Act, Act 57 of 2002, directly or indirectly affects the property.

(b) A reduction from rates payable by owners of property will only be granted by the Municipality subject to the following conditions:

- (i) The owner of a property in respect of which a reduction is applied for must apply in writing to the Municipality for such reduction, and the onus will rest on such applicant to prove to the satisfaction of the Municipality that such property has been totally or partially destroyed or affected by a disaster as contemplated in sub-paragraph (3) (a) (i) and (ii) above. Such owner will further have to indicate to which extent the property can still be used and the impact on the value of the property;
- (ii) The percentage of the reduction granted and the period for which the reduction will be granted, if any, is solely within the discretion of the Municipality;
- (iii) The Municipal Manager or the person to whom this authority to approve an application for a reduction has been delegated, must consider and approve or dismiss the application; and
- (v) In considering the application for a reduction the Municipality may request any such further and/or additional information and/or documentation as it deems necessary in order to consider such application

(4) Rebates:

The Municipality will consider rebates from rates payable on certain categories of property and/or for certain categories owners of property, on the following basis:

(4A) Categories of property:

(a) Agricultural/farming property:

- (i) The owners of agricultural/farming property may be granted a rebate subject to such owner providing the Municipality with the prescribed information as set out in **Schedule "B"** and in the format provided in **Schedule "B"**;
- (ii) The prescribed information provided in the format of **Schedule "B"**, must be submitted to the Municipality before the 30 September of the current financial year
- (iii) Rebates may be granted by utilizing the criteria as set out and referred to in paragraphs 3.1 to 3.2 of **Schedule "A"**.

(b) Public Service Infrastructure Property:

A rebate of the Ratio in relation to residential property of 1:0.25 (Government Gazette 12 March 2010 No. 33016) **by the provisions of section 17(1)(a) of the MPRA** will be granted by the Municipality for Public Service Infrastructure property as they provide essential municipal services to the local community.

(4B) Categories of owners:

(a) Retired and/or Disabled Persons Rate Rebate:

Retired and/or disabled persons qualify for special rebates according to their monthly household income as referred to and set out in paragraph 3.2 of **Schedule "A"**. To qualify for this rebate a property owner must comply with the following requirements:

- (i) Occupies the property as his/her normal and only residence;
- (ii) Be at least 60 years of age or have been awarded a disability pension from the Department of Social Development or other approved pension funds;
- (iii) Be in receipt of a total monthly household income from any and all sources (including income of spouses of owner) as set out in paragraph 3.2 of **Schedule "A"**;
- (iv) Not be the owner of more than one property;
- (v) Provided that where the owner is unable to occupy the property due to no fault of his/her own, the spouse or minor children may satisfy the occupancy requirement;
- (vi) Property owners must apply to the Municipality for the rebate on the prescribed application form as set out in **Schedule "C"** and provide such documents as required therein;
- (vii) This application must be submitted to the Municipality before the end of September of the current financial year
- (viii) The Municipal Manager or the person to whom the authority to approve the application for a rebate has been delegated, must consider and approve or dismiss the application;
- (ix) In considering the application for a rebate the Municipality may request any such further and/or additional information and/or documentation as it deems necessary in order to consider such application;

- (x) The Municipality reserves the right to refuse rebates if the details supplied in the application form are incomplete, incorrect or false; and
- (xi) The extent of the rebate is set out in paragraph 3.2 of **Schedule "A"**.

11. COST TO THE MUNICIPALITY DUE TO EXEMPTIONS, REDUCTIONS, REBATES, EXCLUSIONS, PHASING-IN AND THE BENEFIT THEREOF TO THE LOCAL COMMUNITY

- (1) The Municipal Manager must ensure that all exemptions, reductions, rebates and the phasing-in of certain rates, as contemplated in terms of the provisions of sections 15 and 21 of the MPRA, are appropriately disclosed in the annual operating budget, annual financial statements and annual report of the Municipality and that such exemptions, reductions, rebates and phasing-in of certain rates are clearly indicated on the rate account which is submitted to every respective property owner liable to pay rates to the Municipality.
- (2) The Municipal Manager must also disclose all costs in respect of such exemptions, reductions, rebates and/or phasing-in of rates.
- (3) The benefit in respect of and the reasons and criteria for the granting of certain exemptions, reductions, rebates and/or phasing-in of certain rates to the various property owners includes, but is not limited to:
 - (a) The promotion of local economic development which includes the promotion of business investments within the municipal area of the Municipality;
 - (b) Job creation for the local community;
 - (c) The promotion of service delivery by *inter alia* farmers;
 - (d) Poverty alleviation of indigent individuals;
 - (e) Social and moral development, including assistance to religious institutions, sporting bodies, educational institutions and/or other non-governmental organisations which promote health and/or other benefits to the local community; and
 - (f) Improved local economic growth.

11A. IMPERMISSIBLE RATES

- (1) The Municipality may not levy a rate on:
- (a) National, Provincial or other public roads on which goods, services and/or labour move across a municipal boundary;
 - (b) Water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public;
 - (c) Railway lines forming part of a National railway system;
 - (d) Runways, aprons and the air traffic control unit at the municipal airport, including the vacant land, known as the obstacle free zone surrounding the airport which must be vacant for air navigation purposes;
 - (e) On those parts of a special nature reserve, national park or nature reserve within the meaning of the National Environmental Management: Protected Areas Act, Act 57 of 2003, or of a national botanical garden within the meaning of the National Environmental Management: Biodiversity Act, Act 10 of 2004, which are not developed or used for commercial, business, agricultural or residential purposes, provided that:
 - (i) The exclusion from rates lapses if the declaration of that property as a special nature reserve, national park, nature reserve or national botanical garden, or as part of such a reserve, park or botanical garden, is withdrawn in terms of the applicable Act mentioned in that subsection;
 - (ii) If the property in respect of which the declaration is withdrawn is privately owned, the owner, upon withdrawal of the declaration, becomes liable to the municipality concerned for any rates that, had it not been for the exclusion set out in sub-paragraph (f), would have been payable on the property, notwithstanding section 78 of the MPRA, during the period commencing from the effective date of the current valuation roll of the municipality;
 - (iii) If the property was declared as a protected area after the effective date of the current valuation roll, rates are payable only from the date of declaration of the property;
 - (iv) The amount for which an owner becomes liable in terms of paragraph (ii) and (iii) must be regarded as rates in arrears, and

the applicable interest on that amount is payable to the municipality;

- (v) Paragraphs (ii) (iii) and (iv) above apply only if the declaration of the property was withdrawn because of:

(a a) A decision by the private owner for any reason to withdraw from the agreement concluded between the private owner and the state in terms of the Protected Areas Act, and in terms of which the private owner initially consented to the property being declared as a protected area; or

(b b) A decision by the state to withdraw from such agreement because of a breach of the agreement by the private.

- (g) On mining rights or a mining permit within the meaning of the Mineral and Petroleum Resources Development Act, Act 28 of 2002, excluding any building, other immovable structures and infrastructure above the surface of the mining property required for purposes of mining;

- (h) On a property belonging to a land reform beneficiary or his or her heirs, dependants or spouse provided that this exclusion lapses:

(i) Ten years from the date on which such beneficiary's title was registered in the office of the Registrar of Deeds; or

(ii) Upon alienation of the property by the land reform beneficiary or his or her heirs, dependants or spouse;

- (i) On the first **R50 000** of the market value of a property assigned in the valuation roll or supplementary valuation roll of a municipality to a category determined by the municipality:

(i) For residential properties; or

(ii) For properties used for multiple purposes, provided one or more components of the property are used for residential purposes; or

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

CHAPTER 4

GENERAL PROVISIONS

12. SPECIAL RATING AREAS

- (1) The Municipality may, if and when it deems necessary, by means of a Council resolution determine special rating areas in consultation with the relevant communities as provided for in terms of the provisions of section 22 of the MPRA.
- (2) The following matters shall be attended to in consultation with the property owners within the area where the Municipality considers imposing such special rating area:
 - (a) The proposed boundaries of the special rating area;
 - (b) Statistical data in respect of the area concerned and any such further information as may be required by the property owners who owns property within the proposed special rating area;
 - (c) Information in respect of the proposed improvements and/or upgrades, clearly indicating the estimated costs of each respective improvement and/or upgrade;
 - (d) The proposed financing of the improvements and/or upgrades;
 - (e) The priority of improvements and/or upgrades, if applicable;
 - (f) The socio economic factors of the relevant property owners concerned;
 - (g) The different categories of property;
 - (h) The amount of the proposed special rating;
 - (i) The details regarding the implementation of the special rating;
 - (j) The additional income which will be generated by means of the special rating; and
 - (k) The precise manner in terms of which the Municipality will utilize the additional income so generated.
- (3) A committee of property owners who own property within the proposed special rating area, consisting of 6 (six) **Property owners** must be established in order

to advise and consult the Municipality with regard to such proposed special rating area. This committee will be elected by the inhabitants within the proposed special rating area concerned, who must be at least 18 (eighteen) years of age. The election of the committee will commence under the guidance of the Municipal Manager. The committee will serve in an advisory capacity only and will have no executive powers.

- (4) The consent required from the property owners who own property within the proposed special rating area, must be obtained in writing or by means of a formal voting process under the auspices of the Municipal Manager. The majority vote is regarded as 50% plus 1 (one), of the property owners concerned. Each property owner, being the receiver of the monthly account for the municipal rate, will have 1 (one) vote each.
- (5) In determining the special additional rates the Municipality shall differentiate between different categories as referred to in paragraph 8 above.
- (6) The additional rates levied must be utilized for the purpose of improving or upgrading the specific area only and not for any other purpose.
- (7) The Municipality shall establish separate accounting and other record-keeping systems, compliant with GAMAP/GRAP, for the identified area and the property owners concerned shall be kept informed of progress with projects and financial implications on an annual basis.
- (8) Council may approve a rebate, reduction or exception in a determined amount and for a determinable period to a specific property owner to set off or reduce any amounts payable by the Municipality to the property owner whether under a services agreement or otherwise.

13. RATE INCREASES

- (1) In terms of the provisions of section 17(3)(a)(ii) of the MFMA and section 24(2)(c)(1) of the MFMA, read with section 28(6) of the MFMA, the Municipality may only consider the increase of rates annually during the drafting and adoption of its annual budget.
- (2) Income derived from the increasing of rates must be used by the Municipality to finance any increase in operating costs of subsidized municipal services and/or any increase in the rendering of municipal services to the local community.
- (3) The following annual adjustments may be considered and/or made in respect of subsidized municipal services and/or the rendering of municipal services to the local community:
 - (a) Salary and/or wage increases as agreed with the South African Local Government Bargaining Council;
 - (b) Salary increases of managers directly accountable to the Municipal Managers in terms of the provisions of section 56 of the Systems Act;
 - (c) Inflation adjustments in respect of general expenditure, repairs, maintenance and/or contributions to statutory funds, and
 - (d) Additional depreciation costs, interest on and/or reduction of loans associated with the assets obtained by the Municipality during the previous financial year.
- (4) Extraordinary expenditure in respect of community municipal services which was not expected or budgeted for may be financed by an increase of property rates.
- (5) The Municipality must take into consideration the ability of ratepayers to afford any proposed increase of rates prior to implementing any increase of property rates.
- (6) Any and all increases of property rates must be communicated to the local community in terms of paragraph 14 of this policy and the applicable provisions of the MFMA.

14. NOTIFICATION OF RATES

- (1) In terms of the provisions of section 16(2) of the MFMA, read with the provisions of section 22 of the MFMA, the public must be informed of the rates on property which the Municipality intends to levy in the next financial year as contained in the Municipality's annual budget. The public then may submit representations regarding the contents of the said annual budget in terms of the provisions of section 22(a)(ii) of the MFMA.
- (2) Once the Council has, considered, in terms of the provisions of section 24(1) of the MFMA, amongst others, the representations by the public, the Council may proceed to approve the annual budget, and once it has done so the Municipality shall have levied the rate as contained in the annual budget as contemplated in terms of the provisions of section 24(2) (c) (i) of the MFMA.
- (3) The Municipality must give notice to the local community of the rates levied on property in accordance with the provisions of section 14 of the MPRA, which in turn requires that the resolution levying the rates on property be promulgated by publishing the resolution levying the rates in the Provincial Gazette and within 60 (sixty) days after the passing of the resolution levying the rates:
 - (a) in terms of the provisions of section 14(3)(a) and (b) of the MPRA, whenever a Municipality passes a resolution as referred to in subparagraph (3) above, the Municipal Manger must, within 60 (sixty) days after the passing of the resolution levying the rates:
 - (i) Conspicuously display the resolution for a period of at least 30 (thirty) days:
 - (a a) at the Municipality's head and satellite offices and libraries; and
 - (b b) if the Municipality has an official website or a website available to it as envisaged in section 21B of the Systems Act, on that website; and
 - (ii) Advertise in the media a notice stating that:
 - (a a) a resolution levying a rate on property has been passed by the Council; and

- (b b) the resolution is available at the Municipality's head and satellite offices and libraries for public inspection during office hours and, if the Municipality has an official website or a website available to it, that the resolution is also available on that website.

- (4) The resolution levying the rates must contain the date on which the resolution was passed, differentiate between different categories of properties and reflect the cent amount in the rand rate for each category of property.

15. PAYMENT OF RATES

- (1) A ratepayer has the option to pay the rates for which such ratepayer is liable to the Municipality in one annual instalment on or before the end of September of a given year, or to pay such rates on a monthly basis on or before the last day of the month.
- (2) If the owner of rateable property wishes to opt for the payment of rates annually in one instalment, such owner must notify the Municipal Manager in writing of such election and the owner will then become liable to the Municipality to pay the rates on an annual basis, and full payment of the rates to be received by no later than the last day of September.
- (3) Interest on arrear rates will be levied and payable as set out in terms of the provisions of section 75A(1)(b) of the Systems Act, read with section 97(1)(e) of the Systems Act and the applicable provisions of the Credit Control & Debt Collection Policy and by-laws of the Municipality.
- (4) If the owner of rateable property fails neglects or refuses to pay such rates which owes and due to the Municipality, the Municipality must recover such rates in accordance with the provisions of its Credit Control and Debt Collection Policy and by-laws of the Municipality, read with the provisions of Chapter 9 of the Systems Act.

- (5) Arrear rates may be recovered from any tenants or occupiers of a rateable property or their agent as set out in terms of the provisions of sections 28 and 29 of the MPRA. (Read together with Credit Control Policy)

16. PAYMENT OF RATES ON PROPERTY IN SECTIONAL TITLE SCHEMES

- (1) Rates on property in respect of a sectional title scheme, shall be levied on the individual sectional title units in the scheme and not on the property as a whole.
- (2) The rate levied on a sectional title unit is payable and must be recovered from the owner of such unit or the holder of a right contemplated in section 25 or 27 of the Sectional Titles Act, Act 95 of 1986, and no rates in respect of any such unit or right may be recovered from the established body corporate of the scheme.
- (3) The provisions of sub-paragraph (2) above do not exempt a body corporate of a sectional title scheme from the payment of rates on a sectional title unit in respect of which such body corporate is the owner.
- (4) A body corporate which controls a sectional title scheme may not apportion and collect rates contemplated in terms of the MPRA from the owners of the sectional title units in such scheme.
- (4) The common area of the property in sectional title schemes, shall be proportionally divided and included into each sectional title unit and these proportioned common area shall be payable by the owners of the specific sectional title units.

17. ACCOUNTS TO BE FURNISHED

- (1) The Municipality must furnish every owner of rateable property liable for the payment of such rates with a written account therefore, which account must provide:
 - (a) The amount due for such rates;
 - (b) The date upon or before which the rates are payable;
 - (c) The manner in terms of which the rates was calculated;
 - (d) The municipal value of the property for which the account was furnished
 - (e) The percentage or amount of any applicable exemptions, reductions and/or rebates.
- (2) An owner of rateable property who/which is liable for the payment of such rates remains liable for the payment thereof, irrespective of whether or not such owner received an account furnished by the Municipality therefore.
- (3) An owner contemplated in sub-paragraph (2) above, must enquire and attempt to obtain such account from the Municipality for the payment thereof and is responsible for enquiring and ascertaining from the Municipality, monthly and timeously, the amount due to the Municipality should no account be received.
- (4) Where a rateable property is owned by 2 (two) or more owners, the Municipality may recover the applicable property rate therefore from anyone of the owners in order to reduce its administrative costs and in terms of the provisions of section 24(2) (a) of the MPRA.
- (5) The Municipality and the ratepayer have the rights in respect of accounts, as set out in terms of the provisions of section 102 of the Systems Act and the provisions of the Credit Control & Debt Collection Policy and by-laws of the Municipality dealing with accounts.

18. FREQUENCY OF VALUATION

- (1) The Municipality must prepare a new valuation roll at least every 5 (five) financial years, and reserves the right to extend the validity of the valuation roll to 7 (seven) financial years in terms of the provisions of section 32(2) (b) of the MPRA.
- (2) Supplementary valuations will be done on a continuous basis to ensure that the valuation roll is properly updated, as provided for in terms of the provisions of section 78 of the MPRA.

19. COMMUNITY PARTICIPATION

This policy may only be adopted once the Municipality has followed a process of community participation, in accordance with the provisions set out in Chapter 4 of the Systems Act and section 4(2) of the MPRA, and the Municipality must further take all comments and representations received as a result of the community participation process into account when it considers the adoption of this policy.

20. REGISTER OF PROPERTY

The Municipality must compile, maintain and display a register of properties in accordance with the provisions of section 23 of the MPRA.

21. CERTIFICATE OF OCCUPANCY

- (1) Prior to a residential property being eligible for a rebate, a certificate of occupancy must have been issued in respect thereof, by the Municipality.
- (2) The onus of obtaining a certificate of occupancy rests with the owner of a property.

22. ILLEGAL USE OF PROPERTY

- (1) If a property is used for a use, other than that permitted for the property by the applicable provisions of the Land Use Management Scheme (also referred to as the "illegal use of the property"), the Municipality will be entitled to levy on the property concerned the highest tariff provided for in the differential rate categories of the Municipality.

- (2)
 - (a) The owner of property contemplated in sub-paragraph(1) above then bears the onus of satisfying the Municipality that the illegal use of the property has ceased and may request in writing from the Municipality to proceed to reinstate the levying of rates against the property as per the valuation roll;
 - (b) Such a request in writing by the owner of the property must be accompanied by an affidavit by the owner of the property, confirming that the illegal use of the property has been ceased and that the property is being used for the use allowed for the property in terms of the provisions of the Land Use Management Scheme;
 - (c) The Municipality shall consider the request and if the cessation of illegal use of the property is verified and if the request is approved, the Municipality will reinstate the levying of rates against the property as per the valuation roll.

23. INSPECTION OF AND OBJECTIONS TO ENTRIES INTO THE VALUATION ROLL OF THE MUNICIPALITY

- (1) Once the Municipality has given notice in terms of the provisions of section 49 of the MPRA that the valuation roll is open for public inspection, any person may within such period stated in section 49(1)(a) of the MPRA, in terms of the provisions of section 50(1) of the MPRA:
 - (a) Inspect the roll during office hours;
 - (b) Upon payment of a reasonable fee request the Municipality during office hours to provide an extract from the roll; and
 - (c) May lodge an objection with the Municipal Manager against any matter reflected in, or omitted from the roll.

- (2) An objection as contemplated in sub-paragraph (1)(c) above, must be in relation to a specific individual property and not against the valuation roll as a whole.
- (3) The lodging of an objection **does not defer liability for the payment of rates** beyond the date determined therefore.
- (4) All objections received shall be dealt with in the manner prescribed in terms of the provisions of section 51 to section 54 of the MPRA.

24. BY-LAWS TO GIVE EFFECT TO RATES POLICY

The Municipality must adopt by-laws to give effect to the implementation of this policy.

25. POLICY REVIEW

This policy must be reviewed annually by the Council of the Municipality as prescribed in terms of the provisions of section 5 of the MPRA.

SCHEDULE "A" – REBATE ON RATES

| NO. | CATEGORY / DESCRIPTION | APPLICABLE REBATE |
|------------|---|--|
| 1. | <u>Exemptions:</u> | |
| 1.1 | Residential | <p align="center">R 50,000.00</p> <p>(The first R50 000.00 of the market value of a property assigned in the valuation roll or supplementary valuation roll is statutorily exempted from the levying of rates as per the provisions of section 17(1)(h) of the MPRA)</p> |
| 2. | <u>Reductions:</u> | |
| 2.1 | in the event of a disaster, as defined in terms of the provisions of the Disaster Management Act, Act 57 of 2002, directly or indirectly affects the property | |
| 3. | <u>Rebates:</u> | |
| | Private schools | 25% |
| | Public Service Infrastructure | Ratio in relation to residential property 1:0.25 in terms of the provisions of section 17(1)(a) of the MPRA) |

| | | |
|-------|--|------|
| 3.1 | Agricultural/Farming Land: | |
| 3.1.1 | | |
| | No municipal roads next to property | 7.5% |
| | No municipal sewerage to the property | 7.5% |
| | No municipal electricity to the property | 7.5% |
| | No water supply to the property by the Municipality | 15% |
| | No refuse removal provided by the Municipality | 7.5% |
| 3.1.2 | <u>The contribution to job creation</u> | 5% |
| | If the owner is providing permanent residential property to the farm workers and such property is registered in the name of such farm workers. | 5% |
| | If such residential properties are provided with potable water. | 5% |
| | If the owner has provided electricity to the residential properties of his farm workers. | 5% |
| | | |
| 3.2. | Retired and/or disabled persons on residential property only: | |
| | Owner with a gross monthly income from R 0 – R 3 ,020.00 | 100% |
| | Owner with a gross monthly income from R 3,020.00 – R 6, 000.00 | 40% |
| | Owner with a gross monthly income from R 6 ,001.00– R 8000.00 | 30% |
| | Owner with a gross monthly income from R 8,000.00 – R10 ,000.00 | 20% |
| | Owner with a gross monthly income from R 10 ,001 .00– R13 .000.00 | 10 % |

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**SCHEDULE "B"****AGRICULTURAL PROPERTY REBATE APPLICATION**

NAME: _____ CONTACT NR: _____
POSTAL ADDRESS: _____ NAME OF FARM: _____
ACCOUNT NR: _____ PORTION NR: _____
SARS/INCOME TAX NR: _____

SCHEDULE OF REBATES

| CATEGORY/DESCRIPTION | PROPOSED REBATE | YES | NO |
|--|--------------------|-----|----|
| REBATES ON AGRICULTURAL LAND | | | |
| Municipal roads next to the property | 7.5% | | |
| Municipal sewerage to the property | 7.5% | | |
| Municipal electricity | 7.5% | | |
| Water supply to the property by the municipality | 15% | | |
| Refuse removal provided by the municipality | 7.5% | | |
| SUB TOTAL | | | |
| CONTRIBUTION TO SOCIAL AND ECONOMIC WELFARE OF FARM WORKERS | | | |
| Contribution to job creation | 5% | | |
| Permanent residential property provided to the farm workers | 5% | | |
| Residential property provided with portable water | 5% | | |
| Residential property provided with electricity | 5% | | |
| SUB TOTAL | | | |
| TOTAL | | | |

PLEASE NOTE: Qualifying requirements are that the owner should provide proof that he/she is registered as a *bona fide* farmer with SARS. If the application form is completed incorrectly, no rebate will be granted.

Declaration:

I,

(full names and surname)

Declare under oath:

1. That the above answers and declarations are correct.
2. That should any of the above change, I will, without delay inform the Chief Financial Officer accordingly.

Signature: _____ Date: _____

I, _____ hereby certify

(full names and surname)

That before I administer an affidavit the above questions were asked of the applicant and the answers have been written in the applicant's presence.

Signature: _____ Date: _____



ACCORDING TO ARTICLE 15(2) PROPERTY RATES LAW NO 6 OF 2004/ INGEVOLGE ARTIKEL
15(2) EIENDOMSBELASTINGWET NO 6 VAN 2004.

THE CITY OF MATLOSANA/ DIE STAD VAN MATLOSANA
APPLICATION FOR PARTIAL REBATE OF ASSESSMENT RATES/ AANSOEK OM GEDEELTELIKE
KWYTSKELDING VAN EIENDOMSBELSTING.

Surname/Van:

Full Names/Volle Name:

SCHEDULE "C"

FOR OFFICE USE ONLY/ SLEGS VIR KANROOR GEBRUIK

INCOME PER MONTH/ INKOMSTE PER MAAND



PENSION/ PENSIOEN :
OTHER/ ANDER :
TOTAL/ TOTAAL :
VALUATION/ WAARDASIE :
REBATE / KORTING :
ACC NO/ REK NO :
REGISTERED OWNER FROM/ GEREISTREERDE EIENAAR :
VANAF :

Identification Number/Identiteit Nommer:

Residential Address/Woon adres:

Married Status/Huwelikstatus:

Contact Numbers/Kontak Nommers: Cell: (h) (w)

Sworn Affidavit/Beëdige Verklaring

Herby confirm under oath that:/Verklaar onder eed

- I am the registered owner of Erf/Holding/ Ek is die gereistreerde eienaar van erf:
Account Number/Rekening Nommer:
Extention/Uitbreiding:
- I am 60 years of age or older on 1 July of the particular Financial year/ Ek is 60 jaar oud of ouer op 1 Julie van die betrokke Belastig jaar

| | |
|-----|---|
| Y/J | N |
|-----|---|
- If I am medically unfit and receive a disability grant I will provide the relevant documentation /Indien ek permanent medies ongeskik is om te werk sal ek die nodige bewyse aanheg.

| | |
|-----|---|
| Y/J | N |
|-----|---|
- If married the Bruto income of both spouses must be brought into consideration, meaning the total household income/Sou u getroud wees moet die gesamentlike inkomste in berekening gebring word d.w.s totale Bruto inkomste van die huishouding.

PLEASE NOTE/LET WEL:

IF THE APPLICATION FORM IS INCOMPLETE AND THE REQUIRED DOCUMENTS ARE NOT SUPPLIED THE REBATE WILL BE DENIED/INDIEN DIE AANSOEK VORM ONVOLLEDIG IS EN DIE NODIG DOKUMENTASIE NIE AANGEHEG IS NIE, SAL GEEN AFSLAG TOEGESTAAN WORD NIE.

- All proof of income must be provided, interest received on investments, pension or any monthly income, with the latest statement date. **NO BANK STATEMENTS WILL BE ACCEPTED/** Bewys van alle inkomste, rente ontvang op beleggings, pensioen, en bewys van enige ander maandelikse inkomste, moet aangeheg word. **GEEN BANK STATE SAL AANVAAR WORD NIE.**
- If the applicants spouse is unemployed/and not receiving a monthly pension, a sworn affidavit should be handed in/ Indien die vrou werkloos of geen inkomste/pensioen ontvang nie, moet 'n beëdige verklaring ingehandig word.
- Occupy the property as his/her normal residence/ Okkupeerder van die eiendom as hom/haar normale residensie.
- The applicant must be the registered owner and the occupant of the appropriate property; which is exclusively used for residential purposes only/ Die aansoeker moet die gereistreerde eienaar en die bewoner wees van die betrokke eiendom, wat uitsluitlik gebruik word residensiële doeleindes.
- Not own more than one property/ Nie meer as een eiendom besit nie.
- Be at least 60 years of age or in receipt of a disability pension from the Department of Social Development/ Ten minste 60 jaar oud wees of in die ontvangs wees van dokumentasie 'n ongeskikheidspensioen van die Departement van Sosiale Ontwikkeling.

DECLARATION/VERKLARING:

I/EK.....
(Full names and surname/Volle name and van)

Declare under oath/Verklaar onder eed/bevestig plegtig:

1. That the above answers and declarations are correct/Dat die voorafgaande antwoorde en verklarings na my beste wete en oortuiging korrek is,
2. That should any of the information change I will without delay inform the Financial Service Manager accordingly/.Dat, indien enige van die voorafgaande besonderhede verander, ek die Hoof Finansiële Beampte onverwyld daarvan in kennis sal stel.

.....
SIGNATURE/HANDTEKENING

I/EKCERTIFY/ SERTIFISEER

1. That before I administer an affidavit the following questions were asked of the applicant and the answers has been written down in the applicant's presence/ Dat voordat ek die voorgeskrewe eed/bevestiging afgeneem het, ek die volgende vra aan die verklaarder gestel het en sy/haar antwoord in sy/haar teenwoordigheid neergeskryf het:
 - (1) Are you familiar with the content of the affidavit and do you understand the content? / Is u vertrouwd met die inhoud van bostaande verklaring en begryp u dit?
Answer/ Antwoord:
 - (2) Have you any objection to the prescribed oath? / Het u enige beswaar teen die afle van die voorgeskrewe eed?
Answer/ Antwoord:
 - (3) Do you consider the prescribed affidavit binding to your conscience? / Beskou u die voorgeskrewe eed as bindend vir u gewete?
Answer/ Antwoord:
2. That the declarer admits that he/she is familiar with the contents of the declaration and understands. I hereby certify that the declarer signed the form in my presence/ Dat die verklaarder erken dat hy/sy vertrouwd is met die inhoud van die verklaring en begryp. Hierdie verklaring is beëdig/bevestiging voor my en verklaarder se handtekening/duimafdruk/merk is in my teenwoordigheid daarop aangebring.

ADDRESS/ ADRES:

AREA:.....

POSITION/ AMP:

.....
COMMISSIONER OF OATHS/ KOMMISSARIS VAN EDE

CITY OF MATLOSANA



TARIFF POLICY

2017/2018

TARIFF POLICY
City of Matlosana

TABLE OF CONTENTS

1. DEFINITIONS
2. INTRODUCTION AND PURPOSE OF THIS POLICY
3. TARIFF PRINCIPLES
4. CATEGORIES OF USERS
5. CLASSIFICATION OF SERVICES, AND COST ELEMENTS
 - 5.1 Classification of services
 - 5.2 Cost elements
6. DEPOSITS
7. TARIFF TYPES
8. REBATES
9. UNIT OF MEASUREMENT
 - 9.1 Water
 - 9.2 Electricity
 - 9.3 Refuse Removal
 - 9.4 Sewerage
 - 9.5 Assessment Rate
 - 9.6 Social Benefits
10. BILLING OF ESTIMATED CONSUMPTION
 - 10.1 Need to estimate consumption and the basis thereof
 - 10.2 Adjustment to estimated account
 - 10.3 Failure of meter
 - 10.4 No account received
11. VAT
12. DETERMINATION, NOTICE OF TARIFFS, FEES AND LEVIES AND OBJECTIONS
13. PHASING IN OF TARIFFS, FEES AND LEVIES
14. CONFLICT OF LAW
15. SHORT TITLE AND COMMENCEMENT

1. Definitions

In this policy, any word or expression to which a meaning has been assigned in the Act must bear the same meaning and, unless inconsistent with the context:

“Act” means the Local Government Municipal Systems Act 2003, (Act 32 of 2000) as amended by Act 44 of 2003 and any promulgated Regulations in line with the Act;

“Municipal Finance Management Act” means the Local Government Municipal Finance Management Act, 2003 (Act 56 of 2003) and promulgated Regulations in line with the Act;

“Municipal Property Rates Act” means the Local Government Property Rates Act, (Act 6 of 2006) and promulgated Regulations in line with the Act;

“municipal service” means a municipal service defined in section 1 of the Municipal Systems Act;

“community services” means services that the Council has classified as such, and in respect of which the tariffs have been calculated with the intention that the costs of the services cannot be recovered from public service charges and are of a regulatory nature;

“MMC - Finance” means the member of the municipal council responsible for financial matters in the municipality;

“Council” means the Council of the City of Matlosana Municipality, established in terms of section 12 of the Local Government Municipal Structures Act, Act 117 of 1998;

“Municipality” means the City of Matlosana;

“economic services” means services that the Council has classified as such, in respect of which the tariffs have been calculated with the intention that the total costs of the services are recovered from users;

"domestic user" means a user of electricity, water, sewerage or refuse removal for residential purposes only.

"poor household" means a domestic user who qualifies, together with his or her dependents, as an indigent person in terms of the Council's indigent policy.

"stepped tariffs" means that a specific tariff is applicable for each step to all consumers.

"tariff policy" means the tariff policy of the Council adopted in terms of section 74(1) of the Municipal Systems Act.

"fixed costs" means costs, which do not vary with increased or decreased consumption or volume produced;

"flat rates" means the unit tariffs that do not relate to individual consumers, but are calculated by dividing the total costs by volume used by all the users together;

"total cost" means the sum-total of all fixed and variable costs related to a service;

"trading services" means services that the Council has classified as trading services, in respect of which the tariffs have been calculated with the intention that the Council makes a profit on the delivery of the services;

"two-part tariffs" means tariffs that are determined to cover the fixed and variable costs of a service separately, where the fixed costs are calculated by dividing the total amount of fixed costs of the service by the number of customers per category, and the variable costs are calculated by dividing the total amount of variable costs by the volume consumed;

"energy charge (active)" means a charge for each unit of energy consumer charged at c/kWh;

“units consumed” means the number of units of a particular service consumed and are measured in terms of the units of measurement contemplated in section 8 of this policy;

“variable costs” means costs that vary with increased or decreased consumption or volume produced.

2. Introduction and Purpose of this policy

- 2.1 The City of Matlosana Municipality must in terms of section 74(1) of the Local Government Municipal Systems Act, Act 32 of 2000, adopt a tariff policy on the levying of fees for municipal services provided by the municipality.
- 2.2 The tariff policy may differentiate between different categories of users, debtors, service providers, service, service standards, geographical areas and other matters as long as the differentiation does not amount to unfair discrimination.
- 2.3 Tariffs are calculated in various different ways, dependent upon the nature of the service being provided.
- 2.4 The tariff policy applies to the multi-year annual budget of a related year during which the income is based on the principles contained in this policy.
- 2.5 The purpose of this policy is:
 - 2.5.1 to ensure compliance with the applicable legislation (Section 75 of the Act
 - 2.5.2 to prescribe procedures for calculating tariffs where the Municipality wishes to appoint service providers in terms of section 76(b) of the Act; and
 - 2.5.3 to serve as guidance to the designated councilor regarding tariff proposals that must be submitted to Council annually during the budget process.
 - 2.5.4 Ensure the tariffs of the municipality conform to acceptable policy principles.

3. Tariff principles

The following tariff principles based on the tariff policy set out in section 74(2) of the Act, apply to the levying of fees for municipal services:

- (a) all users of municipal services must be treated equitably in the application of tariffs and the various categories of users must

consequently pay the same charges based on the same cost structure;

- (b) the amount payable must be in proportion to usage and based on the tariff structure adopted for the approved category of users;
- (c) indigent households must have access to basic services through lifeline tariffs or direct subsidization in accordance with the Council's indigent support policy as reflected as part of its Credit Control and Debt Collection Policy;
- (d) tariffs must reflect the total cost of services;
- (e) tariffs must be set at a level that facilitates the sustainability of services; and
- (f) sustainability must be achieved by ensuring that:
 - (i) cash inflows cover cash outflows, which means that sufficient provision for working capital or bad debts must be made; and
 - (ii) access to the capital market is maintained by providing for the repayment of capital, maintaining sufficient liquidity levels and making profits on trading services.
- (g) provision must be made in appropriate circumstances for a surcharge on a tariff if and when necessary for major breakdowns in infrastructure and periods of droughts when a restriction of usage is required;
- (h) efficient and effective use of resources must be encouraged by providing for penalties to prevent exorbitant use;

- (i) the extent of subsidisation of tariffs must be disclosed by publishing the true costs of the service and the level of subsidy as well as the source of the subsidy.

4. Categories of users

- (1) The tariff structure of the City of Matlosana must make provision for the following categories of users:

- (a) domestic;
- (b) business/commercial;
- (c) industrial;
- (d) agricultural;
- (e) institutional / government
- (f) rural;
- (g) domestic indigent

5. Classification of services and cost elements

(1) *Classification of services*

Provision for the following classification of services must be made:

(a) *Trading services*

- (i) Electricity
- (ii) Water

(b) *Economic services*

- (i) Refuse removal
- (ii) Sewerage Disposal
- (iii) Recreation Resorts

(c) Community services

- (i) Air pollution
- (ii) Building control
- (iii) Cemeteries
- (iv) Childcare facilities
- (v) Control of public nuisances
- (vi) Control of undertakings that sell liquor to the public
- (vii) Facilities for accommodation, care and burial
of animals
- (viii) Fencing and fences
- (ix) Fire fighting services
- (x) Fixed billboards and the display of advertisements in
public places
- (xi) Licensing and control of undertakings that sell food
to the public
- (xii) Licensing of dogs
- (xiii) Local amenities
- (xiv) Local sport facilities
- (xv) Local tourism
- (xvi) Local Economic Development
- (xvii) Municipal parks and recreation
- (xviii) Municipal planning
- (xix) Municipal public works, only in respect of the needs
of the municipality in the discharge of
its responsibilities and to administer functions
specially assigned to it under the Constitution or any
other law
- (xx) Municipal roads
- (xxi) Noise pollution
- (xxii) Parking
- (xxiii) Pest Control
- (xxiv) Pounds

- (xxv) Public places
- (xxvi) Storm-water management system in built-up areas
- (xxvii) Street trading/street lighting
- (xxviii) Trading regulations
- (xxix) Traffic
- (xxx) Tax Clearances Certificates / Valuation Certificates
- (xxxi) Copy of Valuation Roll
- (xxxii) Confirmation of Residential letters
- (xxxiii) Duplicate rates and services accounts

(d) Subsidized services

- (i) Libraries
- (ii) Primary Health Care
- (iii) Proclaimed Roads

(2) Cost elements

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

- (a) Fixed costs, which consist of the capital costs, interest on external loans as well as depreciation, whichever are applicable on the service and any other costs of a permanent nature as determined by the Chief Financial Officer from time to time.
- (b) Variable cost: This includes all other variable costs that have reference to the service.
- (c) Total cost is equal to the fixed cost plus variable cost.

6. Deposits

The raising of deposits is permissible where certain levies are made in arrears and payable with application for relevant service:

- (a) Electricity and Water : Two times the average monthly consumption of the past 3 months with a minimum as determined annually according to the tariff schedule.

7. Tariff types

- (1) In setting service charges the Council must:

- (a) accurately reflect costs to achieve economic efficiency;
- (b) ensure equity and fairness between different types and categories of consumers;
- (c) utilize appropriate metering and supporting technology; and
- (d) be transparent.

- (2) In determining the type of tariff applicable to the type of service the Council must make use of the following options or a combination thereof:

- (a) Single tariff: This tariff shall consist of a fixed cost per unit consumed. All costs will therefore be recovered through unit charges at the level of breakeven consumption. Surpluses on trading services may be allowed subject to Council approval.
- (b) Cost related two part tariff: This tariff shall consist of two parts. Management, capital, maintenance and operating costs will be recovered by grouping certain components

together e.g. management, capital and maintenance costs may be grouped together and be recovered by a fixed charge, independent of consumption for all classes of consumers, while the variable costs may be recovered by a unit charge per unit consumed.

- (c) Inclining block tariff: This tariff is based on consumption levels being categorized into blocks, the tariff being determined and increased as consumption levels increase. This tariff will only be used to prohibit the exorbitant use of a commodity. The first step in the tariffs will be calculated at break-even point. Subsequent steps will be calculated to yield profits and to discourage excessive use of the commodity.
- (d) Declining block tariff: This tariff is the opposite of the inclining block tariff and decreases as consumption levels increase. This tariff will only be implemented during the existence of special agreements.
- (e) Basic / Availability charges: Shall be levied for each month for each erf, stand plot or other area, with or without improvements, which is or, in the opinion of Council can be connected to the supply main, whether electricity and water is consumed or not. Basic / Availability charges levied are payable by the registered owner of the erf, stand, lot or other area: provided that where property of the Council is leased or the registered owner cannot be identified such basic charges shall be payable by the lessee of the particular property.
- (f) Outside Municipal Area: These tariffs shall apply to consumers who are not residing within the

municipal boundaries but are making use, on application, of certain services.

- (g) Recoverable work: These tariffs shall apply to consumers who are making use, on application, of certain recoverable services. The tariff will be calculated at actual cost plus a surcharge as determined with the actual tariffs.

8. Rebates

Rebates are allowed in accordance with the tariff schedule as determined by the Council annually.

9. Unit of measurement

The following units of measurement must, where possible, be used to determine tariffs:

(1) Water

Water will be measured with a water meter, which meters will be read and consumption will be levied on a monthly basis unless the service is rendered through a pre-payment device:

- (a) Cost per unit (kilolitres consumed).
- (b) Basic cost plus cost per unit charge (kilolitres consumed)

Water leakages subject to the rebate system

Rebates will be granted for repaired undetected water leakages for a period not exceeding three months.

That it be accepted as policy that in cases of undetected water leakages on private property the consumer pay for the normal water consumption as calculated by using the average consumption for three months prior to the leak, at the applicable sliding scale and that the "over-consumption" or "leak" to be paid at a fixed charge based on the second category of the sliding scale of the water tariffs for the months in question. or at the tariff as calculated by the Chief Financial Officer at the time, subject to the provision of proof by the resident regarding:

- (a) The date on which the leak was first detected.
- (b) Steps taken by the resident to stop the leak
- (c) That the leak has actually stopped – investigation and confirmation by the council's official.

(2) Electricity

Electricity will be measured with an electricity meter, which meters will be read and consumption will be levied on a monthly basis unless the service is rendered through a pre-payment device:

- (a) Maximum demand plus kWh consumed; or
- (b) Fixed **(Basic)** costs plus kWh consumed; or
- (c) Cost per unit KWH consumed; or
- (d) KVA

(3) Refuse removal

The amount may be raised monthly. The levy is payable by the registered owner except for businesses with tenants and recoverable monthly:

- (a) Plastic bags per week/day (volume).
- (b) Containers per week (volume).
- (c) Truck load per volume or removal.

(4) Sewerage

The amount may be raised monthly. The levy is payable by the registered owner and recoverable monthly:

- (a) Percentage of water consumption.
- (b) Percentage of water consumption plus costs for strength of disposal.
- (c) Basic charge: based on the number of properties within those categories of customers and fixed cost associated with the service.
- (d) Additional charge:
 - (i) based on the area and variable costs of the services.
 - (ii) based on the number of properties within those categories of customers and variable costs of the service.
- (e) When the number of properties is not available, a flat rate, based on the average consumption per categories of consumers, will be applicable.

(5) Property Rates

- (a) Property rates is calculated taking into account the total net expenditure from the other services less the revenue envisaged based on the total rateable valuations. The rates must be calculated in such a manner that the Council realizes a net surplus when adopting its tariffs.
- (b) Property rates are calculated according to valuation of property. Council calculate tare on market value as per Council valuation. On written request the amount may be

raised monthly. The levy is payable by the registered owner and recoverable monthly.

(6) Social benefits

- (a) The Council, in order to measure social benefits enjoyed by the community, has approved of the standards as set out in the tables below to achieve cost recovery and to measure service delivery, where possible.
- (b) Measures indicated should be calculated annually and used as a guideline to ensure meaningful reporting. Actual unit costs must be compared with budgeted costs.

FUNCTION/UNIT OR OUTPUT CLASSIFICATION BY COUNCIL

Airfields Number of landings Subsidized

Art Gallery and Museum

Number of attendance Community

Engineering

Administration

Population

Percentage of Municipalexpenditure

Community

Building Section Number of plans submitted

Value of buildings

Municipal value of buildings Subsidized

CaravanPark Number of bookings

Number of sites Subsidized

Cemeteries Number of burials

Number of graves Subsidized

Civic and other halls

Number of bookings Subsidized

Cleansing, refuse removal and disposal

Number of removals
Population
Number of properties
Economic
Corporate Services Population
Percentage of totalexpenditure
Community(Charged out)
Council General Population
Percentage of totalexpenditure
Community(Charged out)
Electricity Number of units purchased
Number of units sold
Number of connections
Trading
Estates Number of properties Economic
Financial Services Percentage of municipal expenditure
Population
Community(Charged out)
Fire Number of call-outs
Number of properties
Population
Subsidized
Grant-in-aid Percentage of rates income CommunityHealth
— Clinics
— Other
Number of attendance
Population
Subsidized
Housing (Sellingand lettingschemes)
Number of dwellings Economic
Libraries Number of members
Number of books in stock
Population
Community

Licensing Number of licenses Subsidized
Marketing Number of industrialproperties
Number of industries
Community
Municipal Manager Percentage of municipal expenditure
Population
Community (Charged out)
Parking Number of bays CommunityParks and recreation Number of
properties
Population
Community
administration
Number of municipal staff
Population
Community (Charged out)
Recreation resorts Number of users
Population
Economic
Roads and Stormwater (includingsidewalks)
Length of roads
Population
Community
Security and CivilDefense
Number of installations Community Sewerage reticulation(Disposal)
Number of connections
Sewerage purified
Population
Economic
Street lighting Number of street lighting Community
Swimming pools Number of attendance
Population
Subsidized
Stores Number of stock items held
Value of stock

Number of orders
Economic (fullycharge out)
Town Planning Number of properties
Population
Community
Traffic Number of registered vehicles
Population
Subsidized
Valuations Number of properties
Value of municipal valuations
Community
Water Number of units sold
Cost per unit supplied
Length of mains
Kilolitres purified
Cost per kilolitre purified
Trading

(10) Billing of estimated consumptions

10.1 The need to estimate consumption and the basis thereof

Notwithstanding all City of Matlosana's attempts to take monthly meter readings of all water/electricity supplied, should it not be possible to take a reading on the appropriate date or if for some any other reason the reading could not be obtained, the City of Matlosana reserves the right to calculate an estimated consumption from the previous actual reading to the billing date. The estimates are normally based on the 3 to 6 months preceding the last date on which the meter was found to be registering correctly or on the 3 to 6 months following the date from which the meter was again registering correctly. The seasonal historical average consumption at

the property may also be used by the City of Matlosana to reflect its best estimate of what the consumption may have been.

10.2 *Adjustment to estimated account*

As soon as a new actual reading has been taken; the previously estimated consumption will be recalculated and an adjustment, either positive or negative, will reflect on the next account issued.

10.3 *Failure of meter*

During the period from identification of a meter having ceased reading, to when it is replaced and a reading can be taken, an estimated consumption will be applied.

Should a consumer have been billed a zero consumption for any period of time and it is subsequently found to have been due to a ceased water/electricity meter and the property was not vacant at the time or the usage pattern had not changed, the City shall bill retrospectively from the time that the meter had ceased until the time it has been replaced. Should the property have been vacant or where the usage pattern had changed, a signed and sworn affidavit needs to be provided for consideration.

10.4 *No account received*

In the event that an owner or occupier has consumed water or electricity but has never received an account, the onus will be on the owner to make representations to the City of Matlosana to request that an account be sent. Should the City of Matlosana not be able to verify that an account was indeed issued to either the owner or occupier, the City may bill for a period not greater than three years the consumer may make arrangements with the City of Matlosana to pay off the amount.

Any person, who has stopped receiving an account that has previously been received, should immediately request the City of Matlosana in writing to remedy the omission.

11. VAT

VAT is charged as per the existing national legislation on all tariffs and all sundry tariffs as indicated in the approved resolution.

12. *Determination, notice of tariffs, fees and levies and objections*

The Council may:

- (1) by resolution, supported by a majority of the members of the council, levy and recover levies, fees, taxes and tariffs, in respect of any function or service of the municipality;
- (2) date, not earlier than 30 days from date of the resolution, on which such determination, amendment or withdrawal shall come into operation; and recover any charges so determined or amended, including interest on any outstanding amount;
- (3) In the event the City of Matlosana has identified that the basic fees or any service related charges were not charged where they should have been charged, the charges will be raised for the period not exceeding 24 months.
- (4) After a resolution as contemplated in subsection (2) has been passed, the municipal manager of the municipality shall forthwith cause to be conspicuously displayed, at a place installed for this purpose at the offices of the municipality, as well as at such other places within the area of jurisdiction of the municipality as may be determined by the municipal manager, a notice stating—

- (a) the general purport of the resolution;
- (b) the date on which the determination or amendment shall come into operation;
- (c) the date on which the notice is first displayed; and
- (d) that any person who desires to object to such determination or amendment shall do so in writing within 14 days after the date on which the notice is first displayed.

(5) Where—

- (a) no objection is lodged within the period referred to in subsection (4)(d) the determination or amendment shall come into operation as contemplated in subsection
- (b) an objection is lodged within the period referred to in subsection (4)(d), the municipality shall consider every objection and may amend or withdraw the determination or amendment and may determine a date other than the date contemplated in subsection (2) on which the determination or amendment shall come into operation, whereupon subsection (4)(b) shall with the necessary changes apply.

13. *Phasing in of tariffs, fees and levies*

- (1) The council must annually consider the methods by which tariffs, fees and levies will be calculated and by resolution amend its tariff policy.
- (2) Where the newly calculated tariffs, fees and levies differ substantially from the current tariffs council may resolve to phase in the differences over a period of time.
- (3)

14. Conflict of law

- (1) When interpreting any provision of this policy, any interpretation which is reasonable and consistent with the objectives of the Act as set out in Chapter 8, Part 1, on servicetariffs, must be preferred over any alternative interpretation which is inconsistent with these objectives.
- (2) If there is any conflict between this policy and any other policy of the Council relating to tariffs, this policy shall prevail.

15. Short title and commencement

This policy is called the Tariff Policy of the **City of Matlosana** and shall come into operation on the date of adoption by Council

CITY OF MATLOSANA



INDIGENT RELIEF POLICY

2017/2018

CITY OF MATLOSANA
INDIGENT RELIEF POLICY

TABLE OF CONTENTS

| | PAGE |
|---|-------------|
| 1. PRE-AMBLE | 3 |
| 2. SOURCE OF INCOME | 3 |
| 3. STANDARD OF SERVICES | 4 |
| 4. CRITERIA FOR INDIGENT SUPPORT | 4 |
| 5. LEVEL OF INDIGENT SUPPORT | 5 |
| 6. BURIAL / CREMATION BENEFITS | 7 |
| 7. DISTRIBUTION OF INDIGENT SUPPORT | 8 |
| 8. APPLICATION FOR INDIGENT SUPPORT | 8 |
| 9. COMMUNITY INVOLVEMENT | 9 |
| 10. CONSEQUENCES IN CASE OF FALSE INFORMATION | 10 |
| 11. REPORTING REQUIREMENTS | 10 |
| 12. ANNEXURE "A" 1-4 | 11 |
| 13. ANNEXURE "B" 1-4 | 15 |

INDIGENT RELIEF POLICY

1. PRE-AMBLE

One of the main objectives of the Council is to ensure the provision of basic services to the community in a sustainable manner. This objective will however, only be possible within the financial and administrative capacity of the Council. The Council recognizes the fact that the community has a right of access to basic services, but the community also has an obligation to settle their monthly services accounts.

The Council also recognizes the fact that many of the residents can simply not afford the cost of full service provision and for this reason the Council will endeavour to ensure affordability through:

- Setting tariffs in terms of the Council's Tariff Policy, which will balance the economic viability of, continued service delivery.
- Determining appropriate service levels.

Legal and Constitutional Requirements

The Constitution of South Africa sets out the obligation of government

Local Government: Municipal Structures Act No. 117 of 1998

Local Government: Municipal Structures Amendment Act No. 33 of 2000

Local Government: Municipal Systems Act No. 32 of 2000

Local Government Property Rates Act

Municipal Finance Management Act No. 56 of 2003

Water Services Act No. 108 of 1997

Division of Revenue Act

Local Government: Municipal Demarcation Act No 27 of 1998

DEFINITIONS

"Indigents" Indigents are defined as those people, due to a number of factors, who are unable to make monetary contribution towards basic services, no matter how small the amounts seem to be. Examples are pensioners, unemployed, child headed families, and youth headed families.

"Household" is defined as all adults and children living on a single property. An indigent policy will thus refer to fairly limited set of administrative procedures within the income function for distributing grant support to reduce the municipal account to particular households.

As per the indigent policy, an indigent database refers to a database that The City of Matlosana Local Municipality establishes to register and monitor all households that are categorised as per financial definition of an indigent.

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

"CFO" means the Chief Financial Officer of the City of Matlosana Local Municipality, a person designated in terms of section 80(2)(a) of the Local Government: Municipal Finance Management Act, 56 of 2003

"Child Headed" means a household where all members are under 18 years

"Consumer" means the owner of the premises to which the council has agreed to supply or is actually supplying municipal services, or if there is no occupier, then the owner of the premises.

"Council" means-

- a) A municipal council as referred to in section 157 of the Constitution
- b) Matlosana Local Municipality exercising a delegated power or carrying out an instruction, where any power in this policy has been delegated, or sub delegated, or an instruction given as contemplated in section 59 of the Act;

"Disabled" means a household headed by a disabled person. (Physically or Mentally)

"Employed" means a household earning an income that is below the income as determined below.

"Municipal Manager" means the person appointed at Matlosana Local Municipality in terms of section 82(1)(a) or (b) of the Municipal Structures Act.

"Occupier" in relation to a property, means a person in actual occupation of a property, whether or not that person has a right to occupy the property;

"Unemployed" means household of which there is no income or income or household income is as determined below

"Youth Headed" means a household where all members are between 18 and 35 years of age.

2. SOURCE OF INCOME

The Council needs to have access to adequate sources of revenue in order to fulfil its constitutional obligation. The available sources should be fully exploited to meet the development objectives.

Two main sources of income exist.

- Own revenue which is the main source of income to the Council and which is based on the economic costs to render the service required by the community.
- Transfers from other spheres of government of which intergovernmental transfers are the most important. A portion of this income (equitable share) is earmarked for indigent relief, which will be used to alleviate and address poverty.

- As such, the subsidy can only be credited to the qualifying customer's accounts until the amount received by the Municipality from National Government for this purpose has been exhausted, whereupon no further credits will be made, or the level of the credits reduced, until further national funds are received

3. STANDARD OF SERVICES

The Council accepts that they are responsible for the rendering of services in terms of schedules 4 and 5 of the Constitution as well as other services, which may be delegated by National and Provincial Government.

The Council will endeavour to render a basic standard and level of services necessary to ensure an acceptable and reasonable quality of life and which takes into account health and environmental considerations. None of the residents should fall below the minimum standard of services as is embodied in the Council's Financial Policies.

The Council realizes that in certain circumstances and as a result of past policies certain services are available to communities, the cost of which are beyond the financial means of such communities, and will through this policy assist those communities within the financial ability of the Council.

In each instance the economic cost to render the services shall be calculated in accordance with the Council's Tariff Policy.

4. CRITERIA FOR INDIGENT SUPPORT

The basic point of departure is that Council will assist, through funds received from National Government; to provide basic services to "poorer" households within the Council's service provision area in this regard no discrimination on any grounds will be allowed.

In order to qualify for financial assistance the following will apply:

- (i) Only **registered residential/farm occupied consumers** of services delivered by the Council will qualify.
- (ii) **No residential consumer conducting a business** from the residential property, with or without special consent obtained from the Council or with or without existing usage rights, **shall qualify for assistance.**
- (iii) Occupants/residents who own more than one property and occupying a house where application is sought will render such application of the owner/occupier invalid.
- (iv) Where a tenant is renting a property, fully motivated applications and proof, together with a sworn affidavit from the owner and verification from the ward councillor must be submitted
- (v) Where the registered owner or occupant is deceased and **underage children** of the deceased are residing in the house, the **relevant documentation** to this effect must be produced.
- (vi) The account holder must apply in person and **must present the following documents** upon application:
 - The latest municipal account in his/her possession.
 - Account holder's identity document.
 - Pension certificates and/or card /or affidavit
 - Proof of income (if any)
 - Individuals residing with the applicant.

- (vii) Only households where the total household income is less than R3,200.00 (Three thousand two hundred rand) per month or equal to two old age pensions or as indicated below may apply for indigent support.

| CATEGORY | % Subsidy Applicable |
|---|-------------------------|
| Owner with a gross monthly income from R 0 – R 3 ,260.00 | 100% |
| Owner with a gross monthly income from R 3,261.00 – R 6, 500.00 | 40% |
| Owner with a gross monthly income from R 6 ,501.00– R 8,500.00 | 30% |
| Owner with a gross monthly income from R 8501.00 – R10 ,500.00 | 20% |
| Owner with a gross monthly income from R 10 ,501 .00– R13 ,500.00 | 10 % |

The maximum old age grant is announced annually in the Budget Speech of the Minister of Finance.

- (viii) An application agreement must be completed by every applicant. This agreement must include an affidavit and a customer profile of the household.
- (ix) An approved indigent subsidy is valid **for a period of two years** until Council decides to cancel all previous applications and indigents will have to renew their applications, or as soon as the circumstances have changed of an indigent debtor, or on an annual basis based **from** the approval date of the application
- (x) No pensioner indigents whose indigent subsidy has been approved from the preceding financial year, need reapply for the subsidy, as it is automatically approved. Pensioners only need to verify that they are still alive
- (xi) All indigent applicants must give permission that an ITC check may be done on them to verify their claimed indigent status if needed.
- (xii) All approved indigent applicants may be listed at an ITC bureau

- (xiii) No debt collection or credit control measures will be instituted against the indigent household for as long as consumption over and above the free use is paid in full.

5. LEVEL OF INDIGENT SUPPORT

- (i) The level of indigent support will be as follows:

- **Water:**

Usage: An indigent subsidy amount equal to the value of 6kl water and thereafter normal tariffs will apply which is payable by the Indigent consumer.

Basic Fees: A subsidy amount equal to the value of the basic fees as determined by the water tariffs

- **Refuse removal:**

Removal once (1) a week of 85 or 240 litre container: Free of charge per month

- **Sewerage:**

Cost of drainage basic charge plus additional sewerage charge per dwelling house: Free of charge per month.

- **Electricity:**

Usage - A maximum indigent subsidy of 50 kWh free of charge and thereafter normal tariffs will apply which the Indigent consumer must pay

Basic Fees: An indigent subsidy amount equal to the value of the basic fees as determined by the electricity tariffs

- **Alternative Energy**

Those indigent South African consumers who do not have access to electricity qualify for alternative energy sources. According to the National Policy for Indigents, paraffin may be utilised as one of the core sources for alternative energy. These consumers will qualify for a once-off supply of a paraffin stove as well as two paraffin lamps. Consumers who reapply in the following financial year will not qualify to receive a paraffin stove as well as the two paraffin lamps. Preceding simultaneously, they qualify for 20 litres of paraffin per month in order to utilize the supplied items and thereby have access to alternative energy.

- **Property Rates:**

100% of the rates as subsidized by the Property Rating Policy will be subsidized for indigent residents. The gross total household income of the residential property may not exceed R3,200.00 (Three thousand two hundred rand) or as reflected in point 4 (vii)

(ii) Where a consumer is classified and approved as an indigent in terms of Council's policy, a pre-paid electricity meter and water restriction device will be installed at Councils cost from the Inter-Governmental Grant. Indigent consumers are obligated to comply with these installations. Should the consumer fall into arrears the prepaid electricity may be disconnected.

- The transfer from a conventional electricity meter to a prepaid electricity meter and the installation of a water restriction device shall be financed by the Council via the Inter-Governmental Grants.
- The level of support to indigent consumers on the replacement of stolen service (consumer) cables be limited to one replacement free of charge and thereafter the indigent consumer be liable for replacement thereof.
- That the level of support to indigent consumers for replacement of meter and ready board when a house is damaged through fire, one time free of charge, and thereafter the consumer be liable for the replacement of the meter and/ or ready board.

- (iii) It may happen that even with the introduction of the indigent policy, certain households may fall into arrears in respect of the amounts due by them. The property owner or accountholder concerned will have to make immediate arrangements with the municipal manager, or his nominee, to pay off these arrears within a reasonable time determined by the municipal manager in terms of the Municipality's Credit Control and Debt Collection Policy. If these arrangements are not made, no subsidies will be paid or free services provided, and services may be terminated in terms of the municipality's credit control and debt collection policy.

In all instances the actual indigent support shall be calculated taking due cognisance of the amount received, the number of applications received and the standard and level of services.

6. INDIGENT BURIAL BENEFITS

Any member or family of a registered indigent who resides within the municipal area of the City of Matlosana and provision will be made for those that are not registered but meet all other criteria for burial benefit who applies for indigent burial assistance will be required to submit of the following documents as proof:

- Applicant's Identity document SA green barcoded ID
- Deceased's Identity document SA green barcoded ID
- Death certificate of the deceased
- Certified copy of death notification BI 1663
- Proof of registration of indigent subsidy from the municipalities Finance OR a motivation letter from Ward Councillor in the case of informal settlement or farms.
- Affidavit by South African Police Services (SAPS) as proof by the family member or relative declaring that they cannot afford to bury / cremate the deceased due to a lack of income
- Indigent persons who reside in a temporary structure on a consumer's property will also qualify for Indigent Burial Benefits under the following conditions:

- The owner of the property must provide an affidavit that the person resides on the property and that they are indigent
- The ward councillor must verify and approve the affidavit of the owner stating that the person resides on the property and that they are indigent.

6.1. The Municipality will incur the costs relating to the transport to a mortuary, a standard coffin, and cost for the grave. No relative or friends have any claim against the Municipality whatsoever.

6.2 The family or relative of the deceased buried as an indigent will be allowed to erect a tombstone on the grave after 24months of burial, at their own expense.

6.3 The next of kin will receive the reservation certificate and grave number upon a written request.

6.4 Services to registered indigent households that have, in terms of the credit control policy, been restricted, removed, or disconnected will be temporally re-instated for a period of 14 days to cater for the funeral. The cost of re-instatement of services will be debited to his/her municipal services account.

- All requests for indigent burial / cremation will be referred to and considered by the City of Matlosana Health Services Department only.
 - Burials will be conducted from Monday to Thursday.
 - Burial and arrangements will be concluded according to specifications as determined by Council
 - The contracted funeral undertaker will bury the deceased closest to the area of residence of the deceased, but within the boundaries of the City of Matlosana.
 - All indigent burials from Klerksdorp/ Tshepong Hospital Complex are attended to by a designated official of the hospital.

The thresholds are as follows and shall increase annually subject to Council approval with annual budget

| AGE OF BENEFICIARY | TOTAL COSTS (Mortuary Costs & Coffin & Grave) |
|---------------------------------|--|
| 0-3 Years (Including stillborn) | R 1,407.00 |
| 4-14 Years | R 2,103.00 |
| Adults | R 3,548.00 |
| Oversized adults | R 5,599.00 |
| Cremations | R 6,716.00 |
| Exhumations | R 4,551.00 |

LIST OF EXCLUSIONS

The following is a list of exclusions from benefits:

- A non-resident who died outside the jurisdiction of the Matlosana municipality
- Other related items.eg. tents, tables flowers and catering
- Transportation to place of residence of the deceased on the eve of the funeral.

The municipality reserves the right to refuse to pay the costs of an indigent burial/cremation in instances where evidence indicates that the family may have been in a position to conduct its own burial or in instance where the municipality was misinformed. These costs will be recovered in such instances from the responsible person.

7. DISTRIBUTION OF INDIGENT SUPPORT

Indigent relief will only be granted to those residents who applied for assistance and qualified in accordance with criteria as determined and will be applied as follows:

- (i) The qualifying recipients of the indigent relief will receive a monthly account indicating that no charges were raised for services as set out Clause 5(i).

- (ii) The qualifying recipients will also receive a monthly free prepaid electricity token for 50 kWh if a prepaid meter has been installed.
- (iii) The qualifying recipients who fall under the alternative energy subsidy will receive a paraffin stove and lamp once off. Recipients who again requalify in the subsequently financial years and have received these items, will not be issued with another paraffin stove and lamp
- (iv) Thereafter they would receive 20 litres of paraffin per month for the utilisation of the alternative energy.

The Council undertakes to advertise the existence of the indigent relief program on an annual basis with the budget consultations process.

7. APPLICATION FOR INDIGENT SUPPORT

- (i) The application form attached as annexure "A" will apply.
- (ii) All residents complying with the criteria may apply for indigent relief.
- (iii) No retrospective applications will be considered
- (iv) All applications must be made on the prescribed form and all additional information must be supplied (together with documentary proof where required).
- (v) The onus is on the account holders to apply for support.
- (vi) The completed application will be forwarded to the Ward councillor or under extreme circumstances to the deployed PR Councillor for verification in the absence of the ward councillor
- (vii) The indigent support will only be affected after the verification of the application by the Ward Councillor or under extreme circumstances the deployed PR Councillor for verification in the absence of the ward councillor and will become effective within a maximum of two months or less after approval.
- (viii) Debtors who qualify and become registered as indigent, will have their arrears, **excluding tampering fines**, written off only once upon registration

approval during ownership/occupation of the property and will be subject to the items below, should it become known that false information was submitted with their application. Tampering fines may be paid off according to Councils Customer Care, Debt Collection, and Credit Control Policy

- (ix) Indigent Consumers must take note that when a consumer has been registered as an Indigent and a write off of arrears has been done, no further write offs of arrears with the renewal of an Indigent subsidy will be allowed in the subsequent years
- (x) No property may be sold by the indigent consumer within a time frame of 24 months, after any write offs have been done, Should this occur then the new owner will be held liable to pay the amounts that have been written off
- (xi) Should it be established that a recipient of indigent relief has supplied the Council with false information or not informed the Council of a change in circumstances within the household:
- (xii) The indigent support will be stopped immediately.
- (xiii) The recipient may be liable for the repayment of all indigent support received for the period involved which amount will be debited against the consumers account.
- (xiv) Normal credit control in accordance with the Council's Credit Control and Debt Collection Policy will apply.
- (xv) Criminal charges may be instituted against the account holder for supplying false information.
- (xvi) The recipient of indigent relief must notify the Council immediately if there is a change in the financial situation within the household.
- (xvii) The replacement of stolen cables of Indigent consumers will only be done twice. Further costs is for the consumer

8. COMMUNITY INVOLVEMENT

The Council relies on the community's participation in applying for indigent relief.

Council will be furnished with a report on a basis as determined by Council indicating:

- (i) The financial implications of the indigent support program

- (ii) A schedule of the progress of the indigent registrations

The above is also available to the public for general notice. False information can be reported by the public by means of sworn affidavits.

A reward of R500 or as determined otherwise by Council, per case after investigation and proof of guilt will be paid to any person who reports the misuse of the indigent subsidy.

The community must be informed of such rewards by means of notices at all pay points and other notice boards of Council.

9. CONSEQUENCES IN CASE OF FALSE INFORMATION

Should it be established that a recipient of indigent relief has supplied the Council with false information or not informed the Council of any change in circumstances within the household:

- (i) The indigent support will be stopped / cancelled immediately.
- (ii) The recipient will be liable for the repayment of all indigent support received for the period involved which amount will be debited against the consumers account.
- (iii) Normal credit control in accordance with the Council's Credit Control and Debt Collection Policy will apply.
- (iv) Investigations may be made with Insurances companies or any other institutions to determine if there are "Burial Policies" which are relevant to the indigent burial benefits
- (v) Criminal charges shall/may be instituted against the account holder, official, or councillor for supplying false information.

10. REPORTING REQUIREMENTS

The municipal manager or his nominee shall report on a basis as determined by Council by municipal ward on the following:

- the number of households registered as indigents;
- the monetary value of the actual subsidies and rebates granted;
- The number of households registered for Free Basic Alternative Energy
- the budgeted value of the subsidies and rebates concerned; and

The above information accumulatively for the financial year to date.

CITY OF MATLOSANA
INDIGENT APPLICATION FORM 2017/2018

ANNEXURE "A"1

SECTION A – ACCOUNT INFORMATION:

| | |
|--------------------------------------|----------------------|
| Account Name: | Date of application: |
| Account Number: | Address: |
| Erf no: | |
| Council/Eskom Pre-paid meter number: | Ward Number: |

SECTION B - TERMS AND CONDITIONS:

- Only households where the total household income is less than the total old age grant received per month by two pensioners in a household or as reflected in point 4(vii) of Councils policy may apply for support.
- External verification will be done using the ITC as well a physical audit to confirm the household financial status. Upon signing this application, the consumer gives consent to such checks.
- False information or the withholding of information will disqualify anyone from further participation in the subsidy scheme, with the liability of immediate repayment of all allocations received plus interest and the risk of possible criminal proceedings being instituted;
- Should the gross income of a household increase and thereby exceed the approved limit during the subsidy time period (Increases, no longer unemployed), the registered consumer must immediately inform the municipality. Failure to comply could result in the repayment of all allocations plus interest and the risk of possible legal steps being instituted.
- No property may be sold by the indigent consumer within a time frame of 24 months, after any write offs have been done, Should this occur then the new owner will be held liable to pay the amounts that have been written off
- The information contained in this document is not confidential. A list of approved applicants can be handed to councillors for comments, as well as publicly displayed.
- The City of Matlosana reserves the right to collect any outstanding debts on the account by means of the pre-paid services, in a portion not excessive in relation to the purchases made by the accountholder.
- That City of Matlosana may issue my Free Basic Electricity (50 units) via my cell phone

I, hereby declare that I am the **registered owner/lessee** of the above erf/stand and that the said property is inhabited and controlled by me. I further declare that I fully realize that should any of the above information be found to be incorrect or false, I shall be responsible for the repayment of any allocation received plus interest, as well as any debt written off, and I acknowledge that legal steps for the fraudulent declaration, could be instituted against me. I confirm that I have read, understood, and accepted the terms and conditions stated above. I also give my permission that a credit check may be done on my details to determine the validity of my information and that my indigent status may be listed at an ITC institution.

Declared and signed at..... On the day of 20.....

.....
NAME OF APPLICANT (BLOCK LETTERS)

.....
NAME OF INTERVIEWER (BLOCK LETTERS)

.....
SIGNATURE OF APPLICANT

.....
SIGNATURE OF INTERVIEWER

The application **must** be accompanied with copies of the applicants:

- Municipal account
- ID document
- Proof of income / pension certificates
- Individuals residing with the applicant

SECTION B - PERSONAL INFORMATION:**ANNEXURE "A"2**

| | | | | | | | | | | | | | | | | | | | |
|------------------------------------|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Surname: | | Other Names: | | | | | | | | | | | | | | | | | |
| Residential Address: | | Postal Address: | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | |
| Contact Number / Cell phone number | | Marital Status: (Mark with an X) | | | | | | | | | | | | | | | | | |
| | | <input type="checkbox"/> Married <input type="checkbox"/> Single <input type="checkbox"/> Divorced <input type="checkbox"/> Widowed | | | | | | | | | | | | | | | | | |
| Husband: | | Wife: | | | | | | | | | | | | | | | | | |
| Birth date: | | Birth date: | | | | | | | | | | | | | | | | | |
| D | D | / | M | M | / | C | C | Y | Y | D | D | / | M | M | / | C | C | Y | Y |
| ID number: | | ID number: | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | |
| Pension number: | | Pension number: | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | |

SECTION C**INDIVIDUALS RESIDING WITH THE APPLICANT**

| NAME | SURNAME | RELATIONSHIP | ID NUMBER | INCOME |
|------|---------|--------------|-----------|--------|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

SECTION D – FINANCIAL INFORMATION

| Details of Gross Monthly Income (in Rand) | | | | | |
|---|---------|------|------------------------------|-------|-------|
| | Husband | Wife | Children living with parents | Other | TOTAL |
| a) Salary | R | R | R | R | R |
| b) Wage | R | R | R | R | R |
| c) Pension : Employer | R | R | R | R | R |
| Disability | R | R | R | R | R |
| Old Age | R | R | R | R | R |
| d) Board / Rental | R | R | R | R | R |
| e) Child support | R | R | R | R | R |
| f) Informal / Casual work | R | R | R | R | R |
| g) Other | R | R | R | R | R |
| Total Gross Monthly Income | | | | | |

Do you own or rent other property except the one above: YES / NO

If YES please specify details: _____

DATE _____

DATE _____

SIGNATURE OF VERIFIER

SIGNATURE OF WARD COUNCILOR

GENERAL

ANNEXURE "A"3

COMMENTS OF THE VERIFIER (CONDITIONS, ETC.)

.....

ANNEXURE "A"4

Name (BLOCK LETTERS)

OFFICE USE ONLY:

SECTION E - CHECKLIST:

| | Please Tick |
|---|-------------|
| ID document | |
| Documentary proof of total gross income of household namely account holder, spouse, and persons older than 18 years of age (including children) residing on the premises. | |
| List of all residents on premises . (Ages must be specified, and copies of Identity Documents attached). | |
| Proof of pension/grants. | |
| Proof of unemployment. Department of Manpower and/or unemployment insurance certificate, original letter of religious leader to confirm unemployment and sworn affidavit by applicant. | |
| Birth certificates / ID documents of dependent children and or a court order which confirms guardianship. | |
| If owner of motor vehicle , full particulars as well as means of finance . | |
| Latest municipal rates and services account . | |
| Copy of Prepaid electricity slip | |
| Does the applicant own or rent other properties | |

| | | | | | |
|------------------------------|--|----------|--|-------|--|
| Approved | | Declined | | Date: | |
| Reason if declined: | | | | | |
| | | | | | |
| Date of letter to applicant: | | | | | |
| Name of official: | | | | | |

**CITY OF MATLOSANA 2017/2018
INDIGENT APPLICATION FORM FOR RURAL DEVELOPMENT PROGRAMME**

SECTION A – ACCOUNT INFORMATION:

ANNEXURE “B”1

| | |
|--------------------------------------|----------------------|
| Farm Name: | Date of application: |
| Farm Owner: | Farm /Plot Address: |
| Erf no: | |
| Council/Eskom Pre-paid meter number: | Ward Number: |

SECTION B - TERMS AND CONDITIONS:

- Only households where the total household income is less than the total old age grant received per month by two pensioners in a household may apply for support. The maximum old age grant of R3 200(Three thousand two rand) as announced in the 2017/2018 Budget Speech of the Minister of Finance.
- External verification can be done using the ITC as well as physical audits to confirm the household's financial status. Upon signing of this application, the consumer gives consent to such checks.
- False information or the withholding of information will disqualify anyone participation in the subsidy scheme, with the liability of immediate repayment of all allocations received plus interest and the risk of possible criminal proceedings being instituted;
- Should the gross income of a household increase and thereby exceed the approved limit during the subsidy time period (Increases, no longer unemployed), the registered consumer must immediately inform the municipality. Failure to comply could result in the repayment of all allocations plus interest and the risk of possible legal steps being instituted.
- The information contained in this document is not confidential. A list of approved applicants can be handed to councillors for comments, as well as publicly displayed.
- That Matlosana City council may issue my Free Basic Alternative Energy via the service provider

I, hereby declare that I am the **registered owner/lessee** of the above erf and that the said property is inhabited and controlled by me. I further declare that I fully realize that should any of the above information be found to be incorrect or false, I shall be responsible for the repayment of any allocation received plus interest, as well as any debt written off, and I acknowledge that legal steps for the fraudulent declaration, could be instituted against me. I confirm that I have read, understood and accepted the terms and conditions stated above. I also give my permission that a credit check may be done on my details to determine the validity of my information and that my indigent status may be listed at an ITC institution.

Declared and signed aton the day of 20.....

.....
NAME OF APPLICANT (BLOCK LETTERS)

.....
NAME OF INTERVIEWER (BLOCK LETTERS)

.....
SIGNATURE OF APPLICANT

.....
SIGNATURE OF INTERVIEWER

The application **must** be accompanied with copies of the applicants:

- Letter from farm owner / Letter of oath
- ID document
- Proof of income / pension certificates

SECTION C - PERSONAL INFORMATION:**ANNEXURE "B"2**

| | | | |
|------------------------------------|--|---|--|
| Surname: | | Christian Names: | |
| Residential Address: | | Postal Address: | |
| | | | |
| Contact Number / Cell phone number | | Marital Status: (Mark with an X) | |
| | | <input type="checkbox"/> Married <input type="checkbox"/> Single <input type="checkbox"/> Divorced <input type="checkbox"/> Widowed | |
| Husband: | | Wife: | |
| Birth date: | | Birth date: | |
| D D / M M / C C Y Y | | D D / M M / C C Y Y | |
| ID number: | | ID number: | |
| | | | |
| Pension number: | | Pension number: | |
| | | | |

SECTION D – FINANCIAL INFORMATION

| Details of Gross Monthly Income (in Rand) | | | | | |
|---|---------|------|------------------------------|-------|-------|
| | Husband | Wife | Children living with parents | Other | TOTAL |
| a) Salary | R | R | R | R | R |
| b) Wage | R | R | R | R | R |
| c) Pension : Employer | R | R | R | R | R |
| Disability | R | R | R | R | R |
| Old Age | R | R | R | R | R |
| d) Board / Rental | R | R | R | R | R |
| e) Child support | R | R | R | R | R |
| f) Informal / Casual work | R | R | R | R | R |
| g) Other | R | R | R | R | R |
| Total Gross Monthly Income | | | | | |

Do you own or rent other property except the one above: YES / NO

If YES please specify details: _____

DATE_____
DATE_____
SIGNATURE OF VERIFIER_____
SIGNATURE OF WARD COUNCILOR

Blank page with faint horizontal lines.

ANNEXURE "B"4

Name (BLOCK LETTERS)

Name (BLOCK LETTERS)

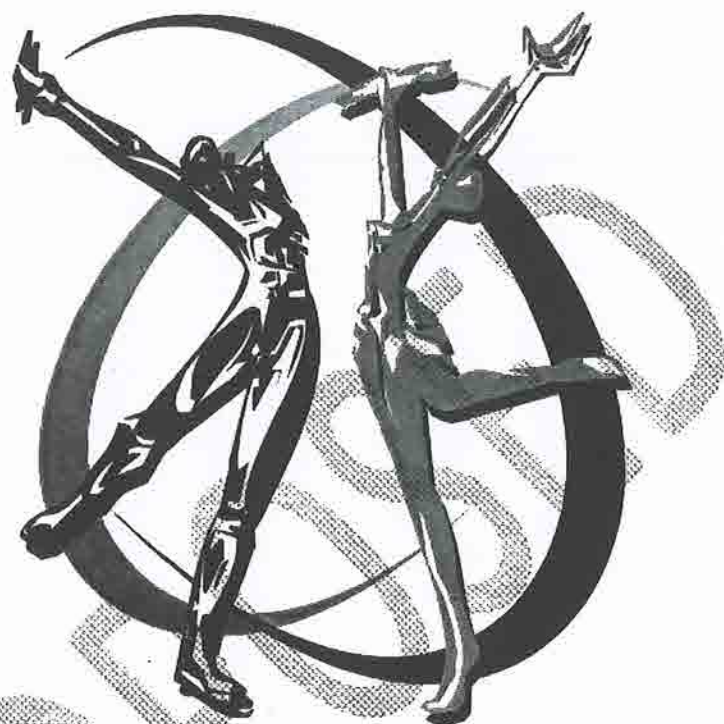
OFFICE USE ONLY:

SECTION E - CHECKLIST:

| | Please Tick |
|--|-------------|
| ID document | |
| Documentary proofs of total gross income of household namely account holder, spouse, and persons older than 18 years of age (including children) residing on the premises. | |
| List of all residents on premises . (Ages must be specified, and copies of Identity Documents attached). | |
| Proof of pension/grants. | |
| Proof of unemployment. Department of manpower and/or unemployment insurance certificate original letter of religions leader to confirm unemployment and sworn affidavit by applicant. | |
| Birth certificates / ID documents of dependent children as well as a court order which confirms guardianship. | |
| If owner of motor vehicle , full particulars as well as means of finance . | |
| Latest municipal rates and services account . | |
| Copy of Pre-paid electricity slip | |
| Have you asked the applicant if he has or rents other properties | |

| | | | | | |
|------------------------------|--|----------|--|-------|--|
| Approved | | Declined | | Date: | |
| Reason if declined: | | | | | |
| | | | | | |
| Date of letter to applicant: | | | | | |
| Name of official: | | | | | |

CITY OF MATLOSANA



**SUPPLY CHAIN MANAGEMENT
POLICY**

2017/2018

2017/2018 FINANCIAL YEAR

PREAMBLE

The Municipal Manager of the City of Matlosana, being responsible for managing the financial administration of the City of Matlosana (hereinafter referred to as "the CoM"), hereby, in terms of the provisions of Section 62(1)(f)(iv), read with section 111 of the Local Government: Municipal Finance Management Act, Act 53 of 2003 (hereinafter referred to as the "MFMA"), and in order to give effect to Section 217(1) of the Constitution of the Republic of South Africa, 1996 (hereinafter referred to as "the Constitution"), establishes the Supply Chain Management Policy of the CoM, as approved by its Municipal Council and which came into operation on and is to be implemented as such from the date of acceptance by the Council.

THE CITY OF MATLOSANA:

SUPPLY CHAIN MANAGEMENT POLICY

TABLE OF CONTENTS

CHAPTER 1: ESTABLISHMENT AND IMPLEMENTATION OF SCM POLICY

| NO | ITEM | PAGE NO |
|-----|--|---------|
| 1 | DEFINITIONS | 9 |
| 2 | INTRODUCTION | 29 |
| 3 | TITLE AND APPLICATION | 30 |
| 4 | AIM AND PURPOSE OF THE SCM SYSTEM | 32 |
| 5 | OBJECTIVES OF THE POLICY | 33 |
| 6 | RESPONSIBLE AND DELEGATED AUTHORITY | 35 |
| 6.1 | SUB-DELEGATIONS | 37 |
| 6.2 | OVERSIGHT ROLE OF THE COM | 38 |
| 6.3 | SCM UNIT | 39 |
| 7 | TRAINING OF SCM OFFICIALS | 40 |
| 8 | DUTIES AND RESPONSIBILITIES | 40 |
| 8.1 | GENERAL RESPONSIBILITIES OF THE OFFICIALS OF THE COM | 40 |
| 8.2 | RESPONSIBILITIES OF THE MUNICIPAL MANAGER | 40 |
| 8.3 | RESPONSIBILITIES OF THE DIRECTOR | 41 |
| 8.4 | RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER | 42 |
| 8.5 | RESPONSIBILITIES OF THE SCMU | 43 |
| 9 | GENERAL | 44 |
| 9.1 | ADOPTION AND AMENDMENT OF SUPPLY CHAIN MANAGEMENT POLICIES | 44 |

| | | |
|-----|--|----|
| 9.2 | AVAILABILITY OF SUPPLY CHAIN MANAGEMENT POLICY | 43 |
| 9.3 | COMMUNICATIONS | 43 |

CHAPTER 2: FRAMEWORK OF SCM POLICY

| | | |
|---------|---|----|
| 10 | ESTABLISHMENT AND IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT SYSTEM | 45 |
| 11 | DEMAND MANAGEMENT | 46 |
| 12 | ACQUISITION MANAGEMENT | 48 |
| 12.1 | RANGE OF PROCUREMENT PROCESSES | 50 |
| 12.2 | GENERAL PRECONDITIONS FOR CONSIDERATION OF WRITTEN QUOTATIONS OR BIDS | 52 |
| 12.3 | LIST OF ACCREDITED PROSPECTIVE PROVIDERS | 53 |
| 12.4 | PETTY CASH PURCHASES | 55 |
| 12.5 | WRITTEN OR VERBAL QUOTATIONS | 56 |
| 12.6 | FORMAL WRITTEN PRICE QUOTATIONS | 56 |
| 12.7 | COMPETITIVE BIDS AND PROCESS FOR COMPETITIVE BIDS | 58 |
| 12.7.1 | BID DOCUMENTATION FOR COMPETITIVE BIDS | 59 |
| 12.7.2 | PUBLIC INVITATION FOR COMPETITIVE BIDS | 63 |
| 12.7.3 | ISSUING OF BIDS | 64 |
| 12.7.4 | SITE INSPECTION | 65 |
| 12.7.5 | TWO-STAGE BIDDING PROCESS | 65 |
| 12.7.6 | TWO-ENVELOPE SYSTEM | 65 |
| 12.7.7 | VALIDITY PERIODS | 66 |
| 12.7.8 | CONTRACT PRICE ADJUSTMENT | 67 |
| 12.7.9 | PROVISIONAL SUMS AND PRIME COST ITEMS | 68 |
| 12.7.10 | SAMPLES | 69 |
| 12.7.11 | CLOSING OF BIDS | 69 |
| 12.7.12 | COMMUNICATIONS WITH BIDDERS BEFORE BID CLOSING | 70 |
| 12.7.13 | SUBMISSION OF BIDS | 71 |

| | | |
|---------|--|----|
| 12.7.14 | LATE BIDS | 72 |
| 12.7.15 | OPENING OF BIDS | 72 |
| 12.7.16 | OPENING OF BIDS WHERE TWO-ENVELOPE SYSTEM IS FOLLOWED | 74 |
| 12.7.17 | INVALID BIDS | 74 |
| 12.7.18 | BID SUM | 75 |
| 12.8 | COMMITTEE SYSTEM FOR COMPETITIVE BIDS | 75 |
| 12.9 | BID SPECIFICATION | 76 |
| 12.10 | BID SPECIFICATION COMMITTEE | 77 |
| 12.11 | BID EVALUATION | 78 |
| 12.12 | BID EVALUATION COMMITTEE | 81 |
| 12.13 | BID ADJUDICATION | 82 |
| 12.14 | BID ADJUDICATION COMMITTEE | 85 |
| 12.15 | TERM BIDS | 86 |
| 12.16 | PROCUREMENT OF BANKING SERVICES | 88 |
| 12.17 | PROCUREMENT OF IT RELATED GOODS AND/OR SERVICES | 88 |
| 12.18 | PROCUREMENT OF GOODS AND SERVICES UNDER CONTRACTS SECURED BY OTHER ORGANS OF STATE | 89 |
| 12.19 | PROCUREMENT OF GOODS NECESSITATING SPECIAL SAFETY ARRANGEMENTS | 90 |
| 12.20 | PROUDLY SA CAMPAIGN | 90 |
| 12.21 | APPOINTMENT OF CONSULTANTS | 91 |
| 12.22 | DEVIATION FROM AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES | 93 |
| 12.23 | UNSOLICITED BIDS | 95 |
| 13 | LOGISTICS MANAGEMENT | 97 |
| 13.1 | SETTING OF INVENTORY LEVELS | 97 |
| 13.2 | PLACING OF ORDERS | 98 |
| 13.3 | RECEIVING AND DISTRIBUTION OF GOODS | 98 |
| 13.4 | STORES AND WAREHOUSE MANAGEMENT | 99 |
| 13.5 | EXPEDITING ORDERS | 99 |

| | | |
|-------|---|-----|
| 13.6 | TRANSPORT MANAGEMENT | 99 |
| 13.7 | VENDOR PERFORMANCE | 99 |
| 13.8 | CONTRACT MANAGEMENT | 100 |
| 13.9 | MAINTENANCE AND CONTRACT ADMINISTRATION | 100 |
| 13.10 | CONTRACT ADMINISTRATION | 101 |
| 13.11 | LEVELS OF CONTRACT ADMINISTRATION | 102 |
| 13.12 | APPOINTING A CONTRACT MANAGER | 102 |
| 13.13 | DUTIES AND POWERS OF CONTRACT MANAGER | 103 |
| 13.14 | CONTRACT GUIDELINES | 104 |
| 13.15 | DELEGATING TO CONTRACT ADMINISTRATOR | 104 |
| 13.16 | CONTRACT MANAGEMENT PROCESS | 104 |
| 13.17 | DOCUMENT RETENTION | 105 |
| 13.18 | GUIDELINES ON CONTRACT ADMINISTRATION | 105 |
| 14 | DISPOSAL MANAGEMENT | 106 |
| 15 | RISK MANAGEMENT | 108 |
| 16 | PERFORMANCE MANAGEMENT | 110 |

CHAPTER 3: OTHER MATTERS

| | | |
|------|---|-----|
| 17 | PROHIBITION ON AWARDS TO PERSONS WHOSE/WHICH TAX MATTERS ARE NOT IN ORDER | 111 |
| 18 | PROHIBITION ON AWARDS TO PERSONS IN THE SERVICE OF THE STATE | 111 |
| 19 | AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE | 112 |
| 20 | CODE OF ETHICAL STANDARDS | 112 |
| 20.1 | INDUCEMENTS, REWARDS, GIFTS AND FAVOURS TO THE COM, ITS OFFICIALS AND/OR OTHER ROLE-PLAYERS | 115 |
| 20.2 | SPONSORSHIPS | 115 |
| 20.3 | OBJECTIONS AND COMPLAINTS | 116 |
| 20.4 | RESOLUTION OF DISPUTES, OBJECTIONS, COMPLAINTS AND QUERIES | 116 |

| | | |
|------|--|-----|
| 20.5 | CONTRACTS PROVIDING FOR COMPENSATION BASED ON TURNOVER | 117 |
|------|--|-----|

CHAPTER 4: COMBATING ABUSE OF THE SUPPLY CHAIN

MANAGEMENT SYSTEM

| | | |
|-------|--|-----|
| 21 | COMBATING ABUSE OF THE SUPPLY CHAIN MANAGEMENT SYSTEM | 118 |
| 21.1 | COM'S REGISTER OF TENDER AND CONTRACT DEFAULTERS | 120 |
| 21.2 | AUTOMATIC REJECTION OF BID | 121 |
| 21.3 | ADEQUATE NOTICE OF MANNER OF ABUSE OF SUPPLY CHAIN MANAGEMENT SYSTEM | 122 |
| 21.4 | RIGHT OF ACCESS TO INFORMATION | 123 |
| 21.5 | ADMINISTRATION OF HEARINGS | 123 |
| 21.6 | RIGHT TO BE HEARD | 123 |
| 21.7 | ORAL HEARINGS | 124 |
| 21.8 | PROCEDURE AT ORAL HEARING | 125 |
| 21.9 | ONUS OF PROOF | 125 |
| 21.10 | RIGHT TO LEGAL REPRESENTATION | 125 |
| 21.11 | RIGHT TO REQUEST REASONS | 125 |
| 21.12 | CRIMINAL PROCEEDINGS | 126 |
| 21.13 | INFORMING NATIONAL AND PROVINCIAL TREASURY | 126 |

CHAPTER 5: PREFERENTIAL PROCUREMENT

| | | |
|----|---|-----|
| 22 | PLANNING AND STIPULATION OF PREFERENCE POINT SYSTEM TO BE UTILIZED | 126 |
| 23 | EVALUATION OF BIDDERS ON FUNCTIONALITY | 127 |
| 24 | THE 80/20 PREFERENCE POINT SYSTEM FOR THE ACQUISITION OF GOODS AND/OR SERVICES UP TO A RAND VALUE OF R1 MILLION | 127 |
| 25 | THE 90/10 PREFERENCE POINT SYSTEM FOR THE ACQUISITION OF GOODS AND/OR SERVICES WITH A RAND VALUE ABOVE R1 MILLION | 129 |

| | | |
|----|--|-----|
| 26 | AWARD OF CONTRACTS TO BIDDERS NOT SCORING THE HIGHEST NUMBER OF POINTS | 130 |
| 27 | CANCELLATION AND RE-INVITATION OF BIDS | 130 |
| 28 | LOCAL PRODUCTION AND CONTENT | 131 |
| 29 | B-BBEE STATUS LEVEL CERTIFICATE | 132 |
| 30 | CONDITIONS | 132 |
| 31 | DECLARATIONS | 134 |
| 32 | REMEDIES | 135 |

SCHEDULES

| | | |
|--|--------------|-----|
| | SCHEDULE "A" | 136 |
|--|--------------|-----|

CHAPTER 1: ESTABLISHMENT AND IMPLEMENTATION OF SCM POLICY

1. DEFINITIONS

In this policy, except where the context otherwise indicates or it is expressly stipulated otherwise, the following words, expressions and/or abbreviations shall have the respective meanings assigned to them hereunder and words or expressions to which a meaning has been assigned in terms of the provisions of section 1 of the MFMA will have the corresponding meaning assigned thereto in terms of such section. Some of these words, expressions and/or abbreviations may not occur in the Policy, but are included for the sake of completeness.

| NO. | WORD/EXPRESSION | DEFINITION |
|------------|--|---|
| "A" | | |
| 1.1. | "abuse of the supply chain management system" | Means acts and/or omissions, or the underlying acts and/or omissions from an affected person which forms the basis of the intended steps to be taken by the municipal manager in terms of this policy, and includes: "fronting" i.e., where HDI's are signed up as fictitious shareholders or members in essentially juristic entities where some or none of the shareholding or membership, as the case may be, is held by persons other than HDI's, and which juristic entities bid for contracts in terms of which substantial financial benefits and proceeds generated by virtue of such contracts are channelled to shareholders or members of such juristic entities, as the case may be, or to an alternative juristic entity or entities where some or none of the shareholding or membership, as the case may be, is held by persons other than HDI's who otherwise would not have obtained any financial |

| | | |
|------|-----------------------------------|--|
| | | <p>benefits or proceeds but for such fictitious shareholders or members of the entity to whom the contract was awarded;</p> <p>“collusive bids” i.e., where bidders conclude an arrangement between themselves to obtain the highest possible points in the evaluation and/or the award of a bid whereby competitive bids are eliminated; and</p> <p>“influencing the bid process” i.e., directly, indirectly or tacitly influencing or interfering with the work of relevant officials of the CoM involved in the bid process in order to influence the process so as to <u>inter alia</u>: (a) influence the process and/or outcome of a bid, (b) incite breach of confidentiality and/or the offering of bribes, (c) cause over and under invoicing, (d) influence the choice of procurement method or technical standards, and (e) influence any officials of the CoM in any way which may secure an unfair advantage during or at any stage of the procurement process.</p> |
| 1.2. | “accountability” | Means an account-giving relationship between individuals including the personal responsibility of a person to a senior or a higher authority in terms of that person's acts or omissions in the execution of his/her assigned duties. |
| 1.3. | “accounting officer” | Means the municipal manager of the CoM and refers to the definition of “accounting officer” as defined in terms of the provisions of section 1 of the MFMA and referred to in section 60 of the MFMA, and includes a person acting as an accounting officer or the person to whom the accounting officer has delegated his/her authority to act. |
| 1.4. | “A-class accountable item” | Means those items that are not consumable or expendable. |
| 1.5. | “Acquisition management” | Means the process of the procurement of goods, works and/or services and includes, but is not limited to, the |

| | | |
|-------|-------------------------------|---|
| | | identification of preferential policy objectives, determination of market strategies, application of depreciation rates, application of total costs of ownership principle, compilation of bid documentation including bid conditions, determination of evaluation criteria, evaluation of bids and tabling of recommendations, compilation and signing of contracts and contract administration. |
| 1.6. | “adjudication points” | Means the points referred to in the Preferential Procurement Policy Framework Act, Act 5 of 2000: Preferential Procurement Regulations, 2011, and the preferential procurement section of this policy, also referred to as “evaluation points” or “preference points”. |
| 1.7. | “affected person” | Means a natural person or entity whose/which rights may be materially and/or adversely affected when the municipal manager takes any of the steps contemplated in this policy in order to combat abuse of the supply chain management process. |
| 1.8. | “all applicable taxes” | Includes value added tax, pay as you earn, income tax, unemployment insurance fund contributions and skills development levies. |
| 1.9. | “asset” | Means a tangible or intangible resource capable of ownership. |
| 1.10. | “Auditor-General” | Means the person appointed as Auditor-General in terms of section 193 of the Constitution, and includes a person acting as Auditor-General, acting in terms of a delegation by the Auditor-General or designated by the Auditor-General to exercise a power or perform a duty of the Auditor-General. |
| 1.11. | “authority” | Means a right or power attached to a rank or position permitting the holder thereof to make decisions, to execute such decisions or to have such decisions executed, take command or to demand action by others. |

| "B" | | |
|------------|---|---|
| 1.12. | "B-BBEE" | Means broad based black economic empowerment as defined in terms of the provisions of section 1 of the Broad-Based Black Economic Empowerment Act, Act 53 of 2003. |
| 1.13. | "B-BBEE status level of contributor" | Means the B-BBEE status received by a measured entity based on its overall performance using the relevant scorecard contained in the Codes of Good Practice on Black Economic Empowerment, issued in terms of the provisions of section 9(1) of the Broad-Based Black Economic Empowerment Act, Act 53 of 2003. |
| 1.14. | "bid" | Also means tender i.e. quote, expression of interest, proposal, or any other proposition for business with the CoM, whether solicited or not or a written offer in a prescribed or stipulated form in response to an invitation by the CoM for the provisions of goods and services. |
| 1.15. | "bidder" | Means any person or entity submitting a bid or a written or verbal quotation pursuant to an invitation from the CoM to submit such a bid. |
| "C" | | |
| 1.16. | "capital asset" | Means any immovable asset such as land, property or buildings or any movable asset that can be used continuously or repeatedly for more than one year in the production or supply of goods or services, for rental to others or for administrative purposes, and from which future economic or social benefit can be derived, such as plant, machinery and equipment. |
| 1.17. | "chief financial officer" | Means the person appointed by the municipal council and designated by the municipal manager of the CoM to manage the financial administration of the CoM and remains directly accountable to the municipal manager |

| | | |
|-------|---|---|
| | | as contemplated in terms of the provisions of section 80(2)(a) read with sections 1 and 81 of the MFMA. |
| 1.18. | “City of Matlosana” or “CoM” | Means the CITY OF MATLOSANA a local government and legal entity with full legal capacity as contemplated in section 2 of the MSA, read with the provisions of Chapter 7 of the Constitution of the Republic of South Africa and sections 12 and 14 of the Local Government: Municipal Structures Act, Act 117 of 1998, with its main place of business and the offices of the municipal manager, as envisaged in terms of the provisions of section 115(3) of the MSA, Bram Fisher Street, KLERKSDORP, NORTH WEST PROVINCE, and includes its successor in title; or structural person exercising a delegated power or carrying out an instruction, in the event of any power being delegated as contemplated in terms of the provisions of section 59 of the Systems Act. |
| 1.19. | “CoM’s Register of Tender and Contract Defaulters” | Means the list compiled by the CoM for purposes of the combating of abuse of the supply chain management system in terms of which the persons reflected on the list are prohibited from being awarded any contract by the CoM for the specified period reflected on the list. |
| 1.20. | “close family member” | Means includes a spouse, child or parent of a person. |
| 1.21. | “closing time” | Means the time and date specified in bid documentation as that time and date upon which the final acceptance of bids will expire, and after expiry of which no more bids may be submitted and will not be accepted by the CoM. |
| 1.22. | “community based vendor” | Means a supplier of goods and/or services who resides in a target area or community, who/which meets the criteria for community based vendors as determined by the municipal manager from time to time, and who/which is registered on the list of the CoM as an accredited prospective provider of goods and/or services. |

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| 1.23. | "comparative price" | Means the price after the factors of a non-firm price and all unconditional discounts that can be utilized have been taken into consideration. A "non-firm price" means all prices other than a "firm price" and a "firm price" means 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 the 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. |
| 1.24. | "competitive bid" | Means a bid in terms of a competitive bidding process. |
| 1.25. | "competitive bidding process" | Means a competitive bidding process contained in section 12G of this policy, and referred to in regulation 12(1) (d) of the SCMR. |
| 1.26. | "consortium or joint venture" | Means an association of persons for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract. |
| 1.27. | "construction industry development board" or "CIDB" | Means the Construction Industry Development Board established by section 2 of the Construction Industry Development Board Act, Act 38 of 2000. |
| 1.28. | "Construction Industry Development Board Act" | Means the Construction Industry Development Board Act, Act 38 of 2000. |
| 1.29. | "construction works" | Means the provision of a combination of goods and services arranged for the development, extension, installation, repair, maintenance, renewal, removal, renovation, alteration, dismantling or demolition of a fixed asset including building and engineering infrastructure. |

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| 1.30. | “consultant” | Means a person or entity providing labour and knowledge based expertise which is applied with reasonable skill, care and diligence. |
| 1.31. | “contract” | Means a written agreement resulting from the acceptance of a bid or quotation from a bidder by the CoM and contemplated in the provisions of section 116 of the MFMA. |
| 1.32. | “contractor” | Means a person or entity whose/which bid or quotation has been accepted by the CoM. |
| 1.33. | “contract participation goal” | Means the amount equal to the sum of the value of work for which the prime contractor contracts to engage specific target groups in the performance of the contract, expressed as a percentage of the bid sum less provisional sums, contingencies and VAT. |
| 1.34. | “corrected bid sum” | Means the bid sum, corrected in terms of the bid documentation, where applicable. |
| 1.35. | “council” | Means the municipal council of the City of Matlosana in which the executive and legislative authority of the CoM is vested and which is the decision making body of the CoM, its legal successors and its delegates. |
| 1.36. | “current asset” | Means an asset on the balance sheet which can either be converted to cash or used to pay current liabilities within 12 (twelve) months from the beginning of the current financial year. |
| 1.37. | “customer service” | Means the process of serving customers in accordance with acceptable, predetermined standards in such a manner that it increases customer satisfaction and minimises time and costs. |
| “D” | | |
| 1.38. | “days” | Means calendar days, unless the context indicates otherwise. |

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| 1.39. | “delegated body” | Means in relation to the delegation of a power or duty a person to whom such power or duty has been delegated in writing by the delegating authority. |
| 1.40. | “delegating authority” | Means in relation to a delegation of a power or duty by a municipal council, the municipal council, in relation to a sub-delegation of a power or duty by another political structure, or by a political office bearer, councillor or staff member of the CoM, means that political structure, political office bearer, councillor or staff member. |
| 1.41. | “delegation” | Means the issuing of a written authorisation by a delegating authority to a delegated body to act in his stead, and in relation to a duty, includes an instruction or request to perform or to assist in performing the duty, and “delegate” and “sub-delegate” has a corresponding meaning. |
| 1.42. | “demand management” | Means system which insures that the resources required to support the strategic and operational commitments of the CoM are delivered at the correct time, at the right price, and at the right location, and that the quantity and quality satisfy the needs of the CoM. |
| 1.43. | “depreciation” | Means the decrease in the value of assets from general wear and tear and allocation of the cost of assets to periods in which the assets are used. |
| 1.44. | “designated sector” | 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 goods and/or services or locally manufactured goods meet the stipulated minimum threshold for local production and content. |
| 1.45. | “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 |

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| | | activity in the manner or in the range considered normal for a human being. |
| 1.46. | “disposal” | Means process of preparing, negotiating and concluding a written contract which involves the alienation of a capital asset including a capital asset no longer needed by the CoM or rights in respect thereof, by means of a sale or a donation, and “dispose” has a similar meaning. |
| 1.47. | “disposal management” | Means the system of the CoM for the disposal or letting of assets, including unserviceable, redundant or obsolete assets in a cost-effective, but transparent and responsible manner, and also entails the maintenance of records and documents. |
| “E” | | |
| 1.48. | “empowerment indicator” | Means measure of an enterprise's or businesses' contribution towards achieving the goals of the governments reconstruction and development program, this indicator will relate only to certain specific goals for the purposes of this policy. |
| 1.49. | “engineering and construction works” | Means the provision of a combination of goods and services, arranged for the development and provision of an asset including construction works and engineering infrastructure or for the refurbishment of an existing asset. |
| 1.50. | “entity” | Means juristic person. |
| 1.51. | “equipment” | Means-class accountable stores/stock that are issued and accounted for on an inventory. |
| 1.52. | “equity ownership” | Means the percentage of an enterprise or business owned by individuals or, in respect of a private company, the percentage of a company's shares that are owned by individuals, who are actively involved in the management of the enterprise or business and exercise control over |

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| | | the enterprise or business, commensurate with the degree of ownership at the closing date of the bid. |
| 1.53. | "evaluation points" | Means "adjudication points" and/or "preference points". |
| 1.54. | "exempted capital asset" | Means municipal capital asset which is exempted by section 14(6) of the MFMA from the other provisions of that section. |
| "F" | | |
| 1.55. | "final award" | Means in relation to bids or quotations submitted for a contract, the final decision on which bid or quote to accept. |
| 1.56. | "firm price" | Means the price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the change in position, 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 a contract. |
| 1.57. | "formal written price quotation" | Means quotations referred to in section 12F of this policy and regulation 12(1)(c) of SCMR and includes an electronic offer to the CoM in response to an invitation to submit such a quotation. |
| 1.58. | "functionality" | Means the measurement according to predetermined norms and/or criteria, as set out in the bid 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 bidder.. |
| "G" | | |

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| 1.59. | “general conditions of contract” | Means the general conditions of contract as set out in the bid documentation applicable to the said bid and not limited to the General Conditions of Contract for Construction Contracts, 2010 of the South African Institute of Civil Engineers. |
| 1.60. | “goods” | Means those raw materials or commodities which are available for general sale. |
| 1.61. | “goods and/or services” | Includes works, construction and consultant works |
| 1.62. | “granting of rights” | Means the granting by the CoM of the right to utilize, control or manage capital assets in circumstances where section 14 of the MFMA and chapters 2 and 3 of the MATR do not apply. |
| 1.63. | “green procurement” | Means the taking into account environmental criteria for goods and services to be purchased in order to ensure that the related environmental impact is minimized. |
| “H” | | |
| 1.64. | “historically disadvantaged individual” or “HDI” | Means South African citizen who, due to the apartheid policy that had been in place, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No 110 of 1983) or the Constitution of the Republic of South Africa, 1993 (Act No 200 of 1993) (“the Interim Constitution”); and/or who is a female; and/or who has a disability, provided that a person who obtained South African citizenship on or after the coming to effect of the Interim Constitution, is deemed not to be an HDI. |
| “I” | | |
| 1.65. | “implementing agent” | Means decision maker/manager mandated by the CoM to implement projects and invite bids/quotations of any nature. |

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| 1.66. | “improper conduct” | Means conduct which is tantamount to fraud, corruption, favouritism, unfair, irregular and unlawful practices, misrepresentation on information submitted in bid documents for the purposes of procuring a contract with the CoM, misrepresentation regarding the contractor's expertise and capacity to perform in terms of a contract procured via the supply chain management system, breach of a contract procured via the supply chain management system and failure to comply with the supply chain management system. |
| 1.67. | “in the service of the state” | Refers to the definition of “in the service of the state” as defined in terms of the provisions of regulation 1 of the SCMR. |
| 1.68. | “information technology” or “IT” | Means the acquisition, processing, storage and dissemination of vocal, pictorial, textual and numerical information by a microelectronics-based combination of computing and telecommunications. |
| 1.69. | “integrated development plan” or “IDP” | Means the plan envisaged in terms of the provisions of section 25 of the MSA. |
| 1.70. | “item” | Means an individual article or unit. |
| “J” | | |
| 1.71. | “joint venture” | Means an association of persons or entities formed for the purpose of combining the expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract or contracts. The joint venture or consortium must be formalised by agreement between the parties thereto. |
| “L” | | |

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| 1.72. | “list of accredited prospective providers” | Means the list of accredited prospective providers that a municipality must keep in terms of regulation 14 of the SCMR. |
| 1.73. | “local business” | Means service providers with active offices within the municipal area of the CoM, which shall be interpreted on the basis of whether the offices are utilised for the goods and/or services to be procured, and whether the majority are local or North-West people. |
| 1.74. | “local content” | Means that portion of the bid price which is not included in the imported content, provided that local manufacture does take place. “imported content” means that portion of the bid price presented by the cost of components, parts or materials which have been or are still to be imported (whether by the supplier or its sub-contractors) and which costs are inclusive of the costs abroad, plus freight and other direct importation costs, such as landing costs, dock dues, import duty, sales duty or other similar tax or duty at the South African port of entry. |
| 1.75. | “Local Government: Municipal Finance Management Act” or “MFMA” | Means the Local Government: Municipal Finance Management Act, Act 56 of 2003. |
| 1.76. | “Local Government: Municipal Systems Act” or “MSA” | Means the Local Government: Municipal Systems Act, Act 32 of 2000. |
| 1.77. | “long term contract” | Means contract with a duration period exceeding 1 (one) year. |
| “M” | | |
| 1.78. | “municipal asset transfer regulations” or “MATR” | Means the regulations published in terms of the provisions of section 168 of the MFMA, specifically the Asset Transfer Regulations, 2008, published under GN R878 in GG 31346 of 22 August 2008 (with effect from 1 September 2008). |

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| 1.79. | “municipal entity” | Refers to the definition of “municipal entity” as defined in terms of the provisions of section 1 of the MSA. |
| 1.80. | “municipal manager” | Means the municipal manager of the CoM, refer to the definition of “accounting officer”. |
| 1.81. | “municipality” | Means the City of Matlosana. |
| “N” | | |
| 1.82. | “non-exempted capital asset” | Means municipal capital asset which is not exempted in terms of the provisions of section 14(6) of the MFMA from the other provisions of that section. |
| “O” | | |
| 1.83. | “obsolete” | Means no longer in use or out of date, to become obsolete by replacing it with something new. |
| 1.84. | “official” | Refers to the definition of “official” as defined in terms of the provisions of section 1 of the MFMA. |
| 1.85. | “one-off contract” | Means discreet contract where specified goods, services or construction works are supplied for an approved contract sum. |
| 1.86. | “organ of state” | Means an organ of state as defined in terms of the provisions of section 239 of the Constitution. |
| 1.87. | “other applicable legislation” | Means any other legislation applicable to the supply chain management of the CoM, including the Preferential Procurement Policy framework Act, Act 5 of 2000, the Broad-Based Black Economic Empowerment Act, Act 53 of 2003 (BBBEEA), the Construction Industry Development Board Act, Act 38 of 2000, and the Consumer Protection Measures Act, Act 68 of 2008. |
| “P” | | |
| 1.88. | “person” | Means natural person. |

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| 1.89. | “planned project work” | Means a specific project identified by a need of the CoM therefore, and as opposed to the supply of goods and/or services that is of an ad-hoc or repetitive nature for a predetermined period of time. |
| 1.90. | “policy” | Means this Supply Chain Management Policy of the CoM. |
| 1.91. | “practitioner” | Means person who practices a profession or art. |
| 1.92. | “preference points” | Refer to “adjudication points” and/or “evaluation points”. |
| 1.93. | “Preferential Procurement Policy Framework Act” or “PPPFA” | Means the Preferential Procurement Policy Framework Act, Act 5 of 2000. |
| 1.94. | “Preferential Procurement Regulations” or “PPR” | Means the regulations published in terms of the provisions of section 5 of the PPPFA, specifically the Preferential Procurement Regulations, 2011 published under Government Gazette No. 34350 of 8 June 2011. |
| 1.95. | “Prevention and Combating of Corrupt Activities Act” or “PCCAA” | Means the Prevention and Combating of Corrupt Activities Act, Act 12 of 2004. |
| 1.96. | “prime contractor” | Means the person or entity with whom/which the CoM will contract, as opposed to sub-contractors, suppliers, manufacturers or service providers who/which contract with the prime contractor. |
| 1.97. | “procedures” | Means sequence of actions or operations which have to be executed in the same manner in order to always obtain the same result under the same circumstances, and “process” will have a corresponding meaning. |
| 1.98. | “procurement” | Means process of preparing, negotiating and concluding a contract, whether in writing or verbally, which involves the acquiring of goods and/or services, and engineering and construction works, or any combination thereof, or the acquiring of capital assets or any rights in respect of |

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| | | the above, by means of a purchase, lease or donation and "procuring" has a similar meaning. |
| 1.99. | "project management" | Means the planning, directing and controlling of an organisations resources over a short term to ensure that specific objectives are successfully met. |
| 1.100. | "Promotion of Access to Information Act" or "PAIA" | Means the Promotion of Access to Information Act, Act 2 of 2000. |
| 1.101. | "provider" | Means the person or entity who/which provides, supplies services, goods or works to the CoM. |
| 1.102. | "Public-Private Partnership" or "PPP" | Refers to the definition of "public-private partnership" as defined in terms of the provisions of Regulation 1 of the Municipal Public-Private Partnership Regulations, published under GN R309 in GG 27431 of 1 April 2005 in terms of the provisions of Section 168 of the MFMA.. |
| "Q" | | |
| 1.103. | "quality" | Means the measure according to predetermined criteria, of the suitability of a proposal, design or product for the use for which it is intended, and may also include the measure of the competency of a supplier. |
| "R" | | |
| 1.104. | "rand value" | Means the total estimated value of a contract in South African currency, calculated at the time of quotation and bid invitations and includes all applicable taxes and excise duties. |
| 1.105. | "redundant" | Means no longer needed or useful, superfluous, unnecessary. |
| 1.106. | "renewal" | Means replace or restore something that is broken or worn-out. |

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| 1.107. | “Republic” | Means the Republic of South Africa. |
| 1.108. | “representative” | Means any representative of an affected person in relation to the relevant bid, whether authorized or not, including but not limited to directors, members, employees and agents and include legal representatives. |
| 1.109. | “responsibility” | Means the obligation imposed on an individual to properly exercise the authority vested in him/her, and involves the power to command and to demand action in the proper execution of the relevant duties. |
| 1.110. | “responsible agent” | Means internal project managers being officials of the CoM or external consultants appointed by the CoM pertaining to a project or contract. |
| 1.111. | “Risk management” | Means the identification, measurement and economic control of risks that threaten the assets and earnings of a business or other enterprise. |
| 1.112. | “rules” | Means statements that a specific action must or must not be taken in a given situation. |
| “S” | | |
| 1.113. | “service provider” | Means “service provider” as defined in terms of the provisions of Section 1 of the MSA. |
| 1.114. | “services” | Means the provision of labour and work carried out by hand, or with the assistance of plant and equipment, including the input, as necessary, of knowledge based expertise and/or consultants. |
| 1.115. | “small, medium and micro enterprises” or “SMME” | Refers to “small enterprise” as defined in terms of the provisions of Section 1 of the National Small Enterprise Act, Act 102 of 1996. |
| 1.116. | “sourcing” | Means where an item to procure is obtainable. |
| 1.117. | “specification” | Means the terminology generally used to describe the requirement/s for goods. |

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| 1.118. | “stipulated minimum threshold” | Means that portion of local production and content as determined by the Department Trade and Industry. |
| 1.119. | “stores” or “stock” | Means all movable state property/assets that are kept in stock for issue purposes. |
| 1.120. | “strategic goals” | Means areas of the organisational performance that are critical to the achievement of the mission and are statements that describe the strategic direction of the organisation. |
| 1.121. | “strategic objectives” | Means objectives which are more concrete and specific than strategic goals and it must give a clear indication of what the CoM intends on doing or producing in order to achieve the strategic goals it has set for itself. |
| 1.122. | “sub-contract” | Means the primary contractor’s assigning, leasing, 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. |
| 1.123. | “sub-contractor” | Means any person or entity that is employed, assigned, leased or contracted by the prime contractor to carry out work in support of the prime contractor in the execution of a contract. |
| 1.124. | “supplier/vendor” | Means generic term which may include suppliers of goods and/or services, contractors and/or consultants. |
| 1.125. | “supply chain management” or “SCM” | Means as contemplated in terms of the provisions of Section 217 of the Constitution, Part 1 of Chapter 11 of the MFMA read together with the SCMR. |
| 1.126. | “supply chain management policy” | Means this supply chain management Policy of the CoM. |
| 1.127. | “supply chain management regulations” or “SCMR” | Means the regulations published in terms of the provisions of section 168 of the MFMA, specifically the Municipal Supply Chain Management Regulations, published under GenN 868 in GG 27636 of 30 May 2005. |

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| 1.128. | “supply chain management unit” or “SCMU” | Means the supply chain management unit which functions under the management and control of the municipal manager of the CoM, which unit is responsible for the implementation and management of this policy. |
| “T” | | |
| 1.129. | “tender” | Means bid in the context of procurement. |
| 1.130. | “term bid” | Means rate-based bid for the ad hoc or repetitive supply of goods, services or construction works, where the individual rates are approved for use over a specified period. |
| 1.131. | “terms of reference” or “TOR” | Means the term used to describe the requirement for professional services. |
| 1.132. | “total cost of ownership” or “TCO” | Means the sum of direct spend, related spend, process spend and opportunity cost associated within a specific commodity and service to the owner. |
| 1.133. | “treasury guidelines” | Means any guidelines on supply chain management issued by the Minister in terms of the provisions of Section 168 of the MFMA. |
| 1.134. | “trust” | Means the arrangement through which the property of one person is made over of bequeathed to a trustee to administer such property for the benefit of another person. |
| “U” | | |
| 1.135. | “unserviceable” | Means the condition of an item that is no longer suitable for use and cannot be economically repaired. |
| 1.136. | “unsolicited bid” | Means an offer submitted by any person or entity at its own initiative, without having been invited by the CoM to do so and specifically refers to the provisions of Section 113 of the MFMA read together with Regulation 37 of the SCMR |

| “V” | | |
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| 1.137. | “value for money” | Means the best available outcome when all relevant costs and benefits over the procurement cycle are considered. |
| 1.138. | “verbal quotation” | Refers to “written or verbal quotations” as defined in terms of the provisions of Regulation 1 of the SCMR. |
| “W” | | |
| 1.139. | “written quotation” | Refers to “written or verbal quotations” as defined in terms of the provisions of Regulation 1 of the SCMR. |

2. INTRODUCTION

- (1) Section 111 of the MFMA requires each municipality to adopt and implement a supply chain management policy which gives effect to the requirements of the MFMA, and section 217(1) of the Constitution, in addition, the PPPFA requires an Organ of State to determine its preferential procurement policy and to implement it within the framework prescribed. These requirements are given effect to herein.
- (2) The supply chain management system of the CoM, contained in this policy, provides a mechanism to ensure sound, sustainable and accountable supply chain management within the CoM whilst promoting black economic empowerment, which includes general principles for achieving the following socio-economic objectives:
 - (a) To stimulate and promote local economic development in a targeted and focused manner;
 - (b) To promote resource efficiency and greening;
 - (c) To facilitate creation of employment and business opportunities for the people of Matlosana with particular reference to HDI's;
 - (d) To promote the competitiveness of local businesses;
 - (e) To increase the small business sector access, in general, to procurement business opportunities created by Council;
 - (f) To increase participation by small, medium and micro enterprises; and
 - (g) To promote joint venture partnerships.

3. TITLE AND APPLICATION OF THE POLICY

- (1) This policy shall be known as the CoM's Supply Chain Management Policy, and is applicable to the municipal area of the CoM as determined by the Municipal Demarcation Board.
- (2) This policy applies to-
 - (a) The procuring of goods and/or services;
 - (b) The disposal by council of goods no longer needed;
 - (c) The selection of contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the MSA applies; and
 - (d) The selection of external mechanisms referred to in section 80(1)(b) of the MSA for the provisions of municipal services in circumstances contemplated in section 83 of that act.
- (3) Unless specifically stated otherwise, this policy does not apply where the CoM contracts with another organ of state for-
 - (a) The provision of goods and/or services to the CoM; or
 - (b) The provision of a municipal service; or
 - (c) The procurement of goods and services under a contract secured by that organ of state, provided that the relevant supplier has agreed to such procurement and the process is compliant to the provisions of section 12.18 of this policy
 - (d) the Policy must be read with the Supply Chain Management Procedure Manual and the SCM Model Policy for infrastructure procurement and delivery management, where the SCM Policy including the SCM Manual and the Model Policy on infrastructure procurement are in conflict when procuring an infrastructure project,

only the SCM Model Policy on Infrastructure procurement shall take precedence

- (e) A report must nevertheless be submitted to the bid **Evaluation and the committee adjudication committee** seeking authority to contract with another organ of state;

Including, water from the Department of Water Affairs or a public entity, another municipality or municipal entity and electricity from Eskom or another public entity, another municipality or municipal entity.

- (4) The CoM and any private person/s and/or entities must adhere to the principles, provisions, rules and requirements contained in this policy when dealing with any matter connected with and/or contained herein.

4. AIM AND PURPOSE OF THE SUPPLY CHAIN MANAGEMENT SYSTEM

- (1) The aim and the purpose of the supply chain management system is to have and maintain an efficient, fair, equitable, transparent, competitive and cost-effective supply chain system when sourcing and procuring goods and/or services, as well as the sale and letting of assets, which conform to constitutional and legislative principles and maximizes the benefits from its consolidated buying power in the market place.
- (2) The CoM must manage its financial and administrative resources in such a manner to meet and sustain its supply chain purpose.

5. OBJECTIVES OF THE POLICY

- (1) The objectives of this policy is to implement the legislative provisions relating to the supply chain management of the CoM, that-
 - (a) Gives effect to-
 - (i) The provisions of section 217 of the Constitution; and
 - (ii) Part 1 of Chapter 11 and other applicable provisions of the MFMA;
 - (b) is fair, equitable, transparent, competitive and cost effective;
 - (c) Complies with-
 - (i) The regulatory framework prescribed in Chapter 2 of the SCMR; and
 - (ii) Any minimum norms and standards that may be prescribed in terms of the provisions of section 168 of the MFMA;
 - (d) is consistent with other applicable legislation;
 - (e) Does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
 - (f) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.
- (2) The CoM may not act otherwise than in accordance with this supply chain management policy when-
 - (a) Procuring goods and/or services;
 - (b) Disposing of goods no longer needed;
 - (c) Selecting contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the MSA applies; or

(d) In the case of the CoM selecting external mechanisms referred to in section 80(1)(b) of the MSA for the provision of municipal services in circumstances contemplated in section 83 of that Act.

(3) To assure the creation of an environment where business can be conducted with integrity and in a fair, reasonable and accountable manner, this policy will ensure that the municipal manager and all representatives of the CoM involved in supply chain management activities must act with integrity, accountability, transparency and with the highest ethical standards.

(a) All supply chain management representatives must adhere to the code of ethical standards contained in section 20 of this policy together with the code of conduct for municipal staff contained in schedule 2 of the MSA.

6. DELEGATED AUTHORITY OF SUPPLY CHAIN MANAGEMENT POWERS AND DUTIES

- (1) The council of the CoM has, in terms of its delegation of powers and functions in terms of the provisions of section 59 of the MSA, delegated such additional powers and duties to the municipal manager so as to enable the municipal manager –
 - (a) To discharge the supply chain management responsibilities conferred on accounting officers in terms of-
 - (i) Chapter 8 of the MFMA; and
 - (ii) This policy;
 - (b) To maximise administrative and operational efficiency in the implementation of the supply chain management system;
 - (c) To enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of the supply chain management system; and
 - (d) To comply with his or her responsibilities in terms of the provisions of section 115 and other applicable provisions of the MFMA.
- (2) Section 79 of the MFMA applies to the sub-delegation of powers and duties delegated to the municipal manager in terms of sub-section (1).
- (3) Neither the council nor the municipal manager of the CoM may delegate or sub-delegate any supply chain management powers or duties-
 - (a) To a person who is not an official of the CoM; or
 - (b) To a committee which is not exclusively composed of officials of the CoM.
- (4) This section may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive

bidding process otherwise than through the committee system provided for in section 12.8.

- (5) No decision-making in terms of any supply chain management powers and duties may be delegated or sub-delegated to an advisor or consultant.
- (6) Delegations and/or sub-delegations of authority-
 - (a) Must be in accordance with pre-established levels of authority to ensure control and division of responsibility;
 - (b) Must be in writing;
 - (c) Must be made to a specific position and not to a named individual;
 - (d) may be confirmed, varied or revoked by the person who made such delegation or sub-delegation, but no such variation or revocation may detract from any right which may have accrued as a result of the delegation or sub-delegation; and
 - (e) Does not divest the municipal manager of the responsibility and/or accountability concerning the exercise of the delegated power or the performance of the delegated duty.
- (7) The municipal manager may confirm, vary or revoke any decision taken in terms of a delegation or sub-delegation, provided that no such variation or revocation may detract from any right which may have accrued as a result of such decision.
- (8) The municipal manager of the CoM must develop a practical and efficient system of delegation and sub-delegation that will both maximize administrative and operational efficiency and provide adequate checks and balances in the financial administration of the CoM.

6.1 Sub-Delegations

- (1) The municipal manager may, in terms of the provisions of section 79 of the MFMA sub-delegate any supply chain management powers and duties, including those delegated to the municipal manager in terms of section 6 (1), but any such sub-delegation must be consistent with section 6 and sub-section (2).
- (2) The power to make a final award-
 - (a) Above R10 million (including VAT) may not be sub-delegated by the municipal manager;
 - (b) Above R2 million (including VAT), but not exceeding R10 million (including VAT), may be sub-delegated but only to-
 - (i) The chief financial officer;
 - (ii) director/senior manager; or
 - (iii) The bid adjudication committee of which the chief financial officer or a director/senior manager is a member; or
 - (c) Not exceeding R2 million (including VAT) may be sub-delegated but only to-
 - (i) The chief financial officer;
 - (ii) director/senior manager;
 - (iii) A manager directly accountable to the chief financial officer or a director/senior manager; or
 - (iv) The bid adjudication committee.
- (3) An official or bid adjudication committee to which the power to make final awards has been sub-delegated in accordance with sub-section (2) must within 5(five) days of the end of each month submit to the official referred to in sub-section (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.
- (4) A written report referred to in sub-section (3) must be submitted-
- (a) To the municipal manager, in the case of an award by-
 - (i) The chief financial officer;
 - (ii) A director/senior manager; or
 - (iii) The bid adjudication committee of which the chief financial officer or a director/senior manager is a member; or
 - (b) To the chief financial officer or the director/senior manager responsible for the relevant bid, in the case of an award by-
 - (i) A director/manager referred to in sub-section (2) (c) (iii); or
 - (ii) The bid adjudication committee of which the chief financial officer or a director/senior manager is not a member.
- (5) Sub-sections (3) and (4) do not apply to procurements out of petty cash.
- (6) This section may not be interpreted as permitting an official to whom the power to make final awards has been sub-delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in section 12.8.

6.2 Oversight role of the CoM

- (1) The council of the CoM must maintain oversight over the implementation of this policy by the municipal manager.
- (2) For the purposes of such oversight the municipal manager must-
 - (a) (i) within 30 (thirty) days of the end of each financial year, submit a report on the implementation of this policy of the CoM to the council;

- (ii) Whenever there are serious and material problems in the implementation of this policy, immediately submit a report to the council of the CoM.

- (3) The municipal manager must, within 10 (ten) days of the end of each quarter, submit a report on the implementation of this policy to the Executive Mayor of the CoM.
- (4) The reports of the CoM must be made public in accordance with the provisions of section 21A of the MSA.
- (5) The Executive Mayor of the CoM must provide general political guidance over the fiscal and financial affairs of the CoM and may monitor and oversee the exercise of responsibilities assigned to the municipal manager and chief financial officer in terms of the MFMA. This role of the Executive Mayor is an oversight role only, and specifically excludes any interference or influence in or over a decision to award procurement contracts.

6.3 Supply Chain Management Units

- (1) The CoM must establish a supply chain management unit to implement this policy.
- (2) The supply chain management unit must, where possible, operate under the direct supervision of the chief financial officer or an official to whom this duty has been delegated in terms of this section.

7. COMPETENCY AND TRAINING OF SUPPLY CHAIN MANAGEMENT OFFICIALS

- (1) The municipal manager must ensure that all persons involved in the implementation of this policy meet the prescribed competency levels, and where necessary, shall provide relevant training.
- (2) The training of officials involved in implementing this policy must be in accordance with any Treasury guidelines on supply chain management training.

8. DUTIES AND RESPONSIBILITIES

8.1 General Responsibilities of the Officials of the CoM

- (1) Each official must carry out its activities within his/her area of responsibility.
- (2) Each official must take appropriate steps to prevent any unauthorized, irregular, fruitless and wasteful expenditure in his/her area of responsibility.
- (3) Each official responsible for a task must carry it out in accordance with the various supply chain requirements contained in this policy.
- (4) Any matter not specifically delegated or sub-delegated to an official, must be referred to the municipal manager for proper allocation thereof.
- (5) Each official is responsible for all assets of the CoM within his/her area of responsibility.

8.2 Responsibilities of the Municipal Manager

- (1) The municipal manager must-
 - (a) Ensure strict adherence and compliance with the provisions of this policy and all relevant legislation;
 - (b) Implement this policy;
 - (c) Review the targets and this policy annually or cause the targets and policy to be so reviewed;

- (d) Appoint the members of the Bid committees after personally ensuring the competency of such members for the position;
- (e) To ensure that the most favourable service providers are appointed and that any deviations from a proposal by the bid adjudication committee are, at the next available council meeting, reported to the council;
- (f) Establish a supply chain management unit within the financial directorate in order to assist the municipal manager to implement this policy; and
- (g) Comply with the provisions of section 19 of this policy.
- (h) to make sure that the procurement planning of the 2018/2019 financial year start simultaneously with the budget process and is approved with the budget before the 30 June 2018

8.3 Responsibilities of the Directors

Each director of the CoM is responsible and accountable for-

- (a) Exercising the powers, performing the functions and discharging the duties conferred or assigned to him in terms of this policy or any delegation from the municipal manager;
- (b) Implementing this policy and any procedural and/or other prescripts issued in terms of this policy and within his/her area of responsibility;
- (c) Ensure compliance with this policy and any procedural and/or other prescripts issued in terms of this policy and within his/her area of responsibility;
- (d) developing draft specifications, or causing draft specifications to be developed, for the procurements by his/her directorate which procurements exceed an amount of R30.000 (including VAT);
- (e) The management of asset utilization in his/her area of responsibility;

(f) compile the procurement plan for and, in as far as is possible, accurately estimating the costs for the provision of services, works or goods for which offers are to be solicited and ensures that the plan is submitted to the SCM Unit

(1) to make sure that the procurement planning of the 2018/2019 financial year start simultaneously with the budget process and is approved with the budget before the 30 June 2018

(g) Selecting the appropriate preference point system to be utilized in the evaluation of offers;

(g) Assuring that objectives and targets are achieved with regard to procurements and/or disposals by the CoM; and

(h) Proper contract and project management over every contract and/or project undertaken by his/her directorate.

(l) Ensures that the objective of the provincial VTSD are met on any project advertised by council and compile progress report for council

8.4 Responsibilities of the Chief Financial Officer

(1) The Chief Financial Officer is the custodian of this policy responsible for-

(a) Reporting on the progress regarding the implementation of this policy;

(b) Recommending improvements on the practical implementation of this policy and possible amendments;

(c) the conducting of procurement audits of the entire supply chain management system to identify successes and/or failures and/or unauthorized, irregular, fruitless and wasteful expenditure and to report on any findings which are not in accordance with the provisions of this policy to the municipal manager;

(d) Management of the quotation and competitive bidding process from the solicitation thereof to processing invoice payment;

- (e) Promoting a corporate approach by encouraging standardization of items purchased within the CoM to realize economies of scale;
- (f) Providing supplier interface on supplier performance issues;
- (g) Ensuring that all procurements and/or disposals are effected by complying with all relevant legislation;
- (h) Managing procurements and/or disposals in order to ensure that the supply chain management system and this policy are complied with;
- (i) Ensuring that the procurement and/or disposal process followed by the CoM adheres to the preference targets without compromising price, quality, service and developmental objectives;
- (j) ensuring that the employees of the CoM who are involved in the supply chain management process receive the necessary training and are properly qualified to support the implementation of this policy;
- (k) Specifying the amount to be paid by prospective service providers as a non-refundable deposit for enquiry documents issued by the CoM;
- (l) The verification of applications from prospective service providers for possible inclusion in the Register; and
- (m) Submitting regular reports to the municipal manager and the finance portfolio committee regarding progress and any matters of importance relating to this policy. developing draft specifications, or causing draft specifications to be developed, for the procurements by his/her directorate which procurements exceed an amount of R30.000 (including VAT);
- (n) The management of asset utilization in his/her area of responsibility;
- (o) compile the procurement plan for and, in as far as is possible, accurately estimating the costs for the provision of services, works or goods for which offers are to be solicited and ensures that the plan is submitted to the SCM Unit

- (p) Ensures that directors are informed in the beginning of the budgeting process to compile their proposed needs on the plan and consider the changes made during the process and update the plan accordingly until the final budget and the procurement plan are finalised

8.5 Responsibilities of the Supply Chain Management Unit

- (1) The SCMU shall be subject to the management and control of and accountable to the chief financial officer.
- (2) The SCMU must consist of at least the following sections-
 - (a) A demand management section;
 - (b) A procurement section/acquisition management section;
 - (c) A logistics section;
 - (d) A performance and contract management section;
 - (e) A disposal and asset management section; and
 - (f) A risk management section.
- (3) The manager of the SCMU will be responsible and accountable for the day-to-day management of the SCMU.
- (4) The personnel of the SCMU are appointed by the municipal manager in consultation with the chief financial officer.
- (5) The SCMU must issue, receive and finalize all documents for the procurement of goods and/or services by means of verbal, written or formal price quotations of a transaction value of over R2000 (including VAT), up to R200 000 (including VAT), as well as all documents for procurement by means of a competitive bidding process of a transaction value of over R200 000 (including VAT).
- (6) All documents for the disposal of movable and/or immovable capital assets must be issued, received and finalized by the SCMU.

- (7) The SCMU must endeavour to, in as far as is reasonably possible, to inform all unsuccessful bidders that the bid submitted to the CoM has not been accepted and the details of the bid which has been accepted by the CoM.

9. GENERAL

9.1 Amendment and review of this policy.

- (1) The municipal manager of the CoM must-
- (a) At least annually review the implementation of the policy; and
 - (b) When the municipal manager deems it necessary, submit proposals for the amendment of the policy to the council.
- (2) When amending this policy, the CoM must take account of 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.

9.2 Availability of Supply Chain Management Policy

A copy of this policy and other relevant documentation is available on the website of the CoM.

9.3 Communications

Any and all correspondence with regard to this policy must be addressed to the manager of the SCMU, and copied to the municipal manager.

CHAPTER 2: FRAMEWORK OF SCM POLICY

10 ESTABLISHMENT AND IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT SYSTEM

- (1) The supply chain management system of the CoM is an integrated system for the acquiring of goods, works and services on a competitive basis consists of the following systems-
- (a) Demand management system;
 - (b) Acquisition management system;
 - (c) Logistics management system;
 - (d) Disposal management system;
 - (e) Risk management system; and
 - (f) Performance management system.

11 DEMAND MANAGEMENT

- (1) Demand management provides for an effective system to ensure that the resources required to support the strategic and operational commitments of the CoM are delivered at the correct time, at the right price and at the right location, and that the quantity and quality satisfy the needs of the CoM.
- (2) The CoM's Integrated Development Plan (IDP) is a comprehensive strategy document setting out how the CoM intends to execute its development challenges in a financial year. It is on the basis of the IDP that the resources of the CoM will be allocated and on which the budget is based.
- (3) In order to achieve effective demand management, the manager of the SCMU must continuously ensure:
- (a) That efficient and effective provisioning and procurement systems and practices are implemented to enable the CoM to deliver the required quantity and quality of services to the communities;

- (b) The establishment of uniformity in policies, procedures, documents and contract options and the implementation of sound systems of control and accountability;
 - (c) the development of a world-class professional supply chain management system which results in continuing improvement in affordability and value for money, based on total cost of ownership and quality of procurement as competition amongst suppliers is enhanced; and
 - (d) In dealing with suppliers and potential suppliers that the CoM shall respond promptly, courteously and efficiently to enquiries, suggestions and complaints.
- (4) Demand management lies at the beginning of the supply chain and the major activities associated with identifying demand are:
 - (a) Establishing requirements;
 - (b) Determining needs; and
 - (c) Deciding on appropriate procurement strategies.
- (5) Demand management accordingly involves the following activities:
 - (a) Understanding the future needs;
 - (b) Identifying critical delivery dates;
 - (c) Identifying the frequency of the need;
 - (d) Linking the requirement to the budget;
 - (e) Conducting expenditure analyses based on past expenditure;
 - (f) Determining requirements,
 - (g) Conducting commodity analysis in order to check for alternatives; and
 - (h) Conducting industry analysis.

- (6) Each director of the CoM must, during the preparation of his/her directorate's estimates for the budget year-
- (a) Determine which functions it must perform;
 - (b) Determine the products and services it must provide in the performance of those functions;
 - (c) Conduct a condition assessment of the assets managed by his directorate;
 - (d) On the basis of its analysis in terms of the above, determine its financial needs during the budget year for:
 - (i) Maintaining existing assets at an acceptable level calculated to ensure the continued productivity of the asset in question and minor repairs;
 - (ii) Repairing existing assets;
 - (iii) Refurbishing or renovating existing assets;
 - (iv) Extensive repairing of existing assets;
 - (v) Replacing existing assets; and
 - (vi) Acquiring new assets.
- (7) The SCMU must, after consultation with each director, compile a schedule of procurements for capital projects in respect of each financial year, which schedule must be attached to the CoM's budget implementation plan.
- (8) During the consultations between the SCMU and the directors of the CoM, all reasonable steps must be taken in order to determine:
- (a) The desired date and time at which a specific contract must be awarded;
 - (b) The desired date and time when specific goods must be delivered, services rendered or work executed;

- (c) The place where any goods to be supplied shall be delivered;
- (d) The quantity of any goods to be supplied; and
- (e) Any other relevant matter.
- (f) Departments must submit the their annual procurement plan to

The SCM 14 days after the budget has been approved.

12 ACQUISITION MANAGEMENT

- (1) The acquisition management system provides the general conditions and procedures which are applicable, as amended from time to time, to all procurements, contracts and orders of the CoM.
- (2) The acquisition management system of the CoM must ensure that-
 - (a) Goods and/or services are procured by the CoM in accordance with authorised processes incorporated herein;
 - (b) Expenditure on goods and/or services is incurred in terms of an approved budget;
 - (c) The threshold values for the different procurement procedures are complied with;
 - (d) bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with the requirements of relevant legislation including the PPPFA and any conditions of the CIDBA; and
 - (e) Procurement guidelines issued by the National Treasury are properly taken into account.
- (3) The CoM must make public the details of the nature of goods and/or services together with the name/s of the provider/s where the CoM procures such goods and/or services from another organ of state or a public entity.
- (4) The CoM must make public the fact that it procures goods and/or services otherwise than through its supply chain management system, including-

- (a) The kind/type of goods and/or services; and
 - (b) The name of the supplier.
- (5) Where appropriate the municipal manager may appoint a neutral and/or independent observer in order to ensure fairness and transparency in the application of the acquisition management system, or to assist and advise the SCMU in the execution of their functions and duties.
- (6) The CoM may not enter into any contract which will impose financial obligations beyond the 3(three) years covered in the annual budget for that financial year unless the requirements of section 33 of the MFMA have been fully complied with or proper provision have been made in such contract to so comply.
- (7) The following applies where the CoM procures public-private partnership agreements-
- (a) Part 2 of chapter 11 of the MFMA; and
 - (b) Section 33 of the same act where such agreement will have multi-year budgetary implications for the CoM within the meaning of that section.
- (8) In respect of any contract relating to the publication of official and/or legal notices and/or advertisements in the press by or on behalf of the CoM, a competitive bidding process need not be followed.
- (9) The manager of the SCMU may request quotations directly from community based vendors in a specific area or from a specific community for the procurement of goods and services for transaction amounts of a value less than R30 000 (including VAT).

12.1 Range of Procurement Processes

- (1) The procurement of goods and services must be done through the range of procurement processes set out in this section, which are-

- (a) petty cash purchases up to, and including a transaction value of R2000 (including VAT);
 - (b) Written or verbal quotations for procurements of a transaction value exceeding R2000, up to and including a transaction value of R10 000 (including VAT);
 - (c) Formal written price quotations for procurements of a transaction value exceeding R10 000, up to and including a transaction value of R200 000 (including VAT); and
 - (d) A competitive bidding process for-
 - (i) Procurements where the estimated transaction value exceeds R200 000 (including VAT); and
 - (ii) The procurement of a long terms contract (exceeding one year in duration).
- (2) The municipal manager of the CoM may-
- (a) Lower, but not increase, the different threshold values specified in this acquisition management system; or
 - (b) Direct that-
 - (i) Written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2000;
 - (ii) Formal written price quotations be obtained for any specific procurement of a transaction value lower than R10 000; or
 - (iii) A competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000.
- (3) Goods and/or services may not be deliberately divided into parts or items of a lesser value merely to avoid complying with the requirements of this policy and when transaction values are determined for procurements consisting of different parts or items it must, in as far as possible, be treated, dealt with and be calculated as a single transaction.

- (3.1) Purchases below R30 000 must be done once per financial year and per good or service
- (3.2) any good or service with a consumption of six (6) per annum or financial year and above the R30000 but equals to R200 000 (vat inclusive) threshold shall be procured through a closed quotation advertised for seven days or if the good or service exceed R200 000 (vat inclusive) it shall be procured through the bidding process as indicated in this policy
- (3.3) notwithstanding the above mentioned provisions, the department shall submit a written request for a grace period of not less than three months to continue with the normal quotation process while preparing the bidding process or seven (7) days close quotation.

12.2 General Preconditions for Consideration of Written Quotations or Bids

- (1) The CoM may not consider a written quotation or bid unless the provider who submitted the quotation or bid-
 - (a) Has furnished the CoM with that provider's-
 - (i) complete form of the MBD(municipal bid document -4
 - (b) Has submitted an original and valid tax clearance certificate certifying that the provider's tax matters is in order; or tax pin number
 - (c) has authorised the CoM to obtain a tax clearance from the South African Revenue Services (SARS) that the provider's tax matters are in order, if deemed necessary; and
 - (d) Has indicated-
 - (i) Whether he/she or it is in the service of the state, or has been in the service of the state in the previous 12 (twelve) months;
 - (ii) if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous 12 (twelve) months; or
 - (iii) whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in sub-paragraph (ii) is in the service of the state, or has been in the service of the state in the previous 12 (twelve) months.

12.3 List of Accredited Prospective Providers or central supplier database

- (1) The municipal manager must –
 - (a) make sure that all service providers and suppliers doing business with the municipality are registered on the central supplier database and are in good standing with all the requirement of the CSD.
 - (b) at least once a year through newspapers commonly circulating locally, the website of the CoM and any other appropriate ways, to invite and encourage prospective providers of goods and/or services to be registered on the central supplier database;
 - (d) Refuse to do business with supplier who did not register on the CSD.
- (2) The prospective suppliers and service providers must also be made aware to updated their information as and when the need arises
- (3) the municipality reserve the right to request any further information for verification purpose and failure by the service provider or supplier to comply will render the tender or quotation invalid/or non-responsive
- (4) All parties to a Joint Venture must comply with the requirements for registration on the CSD as indicated above.

12.4 Petty Cash Purchases

- (1) Petty cash purchases may be made where goods and/or services which does not exceed a transaction value of R2000 (including VAT) are required, provided that the CoM's procedures and guidelines for petty cash purchases, which are provided in Schedule "A" to this policy, must be strictly adhered to.
- (2) The municipal manager may delegate the petty cash procurement responsibilities to an official reporting to the municipal manager on such terms and conditions as the municipal manager deems fit.

- (3) Each director of the CoM must compile and submit a monthly reconciliation report to the chief financial officer, which report must include the total amount of petty cash purchases for that month accompanied by the receipts and appropriate documents for each purchase.
- (4) Dividing required purchases into lesser transaction values in order to circumvent the written price quotation and/or formal written price quotation processes is not permissible.
- (5) The total number of petty cash purchases per directorate is limited to 10 (ten) per month.

12.5 Written or Verbal Quotations

- (1) When the CoM intends to procure goods and/or services which has a transaction value of over R2000 (including VAT) up to and including R10 000 (including VAT), written price quotations must be obtained from at least 3 (three) different providers preferably from, but not limited to, providers whose names appear on the central supplier database, provided that if quotations are obtained from providers who are not so listed, such providers must be able to register on the CSD and the approval must be obtained from the Chief Financial Officer or delegated person and on condition that the service is from the sole supplier or it is an emergency.
- (2) The CoM must attempt to promote ongoing competition amongst providers of goods and/or services by inviting such providers to submit written or verbal quotations on a rotational basis.
- (3) To the extent feasible, providers must be requested to submit such quotations in writing.
- (4) If it is not possible to obtain at least 3 (three) written quotations, the reasons must be recorded and approved by the manager of the SCMU who must, within 3 (three) days before the end of each month, report to the chief financial officer on any approvals given in this regard.

- (5) Where the manager of the SCMU does not approve of the reasons for not complying with this section, no purchases may be made and quotations must be obtained *de novo*.
- (6) The municipal manager must record the names of the potential providers requested to provide quotations, together with their quoted prices.
- (7) If a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider.
- (8) Dividing required purchases into lesser transaction values in order to circumvent the written price quotation process is not permissible.
- (9) All orders in respect of written or verbal price quotations must be approved and released in writing by the municipal manager,
- (10) The municipal manager must take all reasonable steps to ensure that the procurement of goods and services through written or verbal quotations is not abused.
- (11) The municipal manager and the chief financial officer must, on a monthly basis, be notified in writing of all written or verbal price quotations accepted by an official acting in terms of a sub-delegation.
- (12) Two separate quotations must be obtained by the CoM when specifically dealing with procurements for strip and quote services.

12.6 Formal Written Price Quotations

- (1) When the CoM intends to enter into any contract for the procurement of goods and/or services of a transaction value of over R10 000 (including VAT) up to and including R200 000 (including VAT), a minimum of 3 (three) formal written price quotations must be obtained from providers who are suitably qualified and experienced, who/which consists over the necessary resources and who/which are registered and verified on the central supplier database.

- (2) The CoM must attempt to promote ongoing competition amongst providers of goods and services by inviting such providers to submit formal written price quotations on a rotational basis.
- (3) Requests to submit formal written price quotations which are likely to be in excess of R30 000 (including VAT), must be advertised for at least 7 (seven) days on the official website of the CoM as well as the official notice board of the CoM.
- (5) If it is not possible to obtain at least 3 (three) formal written price quotations, the reasons must be recorded and approved by the chief financial officer who must, within 3 (three) days before the end of each month, report to the municipal manager on any approvals given in this regard.
- (6) Where the chief financial officer does not approve of the reasons for not complying with this section, no purchases may be made and quotations must be obtained *de novo*.
- (7) The municipal manager must record the names of the potential providers requested to provide formal written price quotations, together with their quoted prices.
- (8) Notwithstanding the provisions of this section, if formal written price quotations have been invited on the official website of the CoM, no additional quotes need be obtained where the number of responses thereto are less than 3 (three).
- (9) The municipal manager must take all reasonable steps to ensure that the procurement of goods and services through formal written price quotations are not abused.
- (10) The municipal manager and the chief financial officer must, on a monthly basis, be notified in writing of all formal written price quotations accepted by an official acting in terms of a sub-delegation.

12.7 Competitive Bids and Process for Competitive Bids

- (1) Competitive bids must be called for any procurement of goods and/or services above a transaction value of R200 000 (including VAT), and/or for any long term contracts.
- (2) Goods and/or services above an estimated transaction value of R200 000 (VAT included), may not be deliberately divided into parts or items of lesser value merely for the sake of circumventing the competitive bidding process and procuring such goods and/or services otherwise than through a competitive bidding process.
- (3) Goods and/or services to be procured which consist of different parts or items must, in as far as possible, be treated, dealt with and be calculated as a single transaction.

12.7.1 Bid documentation for competitive bids

- (1) In addition to section 12.2 of this policy, the compilation of bid documentation by the CoMmust-
 - (a) Take into account and contain, where applicable-
 - (i) The general conditions of contract of National Treasury (July 2010, or as amended from time to time);
 - (ii) Any Treasury guidelines on bid documentation;
 - (iii) the requirements, including the General Conditions of Contract, of the Construction Industry Development Board, in the case of a bid relating to construction works, upgrading or refurbishment of buildings or infrastructure as contemplated in the CIDBA; and
 - (iv) Supply chain management guidelines of the National treasury in respect of goods and/or services;

- (v) The General Conditions & Procedures of the State Tender Board;
- (vi) The General Conditions of Contract for Construction Contracts, 2010 of the South African Institute of Civil Engineers;

in as far as the contents of the above referred to documents are in accordance and amplification of this policy, but in the event of any conflict between the contents of these documents and this policy, the provisions of this policy will prevail.

- (b) Include evaluation and adjudication criteria, including any criteria required by other applicable legislation;
- (c) Compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
- (d) If the value of the transaction is expected to exceed R10 million (including VAT), require bidders to furnish-
 - (i) Their audited annual financial statements, if the bidder is required by law to prepare annual financial statements for auditing--
 - (aa) for the past 3(three) years; or
 - (bb) since their establishment if established during the past 3 (three) years;
 - (ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 (thirty) days;
 - (iii) Particulars of any contracts awarded to the bidder by an organ of state during the past 5 (five) years, including particulars of any material non-compliance or dispute concerning the execution of such contract; and

- (iv) a statement indicating whether any portion of the goods and/or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the CoM is expected to be transferred out of the Republic;
 - (e) Stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.
 - (f) a clear indication of the terms and conditions of contract, specifications, criteria for evaluation and adjudication procedures to be followed where applicable, and include where, in exceptional circumstances, site inspections are compulsory;
 - (g) An appropriate contract and/or delivery period specification for all contracts;
 - (h) The requirements of the preferential procurement section of this policy (Chapter 5) and be clearly set out in the bid documentation.
- (2) Bid documentation and evaluation criteria may not be aimed at hampering competition, but rather to ensure fair, equitable, transparent, competitive and cost effective bidding, as well as the protection or advancement of persons, or categories of persons, as embodied in the preferential procurement section of this policy.
- (3) Bid documentation must compel a bidder to furnish the following:
- (a) Full name/s;
 - (b) Identification number, company or other registration number;
 - (c) Tax reference number;
 - (d) VAT registration number, if any; and
 - (e) An original tax clearance certificate from SARS stating that the bidder's tax matters are in order.

- (4) Bid documentation must stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation) or, where unsuccessful, in a South African court of law.
- (5) A provision for the termination/cancellation of the contract in the case of no or under-performance must be included in the bid documentation.
- (6) Unless otherwise indicated in the bid documents, the CoM will not be liable for any expenses incurred in the preparation and/or submission of a bid.
- (7) Bid documentation must state that the CoM is not be obliged to accept the lowest bid, any alternative bid or any bid.
- (8) Bid documentation must compel bidders to declare any conflict/s of interest they may have in the transaction for which the bid is submitted.
- (9) The bid documentation must require bidders to disclose:
 - (a) Whether such bidder is in the service of the state, or has been in the service of the state within the previous 12 (twelve) months;
 - (b) if the bidder is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous 12 (twelve) months; or
 - (c) Whether a spouse, child or parent of the bidder or of a director, manager, shareholder or stakeholder referred to in (b) above is or has been in the service of the state within the previous 12 (twelve) months.
- (10) Bid documentation for consultant services must require bidders to furnish to the CoM particulars of all consultancy services, and any similar services (to the services being bid for) provided to an organ of state in the last 5 (five) years.
- (11) Bid documentation for consultant services must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, item, system or process designed or devised by a consultant in terms of an appointment by the CoM, shall vest in the CoM.

- (12) Bid documentation may state that alternative bids can be submitted provided that a bid free of qualifications and strictly in accordance with the bid documents is also submitted.
- (13) An alternative bid must be submitted on a separate complete set of bid documents and must clearly be marked "Alternative Bid", in order to distinguish it from the unqualified bid.
- (14) Bid documentation must state that the CoM will not be bound to consider alternative bids.
- (15) Bid documentation must provide the validity period of the bid.
- (16) Unless the municipal manager directs otherwise, bids are invited within the Republic only.
- (17) The laws of the Republic will apply and govern contracts of the CoM arising from the acceptance of bids.

12.7.2 Public invitation for competitive bids

- (1) A notice of invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating within the municipal area of the CoM in English, the website of the CoM, the official notice board of the CoM or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin).
- (2) The notice of invitation contemplated in sub-section (1) must contain the following advertisement information-
 - (a) subject to section 12.16(3), the closure date and time for the submission of bids, which may not be less than 30 (thirty) days in the case of transactions over R10 million (including VAT), or which are of a long term nature, 21 (twenty one) days for construction works or 14 (fourteen) days in any other case, from the date on which the advertisement is placed in a newspaper, subject to sub-section (3);
 - (b) A statement that bids may only be submitted on the bid documentation provided by the CoM;

- (c) The title of the proposed contract and the bid or contract reference number;
 - (d) Such particulars of the proposed contract as the CoM deems fit;
 - (e) The date, time and location of any site inspection, if applicable;
 - (f) The place where the bid documentation is available for collection and the times between which bid documentation may be collected;
 - (g) The place where bids must be submitted;
 - (h) The required CIDB contractor grading for construction works, if applicable; and
 - (i) The validity period of the bid.
- (3) The municipal manager may determine a closure date for the submission of bids which is less than the 30 (thirty) or 14 (fourteen) days requirement provided in sub-section (2), but only if such shorter period can be justified on the grounds of an emergency as contemplated in section 12.22(1)(a)(i) read with section 12.22(3), (4), (5) and (6), urgency or any exceptional case where it is impractical or impossible to follow the official procurement process.
- (4) The bid notice may require payment of a non-refundable tender fee by bidders wanting to collect bid documents, which tender fee will be determined by the chief financial officer in terms of section 8 of this policy.
- (5) Bid documentation will be available for collection until the closing date and time of bids.
- (6) Bids submitted to the CoM must be sealed.
- (7) Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.

12.7.3 Issuing of Bid Documents

- (1) Bid documents and any subsequent notices may only be issued by officials designated by the director: supply chain management, from time to time.
- (2) Details of all prospective bidders who have been issued with bid documents must be recorded by the issuing office but shall remain **confidential** for the duration of the bid period.
- (3) Details of prospective bidders must, wherever possible, include the full name of the person drawing documents, a contact person, a contact telephone and fax number and a postal and email address.

12.7.4 Site Inspections

- (1) In general and where applicable, site inspections will not be compulsory.
- (2) A site inspection may be made compulsory, manager of the SCMU, provided that the minimum bid periods referred to in this policy are extended by at least 7 (seven) days.
- (3) If site inspections are to be held, full details must be included in the bid notice, including whether or not the site inspection is compulsory.
- (4) Where site inspections are made compulsory, the date for the site inspection must be at least 14 (fourteen) days after the bid has been advertised, and a certificate of attendance signed by the responsible agent must be submitted with the bid.
- (5) If at a site meeting, any additional information is provided or clarification of vague points is given, such additional information or clarification must be conveyed to all bidders in accordance with section 12.7.12 of this policy.

12.7.5 two-stage (Prequalification) Bidding Process

- (1) In a two-stage (prequalification) bidding process, bidders are, in the first-stage, invited to prequalify in terms of predetermined criteria, without being required to submit detailed technical proposals (where applicable) or a financial offer.

- (2) In the second stage, all bidders that qualify in terms of the predetermined criteria will be shortlisted and invited to submit final technical proposals (where applicable) and/or a financial offer.
- (3) This process may be applied to bids for large complex projects of a specialist or long term nature or where there are legislative, design, technological and/or safety reasons to restrict bidding to firms who have proven their capability and qualification to meet the specific requirements of the bid, including projects where it may be undesirable to prepare complete detailed technical specifications or long term projects with a duration exceeding 3 (three) years.
- (4) The notice inviting bidders to pre-qualify must comply with the provisions of public invitation for competitive bids provided in section 12.7.2.
- (5) Once bidders have pre-qualified for a particular project, they must be given no less than 7 (seven) days to submit a final technical proposal (where applicable) and/or a financial offer.
- (6) Procurement of strip and quote services must be obtained by utilising the two-stage bidding process provided in this section.

12.7.6 Two Envelope System

- (1) A two envelope system differs from a two-stage (prequalification) bidding process in that a technical proposal and the financial offer are submitted in separate envelopes at the same place and time.
- (2) The financial offers will only be opened once the technical proposals have been evaluated.

12.7.7 Validity Periods

- (1) The period for which bids are to remain valid and binding must be indicated in the bid documents. If no bidder has been appointed during the validity period, or the extended validity period as referred to below, the bid will lapse.

- (2) The validity period is calculated from the bid closure date and bids shall remain in force and binding until the end of the final day of that period.
- (3) This period of validity may be extended by the chairperson of the bid evaluation committee, provided that:
- (a) the original validity period of the bid has not expired;
 - (b) all the bidders who have submitted bids have been requested to consent to the extension of the validity period; council shall reserve the right to continue with the normal process
 - (c) if one or more bidders who have submitted bids have agreed in writing to the extension of the validity period of the bid; council reserve the right to continue with the normal bidding process
 - (d) if no bidder responded in writing, the bid shall be cancelled and be re-advertised unless depending on compelling reasons and the approval of the Municipal Manager, the bid may be taken through the normal bid committee processes and
 - (e) The validity period of a bid may only be extended once.
- (4) Bidders who fail to respond to the request referred to in sub-section 3(b) above, or who decline such a request, shall be considered further in the bid evaluation process of the tender they submitted.
- (5) If bidders are requested to extend the validity period of their bids as referred to in sub-section 3 as a result of an objection or complaint being lodged:
- (a) it must be made clear to bidders that this is the reason for the request for the extension of the validity period; and
 - (b) The responsible official must ensure that all bidders are requested to extend the validity period of their bids where necessary in order to ensure that the bids remain valid throughout the objection or complaint period or until the objection or complaint is finalised.

12.7.8 Contract Price Adjustment

- (1) For all contract periods equal to or exceeding 1 (one) year, an appropriate contract price adjustment formula must be specified in the bid documents.
- (2) In general, if contract periods do not exceed 1 (one) year, the bid shall be a fixed price bid and not subject to contract price adjustment.
- (3) If, however, as a result of any extension of time granted, the duration of a fixed price contract exceeds 1 (one) year, the contract will automatically be subject to contract price adjustment for that period by which the extended contract period exceeds such 1 (one) year.
- (4) An appropriate contract price adjustment formula must be specified in the bid documents.
- (5) Notwithstanding sub-section (2), if the bid validity period is extended, then contract price adjustment may be applied.
- (6) No contract must be extended by a period exceeding three months, if the need arise for such an extension, the request must be submitted two months before the contract expires shall go through the process in terms of para.12.11,12.12 and 12.13 of this policy

12.7.9 Provisional Sums and Prime Cost Items

- (1) If monetary allowances in excess of R200 000 for provisional sums or prime cost items have been included in the bid documents, and where the work or items to which the sums relate are to be executed/supplied by subcontractors/suppliers, then a competitive bidding process, as determined by the manager of the SCMU from time to time, shall be followed in respect of these sums/items.
- (2) When monetary allowances of less than R200 000 have been included in the bid documents, and where the work or items to which the sums relate are to be executed/supplied by sub-contractors/suppliers, the contractor must be required to obtain a minimum of 3 (three) written quotations for approval by the responsible agent.

12.7.10 Samples

- (1) Where samples are called for in the bid documents, samples (marked with the bid and item number as well as the bidder's name and address) must be delivered separate from the bid to the addressee mentioned in the bid documents.
- (2) Bids may not be included in parcels containing samples.
- (3) If samples are not submitted as required in the bid documents or within any further time stipulated by the chairperson of the bid evaluation committee in writing, then the bid concerned may be declared non-responsive.
- (4) Samples must be supplied by a bidder at his/her own expense and risk.
- (5) The CoM will not be obliged to pay for such samples or compensate for the loss thereof, unless otherwise specified in the bid documents, and reserves the right not to return such samples and to dispose of them at its own discretion.
- (6) If a bid is accepted for the supply of goods according to a sample submitted by the bidder, that sample will become the contract sample.
- (7) All goods/materials supplied shall comply in all respects to that contract sample.

12.7.11 Closing of Bids

- (1) Bids shall close on the date and at the time stipulated in the bid notice.
- (2) The bid closing date of bids for goods and services must be at least 14(fourteen) days after publication of the notice.
- (3) For construction works the bid closing date must be at least 21 (twenty one) days after publication of the notice.
- (4) Notwithstanding the above, if the estimated contract value exceeds R10 million (VAT included), or if the contract is of a long term nature with adjuration

period exceeding one year, then the bid closing date must be at least 30 (thirty) days after publication of the notice.

- (5) For banking services, the bid closing date must be at least 30 (thirty) days after publication of the notice.
- (6) For proposal calls using a two envelope system, the bid closing date must be at least 30 (thirty) days after publication of the notice.
- (7) The bid closing date may be extended prior to the original bid closing date by the manager of the SCMU, if circumstances justify such an extension, provided that the closing date may not be extended unless a notice is published in the press where the bid was originally advertised, which notice must also be posted on the official notice boards designated by the municipal manager.
- (8) The municipal manager may determine a closing date for the submission of bids which is less than any of the periods specified in this section, but only if such shorter period can be justified on the grounds of an emergency, urgency or any exceptional case where it is impractical or impossible to follow the official procurement process.

12.7.12 Communication with bidders before bid closing

- (1) The chairperson of the bid specification committee may, if necessary, communicate with prospective bidders and/or bidders who have already submitted bids, or indicated the intention to do so, prior to bids closing.
- (2) Such communication shall be in the form of a notice issued to all prospective bidders and/or bidders who have already submitted bids, or indicated the intention to do so by the manager of the SCMU by either e-mail, facsimile, or registered post, as may be appropriate.
- (3) A copy of the notice together with a transmission verification report/proof of posting shall be kept for record purposes.
- (4) Notices should be issued at least 1 (one) week prior to the bid closing date, where possible.

- (5) Notwithstanding a request for acknowledgement of receipt of any notice issued, the prospective bidders and/or bidders who have already submitted bids, or indicated the intention to do so will be deemed to have received such notice if the procedures in sub-sections (2), (3) and (4) have been complied with.

12.7.13 Submission of Bids

- (1) Bids must be submitted before the closing date and time, at the address and in accordance with the directives in the bid documents.
- (2) Each bid must be in writing using non-erasable ink and must be submitted on the official form of bid/offer issued with the bid documents.
- (3) The bid must be submitted in a separate sealed envelope with the name and address of the bidder, the bid number and title, the bid box number (where applicable), and the closing date indicated on the envelope.
- (4) The envelope may not contain documents relating to any bid other than that shown on the envelope.
- (5) Only sealed bids will be accepted.
- (6) The onus shall be on the bidder to place the sealed envelope in the official, marked and locked bid box provided for this purpose, at the designated venue, not later than the closing date and time specified in the bid notice.
- (7) Postal bids will not be accepted for consideration.
- (8) No bids forwarded by telegram, facsimile or similar apparatus may be considered.
- (9) Photostat copies of bids or facsimiles which are submitted in the prescribed manner will, however, be considered, provided the original forms of bid/offer can be shown to have been posted or couriered prior to the close of bids.
- (10) Electronic bids will not be accepted.

- (11) The bidder shall choose a *domicilium citandi et executandi* within the Republic and unless notice of the change thereof has duly been given in writing, it shall be the address stated in the bid.
- (12) No person may amend or tamper with any bids or quotations after their submission.

12.7.14 Late Bids

- (1) A bid is late if it is not placed in the relevant bid box by the closing time for such bid.
- (2) A late bid will not be admitted for consideration and where feasible, but without any obligation to do so whatsoever, will be returned unopened to the bidder with the reason for the return thereof endorsed on the envelope.

12.7.15 Opening of Bids

- (1) At the specified closing time on the closing date, the applicable bid box must be closed in public.
- (2) The bid box must be opened in public as soon as practical after the closing time.
- (3) Immediately after the opening of the bid box, all bids must be opened in public and at the same time and checked for compliance.
- (4) The official opening the bids must in all cases read out the name of the bidder and, where practical, the amount of the bid.
- (5) As soon as a bid or technical proposal has been opened the municipal manager must ensure that:
 - (a) All bids received in time must be recorded in the bid opening record;
 - (b) The bid/proposal must be stamped with the official stamps, and endorsed with the opening official's signature;

- (c) The name of the bidder, and where possible, the bid sum must be recorded in the bid opening record kept for that purpose;
 - (d) The responsible official who opened the bid shall forthwith place his/her signature on the bid opening record;
 - (e) The bid opening record must be made public for inspection; and
 - (f) The entries in the bid opening record and the bid results must be published on the website of the CoM.
- (6) Bids found to be inadvertently placed in the incorrect bid box will be redirected provided that the applicable bids either closed on the same day at the same time, or are still open, in which case the CoM disclaims any responsibility for seeing that the bids are in fact lodged in the correct bid box.
- (7) A record of all bids placed in an incorrect box must be kept.
- (8) Bids received in sealed envelopes in the bid box without a bid number or title on the envelope will be opened at the bid opening and the bid number and title ascertained.
- (a) A bid which was in the correct bid box it will be read out;
 - (b) A bid which is found to be in the incorrect bid box, it will be redirected provided that the applicable bids either closed on the same day at the same time, or are still open; and
 - (c) Where the bid closes at a later date, the bid will be placed in a sealed envelope with the bid number and title endorsed on the outside, prior to being lodged in the applicable box.
- (9) The CoM, however, disclaims any responsibility for seeing that the bid is in fact lodged in the correct box.

12.7.16 Opening of Bids where a Two-Envelope System (consisting of a technical proposal and a financial proposal) is followed

- (1) Where a two-envelope system is followed, only the technical proposal will be opened at the bid opening.
- (2) The unopened envelope containing the financial proposal shall be stamped and endorsed with the opening official's signature, and be retained by him/her for safekeeping.
- (3) When required the financial offers/bids corresponding to responsive technical proposals, must be opened by the opening official in accordance with section 12.7.15 (4) and (5).
- (4) All bidders who submitted responsive technical proposals must be invited to attend the opening of the financial offers/bids.
- (5) Envelopes containing financial offers/bids corresponding to non-responsive technical proposals shall be returned unopened along with the notification of the decision of the bid adjudication committee in this regard.
- (6) After being recorded in the bid opening record, the bids/technical proposals must be handed over to the official responsible for the supervision of the processing thereof and that official must acknowledge receipt thereof by signing the bid opening record.

12.7.17 Invalid Bids

- (1) Bids will be invalid and be endorsed and recorded as such in the bid opening record by the responsible official appointed by the manager of the SCMU to open the bid, in the following instances:
 - (a) Where the bid is not sealed;
 - (b) Where the bid, including the bid price/tendered amount, where applicable is not submitted on the official form of bid/offer;
 - (c) Where the bid is not completed in non-erasable ink;

- (d) Where the form of bid/offer has not been signed;
 - (e) Where the form of bid/offer is signed, but the name of the bidder is not stated, or is indecipherable; or
 - (f) Where in a two-envelope system, the bidder fails to submit both a technical proposal and a separate sealed financial offer/bid.
- (2) When bids are declared invalid at the bid opening, the bid sum of such bids may not be read aloud, however, the name of the bidder and the reason for the bid having been declared invalid must be announced.

12.7.18 Bid Sum

- (1) A bid will not necessarily be invalidated if the amount in words and the amount in figures do not correspond, in which case the amount in words must be read aloud at the bid opening and this will be the price upon which bid is evaluated.
- (2) All rates, with the exception of rates only bids, and proprietary information are confidential and may not be disclosed.

12.8 Committee System for Competitive Bids

- (1) The committee system of the CoMfor competitive bids provides for-
 - (a) A bid specification committee;
 - (b) A bid evaluation committee; and
 - (c) A bid adjudication committee.
- (2) The municipal manager of the CoM-
 - (a) Must appoint the members of each committee and, in doing so, must take into account the provisions of section 117 of the MFMA;

- (b) May, when appropriate, appoint a neutral or independent observer in order to ensure fairness and transparency in the application of this acquisition management system; and
- (c) May apply the committee system to formal written price quotations.

12.9 Bid Specification

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

(g) the committee must make sure that the provincial VTSD plan is incorporated in the tender and that certain goals are created to give content to the plan –i.e. either as a tender requirement of points for functionality

(h) Make sure that invited bidders from other province and municipality offer not less than 30 percent of joint venture or sub-construction

(3) If the municipality applies subcontracting as contemplated on (h), the municipality must advertise the tender with a specific tendering condition that the successful tenderer must subcontract a minimum of 30% of the value of the contract to-

(a) an EME or QSE;

(b) an EME or QSE which is at least 51% owned by black people;

(c) an EME or QSE which is at least 51% owned by black people who are youth;

(d) an EME or QSE which is at least 51% owned by black people who are women;

(e) an EME or QSE which is at least 51% owned by black people with disabilities;

(f) an EME or QSE which is 51% owned by black people living in rural or underdeveloped areas or townships;

(g) a cooperative which is at least 51% owned by black people;

(h) an EME or QSE which is at least 51% owned by black people who are military veterans; or

(i) more than one of the categories referred to in paragraphs (a) to (h).

(3) the committee shall where practically possible between 2 and 5 or more subcontractors are appointed per project.

(3) the committee shall make sure that the any or all **Pre-qualification criteria for preferential procurement form part of the tender document**

(3.1) If an organ of state decides to apply pre-qualifying criteria to advance certain designated groups, that organ of state must advertise the tender with a specific tendering

condition that only one or more of the following tenderers may respond-

(a) a tenderer having a stipulated minimum B-BBEE status level of contributor;

(b) an EME or QSE;

(c) a tenderer subcontracting a minimum of 30% to-

(i) an EME or QSE which is at least 51% owned by black people;

(ii) an EME or QSE which is at least 51% owned by black people who are youth;

(iii) an EME or QSE which is at least 51% owned by black people who are women;

(iv) an EME or QSE which is at least 51% owned by black people with disabilities;

(v) an EME or QSE which is 51% owned by black people living in rural or underdeveloped areas or townships;

(vi) a cooperative which is at least 51% owned by black people;

(vii) an EME or QSE which is at least 51% owned by black people who are military veterans;

(viii) an EME or QSE.

(2) A tender that fails to meet any pre-qualifying criteria stipulated in the tender documents is an unacceptable tender.

Tenders to be evaluated on functionality

- (i) Must be approved by the municipal manager or delegated official prior to publication of the invitation for bids in terms of section 12.7.2.
- (3) the municipality must state in the tender documents if the tender will be evaluated on functionality.
- (2) The evaluation criteria for measuring functionality must be objective.
- (3) The tender documents must specify-
 - (a) the evaluation criteria for measuring functionality;
 - (b) the points for each criteria and, if any, each sub-criterion; and
 - (c) the minimum qualifying score for functionality.
- (4) The minimum qualifying score for functionality for a tender to be considered further-
 - (a) must be determined separately for each tender; and
 - (b) may not be so-
 - (i) low that it may jeopardise the quality of the required goods or services; or
 - (ii) high that it is unreasonably restrictive.
- (5) Points scored for functionality must be rounded off to the nearest two decimal places.
- (6) A tender that fails to obtain the minimum qualifying score for functionality as indicated in the tender documents is not an acceptable tender.
- (7) Each tender that obtained the minimum qualifying score for functionality must be evaluated further in terms of price and the preference point system and any objective criteria envisaged in regulation 11
- (5) Where specifications are based on standard documents available to bidders, a reference to those documents is sufficient.

12.10 Bid Specification Committee

- (1) All bid specifications and bid documentation must be compiled by an ad-hoc bid specification committee constituted for each project or procurement activity.
- (2) The bid specification committee shall be comprised of at least 3 (three) officials of the CoM, an appointed chairperson, a responsible official and at least 1 (one) supply chain management practitioner of the CoM.
- (3) Where appropriate a representative of Internal Audit and/or Legal Services and/or an external specialist advisor may form part of this committee.
- (4) Green procurement must be incorporated as far as reasonable possible, for all specifications of goods and services.

- (5) In the development of bid specifications, innovative mechanisms should be explored to render the service or product more resource and energy efficient.
- (6) The municipal manager, or his delegated authority, must, taking into account the provisions of section 117 of the MFMA, appoint the members of the bid specification committees.
- (7) No person, advisor or corporate entity involved with the bid specification committee, or director of such corporate entity, may bid for any resulting contracts.
- (8) Determine if the project must be done by a single service provider or supplier or multiple service provider and based on the circumstances and the interest of the community, size of the project also determine the number of the suppliers or service provider who may be recommended for the implementation of the service or project
- (9) Bid specification committee meetings must be conducted in accordance with the applicable Rules of Order regulating the conduct of meetings.

12.11 Bid evaluation

- (1) The CoM shall not be obliged to accept any bid.
- (2) The CoM shall have the right to accept the whole or part of a bid or any item or part of an item of a bid or to accept more than one bid for goods and services.
- (3) The bid evaluation committee must-
 - (a) Evaluate bids in accordance with-
 - (i) The specifications for a specific procurement; and
 - (ii) The points system as prescribed by the PPPFA, and pertaining to functionality (if applicable) in accordance with the PPR and National Treasury Circular 53;

- (b) Evaluate each bidder's ability to execute the contract;
 - (c) Check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears; and
 - (d) Submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.
- (4) The bid evaluation committee must as far as possible be composed of-
- (a) Officials from departments requiring the goods and/or services; and
 - (b) At least one supply chain management practitioner of the CoM.
- (5) The responsible agent must carry out a preliminary evaluation of all valid bids received and submit a draft bid evaluation report to the bid evaluation committee for consideration.
- (6) Any evaluation of a bid must consider the bids received and note for inclusion in the evaluation report, a bidder:
- (a) whose/which bid was endorsed as being invalid by the responsible official at the bid opening;
 - (b) whose/which bid do not comply with the provisions for combating abuse of this policy;
 - (c) whose/which bid do not comply with the general conditions applicable to bids and quotations of this policy;
 - (d) whose/which bid do not comply with specifications;
 - (e) whose/which bid does not meet the minimum points for functionality, if applicable;
 - (f) whose/which bid is not in compliance with the terms and conditions of the bid documentation;
 - (g) whose/which bid does not comply with any minimum points and goals stipulated in terms of the preferential procurement section of this policy and the PPPFA;

- (h) who/which is not registered and/or listed on the list of accredited providers of the CoM;
 - (i) who/which, in the case of construction works acquisition, do not comply with the requirements of the CIDBA regarding registration of contractors;
 - (k) who/which has failed to submit an original and valid tax clearance certificate from SARS, certifying that the taxes of the bidder are in order or that suitable arrangements have been made with SARS,
 - (l) who/which fails to comply with any applicable Bargaining Council agreements; and
 - (m) who/which are in arrears with its municipal service charges accounts.
- (7) Bids shall be evaluated according to the following as applicable:
- (a) Bid price and specific goals as per the applicable provisions of the PPPFA (corrected, if applicable and brought to a comparative level where necessary);
 - (b) The unit rates and prices;
 - (c) The bidder's ability to execute the contract;
 - (d) Any qualifications to the bid;
 - (e) The bid ranking obtained in respect of preferential procurement as required by this policy;
 - (f) The financial standing of the bidder, including its ability to furnish the required institutional guarantee, where applicable; and
 - (g) Any other criteria specified in the bid documents.
- (8) No bidder may be recommended for an award unless the bidder has demonstrated that it has the resources and skills required to fulfil its obligations in terms of the bid document.

- (9) The bid evaluation committee must check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears.
- (10) Additional information or clarification of bids may be called for if required but only in writing.
- (11) Alternative bids may be considered, provided that a bid free of qualifications and strictly in accordance with the bid documents is also submitted.
- (12) Where a bidder requests in writing, after the closing of bids, that his/her bid be withdrawn, then such a request may be considered and reported in the bid evaluation report for decision by the bid adjudication committee.
- (13) The bidder obtaining the highest number of points should be recommended for acceptance unless there are objective criteria in addition to the criteria mentioned in section 2(1)(d) and section 2(1)(e) of the PPPFA justifying the award of the bid to another bidder.
- (14) Where, after bids have been brought to a comparative level, 2 (two) or more score equal total adjudication points, the recommended bidder shall be the one scoring the highest preference points.
- (15) Where 2 (two) or more bids are equal in all respects, the bid evaluation committee will draw lots to decide on the recommendation for award, or may, in the case of goods and services, recommend splitting the award proportionately, where applicable.
- (16) All disclosures of a conflict of interest must be considered by the bid evaluation committee and shall be reported to the bid adjudication committee.
- (17) The bid evaluation committee must, having considered the responsible agent's draft report, submit a report, including recommendations regarding the award of the bid or any other related matter, to the bid adjudication committee for award.

12.12 Bid Evaluation Committee

- (1) An ad-hoc bid evaluation committee must be constituted for each project or procurement activity to evaluate bids received.
- (2) The bid evaluation committee shall be comprised of at least 3 (three) officials of the CoM, an appointed chairperson, who may be the same person as the chairperson of the bid specification committee, a responsible official and at least one supply chain management practitioner of the CoM.
- (3) Where appropriate, a representative of Internal Audit and/or Legal Services may form part of this committee, which may also include other internal specialists/experts as necessary.
- (4) External specialists/experts may advise the bid evaluation committee, as required.
- (5) The municipal manager, or his delegated authority, must, taking into account the provisions of section 117 of the MFMA, appoint the members of the bid evaluation committees.
- (6) Bid evaluation committee meetings must be conducted in accordance with the applicable Rules of Order regulating the conduct of meetings.

12.13 Bid adjudication

- (1) The bid adjudication committee must-
 - (a) Consider the report and recommendations of the bid evaluation committee; and
 - (b) Either-
 - (i) Depending on its delegations, make a final award or a recommendation to the municipal manager to make the final award; or
 - (ii) Make another recommendation to the municipal manager on how to proceed with the relevant procurement.

- (2) The bid adjudication committee may make an award to a preferred bidder, subject to the municipal manager negotiating with the preferred bidder.
- (3) The municipal manager 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;
 - (c) Does not lead to a higher price than the bid as submitted;
 - (d) Minutes of such negotiations must be kept for record purposes; and overall;
 - (e) Does not materially affect the bid in a manner which compromises the integrity of the bidding process.
- (4) If a bid other than the one recommended in the normal course of implementing this policy is approved, then the municipal manager must, within 10 (ten) working days and in writing, notify the Auditor-General, the Provincial Treasury and the National Treasury of the reasons for deviating from such recommendation.
- (5) The municipal manager may, at any stage of a bidding process, refer any recommendation made by the bid evaluation committee or bid adjudication committee back to that committee for reconsideration of the recommendation
- (6) A person aggrieved by a decision or action taken in the execution of this policy may lodge within 14 (fourteen) days of such a decision or action a written objection or complaint to the CoM against the decision or action as set out in section 20.3 of this policy.
- (7) Bid documents must state that any objection or complaint in terms of sub-section (6) above must be submitted to the municipal manager at the address stated, and must contain the following:
 - (a) Reasons and/or grounds for the objection or complaint;

- (b) The way in which the objector or complainant's rights have been affected; and
 - (c) The remedy sought by the objector or complainant.
- (8) No bid may be formally accepted until either the expiry of the 14 (fourteen) day objection or complaint period, confirmation in writing before the expiry of the 14 (fourteen) day objection or complaint period that none of the affected parties intend to object or complain or confirmation of the satisfactory resolution of any objection or complaint.
 - (9) If the bid adjudication committee or other delegated official has resolved that bid be accepted, the successful and unsuccessful bidders must be notified in writing of this decision.
 - (10) The successful bidder must, in addition, be advised of the 14 (fourteen) day objection or complaint period, and be notified that no rights accrue to him/her until the bid is formally accepted in writing.
 - (11) Every notification of decision must be faxed or sent via electronic mail to the address chosen by the bidder, with a copy of proof of transmission kept for record purposes, or shall be delivered by hand, in which case acknowledgement of receipt must be signed and dated on a copy of such notification which must be kept for record purposes.
 - (12) Where it becomes necessary to cancel or re-advertise formal bids, a report to this effect must be submitted to the bid adjudication committee for decision.
 - (13) Where bids have been cancelled, all bidders must be notified of such cancellation in writing.
 - (14) It is not necessary to notify original bidders when new bids are invited and advertised.
 - (15) No bid may be re-advertised before the expiry of the validity period of the original bid or any extended validity period.

- (16) Notwithstanding sub-section (14) and where no valid bids are received or all bidders have indicated in writing that they have no objection to the re-advertisement of the bid, then the bid may forthwith be re-advertised.
- (17) In the case of bids for construction works, and where the bid adjudication committee resolved that there were no responsive bids received, then the bid may forthwith be re-advertised.
- (18) Any increase in the contract period, in respect of term bids, or contract sum, in respect of one-off contracts, that may become necessary as a result of exceptional circumstances or increase in the scope of work, or which are considered to be in the public's interest, may be effected subject to the provisions of section 116 of the MFMA. Such amendments must be effected prior to the contract period expiring or contract sum being exceeded.
- (19) Where community participation has been a part of the contract, the community must be advised of the proposed increase and be invited to provide written comment thereon.
- (20) Any unapproved increases in the contract sum or scope of work or contract period which have become necessary as a result of exceptional circumstances, or which have been considered to be in the public's interest, must be explained in a report to the bid adjudication committee requesting condonation and approval for such unapproved increase.
- (21) Any adjustment as indicated on paragraph 18 and 20 above shall be submitted within 60 days before the order is printed or in case of projects before any payment certificate is compile and shall go through the Bid Evaluation and the Adjudication process.

12.14 Bid Adjudication Committee

- (1) The bid adjudication committee must consist of at least four senior managers of the CoM which must include-

- (10) Where the selected supplier, contractor or service provider, in terms of the selection process specified in the term bid documentation, is unable to provide the required goods, services or construction works at the required time and confirms as such in writing, the bidder with the next highest valuation points must be selected.
- (11) Where, after a contract has been awarded, or an order is placed in terms of a term bid, the supplier, contractor or service provider fails to supply the goods or service required, then the remedies in terms of the contract will apply.

12.16 Procurement of banking services

- (1) A contract for the provision of banking services to the CoM-
 - (a) Must be procured through competitive bids;
 - (b) Must be consistent with the provisions of section 7 of the MFMA; and
 - (c) May not be for a period of more than 3 (three) years at a time.
- (2) The process for procuring a contract for banking services must commence at least 9(nine) months before the end of an existing contract.
- (3) The closure date for the submission of bids may not be less than 60 (sixty) days from the date on which the advertisement is advertised.
- (4) Bids must be restricted to banks registered in terms of the Banks Act, Act 94 of 1990.

12.17 Procurement of IT related goods and/or services

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

- (3) The municipal manager must notify SITA together with a motivation of the IT needs of the CoM where-
- (a) The transaction value of IT related goods and/or services required by the CoM in any financial year will exceed R50 million (including VAT); or
 - (b) The transaction value of a contract to be procured by the CoM whether for one or more years exceeds R50 million (including VAT).
- (4) If SITA comments on the submission and the CoM disagrees with such comments, the comments and the reasons for rejecting or not following such comments of SITA must be submitted to the council, the Provincial and National Treasury and the Auditor General prior to awarding the bid.

12.18 Procurement of Goods and Services under Contracts Secured by Other Organs of State

- (1) The municipal manager may procure goods and/or services for the CoM 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) The CoM has no reason to believe that such contract was not validly procured;
 - (c) There are demonstrable discounts or benefits for the CoM to do so; and
 - (d) That other organ of state and the relevant provider have consented to such procurement in writing.
 - (e) The need for procuring goods or service through a contract secured by other state shall be recorded on the demand management plan and on the minutes of the specification

- (f) When considering any contract secured by other organ of state, reports and supporting documents shall go through the committee system of council
- (g) Such service shall be sourced from an existing contract, with the same specification, terms and condition, in case of a long term or short term contract, the contract shall lapse the same period as indicated on the contract of the principal organ of state or the organ of state which appointed the service provider or supplier.

12.19 Procurement of Goods Necessitating Special Safety Arrangements

- (1) Goods, other than water, petrol and/or chlorine, which necessitate special safety arrangements, may not be acquired or stored in bulk and in excess of immediate requirement, including gasses, unless sound justification therefore exists.
- (2) Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership and cost advantages for the CoM and the municipal manager may then authorize the same.

12.20 Proudly SA Campaign

The CoM supports the Proudly SA Campaign and may identify, as a specific goal the promotion of South African owned enterprises in its procurement processes.

12.21 Appointment of consultants

- (1) The municipal manager may procure consulting services provided that Treasury and CIDB guidelines in respect of consulting services are taken into account when such procurements are made.
- (2) A contract for the provision of consultancy services to the CoM must be procured through competitive bids where-
 - (a) The value of the contract exceeds R200 000 (including VAT); or
 - (b) The duration period of the contract exceeds 1 (one) year.
- (3) In addition to the requirements prescribed for competitive bids in this policy, bidders must furnish the CoM with particulars of-
 - (a) All consultancy services provided to an organ of state in the last 5 (five) years; and
 - (b) Any similar consultancy services provided to an organ of state in the last 5 (five) years.
- (4) Dividing the transaction values of required consultant appointments into lesser transaction values in order to circumvent the competitive bidding process is not permitted.
- (5) Where the estimated value of consultant fees is less than or equal to R200000 (including VAT) and the duration of the appointment is less than 1 (one) year, the selection of a consultant to provide the required service must follow a written price quotation or a formal written price quotation procedure as provided for in this policy.
- (6) Responsible agents must endeavour to ensure that there is rotation in respect of inviting suitably qualified consultants to submit quotes.
- (7) A price/preference points system, contained in the preferential procurement section of this policy, must be applied to such quotations.

- (8) Where it is in the interests of the CoM to follow an advertised process, a formal competitive bidding process in accordance with the requirements of this policy may be followed.
- (9) The CoM 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 CoM.
- (10) The CoM may only consider single-source selection where it is in line with the exceptional cases provided in National Treasury guidelines the justification for single-source selections examined in the context of the overall interests of the CoM and the project.
- (11) Single-source selection may be appropriate only if it presents a clear advantage over competition:
 - (a) For services that represent a natural continuation of previous work carried out by the consultant, and continuity of downstream work is considered essential;
 - (b) Where rapid selection is essential;
 - (c) For very small appointments;
 - (d) When only one consultant is qualified, or has experience of exceptional worth for the project.
- (12) The reasons for single-source selection must be fully motivated in a report and approved by the bid adjudication committee prior to conclusion of a contract, provided that if the award is for an amount of R200 000 (including VAT) or less, such award must be approved by the manager of the SCMU.

12.22 Deviation from, and Ratification of Minor Breaches of Procurement Processes

(1) The municipal manager may-

- (a) Dispense with the official procurement processes established by this policy and to procure any required goods and/or services through any convenient process, which may include direct negotiations, but only-
 - (i) For contracts relating to an emergency where it would not be in the interests of the CoM;
 - (ii) If such goods and/or services are produced or available from a single provider only;
 - (iii) Acquisition of animals for zoos and nature reserves;
 - (iv) The acquisition of special works of art or historical objects where specifications are difficult to compile; and
 - (v) In any other exceptional case where it is impractical or impossible to follow the official procurement processes, including, but not limited to-
 - (aa) any purchase on behalf of the CoM at a public auction sale;
 - (bb) any contract in respect of which compliance therewith would not be in the public interest; and
 - (cc) ad-hoc repairs to plant and equipment where it is not possible to ascertain the nature or extent of the work required in order to call for bids;
- (b) Ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

- (2) The municipal manager must record the reasons for any deviations in terms of sub-section (1) (a) and (b) and report them to the next meeting of the council and must be included as a note to the annual financial statements. This sub-section does not apply to the procurement of goods and services contemplated in section 3(3) of this policy.
- (3) The conditions relating to the procurement of contracts relating to an emergency, as referred to in sub-section (1) (a) (i) above should include the existence of one or more of the following:
- (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 CoM 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 CoM not being able to render an essential community service; and
 - (g) The possibility that the security of the state could be compromised.
- (4) 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 procurement process and may never be for an emergency which has been created by and due to the negligence of any official or employee of the CoM.
- (5) Emergency dispensation will not be granted in respect of circumstances other than those contemplated in sub-section (3) above.

- (6) Where possible, in an emergency situation, 3 (three) quotes in accordance with general acquisition management principles should be obtained and a report submitted to the municipal manager for approval. Where, however, time is of the essence, the emergency must be immediately addressed, and the process formalised in a report to the municipal manager as soon as possible thereafter.
- (7) The municipal manager may, upon recommendation of the bid adjudication committee, and only if good cause exists condone any expenditure incurred in contravention of, or that is not in accordance with, a requirement of this policy, provided that-
- (a) This power may not be sub-delegated by the municipal manager;
 - (b) Such condonation will not preclude the taking of disciplinary steps against the responsible official; and
 - (c) The municipal manager records the reasons for the condonation in writing, and reports them to the next meeting of the council and must be included as a note to the annual financial statements.
- (8) In the event where the municipal manager refuses to condone any expenditure referred to in sub-section (11), such expenditure will be deemed to be irregular expenditure as defined in terms of the provisions of section 1 of the MFMA, and must be treated as such by the municipal manager according to the relevant provisions provided therefore in the MFMA.
- (9) Any deviation below R100 000 (vat inclusive) shall be processed through the delegations of power, the department and Supply Chain shall ensure that the deviation comply with the regulation and that valid reason are indicated on the item before been submitted to the Municipal Manager or his/her delegate and all deviation above R100 000 (vat inclusive) shall go through the committee system of Council

12.23 Unsolicited bids

- (1) The CoM is not obliged to consider any unsolicited bids received outside a normal bidding process.

- (2) The CoM may only consider an unsolicited bid 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 for the CoM;
 - (c) The person or entity 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 municipal manager;
- (3) Where the municipal manager decides to consider an unsolicited bid that complies with sub-section (2), the CoM must make its decision public in accordance with the provisions of section 21A of the MSA, together with-
- (a) Its reasons as to why the bid should not be open to other competitors;
 - (b) An explanation of the potential benefits for the CoM were it to accept the unsolicited bid; and
 - (c) An invitation to the public or other potential suppliers to submit their written comments within 30 (thirty) days of the notice.
- (4) Once the CoM has received written comments pursuant to sub-section (3), it must submit such comments, including any responses from the unsolicited bidder, to the National Treasury and the relevant provincial treasury for comment.
- (5) The CoM's adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the municipal manager, depending on its delegations.
- (6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public and notice of such meetings must be made public in terms of the provisions of section 21 of the MSA.

- (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) Where any recommendations of the National Treasury or provincial treasury are rejected or not followed, the municipal manager 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 7 (seven) days after the decision on the award of the unsolicited bid is taken, but no contract committing the CoM to the bid may be entered into or signed within 30 (thirty) days of the submission.
- (10) An unsolicited bid shall go through the committee system of council.

13 LOGISTICS MANAGEMENT

Logistics management provides an effective logistic management system for the setting of inventory levels, placing of orders, receiving and distribution of goods, stores and warehouse management, expediting orders, transport management, vendor performance, maintenance and contract administration, as set out below:

13.1 Setting of Inventory Levels

- (1) Stock items must be systematically replenished using the re-order point planning strategy in conjunction with minimum and maximum levels.
- (2) Open reservations must be taken into account during the replenishment run.

13.2 Placing of Orders

- (1) Purchase orders must be created with reference to requisitions where the supply source is by means of contract or verbal, written or formal quotations.
- (2) All purchase orders which are for imported goods and which are subject to rate and exchange adjustments must specify that the vendor must take out forward exchange contract in order to fix the Rand based price in the purchase order.
- (3) A proper record of all purchase orders must be kept by the manager of the SCMU and a copy thereof must be submitted to the chief financial officer on a monthly basis.
- (4) Standing orders will be utilized in cases where a longer term arrangement, such as after hour services and copier contracts, are required.
- (5) Purchase order approvals must be system based and will involve the procurement department only.
- (6) The assets section (for asset creation) and the insurance section (for claims) must be informed after approval of any purchase orders.

13.3 Receiving and Distribution of Goods

- (1) Goods will be received on the applicable computerized system utilised by the CoMwith reference to purchase orders.
- (2) No over-receipt of stock may be allowed. The purchase order must be kept open founder-receipts for the outstanding delivery quantity.
- (3) Goods must be issued from stock with reference to reservations.
- (4) Goods may be issued for consumption against internal orders, cost centres, projects and assets under construction.

13.4 Stores and Warehouse Management

- (1) The stores and warehousing function must be decentralised in different areas and will operate under the jurisdiction of the SCMU.
- (2) The SCMU must ensure proper financial and budgetary control, uphold the principle of effective administration, proper stock holding and control, product standardisation, quality of products and a high standard of service levels.

13.5 Expediting Orders

- (1) The purchasing expeditor is required to monitor and expedite outstanding purchase orders.
- (2) Reminder letters must be faxed automatically to vendors based on the reminder levels prior to the delivery due date which is set in the purchase order.

13.6 Transport Management

The CoM's Fleet Management Policy must be adhered to at all times.

13.7 Vendor Performance

- (1) The applicable computerized system of the CoM must enable system-based evaluation based on the vendors' performance with regard to certain pre-determined criteria.
- (2) The information will be available for contract negotiations and regular feedback to the vendors.

13.8 Contract Management

- (1) The municipal manager must take all reasonable steps to ensure that contract management procured through this policy is properly implemented and enforced.
- (2) The contract management provisions in this policy are applicable to contracts for the provision of goods and/or services.
- (3) All contracts must be administered by an official(s) having the necessary competency in order to ensure effective management of the contract concerned. The responsibility of managing a contract falls on the specific directorate to which such a contract relates together with and in co-operation with the SCMU.

13.9 Maintenance and Contract Administration

- (1) Contracts relating to the procurement of goods and services will be captured on the CoM's computerized system in the form of a price schedule.
- (2) Value (where the maximum value of the contract is restricted) and volume (where the maximum units procured are restricted) based contracts must be utilized.
- (3) The use of fixed price and fixed term contracts must be promoted and expenditure will be driven towards such contracts as opposed to once-off purchases.
- (4) Consolidated procurement volumes must be utilized to drive down negotiated contract prices.
- (5) Contract price adjustments may only be processed in accordance with contract terms and conditions.
- (6) Price adjustments must be made on the procurement contract and any current purchase orders must be changed to reflect the new price.

13.10 Contract Administration

- (1) Contract administration is the last stage of the tendering and contract cycle, and includes all administrative duties associated with a contract after it is executed, including contract review.
- (2) The effectiveness of contract administration depend on how thoroughly the earlier steps were completed as changes can be made far more readily early in the tendering cycle than after contract management has commenced.
- (3) Some of the key early stages, which influence the effectiveness of contract administration and which the CoM must properly implement, include:
 - (a) Defining the outputs by writing specifications which identify what the aims and outputs of a contract will be;
 - (b) Assessing risk;
 - (c) researching the market place, including conducting pre-tender briefings;
 - (d) Formulating appropriate terms and conditions of contract;
 - (e) Identifying appropriate performance measures and benchmarks so that all parties know in advance what is expected, and how it will be tested;
 - (f) Actively creating competition, so the best possible suppliers bid for contracts; and
 - (g) Evaluating bids competently, to select the best contractor, with a strong customer focus and good prospects of building a sound relationship.

13.11 Levels of Contract Administration

- (1) There are three levels of contract administration, being:
 - (a) The first operational level is for standard contracts for goods and services. Day to day contract administration should become no more than a monitoring, record keeping and price adjustment authorisation role.
 - (b) The second or intermediate level is for more complex contracts for services. This type of contract requires a more active role for the contract manager in developing the relationship between the CoM and the contractors.
 - (c) The third level is for strategic contracts involving complex partnerships and outsourcing arrangements. These contracts require more active management of the business relationships between the supplier and the users, for example to manage outputs and not the process.

13.12 Appointing a Contract Manager

- (1) A contract manager must be appointed by the municipal manager together with the director in charge of the project prior to the execution of the contract.
- (2) Where it is practical to do so, the contract manager must be involved at the earliest stage of the acquisition, which is the time of writing the specifications for the contract.
- (3) Contract administration arrangements must be identified and planned including, delegations, reporting requirements and relationships and specific task responsibilities.
- (4) Departments are responsible for ensuring that contract managers:
 - (a) Prepare the contract administration plan;

- (b) Monitor the performance of the contract;
- (c) Are appointed with appropriate responsibility and accountability;
- (d) Are adequately trained so that they can perform and exercise the responsibility; and
- (e) Act with due care and diligence and observe all accounting and legal requirements.

13.13 Duties and Powers of Contract Manager

- (1) The contract manager's duties and powers are governed by the conditions of contract and the law.
- (2) The contract manager must monitor the performance of the contract on a monthly basis and must report to the municipal manager on the performance of the contractor and the progress of the contract on a monthly basis.
- (3) The contract manager is also required to form opinions and make decisions, and in doing so is expected to be even-handed, prudent and to protect the interests of the CoM.
- (4) The SCMU is responsible for notifying the contract manager 60 (sixty) days prior to the expiry of each contract in order to allow the contract manager sufficient time in order to decide whether to renew a contract or efficiently conclude a contract.
- (5) The contract manager must ensure that the contractor duly performs according to the specifications of the contract in delivering goods and/or services on time, in the correct manner and/or quantity and to the required standard.
- (6) Regular meetings and site inspections must be held by the contract manager and the contractor to inspect the progress, deliverables, foreseeable problems and/or possible amendments during the contract period.

13.14 Contract Guidelines

- (1) A guideline, which provides a description of the roles and responsibilities of a contract manager during the contract administration stage, must be documented.
- (2) The provisions of this section is not an exhaustive description of contract administrative activities, and some tasks may not be carried out in the sequence presented, may be done concurrently with other tasks or may not be necessary in some circumstances.

13.15 Delegating to Contract Administrator

- (1) Where appropriate, a contract manager may delegate some contract administration duties to a contract administrator.
- (2) The contract administrator will be required to perform duties related to processes for record keeping, authorising payment and collecting data on contractor performance.
- (3) The contract manager will however remain ultimately responsible and accountable for the performance of the contract.

13.16 Contract Management Process

- (1) The contract manager must ensure the contractor fulfils its obligations and accepts its liabilities under the contract and must also ensure the contractors are treated fairly and honestly.
- (2) Both parties adhering to the agreed terms will result in:
 - (a) Value for money;
 - (b) Timeliness;
 - (c) Cost effectiveness; and

- (d) Proper contract performance.

13.17 Document Retention

- (1) The need exists to retain documents on a contract file for information and audit purposes, and in order to comply with the requirements of the records office.
- (2) Proper records regarding all aspects of the contract must accordingly be maintained.

13.18 Guidelines on Contract Administration

- (1) The responsibilities of a contract manager may include the following:
 - (a) Establishing a contract management plan for the project;
 - (b) Reviewing the contract management process (including the plan) on regular basis;
 - (c) Providing liaison between internal managers and users, and suppliers to identify and resolve issues as they arise;
 - (d) Monitoring the contractor's continuing performance against contract obligations;
 - (e) Providing the contractor with advice and information regarding developments within the department, where such developments are likely to affect the products provided;
 - (f) Determining if staged products should continue, and providing procurement process for additional stages which meet the principle of obtaining value for money;
 - (g) Providing accurate and timely reporting to the senior management in charge of the project, highlighting significant performance issues or problems;

- (h) Ensuring that insurance policy terms and conditions provide adequate protection for the CoM and are maintained throughout the contract period;
- (i) Ensuring all products provided are certified as meeting the specifications before the supplier is paid;
- (j) Maintaining adequate records (paper and/or electronic) in sufficient detail on an appropriate contract file to provide an audit trail;
- (k) Managing contract change procedures;
- (l) Resolving disputes as they arise;
- (m) Conducting post contract reviews; and
- (n) Pursuing remedies in the event of contract breach.

14 DISPOSAL MANAGEMENT

- (1) The disposal management system of the CoM provides an effective system for the transfer of ownership, disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to the provisions of section 14 of the MFMA and the MATR in as far as capital assets are concerned.
- (2) The disposal management system of the CoM is subject to and must comply with the relevant and applicable provisions of the MFMA and MATR in as far as capital assets are concerned.
- (3) The manners in which assets may be disposed of by the CoM include, but is not limited to, the following-
 - (a) Transferring an asset to another organ of state in terms of a provision of the MFMA enabling the transfer of assets;
 - (b) Transferring the asset to another organ of state at market related value or, when appropriate, free of charge;

- (c) Selling the asset; or
 - (d) Destroying the asset.
- (4) Immovable property may be sold only at market related prices except when the public interest or the plight of the poor demands otherwise.
 - (5) Movable assets may be sold either by way of written price quotations, a competitive bidding process, and auction or at market related prices, whichever is the most advantageous to the CoM.
 - (6) In the case of the free disposal of computer equipment, the provincial department of education must first be approached to indicate within 30 (thirty) days whether any of the local schools are interested in the equipment.
 - (7) In the case of the disposal of firearms, the National Conventional Arms Control Committee must approve any sale or donation of firearms to any person or institution within or outside the Republic.
 - (8) Immovable property must be let at market related rates except when the public interest or the plight of the poor demands otherwise.
 - (9) All fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property must be annually reviewed.
 - (10) Where assets are traded in for other assets, the highest possible trade-in price must be negotiated.
 - (11) As far as possible, assets to be disposed of must be subjected to recycling. Disposal to landfill is not allowed unless there are no available recycling options.
 - (12) Non-exempted capital assets must be transferred or permanently disposed of strictly in accordance with the provisions of section 14 of the MFMA read with Chapter 2 of the MATR.
 - (13) Exempted capital assets must be transferred strictly in accordance with Chapter 3 of the MATR.

- (14) The granting of rights by the CoM to use, control or manage municipal capital assets, where section 14 of the MFMA do not apply, must be executed strictly in accordance with Chapter 4 of the MATR.

15 RISK MANAGEMENT

- (1) The risk management system of the CoM provides for an effective system to identify, consider and avoid potential risks in the supply chain management system.
- (2) The risks pertaining to supply chain management must at all times comply with the criteria laid down in the risk management policy of the CoM.
- (3) Managing risk must be part of the philosophy, practices and business plans of the CoM and should not be viewed or practiced as a separate activity in isolation from line managers.
- (4) Risk management includes, but is not limited to-
- (a) Early and systematically identification of risks on a case-by-case basis, analysis and assessment of risk, including conflicts of interest and the development of plans for handling the same;
 - (b) The allocation and acceptance of the responsibility of risk to the party best suited and placed to manage such risk;
 - (c) Acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
 - (d) The management of risk in a pro-active manner and the provision of adequate cover for residual risk;
 - (e) The assignment of relative risk to the contracting parties through clear and unambiguous contract documentation; and
 - (f) Ensuring that the costs incurred in managing risk are commensurate with the importance of the purchase and the risk to the operations of the CoM.

- (5) The risk management process must be applied to all stages of supply chain management, be it the conceptual stage, project definition, specification preparation, acquisition approval or implementation to completion.
- (6) Risk management is an integral part of good management of acquisition activities and cannot be effectively performed in isolation from other aspects of acquisition management.
- (7) Appropriate risk management conditions must therefore be incorporated in contracts.

16 PERFORMANCE MANAGEMENT

- (1) The performance management system of the CoM provides for an effective internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes are being, or were followed, and whether the desired objectives of this policy are being, or were achieved.
- (2) The municipal manager must establish and implement the system contemplated in sub-section (1) above.
- (3) Performance management must contain a monitoring process together with retrospective analysis to determine whether-
 - (a) Value for money has been attained;
 - (b) Proper processes have been followed;
 - (c) Desired objectives have been achieved;
 - (d) There is an opportunity to improve the process;
 - (e) Suppliers have been assessed and the results of the assessment; and
 - (f) There has been deviation from procedures and, if so, what the reasons for such deviation are.
- (4) The performance management system must accordingly focus on, amongst others, the-
 - (a) Achievement of goals;
 - (b) Compliance to norms and standards;
 - (c) Savings generated;
 - (d) Cost variances per item;
 - (e) Non-compliance with contractual conditions and requirements; and
 - (f) Cost efficiency of the procurement process itself.

CHAPTER 3: OTHER MATTERS

17 PROHIBITION ON AWARDS TO PERSONS WHOSE/WHICH TAX MATTERS ARE NOT IN ORDER

- (1) The CoM may not under any circumstances, irrespective of the procurement process followed, make an award to any person or entity whose/which tax matters have not been declared to be in order by SARS.
- (2) Before making an award to a person or entity, the CoM must first check with SARS whether that person's or entities' tax matters are in order.
- (3) If SARS does not respond within 7 (seven) days such person's or entities' tax matters may for purposes of sub-section (1) be presumed to be in order.

18 PROHIBITION ON AWARDS TO PERSONS IN THE SERVICE OF THE STATE

The CoM may not under any circumstances, irrespective of the procurement process followed, make an award to a person or entity-

- (a) Who is in the service of the state;
- (b) If that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
- (c) Who is an advisor or consultant contracted with CoM.

19 AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE

The municipal manager must ensure that the notes to the annual financial statements of the CoM disclose the particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or who has been in the service of the state in the previous 12 (twelve) months, including-

- (a) The name of that person;
- (b) The capacity in which that person is or was in the service of the state; and
- (c) The amount of the award.

20 CODE OF ETHICAL STANDARDS

- (1) In addition to this code of ethical standards, the codes of conduct for municipal councillors and staff members as set out in Schedule 1 and Schedule 2 of the MSA shall apply in the implementation of this policy.
- (2) The code of ethical standards for officials and all other role-players in the supply chain management system which is established hereby seeks to promote –
 - (a) Mutual trust and respect; and
 - (b) An environment where business can be conducted with integrity and in a fair and reasonable manner.
- (3) An official and/or other role-player involved in the implementation of this 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;
 - (d) notwithstanding sub-paragraph(c) above, must declare to the municipal manager 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 municipal manager 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 CoM;
 - (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 CoM;
 - (h) Must assist the municipal manager in combating fraud, corruption, favouritism, unfair and irregular practices in the supply chain management system; and
 - (i) Must report to the municipal manager 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 section 20.1; or
 - (iii) Any alleged breach of the code of ethical standards.
- (4) All declarations in terms of sub-section (3) (d) and (e) must be recorded by the municipal manager in a register which the municipal manager must keep for this purpose.

- (5) All declarations by the municipal manager must be made to the executive mayor of the CoM, who must ensure that such declarations are recorded in the register.
- (6) The municipal manager is responsible to ensure that appropriate steps are taken against any official or other role-player who commits a breach of any provision of this code of ethical standards, and council must ensure that the same measures are enforced where a breach has been committed by the municipal manager.
 - (a) A breach of the code of ethical standards and any adopted code/s of conduct must be dealt with in accordance with Schedule 1 or Schedule 2 of the MSA, depending upon the circumstances.
- (7) The municipal manager must, in his/her implementation of this policy, take into account the National Treasury's code of conduct for supply chain management practitioners and other role-players involved in supply chain management.
- (8) The CoM has adopted the National Treasury's code of conduct for supply chain management practitioners and other role-players involved in supply chain management.
 - (a) This code of conduct is binding on all officials and other role-players involved in the implementation of this policy; and
 - (b) A copy of the National Treasury's code of conduct is available on the website www.treasury.gov.za/mfma located under "legislation".
- (9) Sub-section (3) (c) does not apply to gifts less than R350 in value.

20.1 Inducements, Rewards, Gifts and Favours to the CoM, its Officials and/or Other Role-players

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

20.2 Sponsorships

The municipal manager of the CoM must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted to the CoM or any of its officials, whether directly or through a representative or intermediary, by any person who is-

- (a) A provider or prospective provider of goods and/or services to the CoM; or

- (b) A recipient or prospective recipient of goods disposed or to be disposed of by the CoM.

20.3 Objections and complaints

Persons aggrieved by decisions or actions taken by the CoM in the implementation of this policy, may lodge within 14 (fourteen) days of the decision or action, a written objection or complaint against the decision or action.

20.4 Resolution of Disputes, Objections, Complaints and Queries

- (1) The municipal manager must appoint an independent and impartial person not directly involved in the supply chain management processes of the CoM-
 - (a) To assist in the resolution of disputes between the CoM and other persons regarding-
 - (i) Any decisions or actions taken by the CoM in the implementation of its supply chain management system; or
 - (ii) Any matter arising from a contract awarded in the course of its supply chain management system; or
 - (b) To deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
- (2) The municipal manager, or another official designated by the municipal manager, is responsible for assisting the appointed person to perform his or her functions effectively.
- (3) The person appointed by the municipal manager in terms of sub-section (1) must-
 - (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.
- (4) A dispute, objection, complaint or query may be referred to the relevant provincial treasury if-
 - (a) The dispute, objection, complaint or query is not resolved within 60 (sixty) days; or
 - (b) No response is received from the CoM within 60 (sixty) days.
- (5) If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.
- (6) This section must not be read as affecting a person's rights to approach a court at any time.

20.5 Contracts Providing for Compensation Based on Turnover

Where a service provider acts on behalf of the CoM 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 CoM must stipulate-

- (a) A cap on the compensation payable to the service provider; and
- (b) That such compensation must be performance based.

CHAPTER 4: COMBATING ABUSE OF THE SUPPLY CHAIN MANAGEMENT SYSTEM

21 COMBATING OF ABUSE OF THE SUPPLY CHAIN MANAGEMENT SYSTEM

- (1) The terms of reference of this section of this policy ensure compliance with Regulation 38 of the SCMR.
- (2) The municipal manager shall take all reasonable steps to prevent abuse of the supply chain management system and to investigate any allegations of improper conduct against the concerned official, councillor, or other role player and when justified may:-
 - (a) Take, or ensure that appropriate steps are taken, against such official, councillor or other role player; and/or
 - (b) Inform the Speaker of any allegations against any councillor involved in contraventions of the supply chain management system; and/or
 - (c) Report any alleged criminal conduct to the South African Police Service and/or other recognised authority.
- (3) The steps referred to in sub-section (2) which the municipal manager may take include registering the affected person in the CoM's Register of Tender and Contract Defaulters as well as:
 - (a) Rejection or withdrawal of recommendations, or invalidation of decisions that were unlawfully or improperly made or influenced, including recommendations or decisions that were made or in any way influenced by:
 - (i) Councillors in contravention of item 5, 6 or 9 of the Code of Conduct for Councillors set out in Schedule 1 of the MSA; or

- (ii) Municipal staff members in contravention of item 4, 5 or 8 of the Code of Conduct for Municipal Staff Members set out in Schedule 2 of the MSA;
- (iii) The unlawful or improper conduct of a bidder or its representatives in competing for the particular contract;
- (b) Rejection of the bid of an affected person if that person or any of its representatives:
 - (i) Has failed to pay municipal rates and taxes or municipal service charges and such rates, taxes and charges are in arrears for a period longer than 3 (three) months, as at the date of the submission of the bid;
 - (ii) Has abused the supply chain management system or has committed any improper conduct in relation to the supply chain management system;
 - (iii) Has been convicted of fraud or corruption during the 5 (five) year period immediately preceding the invitation of bid in question;
 - (iv) Is listed:
 - (aa) in the Register for Tender and or Contract Defaulters in terms of the provisions of section 29 of the Prevention and Combating of Corrupt Activities Act, Act 12 of 2004;
 - (bb) on the National Treasury's database as a person prohibited from doing business with the public sector or;
 - (cc) on the CoM's Register of Tender and or Contract Defaulters.
 - (v) who/which, during the last 5 (five) year period immediately preceding the invitation of the bid in question, failed to perform

satisfactorily on previous or current contract with the CoM or other organ of state after written notice was given to the affected person that such person's performance was unsatisfactory; and/or

- (vi) Wilfully neglected and/or breached any government, municipal or other public sector contract during the 5 (five) year period immediately preceding the invitation of the bid in question.

(c) Cancellation of a contract awarded to a person if that person:-

- (i) committed a fraudulent act during the procurement process or the execution of the contract;
- (ii) Incite any corrupt or fraudulent act, by an official, councillor or other role-player during the procurement process or in the execution of that contract and the person who committed the corrupt or fraudulent act benefited there from.

21.1 CoM's Register of Tender and Contract Defaulters

- (1) The municipal manager shall, subject to the procedures prescribed in this policy, be entitled to list a person or any of its representatives, where applicable, on the CoM's Register of Tender and Contract Defaulters for a period not exceeding 5 (five) years in any of the circumstances listed in terms of this policy.
- (2) In the circumstances referred to in section 21(3) (c) (i) and (ii) above, the person convicted of the relevant offence shall automatically be listed on the CoM's Register of Tender Contract Defaulters.
- (3) In circumstances where a preference in terms of the PPPFA has been obtained on a fraudulent basis or any specific goals are not attained in the performance of the contract, the affected person may be listed on the CoM's

Register of Tender and Contract Defaulters for a period not exceeding 10 (ten) years.

- (4) Any listing in terms of section 21(3) shall, at the discretion of the municipal manager, also be applicable to any other enterprise or any partner, manager, director or other person who wholly or partly exercises or exercised or may exercise control over the enterprise of the first mentioned person, and with which enterprise or person the first-mentioned person, is, or was, in the opinion of the municipal manager, actively associated.
- (5) A person who has been listed on the CoM's Register of Tender and Contract Defaulters shall not be entitled to be awarded any contract by the CoM for the duration of the period reflected on such register.
- (6) The municipal manager may, on good cause shown, remove a person from the CoM's Register of Tender Contract Defaulters or reduce the period for which a person is prohibited from being awarded any contract by the CoM.

21.2 Automatic Rejection of Bid

The municipal manager may, after written verification with a person, automatically reject the bid of such a person if the person:

- (a) Has been convicted of fraud or corruption during the past 5 (five) year period immediately preceding the invitation of the bid in question; and/or
- (b) Is listed on the:
 - (i) Register for Tender Defaulters in terms of the provisions of section 29 of the Prevention and Combating of Corrupt Activities Act, Act 12 of 2004;
 - (ii) National Treasury's database as a person prohibited from doing business with the public sector; and/or
 - (iii) CoM's Register of Tender and Contract Defaulters.

21.3 Adequate Notice of Manner of Abuse of Supply Chain Management System

- (1) Once the CoM has obtained *prima facie* evidence which it deems to be sufficient to initiate proceedings to take steps against the affected person as contemplated in section 21(2) and (3) of this policy, the CoM must give the affected person adequate written notice of the manner in which it is alleged that the affected person abused the supply chain management system
- (2) In order to constitute adequate notice of the manner in which it is alleged that the affected person abused the supply chain management system the notice must:-
 - (a) Outline the grounds on which it is alleged that the affected person abused the supply chain management system, with sufficient particulars to enable the affected person to respond to the allegations stipulated in the notice;
 - (b) Refer to the applicable provisions of this policy in terms of which steps may be taken in the event where it is proved that the affected person abused the supply chain management system;
 - (c) Stipulate that the affected person must make written representations in response to such allegations of abuse of the supply chain management system within 14(fourteen) calendar days of the date when the notice was served by a duly authorized person, acting on behalf of the CoM, on the affected person;
 - (d) state that written submissions received after the due date for such submissions shall be disregarded, unless good cause is shown by way of a request for condonation for the late lodgement of the submissions and only when the condonation would not lead to unnecessary delays or otherwise prejudice the public interest;
 - (e) State the name, official title, postal address, street address, telephone number and fax number of the official of the CoM to whom written

submissions or any correspondence in terms of this policy must be sent.

21.4 Right of Access to Information

- (1) When furnishing the affected person with the notice referred to in section 21.3 above, the CoM shall furnish the affected person with access to all documents upon which the CoM relies in respect of the allegations against the affected person.
- (2) The affected person shall be furnished by the CoM with any such additional information as the affected person is entitled to in terms of PAIA.
- (3) Where further information is requested, the CoM may, in its sole discretion and up on a written request to do so, appropriately extend the time period contemplated in section 21.3(2)(c) so that the affected person is granted adequate time to consider any information provided pursuant to such request prior to the due date for such submissions.

21.5 Administration of Hearings

- (1) The municipal manager shall appoint an independent and impartial person, who may be an official of the CoM, to preside and adjudicate on allegations of abuse of the supply chain management system against an affected person.
- (2) The Presiding Officer will adjudicate on the matter based on the written notice and written response and will inform all relevant parties accordingly should the matter, or part thereof be referred for an oral hearing.

21.6 Right to be heard

- (1) An affected person shall, in accordance with and subject to, the procedures in terms of this policy, be granted the right to be heard upon receiving notice as

contemplated in terms of section 21.3 and prior to the municipal manager taking any of the steps listed in section 21(2) and (3) of this policy.

21.7 Oral Hearings

- (1) An affected person does not have an automatic right to an oral hearing but may submit an application to the presiding officer to have the matter set down for an oral hearing in instances where the presiding officer decided to entertain the matter without oral evidence being heard, or not to refer the matter for an oral hearing.
- (2) The presiding officer may grant such an opportunity in its discretion where the affected person has provided sufficient grounds to the presiding officer to refer the matter for an oral hearing
- (3) The presiding officer shall take any relevant factor into account when deciding whether or not to grant an application referred to in sub-section (2) by an affected person.
- (4) The presiding officer must ensure that notice of an oral hearing shall be served by a duly authorised person on all relevant parties within 7 (seven) days of receipt of their presentations referred to in section 21.3(2)(c), and must-
 - (a) set the date of the oral hearing;
 - (b) Inform the affected person of their right to legal representation; and
 - (c) Include any other information which the presiding officer may deem relevant or necessary to be included in the notice.
- (5) The CoM must be appropriately represented at these hearings by a natural person to lead the evidence against the affected person.

21.8 Procedure at Oral Hearing

- (1) The procedure to be followed at an oral hearing shall be determined by the presiding officer.
- (2) Witnesses must testify under oath.
- (3) Affected person(s) or their representatives shall have the right to present their case and to cross-examine any witnesses who testify at the hearing.
- (4) Witnesses called by the affected person(s) shall be subjected to cross examination by any party who may have an interest at the hearing.

21.9 Onus of Proof

The onus is on the CoM to prove any allegations of abuse of the supply chain management system which proof shall be on a balance of probabilities.

21.10 Right to Legal Representation

An affected person shall have a right to legal representation.

21.11 Right to Request Reasons

An affected person shall be informed of the right to request written reasons in terms of the provisions of section 5 of PAIA in respect of any decision taken by the CoM in terms of this policy.

21.12 Criminal Proceedings

- (1) The municipal manager may institute criminal proceedings where there is *prima facie* proof of abuse of the supply chain management system that constitute a criminal offence of corruption or fraud.

21.13 Informing Provincial and National Treasury

The municipal manager must inform the Provincial and National Treasury of any actions taken in terms of this section.

CHAPTER5: PREFERENTIAL PROCUREMENT

22 PLANNING AND STIPULATION OF PREFERENCE POINT SYSTEM TO BE UTILIZED

- (1) The CoM must, prior to making an invitation for bidders-
 - (a) Properly plan for, and, as far as possible, accurately estimate the costs of the provision of goods and/or services for which an invitation for bids is to be made;
 - (b) Determine and stipulate the appropriate preference point system to be utilized in the evaluation and adjudication of the bids; and
 - (c) Determine whether the goods and/or services for which an invitation for bids is to be made has been designated for local production and content in terms of section 28.

23 EVALUATION OF BIDDERS ON FUNCTIONALITY

- (1) The CoM must indicate in the invitation to submit a bid if such a bid will 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) Weight of each criterion;
 - (c) Applicable values; and
 - (d) Minimum qualifying score for functionality,Must be clearly specified in the invitation to submit a bid.
- (4) No bid must be regarded as an acceptable bid if such bid fails to achieve the minimum qualifying score for functionality as indicated in the bid invitation.
- (5) Bids which have achieved the minimum qualification score for functionality must be evaluated further in terms of the preference point system prescribed in sections 24 and 25 below.

24 THE 80/20 PREFERENCE POINT SYSTEM FOR THE ACQUISITION OF GOODS AND/OR SERVICES UP TO A RAND VALUE OF R1 MILLION

- (1) (a) The following formula must be utilized to calculate the points for price in respect of bids (including price quotations) with a rand value equal to, or above R30000 and up to a rand value of R50 million (all applicable taxes included):

$$P_s = 80 \left(1 - \frac{P_t - P_{\min}}{P_{\min}} \right)$$

Where:

Ps = Points scored for comparative price of bid or offer under consideration;

Pt = Comparative price of bid or offer under consideration; and

Pmin = Comparative price of lowest acceptable bid of offer.

(b) The CoM may apply the formula in sub-section (1) for price quotations with a value less than R30 000, where and when appropriate.

(2) Subject to sub-section (3), points must be awarded to a bidder for attaining the B-BBEE status level of contributor in accordance with the following table:

| B-BBEE Status Level of Contributor | Number of Points |
|------------------------------------|------------------|
| 1 | 20 |
| 2 | 18 |
| 3 | 16 |
| 4 | 12 |
| 5 | 8 |
| 6 | 6 |
| 7 | 4 |
| 8 | 2 |
| Non-compliant contributor | 0 |

(3) A maximum of 20 (twenty) points may be allocated in accordance with sub-section (2).

(4) The points scored by a bidder in respect of B-BBEE contribution contemplated in sub-section (2) must be added to the points scored for price as calculated in accordance with sub-section (1).

(5) Subject to section 26, the prospective contract must be awarded to the bidder who scores the highest total number of points.

**THE 90/10 PREFERENCE POINT SYSTEM FOR THE ACQUISITION OF
GOODS AND/OR SERVICES WITH A RAND VALUE ABOVE R1 MILLION**

- (1) The following formula must be utilized to calculate the points for price in respect of bids with a rand value above R50 million (all applicable taxes included):

$$Ps = 90 \left(1 - \frac{Pt - P_{min}}{P_{min}} \right)$$

Where:

Ps = Points scored for comparative price of bid or offer under consideration;

Pt = Comparative price of bid or offer under consideration; and

Pmin = Comparative price of lowest acceptable bid of offer.

- (2) Subject to sub-section (3), points must be awarded to a bidder for attaining their B-BBEE status level of contributor in accordance with the following table:

| B-BBEE Status Level of Contributor | Number of Points |
|------------------------------------|------------------|
| 1 | 10 |
| 2 | 9 |
| 3 | 8 |
| 4 | 5 |
| 5 | 4 |
| 6 | 3 |
| 7 | 2 |
| 8 | 1 |
| Non-compliant contributor | 0 |

- (3) A maximum of 10 (ten) points may be allocated in accordance with sub-section (2).

- (4) The points scored by a bidder in respect of the level of B-BBEE contribution contemplated in sub-section (2) must be added to the points scored for price as calculated in accordance with sub-section (1).
- (5) Subject to section 26, the prospective contract must be awarded to the bidder who scores the highest total number of points.

26 AWARD OF CONTRACTS TO BIDDERS NOT SCORING THE HIGHEST NUMBER OF POINTS

A contract may be awarded to a bidder who/which did not score the highest total number of points, but only in accordance with the provisions of section 2(1)(f) of the PPPFA.

27 CANCELLATION AND RE-INVITATION OF BIDS

- (1)
 - (a) When, in the application of the 80/20 preference point system as stipulated in the bid documents, **all** bids received exceed the estimated rand value of R1 million, the bid invitation must be cancelled.
 - (b) Where 1 (one) or more of the acceptable bids received are within the prescribed threshold of R1 million, all bids received must be evaluated on the 80/20 preference point system.
- (2)
 - (a) When, in the application of the 90/10 preference point system as stipulated in the bid documents, **all** bids received are equal to, or below R1 million, the bid must be cancelled.
 - (b) Where 1 (one) or more of the acceptable bids received are above the prescribed threshold of R1 million, all bids received must be evaluated on the 90/10 preference point system.

- (3) Where the CoM cancels a bid invitation as contemplated in sub-sections (1) and (2), the CoM must re-invite bidders and must stipulate in the bid documents the correct preference point system to be applied.
- (4) The CoM may, prior to the award of a bid, cancel such a bid when-
 - (a) Due to changed circumstances, there is no longer a need for the requested goods and/or services;
 - (b) Funds are no longer available to cover the total envisaged expenditure of the bid; or
 - (c) No acceptable bids are received.
- (5) The decision to cancel a bid in terms of sub-section (4) must be published in the Government Tender Bulletin or the media in which the original bid invitation was advertised.

28 LOCAL PRODUCTION AND CONTENT

- (1) The CoM must, in the case of designated sectors, where local production and content is of critical importance in the award of bids, advertise such bids with a specific bid condition that only locally produced goods and/or services or locally manufactured goods, with a stipulated minimum threshold for local production and content will be considered.
- (2) The instructions, circulars and guidelines issued by the National Treasury with specific reporting mechanisms to ensure compliance with sub-section (1), must be taken into account by the CoM when applying this section.
- (3) Where there is no designated sector, the CoM may include, as a specific bid condition, that only locally produced goods and/or services or locally manufactured goods with a stipulated minimum threshold for local production and content will be considered, provided 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 Trade and Industry.

- (4) Every bid issued in terms of this section must be measurable and audited.
- (5) Where necessary, for bids referred to in sub-sections (1) and (3), a two-stage bidding process may be followed, where the first stage involves functionality and minimum threshold for local production and content and the second stage price and B-BBEE with the possibility of price negotiations only with the short-listed bidder(s).

29 B-BBEE STATUS LEVEL CERTIFICATE

- (1) Bidders with an annual total revenue of R5 million or less qualifies as exempted micro enterprises in terms of the Broad-Based Black Economic Empowerment Act, Act 53 of 2003, and must submit a certificate issued by a registered auditor, accounting officer (as contemplated in section 60(4) of the Close Corporation Act, Act 69 of 1984) or an accredited verification agency.
- (2) Bidders other than exempted micro enterprises must submit their original and valid B-BBEE status level verification certificate or a certified copy thereof, 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.
- (4) The B-BBEE status level attained by the bidder must be utilized to determine the number of points allocated in terms of sections 24(2) and 25(2).

30 CONDITIONS

- (1) Only bidders who/which have completed and signed the declaration part of the bid documentation may be considered for such bid.
- (2) The CoM 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 affected.
- (4) Points scored must be rounded off to the nearest 2 (two) decimal places.
- (5) In the event that 2 (two) or more bids have scored equal total points, the successful bid must be the one scoring the highest number of preference points for B-BBEE.
 - (a) When, however, functionality is part of the evaluation process and 2 (two) or more bids have scored equal points including equal preference points for B-BBEE, the successful bidder must be the one scoring the highest score for functionality.
 - (b) Where 2 (two) or more bids are equal in all respects, the award will be decided by the drawing of lots.
- (6) A trust, consortium or joint venture will qualify for points for its B-BBEE status level as a legal entity, provided that such entity submits its B-BBEE status level certificate.
- (7) A trust, consortium or joint venture will qualify for points for its B-BBEE status level as an unincorporated entity, provided such entity submit its consolidated B-BBEE scorecard as if the entity is a group structure and that such a consolidated B-BBEE scorecard is prepared for every separate bid.
- (8) A person may not be awarded any points for B-BBEE status level where the bid documents indicates that such a bidder who/which intends to sub-contract more than 25% of the value of the contract to any other enterprise that does not qualify for at least the same amount of points of the bidder, unless the intended sub-contractor is an exempted micro enterprise which has the capacity and ability to execute the sub-contract.
- (9) A person to whom/which a contract has been awarded may not sub-contract more than 25% of the value of the contract to any other enterprise which does not have an equal to or higher B-BBEE status level than the person concerned,

unless the contract is sub-contracted to an exempted micro enterprise which has the capacity and ability to execute the sub-contract.

- (10) A person to whom/which a contract has been awarded in relation to a designated sector, may not sub-contract in such a manner that the local production and content of the overall value of the contract is reduced below the stipulated minimum threshold.
- (11) When the CoM is in need of services which is provided by tertiary institutions only, such services must be procured through a bidding process from the tertiary institutions identified.
- (12) The tertiary institutions referred to in sub-section (11) must be required to submit its B-BBEE status in terms of the specialized scorecard contained in the B-BBEE codes of good practice.
- (13) Where the CoM require services which can only be provided by 1 (one) or more tertiary institutions or public entities and enterprises from the private sector, the appointment of a contractor must be done by means of a bidding process.
- (14) Public entities must be required to submit its B-BBEE status in terms of the specialized scorecard contained in the B-BBEE codes of good practice.

A tenderer may not be awarded points for B-BBEE status level of contributor if the tender documents indicate that the tenderer intends subcontracting more than 25%

of the value of the contract to any other person not qualifying for at least the points that the tenderer qualifies for, unless the intended subcontractor is an EME that has the capability to execute the subcontract.

(6) The points scored by a tenderer for B-BBEE contribution in terms of subregulation (2) must be added to the points scored for price under subregulation (1).

(7) The points scored must be rounded off to the nearest two decimal places.

(8) Subject to subregulation (9) and regulation 11, the contract must be awarded to the tenderer scoring the highest points.

(9)(a) If the price offered by a tenderer scoring the highest points is not marketrelated,

the organ of state may not award the contract to that tenderer.

(b) The organs of state may-

(i) negotiate a market-related price with the tenderer scoring the highest points or

cancel the tender;

(ii) if the tenderer does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the second highest points or cancel the tender;

(iii) if the tenderer scoring the second highest points does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the third highest points or cancel the tender.

(c) If a market-related price is not agreed as envisaged in paragraph (b)(iii), the organ of state must cancel the tender.

Criteria for breaking deadlock in scoring

(1) If two or more tenderers score an equal total number of points, the contract must be awarded to the tenderer that scored the highest points for B-BBEE.

(2) If functionality is part of the evaluation process and two or more tenderers score equal total points and equal preference points for B-BBEE, the contract must be

awarded to the tenderer that scored the highest points for functionality.

(3) If two or more tenderers score equal total points in all respects, the award must be decided by the drawing of lots.

Award of contracts to tenderers not scoring highest points

11.(1) A contract may be awarded to a tenderer that did not score the highest points only in accordance with section 2(1)(f) of the Act.

(2) If an organ of state intends to apply objective criteria in terms of section 2(1)(f) of the Act, the organ of state must stipulate the objective criteria in the tender documents.

31 DECLARATIONS

(1) A bid must, in the manner stipulated in the bid document, compel a bidder to declare that-

- (a) The information provided is true and correct;
- (b) The signatory to the bid is duly authorized; and
- (c) Documentary proof regarding any bid issue must, when required, be submitted to the satisfaction of the CoM.

32 REMEDIES

(1) The CoM must act against a bidder or a person to whom/which a contract has been awarded, 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.
- (2) The CoM may, in addition to any other remedy it may have against a bidder or person contemplated in sub-section (1)-
- (a) Disqualify the bidder or person from the bidding process;
 - (b) Recover all costs, losses or damages which it has suffered as a result of such bidder or person's conduct;
 - (c) Cancel and claim any damages which it has suffered as a result of having to make less favourable arrangements due to such cancellation;
 - (d) restrict the bidder or contractor, its shareholders and/or directors who acted on a fraudulent basis, from obtaining business from any organ of state for a period which does not exceed 10 (ten) years, after the *audi alteram partem* (hear the other side) rule has been applied; and
 - (e) Forward the matter for criminal prosecution.

14.(1) Upon detecting that a tenderer submitted false information regarding its BBBEE status level of contributor, local production and content, or any other matter required in terms of these Regulations which will affect or has affected the evaluation of a

tender, or where a tenderer has failed to declare any subcontracting arrangements, the organ of state must-

- (a) inform the tenderer accordingly;
- (b) give the tenderer an opportunity to make representations within 14 days as to why-
 - (i) the tender submitted should not be disqualified or, if the tender has already been awarded to the tenderer, the contract should not be terminated in whole or in part;
 - (ii) if the successful tenderer subcontracted a portion of the tender to another person without disclosing it, the tenderer should not be penalised up to 10 percent of the value of the contract; and
 - (iii) the tenderer should not be restricted by the National Treasury from conducting any business for a period not exceeding 10 years with any organ of state; and
- (c) if it concludes, after considering the representations referred to in subregulation (1)(b), that-
 - (i) such false information was submitted by the tenderer-
 - (aa) disqualify the tenderer or terminate the contract in whole or in part;

and

(bb) if applicable, claim damages from the tenderer; or

(ii) the successful tenderer subcontracted a portion of the tender to another person without disclosing, penalise the tenderer up to 10 percent of the value of the contract.

(2)(a) An organ of state must-

(i) inform the National Treasury, in writing, of any actions taken ;

11

(ii) provide written submissions as to whether the tenderer should be restricted from conducting business with any organ of state; and

(iii) submit written representations from the tenderer as to why that tenderer should not

be restricted from conducting business with any organ of state.

(b) The National Treasury may request an organ of state to submit further information pertaining to subregulation (1) within a specified period.

(3) The National Treasury must-

(a) after considering the representations of the tenderer and any other relevant information, decide whether to restrict the tenderer from doing business with any organ of state for a period not exceeding 10 years; and

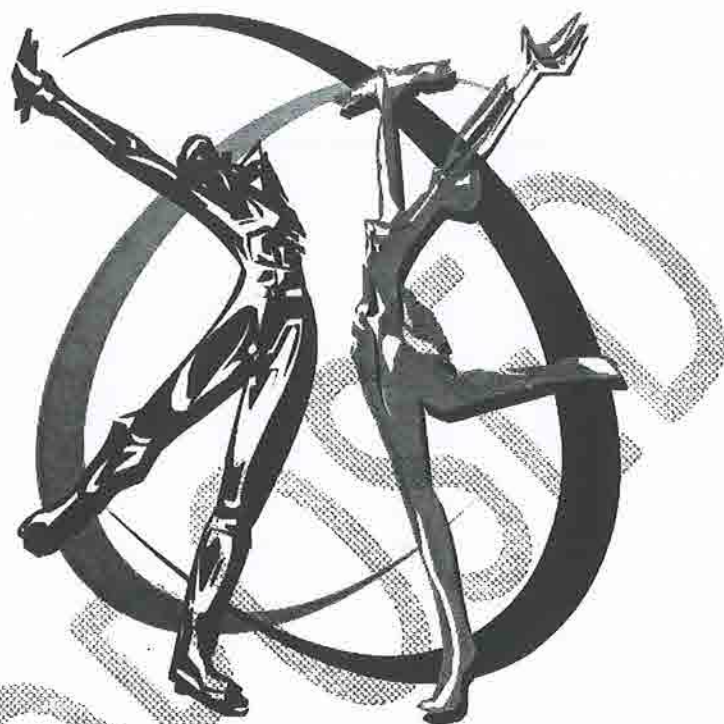
(b) maintain and publish on its official website a list of restricted suppliers.

SCHEDULE "A"

PROCEDURE FOR PETTY CASH PURCHASES OF THE COM

- (1) Every official or employee of the CoM who wishes to make a purchase from petty cash must do so by-
 - (a) way of an application to his/her applicable Director;
 - (b) describing the items to be purchased in writing together with a motivation in respect of the requirement of the purchase and the costs thereof; and
 - (c) each and every application in writing must be approved by the applicable and responsible Director of the CoM who administers the Directorate in terms of which the application for the petty cash purchase is made.
- (2) Petty cash purchases may only be made with the written approval of the applicable and responsible Director as contemplated in sub-section (1) above and any official or employee of the CoM who makes any petty cash purchases made other than as provided for in this Schedule, will be personally liable for the costs of such purchase.

CITY OF MATLOSANA



SCM POLICY FOR INFRASTRUCTURE PROCUREMENT AND DELIVERY MANAGEMENT

2017/2018



Model SCM Policy for Infrastructure Procurement and Delivery Management

Purpose

The purpose of this Circular is to provide guidance to municipalities and municipal entities to establish a suitable supply chain management system for infrastructure delivery which is better able to deliver value for money, while minimizing the scope for corruption. The attached *Model SCM Policy for Infrastructure Procurement and Delivery Management* (Annexure A) is issued in terms of Section 168 of the Municipal Finance Management Act of 2003 (Act No. 56 of 2003) in support of Regulation 3(2) of the Supply Chain Management Regulations as a Treasury guideline determining a standard for municipal supply chain management policies. It is linked to the *National Treasury Standard for Infrastructure Procurement and Delivery Management* (see Annexure B) which establishes:

- (a) a control framework for the planning, design and implementation of infrastructure projects and infrastructure procurement
- (b) requirements for the following matters as applied to the supply chain management system for infrastructure delivery:
 - institutional arrangements;
 - demand management;
 - acquisition management;
 - contract management;
 - logistics management;
 - disposal management;
 - reporting of supply chain management information;
 - regular assessment of supply chain management performance; and
 - risk management and internal control; and
- (c) minimum requirements for infrastructure procurement.

This standard for municipal supply chain management policies relating to infrastructure procurement and delivery management, or any modified version of it, when adopted will assist municipalities and municipal entities to better plan and obtain the necessary value for money when undertaking infrastructure projects.

Background and Discussion

The South African Planning Commission's National Development Plan 2030: *Our future – make it work* proposes that the following five areas be focused on in designing a procurement system that is better able to deliver value for money, while minimizing the scope for corruption:

- (a) differentiate between the different types of procurement which pose different challenges and require different skills sets;
- (b) adopt a strategic approach to procurement above the project level to balance competing objectives and priorities rather than viewing each project in isolation;
- (c) build relationships of trust and understanding with the private sector;
- (d) develop professional supply chain management capacity through training and accreditation; and
- (e) incorporate oversight functions to assess value for money.

National Treasury's 2015 Public Sector Supply Chain Management Review expresses the view that supply chain management (SCM) is one of the key mechanisms enabling government to implement policy which traditionally has been misunderstood and undervalued. This Review, which identified the need for SCM reform, suggests that if such reforms are implemented as envisaged in terms of section 217 of the Constitution, the benefits will be enormous and include amongst other:

- (a) good-quality service delivery will be increasingly possible, with significant improvements in the welfare of South Africa's citizens and especially the poor who rely heavily on government for support;
- (b) the economy will grow as economic infrastructure is expanded and efficiently maintained;
- (c) goods, services and infrastructure will be bought at lower costs;
- (d) innovation will result in different approaches to the commodities used in some sectors; and
- (e) for suppliers, the cost of doing business with the state should decrease substantially.

Municipal procurement that is unrelated to infrastructure delivery typically relates to goods and services that are standard, well-defined and readily scoped and specified. Once purchased, goods invariably need to be taken into storage prior to being issued for use. Services most often involve routine, repetitive services with well understood interim and final deliverables which do not require strategic inputs or require decisions to be made regarding the fitness for purpose of the service outputs.

In contrast, procurement relating to the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure covers a wide and diverse range of goods and services, which are required to provide or alter the condition of immovable assets on a site. Accordingly, the procurement process for the delivery of infrastructure involves the initial and subsequent recurring updating of planning processes at a portfolio level flowing out of an assessment of public sector service delivery requirements or business needs. Thereafter it involves planning at a project level and the procurement and management of a network of suppliers, including subcontractors to produce a product on a site. There is no need to store and issue materials or equipment unless these are issued to employees responsible for the maintenance or operation of infrastructure, or are issued free of charge to contractors for incorporation into the works.

The *National Treasury Standard for Infrastructure Procurement and Delivery Management*, if adopted, enables a municipal council to separate the supply chain management requirements for general goods and services from those for infrastructure delivery. (*Infrastructure delivery* is the combination of all planning, technical, administrative and managerial actions associated with the construction, supply, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure).

Underlying the separation of the supply chain management systems is the notion that the effective and efficient functioning of the supply chain management system for infrastructure delivery will realise value for money and good-quality service delivery. Value for money may be regarded as the optimal use of resources to achieve the intended outcomes. Underlying value for money is an explicit commitment to ensure that the best results possible are obtained from the money spent or maximum benefit is derived from the resources available.

Conclusion

This MFMA circular provides the basis for municipalities and municipal entities to establish an appropriate supply chain management system for infrastructure delivery.

Accounting officers of municipalities and municipal entities are therefore advised to bring the contents of this Circular to the attention of their respective municipal councils and amend and align their SCM policies accordingly. Municipalities and municipal entities are advised to customize the model policy to suit the specific needs of its environment before tabling in the municipal council for adoption.

Enquiries relating to this Circular and its attachments may be directed as follows:

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Chief Director: MFMA Implementation

26 October 2015

Annexure A: Model SCM Policy for Infrastructure Procurement and Delivery Management

Annexure B: Standard for Infrastructure Procurement and Delivery Management

Annexure B

Standard for Infrastructure Procurement and Delivery Management

First edition

October 2015

Effective Date: 1 July 2016



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

INTRODUCTION

Public infrastructure

South African citizens are surrounded by public infrastructure. Offices and facilities provide places of work for officials. Schools, hospitals and clinics provide essential services. Roads and railways not only enable travel, but also distribute goods and services. Border posts, harbours and airports are the physical links with neighbouring countries and the world. Dams provide water for human consumption and agricultural and industrial purposes. Networks deliver water and electricity to consumers and convey industrial effluent, soilwater and wastewater to treatment works. Such infrastructure is foundational to a better life for all. However, investment in economic infrastructure will not necessarily lead to economic growth. Infrastructure which provides improvements or efficiencies in services, production or export capabilities, and which is delivered and maintained in a manner that minimises waste of materials, time and effort in order to generate the maximum possible amount of value, is most likely to contribute to economic growth.

Infrastructure is required by the state and state-owned businesses to deliver services to citizens. Each organ of state has a legislated mandate. Some organs of state generate revenue but require capital to expand their revenue generating services, while other are totally reliant on funding from the fiscus to satisfy their infrastructure needs. The fiscus has limited financial resources to fund infrastructure projects. New infrastructure projects need to be budgeted for, taking into account future operation and maintenance costs and current commitments. Accordingly, organs of state requiring funds for infrastructure projects compete for budget allocations. Projects need to be prioritised both within an organ of state and between organs of state. Such prioritisation is sometimes based on political prerogatives while at other times it is based on objective decision-making criteria, which take into account factors such as overarching government wide, long and medium-term policies and plans, including integrated sector plans and mandates.

The time taken between the submission of a project proposal and a final decision by an organ of state to implement a project can, depending upon the nature, complexity and size of a project and requirements for statutory approvals, take several years. Funding may also be required to develop project proposals so that informed decisions can be made regarding their implementation. In the first instance, initiation reports need to be developed to outline the business case. Should funding be made available to progress the proposal, a prefeasibility report is required on major capital projects to determine whether or not it is worthwhile to proceed to the feasibility stage where sufficient information is presented to enable a final decision to be made regarding the implementation of a project. On smaller projects of a routine nature, a strategic brief is required to brief the professional team so that they can develop a viable and integrated concept for the project. A final decision to proceed to implementation is based on a concept report.

The initiation reports and feasibility reports on major capital projects, above a threshold, other than those initiated by municipalities, require cabinet or executive council approval. This enables the inputs of other organs of state in the national and provincial spheres of government who may have competing projects, or projects which may be negatively impacted by the diversion of funds to such large projects, to make their inputs in the project approval process. Projects which are categorised as strategic integrated projects are given priority in planning, the obtaining of statutory approvals and implementation by the Presidential Coordinating Commission.

Procurement and supply chain management reform

The South African Planning Commission's National Development Plan 2030: *Our future – make it work* proposes that the following five areas be focused on in designing a procurement system that is better able to deliver value for money, while minimising the scope for corruption:

- differentiate between the different types of procurement which pose different challenges and require different skills sets;
- adopt a strategic approach to procurement above the project level to balance competing objectives and priorities rather than viewing each project in isolation;
- build relationships of trust and understanding with the private sector;
- develop professional supply chain management capacity through training and accreditation; and
- incorporate oversight functions to assess value for money.

National Treasury's 2015 Public Sector Supply Chain Management Review expresses the view that supply chain management (SCM) is one of the key mechanisms enabling government to implement policy which traditionally has been misunderstood and undervalued. This Review, which identified the need for SCM reform, suggests that if such reforms are implemented as envisaged in terms of section 217 of the Constitution, the benefits will be enormous, namely that:

- good-quality service delivery will be increasingly possible, with significant improvements in the welfare of South Africa's citizens, and especially the poor who rely heavily on government for support;
- the economy will grow as economic infrastructure is expanded and efficiently maintained;
- goods, services and infrastructure will be bought at lower costs;
- innovation will result in different approaches to the commodities used in some sectors; and
- for suppliers, the cost of doing business with the state should decrease substantially.

Public procurement that is unrelated to infrastructure delivery typically relates to goods and services that are standard, well-defined and readily scoped and specified. Once purchased, goods invariably need to be taken into storage prior to being issued for use. Services are most often of a routine and repetitive nature with well understood interim and final deliverables which do not require strategic inputs or require decisions to be made regarding the fitness for purpose of the service outputs.

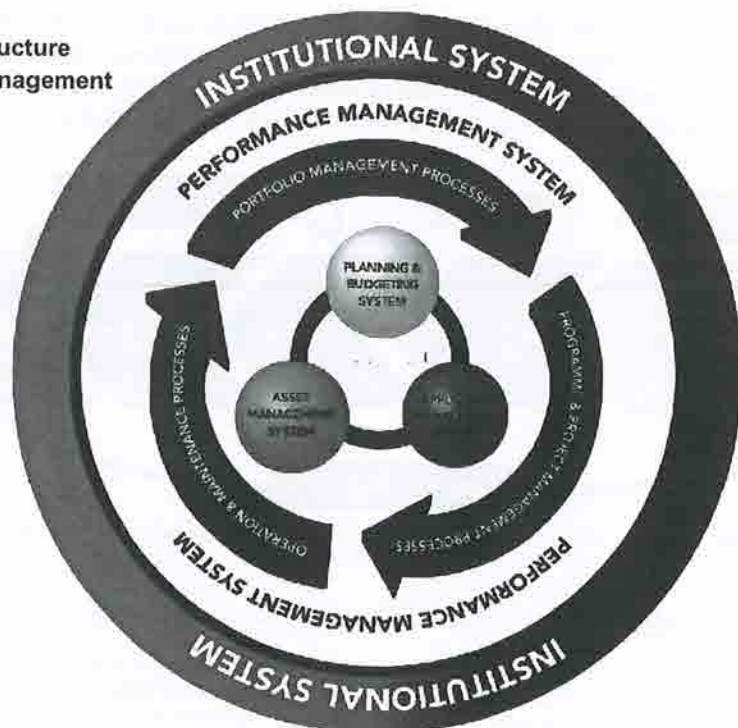
In contrast, procurement relating to the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure covers a wide and diverse range of goods and services, which are required to provide or alter the condition of immovable assets on a site. Accordingly, the procurement process for the delivery of infrastructure involves the initial and subsequent recurring updating of planning processes at a portfolio level flowing out of an assessment of public sector service delivery requirements or business needs. Thereafter it involves planning at a project level, and the procurement and management of a network of suppliers, including subcontractors, to produce a product on a site. There is no need to store and issue materials or equipment unless these are issued to employees responsible for the maintenance or operation of infrastructure, or are issued free of charge to contractors for incorporation into the works.

Infrastructure delivery is the combination of all planning, technical, administrative and managerial actions associated with the construction, supply, refurbishment, rehabilitation, alteration, maintenance, operation or disposal of infrastructure. There is an urgent need to separate supply chain management requirements for general goods and services from those for infrastructure delivery in order to improve project outcomes.

Government's Infrastructure Delivery Management System

Government's Infrastructure Delivery Management System (IDMS) comprises three core systems, namely, a planning and budgeting, a supply chain management and an asset management system, all of which have forward and backward linkages. These core systems are located within portfolio, programme and project management, and operation and maintenance processes. Collectively these processes and systems, together with a performance management system, establish the institutional system for infrastructure delivery as indicated in the following sketch.

The Infrastructure
Delivery Management
System



The IDMS is supported by legislation and performance monitoring. It has a strong focus on the effective and efficient functioning of the supply chain management system.

Standard for Infrastructure Procurement and Delivery Management

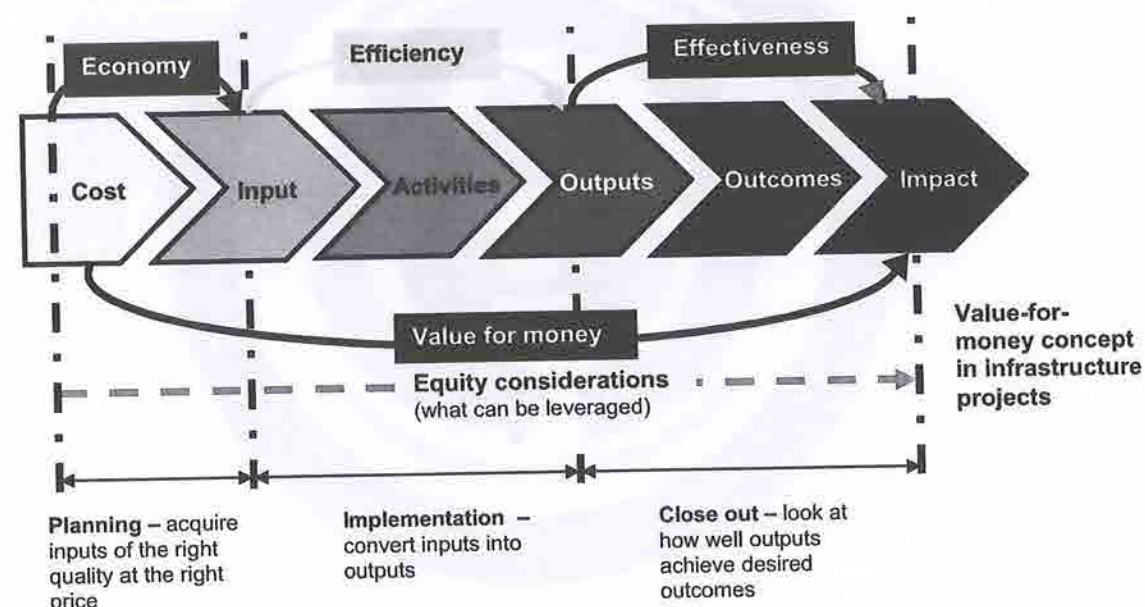
This Standard for Infrastructure Procurement and Delivery Management (SIPDM) covers the supply chain management system for infrastructure delivery. It has been framed around the five focus areas proposed by the National Planning Commission for the design of a procurement system and draws upon the work of the 2015 Public Sector Supply Chain Management Review. It is issued as an instruction in terms of Section 76(4)(c) of the Public Finance Management Act of 1999 (Act No.1 of 1999) and is applicable to the following organs of state:

- a) a national or provincial department as defined in the Public Finance Management Act;
- b) a constitutional institution entity as listed in schedule 1 of the Public Finance Management Act;
- c) a public entity as listed in schedules 2 and 3 of the Public Finance Management Act of 1999; and
- d) any organ of state which implements infrastructure delivery projects on behalf of another organ of state.

This standard also forms an integral part of the Model SCM Policy for Infrastructure Delivery Management which has been issued as a Treasury guideline determining a standard for municipal supply chain management policies in terms of Section 168 of the Municipal Finance Management Act of 2003 (Act No. 56 of 2003) in support of Regulation 3(2) of the Supply Chain Management Regulations. Accordingly, the standard applies to a municipality or municipal entity whose council or board of directors, respectively, adopts the aforementioned guideline standard.

Underlying this standard is the notion that the effective and efficient functioning of the supply chain management system for the procurement and delivery of infrastructure will realise value for money and good-quality service delivery. Value for money may be regarded as the optimal use of resources to

achieve the intended outcomes. Underlying value for money is an explicit commitment to ensure that the best results possible are obtained from the money spent, or maximum benefit is derived from the resources available. It is about striking the balance between the three "E's", namely, economy, efficiency and effectiveness, whilst being mindful of a fourth "E" – equity – as indicated in the diagram below.



The critical starting point in delivering value for money through infrastructure projects is, in the first instance, to align such projects with strategic objectives, priorities, budgets and plans, and thereafter, during the planning phase, to clearly define objectives and expected outcomes, as well as parameters such as the timelines, cost and levels of uncertainty. This frames the value-for-money proposition that needs to be implemented at the point in time that a decision is taken to proceed with a project, i.e. it establishes "economy" and identifies "equity". The end point is to compare the projected outcomes against the actual outcomes, i.e. to confirm the "effectiveness" of the project in delivering value for money.

Implementation sits between "economy" and "effectiveness" in the results chain framework. It needs to be executed "efficiently" in order to minimise time delays, scope creep and unproductive costs, and to mitigate the effects of uncertainty on objectives so as to maintain the value-for-money proposition formulated at the outset of the project. This necessitates that the implementer of an infrastructure project exercises due care and reasonableness during implementation. Failure to do so may result in substandard or unacceptable performance, which results in a gap between intended and achieved outcomes. This gap puts value for money for a project at risk and may result in unintended consequences, such as community instability and unrest.

Organs of state which are required to implement this standard need to establish a suitable supply chain management policy for infrastructure procurement and delivery management in order to do so.

Standard for Infrastructure Procurement and Delivery Management

Table of contents

| | | |
|-----------|---|-----------|
| 1 | SCOPE | 1 |
| 2 | TERMS AND DEFINITIONS | 3 |
| 3 | NORMATIVE REFERENCES | 6 |
| 3.1 | ACTS OF PARLIAMENT | 6 |
| 3.2 | STANDARDS | 6 |
| 4 | CONTROL FRAMEWORKS | 7 |
| 4.1 | CONTROL FRAMEWORK FOR INFRASTRUCTURE DELIVERY MANAGEMENT | 7 |
| 4.1.1 | General | 7 |
| 4.1.2 | Stage 0: Project initiation | 10 |
| 4.1.3 | Stage 1: Infrastructure planning | 10 |
| 4.1.4 | Stage 2: Strategic resourcing | 10 |
| 4.1.5 | Stage 3: Preparation and briefing or prefeasibility | 11 |
| 4.1.6 | Stage 4: Concept and viability or feasibility | 11 |
| 4.1.7 | Stage 5: Design development | 12 |
| 4.1.8 | Stage 6: Design documentation | 13 |
| 4.1.9 | Stage 7: Works | 13 |
| 4.1.10 | Stage 8: Handover | 13 |
| 4.1.11 | Stage 9: Close out | 14 |
| 4.1.12 | Approval of high-value national and provincial major capital projects | 14 |
| 4.1.13 | Gateway reviews | 15 |
| 4.2 | CONTROL FRAMEWORK FOR INFRASTRUCTURE PROCUREMENT | 17 |
| 4.2.1 | General | 17 |
| 4.2.2 | Specific requirements relating to the review of procurement documents | 17 |
| 4.2.3 | Specific requirements relating to the evaluation of submissions | 21 |
| 4.2.4 | Authorisation to proceed with the next phase of the procurement process | 25 |
| 4.2.5 | Authorisation for issuing of an order | 25 |
| 5 | INSTITUTIONAL ARRANGEMENTS | 27 |
| 6 | DEMAND MANAGEMENT | 28 |
| 7 | ACQUISITION MANAGEMENT | 29 |
| 7.1 | PROCUREMENT OF NEW INFRASTRUCTURE AND THE REHABILITATION, REFURBISHMENT OR ALTERATION OF EXISTING INFRASTRUCTURE | 29 |
| 7.2 | PROCUREMENT OTHER THAN NEW INFRASTRUCTURE OR THE REHABILITATION, REFURBISHMENT OR ALTERATION OF EXISTING INFRASTRUCTURE | 30 |
| 7.3 | USE OF AN ORGAN OF STATE'S FRAMEWORK AGREEMENT BY ANOTHER ORGAN OF STATE | 30 |
| 8 | CONTRACT MANAGEMENT | 31 |
| 9 | LOGISTICS MANAGEMENT | 33 |
| 10 | DISPOSAL MANAGEMENT | 34 |
| 11 | REPORTING OF SUPPLY CHAIN MANAGEMENT INFORMATION | 35 |
| 12 | ASSESSMENT OF SUPPLY CHAIN MANAGEMENT PERFORMANCE | 37 |
| 13 | RISK MANAGEMENT AND INTERNAL CONTROL | 38 |
| 13.1 | RISK MANAGEMENT | 38 |
| 13.2 | INTERNAL CONTROL MEASURES | 38 |
| 14 | INFRASTRUCTURE PROCUREMENT REQUIREMENTS | 39 |
| 14.1 | GENERAL | 39 |

| | | |
|---------|---|----|
| 14.2 | USAGE OF STANDARD PROCEDURES | 39 |
| 14.3 | FRAMEWORK AGREEMENTS..... | 42 |
| 14.4 | DESIGN COMPETITIONS..... | 43 |
| 14.5 | PROCUREMENT DOCUMENTATION..... | 44 |
| 14.5.1 | <i>General</i> | 44 |
| 14.5.2 | <i>Tender, submission and auction data</i> | 45 |
| 14.5.3 | <i>Standard forms of contract</i> | 46 |
| 14.5.4 | <i>Tender assessment schedules</i> | 47 |
| 14.5.5 | <i>Guarantees</i> | 47 |
| 14.5.6 | <i>Retention monies</i> | 48 |
| 14.5.7 | <i>Communications</i> | 48 |
| 14.5.8 | <i>Intellectual property rights</i> | 48 |
| 14.5.9 | <i>Budgetary items</i> | 48 |
| 14.5.10 | <i>Professional indemnity insurance</i> | 48 |
| 14.6 | DEVELOPMENTAL PROCUREMENT POLICY | 48 |
| 14.6.1 | <i>General</i> | 48 |
| 14.6.2 | <i>Permitted targeted procurement procedures</i> | 49 |
| | <i>Annexure A: Record of Addenda to tender documents</i> | 50 |
| | <i>Annexure B: Proposed amendments and qualifications</i> | 51 |
| | <i>Annexure C: Preferencing schedule: Broad-Based Black Economic Empowerment status</i> | 52 |
| | <i>Annexure D: Compulsory Declaration</i> | 54 |
| | <i>Annexure E: Municipal declaration and returnable documents</i> | 58 |

1 SCOPE

1.1 This standard establishes a supply chain management system for infrastructure procurement and delivery management by organs of state which are subject to the Public Finance Management Act, the Local Government: Municipal Finance Management Act, or which implement infrastructure projects on behalf of another organ of state in terms of section 238 of the Constitution of the Republic of South Africa, 1996. This standard:

- a) provides a control framework for the planning, design and execution of infrastructure projects, the tracking of such projects and the monitoring of performance which:
 - 1) enables risks to be proactively managed;
 - 2) is capable of being audited;
 - 3) is aimed at ensuring that any infrastructure acquired or to be acquired:
 - is in accordance with the legal mandates and strategic priorities;
 - is delivered in the right quantity and quality, and at the right place and time;
 - is financially, economically and technically viable and offers value for money over its life cycle;
 - is affordable in terms of existing budget and future budgetary projections after taking into account life cycle costs;
 - is acquired in accordance with any required statutory permissions;
 - makes optimal utilisation of existing infrastructure as demand patterns change over time;
 - can be readily and economically maintained; and
 - is aligned between those who design and construct infrastructure, and those who subsequently occupy, use and manage the infrastructure;
- b) provides a control framework for infrastructure procurement;
- c) establishes requirements for the following matters as applied to infrastructure procurement and delivery management:
 - institutional arrangements;
 - demand management;
 - acquisition management;
 - contract management;
 - logistics management;
 - disposal management;
 - reporting of supply chain management information;
 - regular assessment of supply chain management performance;
 - risk management and internal control; and
- d) establishes minimum requirements for infrastructure procurement.

1.2 This standard facilitates the allocation of clear responsibilities for performing activities and making decisions at gates.

1.3 The standard does not apply to:

- a) the storage of goods and equipment, following their delivery to an organ of state, which are stored and issued to contractors or to employees of that organ of state;
- 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;

- e) public private partnerships; and
- f) the provision of municipal services by means of external mechanisms referred to in Chapter 8 of the Municipal Systems Act.

1.4 The standard includes the procurement of goods and services necessary for a new facility, as delivered to be occupied and used as a functional entity.

2 TERMS AND DEFINITIONS

- 2.1 For the purposes of this document, the definitions and terms given in SANS 10845-1, SANS 10845-2 and the following apply.

adjudication: a form of dispute resolution where, unlike other means of resolving disputes involving a third party intermediary, the outcome is a decision by a third party which is binding on the parties in dispute and is final unless and until reviewed by either arbitration or litigation

advance payment: sum of money paid to the contractor after the contract is signed but before work starts or goods or services or any combination thereof are supplied

alteration: changing, extending or modifying the character or condition of infrastructure

building: infrastructure that has the provision of shelter for its occupants or contents as one of its main purposes, usually partially or totally enclosed and designed to stand permanently in one place

building tuning: the review and fine-tuning of all the system settings made during the pre-occupation commissioning, so that the re-commissioning which takes place at the end of the 12-month tuning period results in settings which reflect how the occupants actually behave and the building responds to climatic conditions

construction: everything that is constructed or results from construction operations

control budget: the amount of money which is allocated or made available to deliver or maintain infrastructure associated with a project or package, including site costs, professional fees, all service and planning charges, applicable taxes, risk allowances and provision for price adjustment for inflation

contract management: applying the terms and conditions, including the agreed procedures for the administration thereof

contractor: person or organisation that contracts with the employer to provide goods or services or any combination thereof covered by the contract

defect: non-conformity of a part or component of the works to a requirement specified in terms of a contract

employer: organ of state intending to or entering into a contract with a contractor

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

infrastructure:

- a) immovable assets which are acquired, constructed or which result from construction operations; or
- b) movable assets which cannot function independently from purpose-built immovable assets

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

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

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

major capital project: an infrastructure project or a series of interrelated infrastructure projects on a single site having an estimated cost, including those required for new facilities or systems to become fully operational, above a prescribed threshold

major public entity: a public entity included in the list in Schedule 2 to the Public Finance Management Act

metropolitan municipality: a Category A municipality as provided for in section 155 of the Constitution of the Republic of South Africa, 1996

national government business enterprise: a public entity included in the list in Schedule 3B to the Public Finance Management Act

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

operations and maintenance support plan: a plan which establishes the organisational structure required for the operation and maintenance of the works over its service life, and the office, stores, furniture, equipment, Information and Communications Technology (ICT), engineering infrastructure and staff training requirements

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

package: work which is grouped together for delivery under a single contract or an order

portfolio: collection of projects or programmes and other work that are grouped together to facilitate effective management of that work to meet a strategic objective

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

procurement strategy: selected packaging, contracting, pricing and targeting strategy and procurement procedure for a particular procurement

programme: the grouping of a set of related projects in order to deliver outcomes and benefits related to strategic objectives which would not have been achieved had the projects been managed independently

provincial government business enterprise: a public entity included in the list in Schedule 3D to the Public Finance Management Act

public private partnership: a commercial transaction between an organ of state and a private party in terms of which the private party:

- a) performs an institutional function on behalf of the organ of state or acquires the use of state property for its own commercial purposes; and
- b) assumes substantial financial, technical and operational risks in connection with the performance of the institutional function or use of state property; and
- c) receives a benefit for performing the institutional function or from utilising the state property, either by way of:

- 1) consideration to be paid by the organ of state which derives from a revenue fund or, where an organ of state is a national government business enterprise or a provincial government business enterprise, from the revenues of such institution; or
- 2) charges or fees to be collected by the private party from users or customers of a service provided to them; or
- 3) a combination of such consideration and such charges or fees

quality: totality of features and characteristics of a product or service that bears on the ability of the product or service to satisfy stated or implied needs

refurbishment: modification and improvements to existing infrastructure in order to bring it up to an acceptable condition

rehabilitation: extensive work to bring infrastructure back to acceptable functional conditions, often involving improvements

repair: physical action taken to restore the required function of a faulty item

retention sum: sum retained for a certain period to offset costs which may arise from the contractor's failure to comply fully with the contract

service delivery agreement: an agreement between two or more organs of state setting out the terms and conditions and roles and responsibilities regarding infrastructure delivery which promotes and facilitates inter-institutional relations and the principles of participation, cooperation and coordination

service life: the period of time after acquisition or construction during which the infrastructure or its parts meet or exceed the performance demanded or expected to be fulfilled

stage: a collection of logically related activities in the infrastructure delivery cycle that culminates in the completion of a major deliverable

statutory permission: any relevant approval, consent or permission in terms of any legislation required to plan and deliver the infrastructure

target contract: a cost reimbursement contract in which a preliminary target cost is estimated and on completion of the work the difference between the target cost and the actual cost is apportioned between the parties to the contract on an agreed basis.

value for money: the optimal use of resources to achieve intended outcomes

3 NORMATIVE REFERENCES

3.1 Acts of Parliament

The following referenced Acts of Parliament are indispensable for the application of this document:

- Architectural Profession Act, 2000 (Act No. 44 of 2000)
- Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003)
- Constitution of the Republic of South Africa, 1996
- Construction Industry Development Board Act, 2000 (Act No. 38 of 2000)
- Engineering Profession Act, 2000 (Act No. 46 of 2000)
- Landscape Architectural Profession Act, 2000 (Act No. 45 of 2000)
- Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003)
- Municipal Systems Act, 2000 (Act No. 32 of 2000)
- National Archives and Record Services of South Africa Act, 1996 (Act No. 43 of 1996)
- Occupational Health and Safety Act, 1993 (Act No. 85 of 1993)
- Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)
- Project and Construction Management Professions Act, 2000 (Act No. 48 of 2000)
- Public Finance Management Act, 1999 (Act No. 1 of 1999)
- Quantity Surveying Profession Act of 2000 (Act No. 49 of 2000)
- South African Schools Act, 1996 (Act No. 84 of 1996)

3.2 Standards

The following referenced standards and the forms of contract identified in this standard are indispensable for the application of this document. For dated references, only the edition cited applies. For undated references, the latest edition of the referenced document (including any amendments) applies.

- South African Bureau of Standards, SANS 10845-1, *Construction procurement – Part 1: Processes, methods and procedures*
- South African Bureau of Standards, SANS 10845-2, *Construction procurement – Part 2: Formatting and compilation of procurement documentation*
- South African Bureau of Standards, SANS 10845-3, *Construction procurement – Part 3: Standard conditions of tender*
- South African Bureau of Standards, SANS 10845-4, *Construction procurement – Part 4: Standard conditions for the calling for expressions of interest*
- Standard for Uniformity in Construction Procurement, Construction Industry Development Board

4 CONTROL FRAMEWORKS

4.1 Control framework for infrastructure delivery management

4.1.1 General

4.1.1.1 The control framework for the management of infrastructure delivery shall comprise the applicable stages and gates as set out in Figure 1 and the key deliverables described in Table 1. Stages 3 to 9 may be omitted where the required work does not involve the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure. Stages 5 and 6 may be omitted if sufficient information to proceed to stage 7 is contained in the stage 4 deliverable. Decisions to proceed to the next stage shall at each gate, subject to the provisions of 4.1.1.2, be based on the acceptability or approval of the end-of-stage deliverable.

4.1.1.2 A stage shall only be complete when the deliverable has been approved or accepted by the person or persons designated in the institutional arrangements to do so. Activities associated with stages 5 to 9 may be undertaken in parallel or series, provided that each stage is completed in sequence.

4.1.1.3 The level of detail contained in a deliverable associated with the end of each stage shall be sufficient to enable informed decisions to be made to proceed to the next stage. In the case of stages 3 to 6, such detail shall, in addition, be sufficient to form the basis of the scope of work for taking the package forward in terms of the selected contracting strategy.

4.1.1.4 Prefeasibility and feasibility reports shall be required as end-of-stage deliverables for stages 3 and 4, respectively, where one or more of the following applies:

a) the major capital project is required for:

- 1) a major public enterprise where the total project capital expenditure exceeds R1,5 billion; or
- 2) an organ of state subject to the Public Finance Management Act other than a major public enterprise where the total project capital expenditure exceeds R1,0 billion including VAT, or where the expenditure per year for a minimum of three years exceeds R250 million per annum including VAT;

b) the project is not:

- 1) a building project with or without related site works; or
- 2) a process-based, somewhat repetitive or relatively standardised project where the risk of failing to achieve time, cost and quality objectives is relatively low; or

c) the organ of state's infrastructure procurement and delivery supply chain management policy requires that prefeasibility and feasibility reports be produced during stages 3 and 4 respectively.

4.1.1.5 Stages 3 and 4 shall be repeated for each package if the acceptance at stage 4 is for the acceptance of a project comprising a number of packages which are to be delivered over time.

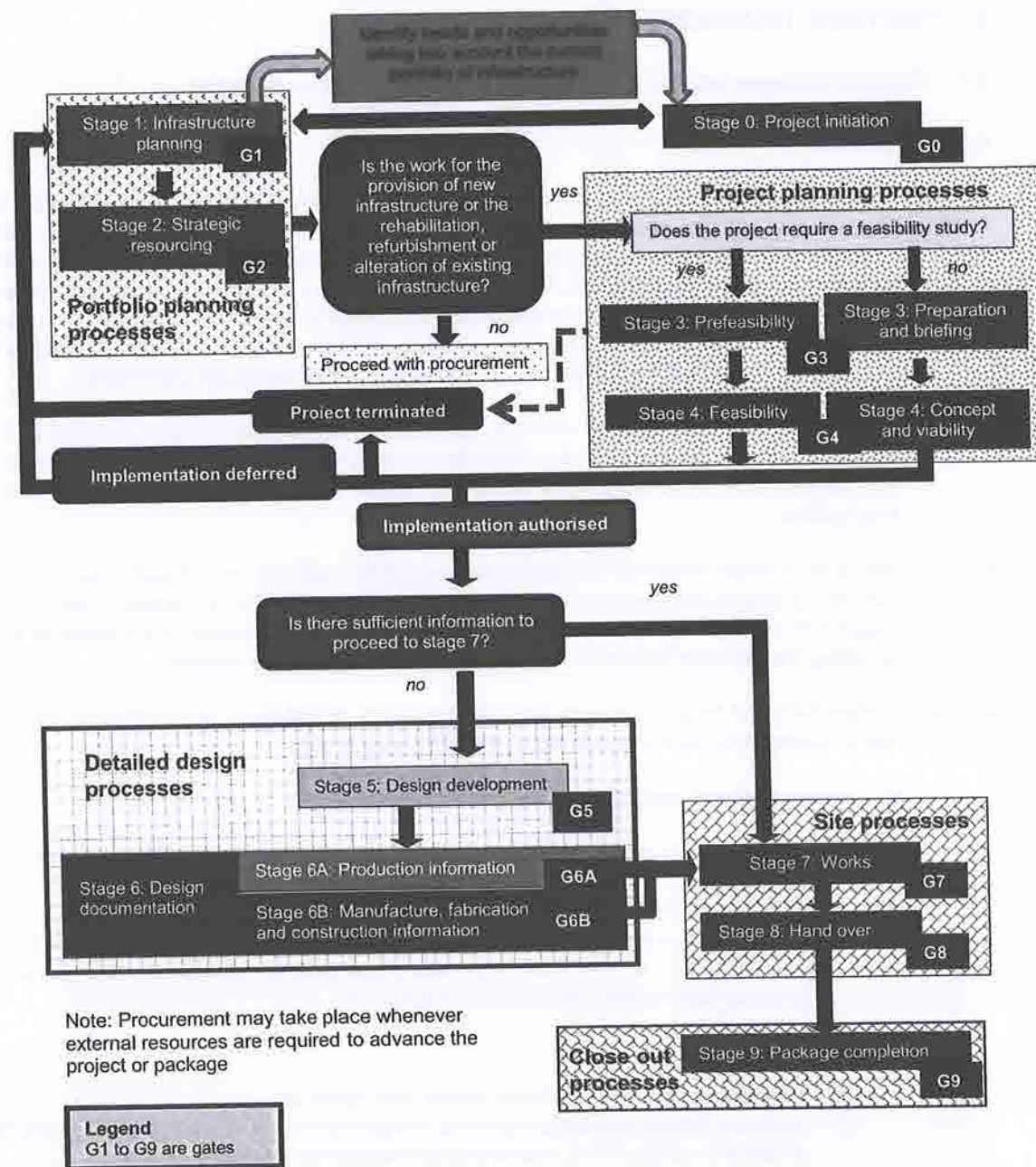


Figure 1: Stages and gates associated with the control framework for infrastructure delivery management

Table 1: End-of-stage deliverables

| Stage | | End-of-stage deliverable |
|-------|--------------------------|---|
| No | Name | |
| 0 | Project initiation | An initiation report which outlines the high-level business case together with the estimated project cost and proposed schedule for a single project or a group of projects having a similar high-level scope |
| 1 | Infrastructure planning | An infrastructure plan which identifies and prioritises projects and packages against a forecasted budget over a period of at least five years |
| 2 | Strategic resourcing | A delivery and/or procurement strategy which, for a portfolio of projects, identifies the delivery strategy in respect of each project or package and, where needs are met through own procurement system, a procurement strategy |
| 3 | Prefeasibility | A prefeasibility report which determines whether or not it is worthwhile to proceed to the feasibility stage |
| | Preparation and briefing | A strategic brief which defines project objectives, needs, acceptance criteria and client priorities and aspirations, and which sets out the basis for the development of the concept report for one or more packages |
| 4 | Feasibility | A feasibility report which presents sufficient information to determine whether or not the project should be implemented |
| | Concept and viability | A concept report which establishes the detailed brief, scope, scale, form and control budget, and sets out the integrated concept for one or more packages |
| 5 | Design development | A design development report which develops in detail the approved concept to finalise the design and definition criteria, sets out the integrated developed design, and contains the cost plan and schedule for one or more packages |
| 6 | Design documentation | 6A Production information Production information which provides the detailing, performance definition, specification, sizing and positioning of all systems and components enabling either construction (where the constructor is able to build directly from the information prepared) or the production of manufacturing and installation information for construction |
| | | 6B Manufacture, fabrication and construction information Manufacture, fabrication and construction information produced by or on behalf of the constructor, based on the production information provided for a package which enables manufacture, fabrication or construction to take place |
| 7 | Works | Completed works which are capable of being occupied or used |
| 8 | Handover | Works which have been taken over by the user or owner complete with record information |
| 9 | Package completion | Works with notified defects corrected, final account settled and the close out report issued |

4.1.1.6 The infrastructure plan (stage 1), which is informed by demand management requirements as set out in 6.2, initiation reports (stage 0), decisions made during stages 3 and 4 and work in progress in stages 5 to 9, and the procurement strategy (stage 2) shall be reviewed and updated at least once a year.

4.1.1.7 An organ of state may, if it deems it necessary, add additional gates to the control framework presented in Figure 1.

4.1.1.8 The approval of the infrastructure plan and the securing of the necessary budget shall be obtained prior to advancing to stage 3. All subsequent stages shall only be proceeded with if the necessary budget is in place.

4.1.1.9 The approvals or acceptances at each gate shall be retained for record purposes for a period of not less than five years of such acceptance or approval in a secured environment, unless otherwise determined in terms of the National Archives and Record Services of South Africa Act.

4.1.2 Stage 0: Project initiation

4.1.2.1 Projects, or groups of projects having a similar high-level scope, which are appraised, shall address particular strategic needs or business opportunities which fall within the organ of state's legislated or sanctioned mandate.

4.1.2.2 Objective decision-making criteria based on factors such as those relating to strategic objectives, national, provincial or regional priorities, the level of stakeholder support, legislative compliance, risk considerations and financial justification shall be used to motivate the acceptance of a project into the infrastructure plan.

4.1.2.3 The initiation report for a project shall as a minimum:

- a) provide a project description and high-level scope of work;
- b) outline key issues and solution options that were interrogated;
- c) outline options that were evaluated;
- d) indicate the high-level business case; and
- e) provide the estimated project cost and indicative high-level schedule.

4.1.2.4 The decision-making criteria, findings, assumptions and recommendations shall be documented in the initiation report.

4.1.2.5 Stage 0 is complete when the initiation report is accepted.

4.1.3 Stage 1: Infrastructure planning

4.1.3.1 The infrastructure plan for a portfolio of projects or packages which require implementation shall cover a period of not less than five years. Such a plan shall be:

- a) described by the high-level scope of work for each project, the proposed time schedule, the estimated total project cost and annual budget requirement, the geographical location, any known encumbrances and estimated timeframes for removing these encumbrances; and
- b) aligned with all prescribed planning, budgeting, monitoring and reporting requirements.

4.1.3.2 Stage 1 is complete when the infrastructure plan is approved.

4.1.4 Stage 2: Strategic resourcing

4.1.4.1 A delivery management strategy shall be developed following the conducting of a spend, organisational and market analysis. Such a strategy shall indicate how needs are to be met for each category of spend through one or more of the following:

- a) a public private partnership;
- b) another organ of state on an agency basis;
- c) another organ of state's framework agreement;
- d) own resources; or
- e) own procurement system.

4.1.4.2 A procurement strategy shall, based on the spend, organisational and market analysis, document the selected packaging, contracting, pricing and targeting strategy and procurement procedure for all required goods or services or any combination thereof including professional services.

4.1.4.3 The procurement strategy shall include the rationale for adopting a particular option.

4.1.4.4 Organs of state who engage another organ of state to provide agency services shall develop a delivery management and procurement strategy covering the projects which are subject to an agency agreement (see 5.2), in consultation with that organ of state.

4.1.4.5 Stage 2 is complete when the delivery and procurement strategy is approved.

4.1.5 Stage 3: Preparation and briefing or prefeasibility

4.1.5.1 The strategic brief shall as necessary:

- a) confirm the scope of the package and identify any constraints, including those relating to occupational health and safety;
- b) establish the project criteria, including the performance and reliability requirements, design life, service life of components, function, maintenance and replacement requirements, mix of uses, scale, location, quality, value, time, safety, health, environment and sustainability;
- c) identify procedures, organisational structure, key constraints, statutory permissions (e.g. environmental, heritage, social, planning, building control), and utility approvals, policies (e.g. environmental, developmental, social, maintenance or facilities management) and strategies to take the package forward;
- d) identify risks that need to be mitigated;
- e) identify interfaces between packages as necessary; and
- f) establish the control budget for the package, ownership costs and schedule for the package or series of packages.

4.1.5.2 The prefeasibility study shall as necessary:

- a) document the owner or user requirements specification;
- b) shortlist the options that were considered;
- c) provide a preliminary design for study options;
- d) provide preliminary capital estimate and the proposed schedule; and
- e) present the study outcomes.

4.1.5.3 Stage 3 is complete when the prefeasibility report or the strategic brief, as required, is accepted.

4.1.6 Stage 4: Concept and viability or feasibility

4.1.6.1 The concept report shall as necessary:

- a) document the initial design criteria and design options or the methods and procedures required to maintain the condition of infrastructure for the package;
- b) establish the detailed brief, scope, scale, form and cost plan for the package;
- c) provide an indicative schedule for documentation and construction or maintenance services associated with the package;
- d) contain a site development plan or other suitable schematic layouts of the works;
- e) describe the statutory permissions, funding approvals or utility approvals required to proceed with the works associated with the package;

- f) include a baseline risk assessment for the package, and a health and safety plan which is required in terms of the requirements of the Construction Regulations issued in terms of the Occupational Health and Safety Act;
- g) contain a risk report linked to the need for further surveys, tests, other investigations and consents and approvals, if any, during subsequent stages and identified health, safety and environmental risk;
- h) contain an operations and maintenance support plan which establishes the organisational structure required for the operation and maintenance of the works resulting from the package or series of packages over its service life, and the office, stores, furniture, equipment, Information and Communications Technology (ICT), engineering infrastructure and staff training requirements;
- i) confirm the financial sustainability of the project; and
- j) establish the feasibility of satisfying the strategic brief for the package or series of packages within the control budget established during stage 3 and, if not, motivate a revised control budget.

4.1.6.2 A feasibility report shall as a minimum provide the following:

- a) details regarding the preparatory work covering:
 - 1) a needs and demand analysis with output specifications; and
 - 2) an options analysis;
- b) a viability evaluation covering:
 - 1) a financial analysis; and
 - 2) an economic analysis, if necessary;
- c) a risk assessment and sensitivity analysis;
- d) a professional analysis covering:
 - 1) a technology options assessment;
 - 2) an environmental impact assessment; and
 - 3) a regulatory due diligence; and
- e) implementation readiness assessment covering:
 - 1) institutional capacity; and
 - 2) a procurement plan

4.1.6.3 Stage 4 is complete when the feasibility report or the concept report, as required, is accepted.

4.1.7 Stage 5: Design development

4.1.7.1 The design development report shall as necessary:

- a) develop in detail the accepted concept to finalise the design and definition criteria;
- b) establish the detailed form, character, function and costings;
- c) define all components in terms of overall size, typical detail, performance and outline specification;
- d) describe how infrastructure, or elements or components thereof, are to function, how they are to be safely constructed, how they are to be maintained and how they are to be commissioned; and
- e) confirm that the package or series of packages can be completed within the control budget or propose a revision to the control budget.

4.1.7.2 Outline specifications shall be in sufficient detail to enable a view to be taken on the operation and maintenance implications of the design and the compatibility with existing plant and equipment.

4.1.7.3 Stage 5 is complete when the design development report is accepted.

4.1.8 Stage 6: Design documentation

4.1.8.1 Stage 6A (Production information) is complete when all the production information that is required to be accepted prior to being issued for construction, manufacturing or fabrication purposes has been accepted.

4.1.8.2 Stage 6B (Manufacture, fabrication and construction information) is complete when the manufacture, fabrication and construction information is accepted as being in accordance with the production information.

4.1.9 Stage 7: Works

Stage 7 is complete when:

- a) completion of the works is certified in accordance with the provisions of the contract; or
- b) the goods and associated services are certified as being delivered in accordance with the provisions of the contract.

4.1.10 Stage 8: Handover

4.1.10.1 The handover stage shall include as necessary the training of the end user's or the owner's staff in the operation of the delivered infrastructure.

4.1.10.2 The record information shall as relevant:

- a) accurately document the condition of the completed works associated with a package;
- b) accurately document the works as constructed or completed;
- c) contain information on the care and servicing requirements for the works or a portion thereof;
- d) contain information or instructions on the use of plant and equipment;
- e) confirm the performance requirements of the design development report and production information;
- f) contain certificates confirming compliance with legislation, statutory permissions and the like; and
- g) contain guarantees that extend beyond the defects liability period provided for in the package.

4.1.10.3 Record information shall, as relevant, provide those tasked with the operation and maintenance of infrastructure with the information necessary to:

- a) understand how the designers intended the works, systems, subsystems, assemblies and components to function;
- b) effectively operate, care for and maintain the works, systems, subsystems, assemblies and components to function;
- c) check, test or replace systems, subsystems, assemblies or components to ensure the satisfactory performance of works, systems, subsystems, assemblies and components over time;

- d) develop maintenance plans;
- e) determine stock levels for components and assemblies that need to be regularly replaced; and
- f) budget for the operation and maintenance of the works, systems, subsystems and components over time.

4.1.10.4 Arrangements shall be put in place to secure and safeguard the works from the time that the contractor's liabilities for damage to the works end until such time that the works are handed over to the end user or owner who shall accept such liabilities.

4.1.10.5 Stage 8 is complete when the end user or owner accepts liability for the works.

4.1.11 Stage 9: Close out

4.1.11.1 The close out report for the package shall outline what was achieved in terms of at least the following:

- a) the performance parameters outlined in 12;
- b) unit costs of completed work or major components thereof; and
- c) key performance indicators relating to developmental objectives.

4.1.11.2 The close out report shall make suggestions for improvements on future packages of a similar nature. Such a report should also comment on the performance of the contractor and, if relevant, include building tuning or similar reports.

4.1.11.3 Stage 9 is complete when, as relevant, defects certificates or certificates of final completion are issued in terms of the contract, the final amount due to the contractor in terms of the contract is certified and the close out report is accepted.

4.1.12 Approval of high-value national and provincial major capital projects

4.1.12.1 The approval process for major capital projects described in 4.1.12.2 to 4.1.12.6 shall apply to all national and provincial projects where the value of such projects including VAT exceeds:

- a) national and provincial departments and constitutional institutions: R7,5 billion
- b) major public enterprise, national government business enterprise, provincial government business enterprise and other public entities, the lessor of:
 - 1) R10 billion; or
 - 2) 4% of the organ of state's total assets or, if applicable, 2% of the organ of state's total revenue as reflected in its latest audited financial statements.

4.1.12.2 The end-of-stage deliverables for stage 0 (initiation report) and stage 4 (feasibility report) in the control framework for the management of infrastructure delivery (see Figure 1) shall, after taking into account the comments and recommendations of the relevant treasury, be approved by:

- a) cabinet, in the case of national departments, constitutional institutions and public entities listed in schedules 2, 3A and 3B of the Public Finance Management Act; or
- b) the executive council, in the case of provincial departments and public entities listed in schedules 3C and 3D of the Public Finance Management Act.

4.1.12.3 The end-of-stage deliverables for stage 3 (prefeasibility) shall, after taking into account the comments and recommendations of the relevant treasury, be approved by:

- a) the relevant member of the cabinet, in the case of national departments, constitutional institutions and public entities listed in schedules 2, 3A and 3B of the Public Finance Management Act; or
- b) the relevant member of the executive council, in the case of provincial departments and public entities listed in schedules 3C and 3D of the Public Finance Management Act.

4.1.12.4 The initiator of the inception, prefeasibility and feasibility reports shall submit such reports to the relevant treasury for comment prior to making a submission to cabinet, the relevant minister, executive council or relevant member of the executive council, as applicable. The relevant treasury shall within three weeks of receiving a report submit comments and recommendations to the initiator who may revise such reports in the light of the comments and recommendations made, and:

- a) request the relevant treasury to make comments and recommendations on the revised reports; or
- b) submit the report together with the latest version of the relevant treasury comments and recommendations for approval.

4.1.13 Gateway reviews

4.1.13.1 Gateway reviews for major capital projects above a threshold

4.1.13.1.1 All major capital projects having an estimated capital expenditure equal to or above the threshold established in Table 2 shall have a gateway review of the end-of-stage 4 deliverable, prior to the acceptance of such deliverable. The review shall be initiated by the organ of state which intends implementing the project. The focus of such a review shall in the first instance be on the quality of the documentation, and thereafter on:

- a) deliverability (the extent to which a project is deemed likely to deliver the expected benefits within the declared cost, time and performance envelope);
- b) affordability (the extent to which the level of expenditure and financial risk involved in a project can be taken up on, given the organisation's overall financial position, both singly and in the light of its other current and projected commitments); and
- c) value for money.

Table 2: Thresholds for gateway reviews of major capital projects

| Organ of state | Estimated cost inclusive of VAT |
|---|---------------------------------|
| National department | R100 million |
| Provincial department or metropolitan municipality | R100 million |
| Municipality other than a metropolitan municipality | R50 million |
| Major public entity | R500 million |
| National government business enterprise | R250 million |
| Provincial government business enterprise | |
| Other | R100 million |

4.1.13.1.2 A gateway review team shall comprise not less than three persons who are not involved in the project associated with the works covered by the end of the stage 4 deliverable, and who are familiar with various aspects of the subject matter of the deliverable at the end of the stage under review. Such a team shall be led by a person who has at least six years post-graduate experience in the planning of infrastructure projects and is registered either as a

professional engineer in terms of the Engineering Profession Act, a professional quantity surveyor in terms of the Quantity Surveying Profession Act or a professional architect in terms of the Architectural Profession Act. The members of the team shall, as relevant, have expertise in key technical areas, cost estimating, scheduling and implementation of similar projects.

4.1.13.1.3 The relevant treasury shall be notified of a proposed gateway review for a major capital project, three weeks prior to the conducting of such a review. Such notification shall be accompanied by a brief outline of the proposed project or package, the names and qualifications of the reviewers and the timeframes for the review. The relevant treasury may nominate additional persons to serve on the review team.

4.1.13.1.4 The gateway review team shall base its findings primarily on:

- a) the information contained in the end-of-stage deliverables;
- b) supplementary documentation, if any, provided by key staff obtained during an interview process; and
- c) interviews with key staff members and stakeholders.

4.1.13.1.5 The gateway review team shall issue a report at the conclusion of a gateway review which indicates the team's assessment of the information at the end of a stage and provides findings or recommendations on areas where further work may be undertaken to improve such information.

4.1.13.1.6 Aspects in the report shall be flagged as being:

- a) code red: team considers the aspect to pose a significant risk to the project or package;
- b) code amber: team considers the aspects which indicate a minor risk to the project or package; or
- c) code green: team considers the aspect to have been given adequate consideration to the extent that it is unlikely to jeopardise the success of progressing to the next stage, or minor adjustments may be required before proceeding.

4.1.13.1.7 The contents of the gateway review report shall be taken into account when accepting the stage 4 deliverable. A stage 4 deliverable shall not be accepted until such time that all code red risks have been addressed in the stage 4 end-of-stage deliverable.

4.1.13.2 Gateway reviews initiated by the relevant treasury

4.1.13.2.1 A relevant treasury may at any time institute a gateway review of any of the end-of-stage deliverables associated with the control framework, irrespective of the estimated cost of a project. The focus of such a review shall be determined by the relevant treasury. The implementer of a project shall be notified of the review and its focus at least three weeks prior to the conducting of the review.

4.1.13.2.2 The implementer shall provide a person to lead the review and one other person to serve on the team, both of whom satisfy the requirements of 4.1.13.1.2.

4.1.13.2.3 The gateway review shall be conducted substantially in accordance with the provisions of 4.1.13.1.4 to 4.1.13.1.6.

4.2 Control framework for infrastructure procurement

4.2.1 General

4.2.1.1 Infrastructure procurement shall be implemented in accordance with the provisions of the control framework indicated in Figure 2 which contains:

- a) procurement gates;
- b) framework agreement gates;
- c) reporting points, where applicable, for interfacing with the Construction Industry Development Board's (CIDB) register of projects; and
- d) a gate relating to the interface with a financial management system.

4.2.1.2 The activities associated with the control framework indicated in Figure 2 are set out in Tables 3 and 4 whenever a negotiated, competitive selection or competitive negotiations procedure is applied, with the exception of the shopping procedure. Procurement Gates 6 and 7 may be combined in the case of the quotation procedure and the negotiation procedure where the value of the contract is less than the threshold set for the quotation procedure.

4.2.1.3 The level of detail contained in the documentation upon which a decision is made at a gate shall be sufficient to enable informed decisions to be made to proceed to the next activity or to undertake a particular procedure.

4.2.1.4 The approvals or acceptances at each gate shall be retained for record and audit purposes for a period of not less than five years of such acceptance or approval in a secured environment, unless otherwise determined in terms of the National Archives and Record Services of South Africa Act.

4.2.2 Specific requirements relating to the review of procurement documents

4.2.2.1 The approval of procurement documents at Procurement Gate 3 or Framework Agreement Gate 2 shall be based on the contents of a procurement documentation review report. Where the procurement relates to the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure, such a report shall be prepared by one or more persons who participated in the review and who are registered as:

- a) a professional architect or professional senior architectural technologist in terms of the Architectural Profession Act or a professional landscape architect or a professional landscape technologist in terms of the Landscape Architectural Profession;
- b) a professional engineer or professional engineering technologist in terms of the Engineering Profession Act; or
- c) a professional quantity surveyor in terms of the Quantity Surveying Professions Act.

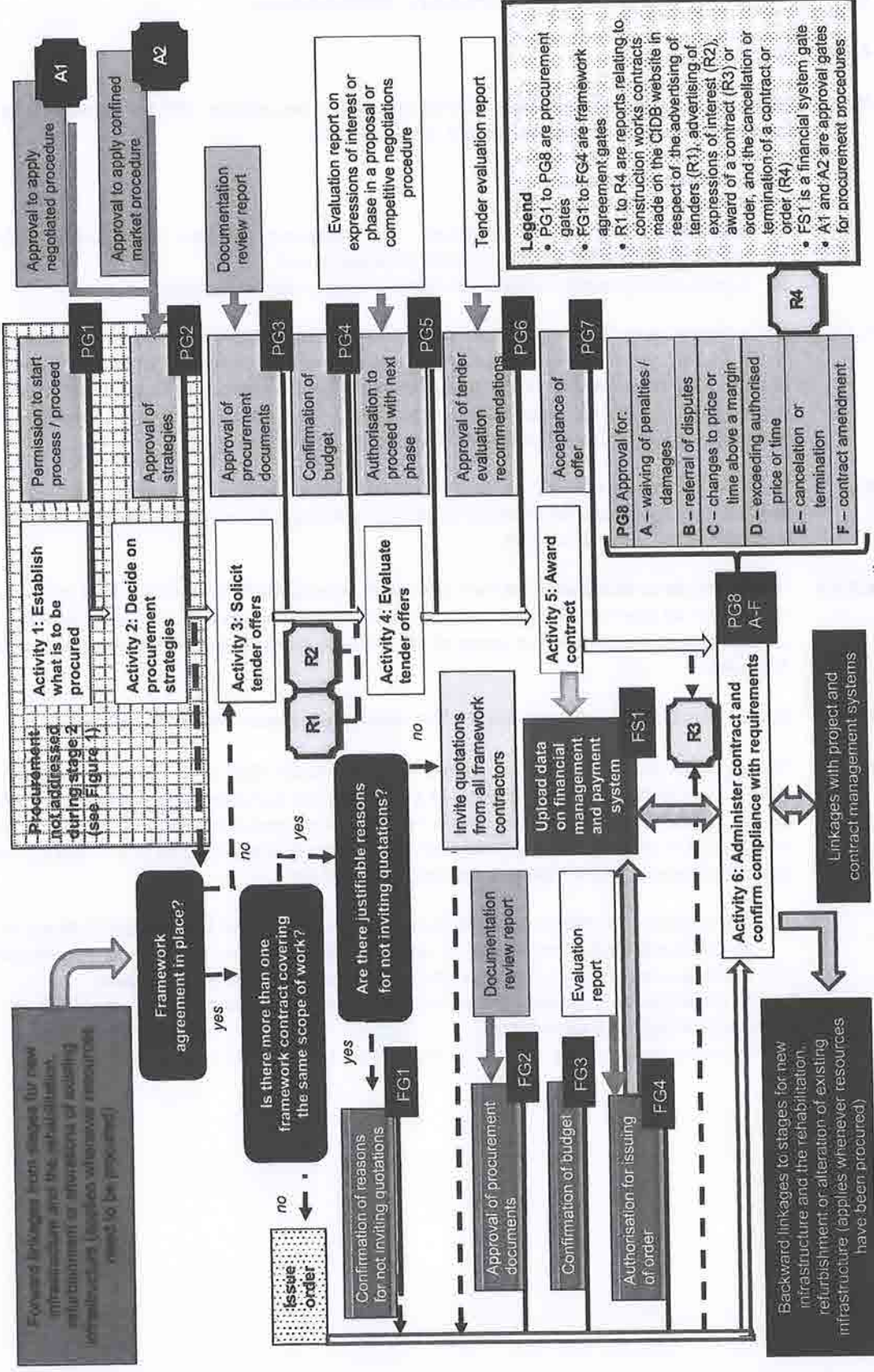


Figure 2: Control framework for procurement (acquisition and contract management) processes

Table 3: Procurement activities and gates associated with the formation and conclusion of contracts above the threshold for the quotation procedure

| Activity | | Sub-Activity* | |
|----------|--|----------------|---|
| 1 | Establish what is to be procured (Applies only to goods and services not addressed in a procurement strategy developed in terms of 4.1) | 1.1 | Prepare broad scope of work for procurement |
| | | 1.2 | Estimate financial value of proposed procurement |
| | | 1.3 PG1 | Obtain permission to start with the procurement process |
| 2 | Decide on procurement strategy (Applies only to goods or services not included in a procurement strategy developed in terms of 4.1) | 2.1 | Establish opportunities for using procurement to promote developmental procurement policies, if any |
| | | 2.2 | Establish contracting and pricing strategy |
| | | 2.3 | Establish targeting strategy |
| | | 2.4 | Establish procurement procedure |
| | | 2.5 PG2 | Obtain approval for procurement strategies that are to be adopted, including specific approvals to approach a confined market or the use of the negotiation procedure |
| 3 | Solicit tender offers | 3.1 | Prepare procurement documents |
| | | 3.2 PG3 | Obtain approval for procurement documents |
| | | 3.3 PG4 | Confirm that budgets are in place |
| | | 3.4 | Invite: <ul style="list-style-type: none"> tender offers; or expressions of interest (qualified procedure or restricted competitive negotiations procedure) |
| | | 3.5 | Receive submissions |
| | | 3.6 | Open and record submissions received |
| 4 | Evaluate tender offers | 4.1 | Qualified procedure, proposal procedure or competitive negotiations procedure only Evaluate and prepare evaluation report on submissions received |
| | | 4.2 PG5 | Obtain authorisation to proceed with next phase of tender process |
| | | 4.3 | Invite tender offers from qualified respondents or selected tenderers |
| | | 4.4 | Open and record submissions received and, if necessary, repeat 4.1 to 4.4 |
| | | 4.5 | Evaluate tender offers and prepare a tender evaluation report |
| | | 4.6 PG6 | Confirm recommendations contained in the tender evaluation report |
| 5 | Award contract | 5.1 | Notify unsuccessful tenderers of outcome |
| | | 5.2 | Compile contract document |
| | | 5.3 PG7 | Award contract |
| | | 5.4 | Capture contract award data on management systems |
| | | 5.5 GF1 | Upload data in financial management and payment system |

Table 3 (concluded)

| Activity | | Sub-Activity* | |
|----------|---|---------------|--|
| 6 | Administer contracts and confirm compliance with requirements | 6.1 | Administer contract in accordance with the terms and provisions of the contract |
| | | 6.2 | Confirm compliance with requirements |
| | | 6.3 | Capture contract completion / termination data |
| | | 6.4 PG8A | Obtain approval to waive penalties or low performance damages |
| | | 6.5 PG8B | Obtain approval to notify and refer a dispute to an adjudicator, or for final settlement to an arbitrator or court of law |
| | | 6.6 PG8C | Obtain approval to increase the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at the award of a contract or the issuing of an order up to a specified percentage |
| | | 6.7 PG8D | Obtain approval to exceed the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at award of a contract or the issuing of an order by more than 20% and 30%, respectively |
| | | 6.8 PG8E | Obtain approval to cancel or terminate a contract |
| | | 6.9 PG8F | Obtain approval to amend a contract |
| | | 6.10 | Close out the contract |

* Shaded cells indicate the presence of a procurement gate

Table 4: Procurement activities and gates associated with the issuing of an order in terms of a framework agreement

| Activity* | |
|-----------|--|
| 1 FG1 | Confirm justifiable reasons for selecting a framework contractor where there is more than one framework agreement covering the same scope of work |
| 2 | Prepare procurement documents |
| 3 FG2 | Obtain approval for procurement documents |
| 4 FG3 | Confirm that budgets are in place |
| 5 | Quotations amongst framework contractors not invited: Issue draft order documentation and consult with contractor and prepare evaluation report Quotations amongst framework contractors invited: Invite quotations from all framework contractors participating in the agreement, receive and evaluate submissions and prepare evaluation report |
| 6 FG4 | Authorise the issuing of the order |
| 7 | Log order onto management system |
| 8 | Issue order to contractor |
| 9 | Notify issuing of order to oversight person |
| 10 | Administer orders in accordance with contract and confirm compliance with requirements |

*Shaded cells indicate the presence of a framework gate

4.2.2.2 The review of procurement documents associated with the negotiation, competitive selection or competitive negotiation procedure shall confirm that:

- a) the procurement documents have been formatted and compiled in accordance with the requirements of SANS 10845-2, this standard and, where applicable, the CIDB Standard for Uniformity in Construction Procurement, and are aligned with the approved procurement strategy;

- b) appropriate prompts for judgement are included in procurement documents in accordance with the requirements of SANS 10845-1 whenever quality is evaluated and scored in the evaluation of calls for expressions of interest or tender offers;
- c) the selected form of contract in the case of a tender that is solicited is in accordance with the requirements of 14.5.3 and any standard templates required by the organ of state have been correctly applied;
- d) the necessary approval has been obtained for additional clauses or variations to the standard clauses in the conditions of contract, conditions of tender or conditions for the calling for expressions of interest, as relevant, not provided for in the organ of state's approved templates;
- e) the selected submission data in the case of a call for an expression of interest, or tender data and contract data options in the case of a tender, are likely to yield best value outcomes;
- f) the scope of work adequately establishes what is required and the constraints to the manner in which the contract work is to be provided, and satisfies the drafting requirements of SANS 10845-1;
- g) the submission or returnable documents are necessary and will enable submissions to be evaluated fairly and efficiently; and
- h) the risk allocations in the contract and pricing data are appropriate.

4.2.2.3 The review of procurement documentation associated with the issuing of an order shall confirm that:

- a) any standard templates required by the organ of state have been correctly applied;
- b) the necessary approval has been obtained for additional clauses or variations to the standard clauses in the conditions of contract not provided in the organ of state's approved templates or the contract;
- c) the scope of work adequately establishes what is required and the constraints to the manner in which the contract work is to be provided;
- d) the provisions for competition amongst framework contractors, if relevant, and the selected options are likely to yield best value outcomes; and
- e) the risk allocations are appropriate.

4.2.2.4 The review conducted to confirm the provisions of 4.2.2.2 and 4.2.2.3 shall identify sections, if any, which require amendments or improvements.

4.2.2.5 The documentation review report shall:

- a) list the names and qualifications of the team members;
- b) confirm that the documents are in accordance with the requirements of this standard;
- c) capture any comments or opinions which the team may wish to express; and
- d) recommend that the procurement documents be accepted with or without modifications.

4.2.3 Specific requirements relating to the evaluation of submissions

4.2.3.1 The authorisation to proceed with the next phase (Procurement Gate 5), the approval of tender evaluation recommendations (Procurement Gate 6) and the authorisation for the issuing of an order (Framework Agreement Gate 4) shall be based on the contents of an evaluation report.

4.2.3.2 The evaluation report shall be prepared by one or more persons who are conversant with the nature and subject matter of the procurement documents or the framework contract, and who are registered as:

- a) a professional architect or professional senior architectural technologist in terms of the Architectural Profession Act;
- b) a professional engineer or professional engineering technologist in terms of the Engineering Profession Act;
- c) a professional landscape architect or a professional landscape technologist in terms of the Landscape Architectural Profession;
- d) a professional project manager or a professional construction manager in terms of the Project and Construction Management Professions Act; or
- e) a professional quantity surveyor in terms of the Quantity Surveying Profession Act.

4.2.3.3 All communications with respondents and tenderers during the procurement process to obtain information and clarifications shall be made in writing through the employer's agent named in the submission or tender data. Records of all communications in this regard shall be made and retained for auditing purposes.

4.2.3.4 Submissions shall be evaluated strictly in accordance with the provisions of the procurement documents (see Annex C of SANS 10845-3 and Annex C of SANS 10845-4, as relevant). Where quality is evaluated, at least three persons who satisfy the requirements of 4.2.3.2 shall undertake such evaluation. Quality shall be scored in terms of the prompts for judgement, with fixed scores assigned to each prompt, either individually and averaged or collectively, as appropriate.

4.2.3.5 Those involved in the evaluation of submissions shall record their scores for quality against each of the criteria during the process of evaluation, preferably with notes to substantiate the scores. Individuals should record their own markings on a separate sheet. These documents shall be placed on file as an audit trail and may form the basis of any debriefing that takes place.

4.2.3.6 Evaluation reports shall be prepared in accordance with the content headings and relevant guidelines contained in Tables 5 or 6, with modifications as necessary where a two-envelope, two-stage process or competitive negotiation procedure is followed. Such reports shall contain extracts from the procurement documents which are linked to the evaluation of submissions, such as eligibility criteria, criteria associated with evaluation methods, preferencing, quality criteria (including prompts for judgement), the method by which tenders are reduced to a common base and lists of returnable documents. Such references shall enable those who are tasked with making decisions based on these documents to do so without having to refer back to submissions in order to understand the content of the report.

4.2.3.7 An evaluation report which recommends the award of a contract shall contain in annexures the reports, if any, of prior processes, e.g. a call for an expression of interest, a round in a competitive negotiation procedure or a stage in a competitive selection procedure.

4.2.3.8 An evaluation report covering the application of the negotiated procedure for the award of a contract or the issuing of an order, shall confirm that the negotiated amounts are market-related and represent value for money. Where the total of the prices associated with a target cost contract is negotiated, the total of prices shall be certified as being fair and reasonable by a professional quantity surveyor registered in terms of the Quantity Surveying Profession Act or a professional engineer registered in terms of the Engineering Profession Act.

Table 5: Content of an evaluation report relating to an expression of interest

| Section heading | Subsection heading | | Guidelines for the preparation of content |
|---|--------------------|---|--|
| 1 Summary | - | - | <p>Provide an overview of the parameters associated with the expression of interest, preferably in tabular form, including the following as relevant:</p> <ul style="list-style-type: none"> Contract / project no and contract / project description Purpose of the expression of interest Media in which advertisement was placed Advertisement date(s) Estimated value of contract or orders which are likely to be awarded during the term of the contract, if applicable Date from which documents were available Number and title of addenda issued Closing date Details of clarification meeting, including date and place, if any Number of submissions made Number of responsive submissions received Recommended outcomes of the process |
| 2 An overview of the evaluation process | - | - | <p>Provide an overview of the procurement process, indicating the eligibility criteria that were applied. State points relating to evaluation criteria, prompts for judgement and weightings relating thereto. Reproduce the list of returnable documents.</p> <p>Provide, if applicable, an overview as to how the quality aspects of the submissions were scored.</p> <p>Record that those involved in the evaluation of tenders have no conflicts of interest or have declared any conflict of interest that they may have, and the nature of such conflict.</p> |
| 3 Evaluation process | 3.1 | Submissions received | <p>List the submissions that were received.</p> <p>Describe any noteworthy events regarding the opening of submissions, e.g. the returning of late submissions.</p> |
| | 3.2 | Completeness of submissions received | <p>Compare submissions received against the list of returnable documents. State if any submissions were incomplete and outline how clarifications were obtained.</p> <p>Confirm if respondents took into account addenda, if any, in their submission.</p> |
| | 3.3 | Responsiveness of respondents | <p>Identify which of the submissions received were non-responsive and provide clear reasons for declaring respondents to be non-responsive.</p> |
| | 3.4 | Evaluation of submissions | <p>Record the manner in which submissions were evaluated.</p> <p>Record, where relevant, and preferably in a tabular form, the scores for each of the evaluation criteria and the total score (excluding those who failed to score above a threshold, if any).</p> |
| | 3.5 | Reasons for disqualification on the grounds of corrupt or fraudulent practice | <p>State reasons if applicable.</p> |
| | 3.6 | Compliance with legal requirements | <p>Confirm as relevant that respondents are not barred from participation, tax matters are in order, are registered, etc.</p> |
| 4 Tender recommendation | - | - | <p>Make a recommendation for the outcome of the process, e.g. admit to a database or prequalify / shortlist respondent to be invited to submit tender offers.</p> <p>Record the names and qualifications of those who performed the evaluation.</p> |
| 5 Confirmation of recommendations | - | - | <p>Make provision for the confirmation or amendment of the recommended action.</p> |

Table 6: Content of an evaluation report relating to the solicitation of tender offers

| Section heading | | Subsection heading | | Guidelines for the preparation of content |
|-----------------|--|--------------------|----------------------------------|---|
| 1 | Summary | - | - | <p>Provide an overview of the parameters associated with the solicitation of the tender, preferably in tabular form, including the following as relevant:</p> <ul style="list-style-type: none"> • Contract / Project / Tender number • Contract description • Contract duration • Purpose of tender • Contracting strategy, pricing strategy, form of contract and targeting strategy • Procurement procedure and method of tender evaluation • Tender validity expiry date • Alternative tenders (not permitted or state conditions under which permitted) • Media in which advertisement was placed, if not a nominated or qualified competitive selection procedure or a restricted competitive negotiations procedure • Date of advertisement(s) • Date from which documents were available • Details of clarification meeting, including date and place, if any • Tender closing date • Number and title of addenda issued • Number of tenders received • Number of responsive tenders • Recommended tender(s) • Cost estimate (budget), unless a framework contract • Lowest responsive and realistic tender used for comparative purposes (tender price, specific goals, etc.) |
| 2 | An overview of the tender evaluation process | - | - | <p>Provide an overview of the procurement process, indicating the eligibility criteria that were applied and the evaluation criteria. State specific goals and points relating to preferences, as well as any quality evaluation criteria, prompts for judgement and weightings relating thereto.</p> <p>Reproduce the list of returnable documents.</p> <p>Provide an overview as to how the quality aspects of the tender were scored.</p> <p>Record that those involved in the evaluation of tenders have no conflicts of interest or have declared any conflict of interest that they may have, and the nature of such conflict.</p> |
| 3 | Tender evaluation process | 3.1 | Tender offers received | <p>List the tender offers that were received.</p> <p>Describe any noteworthy events regarding the opening of submissions, e.g. the returning of late tenders and the declaring of submissions non-responsive on the grounds that they were not received in the prescribed manner.</p> |
| | | 3.2 | Completeness of tenders received | <p>Compare tender submissions received against list of returnable documents. State if any tender submissions received were incomplete and indicate what was not complete. Indicate what steps were taken to make incomplete tenders complete, only where this does not affect the competitive position of the tenderer in question. List all communications with tenderers.</p> <p>Confirm if tenderers took into account addenda, if any, in their tender submission.</p> |
| | | 3.3 | Responsiveness of tenderers | <p>Identify which of the tenders received were non-responsive and provide clear reasons for declaring such tenders to be non-responsive.</p> |

Table 6 (concluded)

| Section heading | | Subsection heading | | Guidelines for the preparation of content |
|-----------------|---------------------------------------|--------------------|---|---|
| 3 | Tender evaluation process (continued) | 3.4 | Evaluation of tender offers | Record the manner in which tenderers were reduced to a common basis: Record preferably in a tabular form: <ul style="list-style-type: none"> the scores for each of the evaluation criteria; the total score (excluding those who failed to score above a threshold); the pricing parameters that were tendered to enable compensation events to be evaluated of contractors to be paid in cost reimbursable or target cost contract. Provide reasons for not granting a preference or considering a financial offer to be unrealistically low. |
| | | 3.5 | Reasons for disqualification on the grounds of corrupt or fraudulent practice | State reasons if applicable. |
| | | 3.6 | Compliance with legal requirements | Confirm as relevant that tenderers are not barred from participation, tax matters are in order, are registered, etc. |
| | | 3.7 | Acceptability of preferred tenderer | State any reasons why the tenderer with the highest points should not be considered for the award of the tender, e.g. commercial risk, restrictions, lack of capability and capacity, legal impediments, etc. Also state any arithmetical corrections that have been made. |
| 4 | Outcome of the evaluation | - | - | Make a recommendation for the award of the tender and state any qualifications / conditions associated with such an award. Record the names and qualifications of those who performed the evaluation. |
| 5 | Confirmation of recommendations | - | - | Make provision for the recommendations for the award of the tender to be confirmed or amended. |

4.2.4 Authorisation to proceed with the next phase of the procurement process

The person authorised to enable a procurement process to progress to the next phase of the process shall review the evaluation report and either refer the report back to those responsible for such a report or authorise the procurement process to proceed to the next phase after:

- confirming that the report is complete and addresses all considerations necessary to make a decision;
- confirming the validity and reasonableness of reasons provided for the elimination of tenderers or respondents; and
- considering commercial risks and identifying any risks that have been overlooked which warrant investigation prior to taking a final decision.

4.2.5 Authorisation for issuing of an order

The person responsible for authorising an order shall, prior to authorising the issuing of an order:

- confirm that the required goods or services, or any combination thereof, are within the scope of work associated with the relevant framework contract; and
- consider the recommendations of the evaluation report where competition amongst framework contracts takes place (see 14.3.6) or a significant proportion of the total of the prices is negotiated, based on the financial parameter contained in the framework contract, and either

confirm the reasonableness of such recommendations and sign the acceptance of the order, or refer the evaluation report and recommendation back to those who prepared it.

5 INSTITUTIONAL ARRANGEMENTS

5.1 Organs of state who are responsible for infrastructure delivery shall establish a suitable infrastructure procurement and delivery supply chain management policy to implement this standard. Such a policy shall as a minimum:

- a) assign responsibilities for approving or accepting deliverables associated with a gate in the control framework or authorising a procurement process or procedure;
- b) establish committees which are required by law, or equivalent quality management and governance arrangements;
- c) establish delegations for the awarding of a contract or the issuing of an order; and
- d) establish ethical standards for those involved in the procurement and delivery of infrastructure.

5.2 An agency agreement shall be entered into between organs of state where responsibilities for implementation are delegated or assigned, or with a school governing body, established in terms of section 16 of the South African Schools Act, that makes a substantial financial contribution to a project. Such an agreement shall:

- a) establish principles and requirements relating to the recovery of cost associated with the rendering of the service, claims for payments made on an agency basis including the release of retention sums, the settling of claims for payment and the documentation required to accompany such claims; and
- b) include a service delivery agreement which as relevant sets out at least the following:
 - 1) overall aims, objectives and priorities;
 - 2) governance structures;
 - 3) reporting requirements;
 - 4) the scope of the services to be performed by the implementer during each financial year;
 - 5) the projects and packages which are included in the infrastructure plan and which are to be delivered, and the timeframes for doing so;
 - 6) the roles and responsibilities of the parties to the agreement, including requirements for the engagement and management of stakeholders;
 - 7) delegations to the implementer to accept end-of-stage deliverables on an agency basis;
 - 8) contributing resources, including human resources; and
 - 9) dispute resolution procedures.

5.3 The agency agreement shall be reviewed annually and amended or revised as necessary.

5.4 The implementer's supply chain management system shall be used to procure goods or services, or any combination thereof, for infrastructure covered by the agency agreement referred to in 5.2.

6 DEMAND MANAGEMENT

6.1 The demand management system shall be aimed at ensuring that goods and services, and any combination thereof required to support strategic and operational commitments, are delivered at the right price, time and place, and that the quality and quantity of such goods or services satisfy needs.

6.2 The demand for infrastructure delivery shall be managed through:

- a) the service life plans which;
 - 1) are based on:
 - an assessment of current performance against desired levels of service or functionality; and
 - a needs analysis informed by factors such as policies, norms and standards, condition assessments, functional performance, demographic trends, current and forecasted levels of optimisation; and
 - 2) reflect a cost estimate for the life cycle activities comprising acquisition, operations, maintenance, refurbishment, rehabilitation or alteration as relevant, over a minimum period of five years; and
- b) infrastructure plans which, as a minimum, summarise the service life plans and provide a credible forecast of current and net demand for services or requirements for functionality over a period of not less than ten years.

6.3 Consideration shall, where appropriate, be given to:

- a) alternative service delivery methods or means of satisfying needs which do not require infrastructure to implement or reduce the demand for infrastructure; and
- b) the disposal of infrastructure that is surplus to requirements.

6.4 Projects shall, wherever possible, be delivered in accordance with established norms and standards which are designed to yield value for money.

6.5 Identified projects shall be prioritised and budgeted for in an infrastructure plan (see 4.1.2.2).

6.6 Costs shall be proactively managed through the setting and proactive monitoring of control budgets for projects through the project planning, detailed design and site processes indicated in Figure 1.

7 ACQUISITION MANAGEMENT

7.1 Procurement of new infrastructure and the rehabilitation, refurbishment or alteration of existing infrastructure

7.1.1 Budgets submission for budget approval to advance a project or package relating to the delivery or planned maintenance of infrastructure in a financial year shall be broken down into the stages (see Figure 1) which have been completed.

7.1.2 Implementation plans relating to new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure which are aligned with the accepted delivery and procurement strategy, shall be developed for each project or package which is to be delivered in a financial year. Such a plan shall as necessary:

- a) identify the objectives of each project or programme of projects;
- b) identify the scope, budget and schedule for each project or package;
- c) outline the procurement strategy in respect of each project or package;
- d) provide a time management plan for each project, i.e. the baseline against which progress towards the attainment of milestone (key deliverables) target dates can be measured;
- e) provide the projected budget and cash flows which will enable planned and actual expenditure to be compared and revisions to the budget to be approved, and multiple project budgets to be managed;
- f) document the key success factors and the key performance indicators which need to be measured, monitored and evaluated;
- g) contain a procurement plan which indicates the timeline for advertising and closing of tenders, and the obtaining of gate approvals leading up to the award of the contract or the issuing of an order;
- h) identify the major risks and how such risks are to be mitigated or managed;
- i) indicate how quality requirements and expectations are to be met and managed;
- j) outline the controls and measures which will address health, safety, socio-economic or environmental risks;
- k) provide a communication plan which determines the lines of communication and the key activities associated therewith; and
- l) indicate the assigned internal and external resources with implementation responsibilities.

7.1.3 Financial data shall be gathered to enable a financial report to be generated at regular intervals which:

- a) lists the packages which have completed stage 7 (works) together with actual expenditure;
- b) indicates the following for packages which have advanced beyond stage 4 (concept and viability or feasibility) but have not yet completed stage 7 (works):
 - 1) budget for the financial year;
 - 2) actual expenditure to date;
 - 3) remaining budget for the year;
 - 4) forecast expenditure for the remainder of the year; and
 - 5) forecast over/under expenditure for the year;
- c) indicates professional fees associated with a project or package; and
- d) enables "actual" versus "planned" expenditure to be compared.

7.2 Procurement other than new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure

7.2.1 Annual procurement plans shall be prepared to cover the procurement of goods or services, or any combination other than that relating to new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure which exceed the threshold for quotations.

7.2.2 Annual procurement plans required in accordance with 7.2.1 shall contain the following information for all proposed tenders for a financial year where the proposed procurement is estimated to equal or exceed the threshold for quotations.

- a) a description of the goods, services or works;
- b) the estimated value of such goods, services or works, including all applicable taxes;
- c) the envisaged date of advertisement;
- d) the envisaged closing date for tenders; and
- e) the envisaged date of award.

7.3 Use of an organ of state's framework agreement by another organ of state

7.3.1 An organ of state may request in writing to make use of one or more framework contracts entered into by another organ of state. Such a request, signed by the accounting officer or accounting authority of that organ of state, shall:

- a) outline the scope and anticipated quantum of work associated with the work that is required;
- b) provide a motivation for the use of the framework agreement; and
- c) detail the benefit for the state to be derived from making use of the framework agreement.

7.3.2 The accounting officer or accounting authority may approve a request made in terms of 7.3.1 to make use of the organ of state's framework contract, conditionally or unconditionally, if:

- a) the framework agreement was put in place following a competitive tender process;
- b) confirmation is obtained that the framework contract is suitable for the intended use, and the required goods, services and works fall within the scope of such contract;
- c) the framework contractor agrees in writing to accept an order from that organ of state;
- d) the organ of state undertakes to pay the contractor in accordance with the terms and conditions of the agreement; and
- e) the term of the framework agreement does not expire before the issuing of the required orders.

8 CONTRACT MANAGEMENT

8.1 The person responsible for the administration of the contract or an order on behalf of the employer shall:

- a) act as stated in the contract that is entered into, subject to any constraints that may be imposed by the employer or the employer's supply chain management policy for infrastructure procurement and delivery management, using any standard templates that are provided for communications required in terms of the contract;
- b) provide at least the following data within two weeks of the award of a contract or an order for capture on a contract management system:
 - 1) name and contract particulars;
 - 2) the programme or project number, as relevant;
 - 3) the contractual dates associated with the contract or order;
 - 4) except in the case of very low value goods or services contracts, a cash flow forecast;
 - 5) the agreed total of prices or forecasted total of prices; and
 - 6) where applicable, whether or not provision is made for price adjustment for inflation, delay damages, performance bond and retention, and if so, what the quantum or estimated quantum of such provisions is;
- c) retain on a contract file, copies of certificates of insurances, bonds and the like;
- d) make an assessment of the amount due to the contractor where required in terms of the contract, or review the contractor's assessment of the amount due and timeously certify payment;
- e) revise the estimates for price adjustment for inflation where provided for, prepare an updated cash flow for the remainder of the contract based on the contractor's schedule, and capture these amounts together with the amounts due to the contractor and the retention amounts, if relevant, on a monthly basis;
- f) provide the revised total of the prices or completion date or delivery date for the contract, or an order, within one week of a contractor revising a forecast of the total of prices, or an event being implemented, which in terms of the contract increases the total of prices or delays delivery or completion, for capture on a contract management system;
- g) manage, if relevant, the interface between the contractor and those responsible for providing client inputs where a management, design and construct or develop and construct contracting strategy is utilised;
- h) develop and maintain a contract risk register;
- i) provide a monthly report on events which, in terms of the contract, cause the total of prices to increase or the contract completion date to be changed;
- j) report all insurance claims made within one week of the claim being lodged; and
- k) make inputs, if applicable, to the close out report in stage 9, including those relating to cost norms, contractor performance and the attainment, or not, of projective objectives.

8.2 The person responsible for administering the contract shall as necessary report on a monthly basis on the following:

- a) the attainment of key performance indicators, if any, provided for in the contract or required by the sponsor of the project or in terms of legislation;
- b) the number of improvement, contravention and prohibition notices issued by the health and safety agent; and
- c) incidents reportable in terms of the Construction Regulations issued in terms of the Occupational Health and Safety Act, briefly indicating the nature of the incident.

8.3 The person responsible for the administration of a contract or order relating to the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure, shall be registered in a professional category of registration in terms of the Architectural Profession Act, the Engineering Profession Act, Landscape Architectural Profession Act, the Project and Construction Management Professions Act or Quantity Surveying Profession Act.

9 LOGISTICS MANAGEMENT

9.1 Materials, equipment and plant may be procured and issued free of charge to a contractor for incorporation into the works. Care shall be taken to ensure that suitable arrangements or measures are in place to minimise:

- a) loss or damage to such items until the contractor has received and accepted them; and
- b) delays in supply which can result in increases in the contractor's prices for providing the works.

9.2 Procurement processes associated with long lead items of plant, equipment and materials may be initiated before the conclusion of stage 4 (concept and viability or feasibility). No contract may be entered into following such processes until stage 4 has been concluded and the budgets are in place to proceed.

10 DISPOSAL MANAGEMENT

- 10.1** A disposal committee shall decide how best to undertake disposals relating to the demolition or dismantling of infrastructure or parts thereof, and the disposal of unwanted, redundant or surplus materials, plant and equipment.
- 10.2** Disposals shall be proceeded with only after the feasibility and desirability of using one or more of the following alternative disposal strategies have been considered:
- a) transfer to another organ of state, business unit or a charitable organisation at market-related value or free of charge;
 - b) recycling or re-use of component materials; or
 - c) disposal by means of dumping at an authorised dump site, burning or demolition.
- 10.3** The reasons for adopting a disposal strategy shall be recorded prior to proceeding with such disposal.

11 REPORTING OF SUPPLY CHAIN MANAGEMENT INFORMATION

11.1 The implementer shall report to the relevant treasury within one month of the award of a contract or the issuing of an order, all engineering and construction, supply, service and professional service contracts that are awarded, or orders that are issued, should the total of prices, including VAT, exceed the thresholds contained in Table 7. Such a report shall indicate the following:

- a) the title and number of the contract or order;
- b) a brief outline of the scope;
- c) the total of the prices at the time that a contract is concluded or an order issued;
- d) the time for completion or delivery; and
- e) the procurement procedure that was used to put the contract in place, or in the case of a framework agreement, whether or not competition amongst framework contractors was reopened.

Table 7: Thresholds, including VAT, for reporting the award of a contract or an order to the relevant treasury

| Organ of state | Value of contract or order including VAT | | | |
|---|--|-----------------------|--------------|------------------------------------|
| | Services contract | Professional services | Supply | Engineering and construction works |
| National department | R75 million | R75 million | R100 million | R100 million |
| Provincial department or metropolitan municipality | R50 million | R50 million | R100 million | R100 million |
| Municipality other than a metropolitan municipality | R25 million | R25 million | R50 million | R50 million |
| Major public entity | R250 million | R250 million | R500 million | R500 million |
| National government business enterprise | R125 million | R125 million | R250 million | R250 million |
| Provincial government business enterprise | | | | |
| Other | R50 million | R50 million | R100 million | R100 million |

11.2 Organs of state other than major public entities, national government business enterprises and provincial business enterprises shall report to the relevant treasury where a contract was awarded to a tenderer other than the tenderer recommended by a committee, giving reasons for such award.

11.3 The implementer shall prepare an annual report which contains the following in respect of a financial year and submit such report to the relevant treasury within two months after the financial year end:

- a) the information contained in the performance report prepared in accordance with section 12 of this standard;
- b) a brief progress report which reflects progress in terms of time and cost in relation to the time for completion or delivery and the total of prices at the award of the contract or the issuing of an order, and, if relevant, stages completed, on all contracts and orders above the threshold stated in Table 7;
- c) an outline of the scope, value and duration of all contracts which were awarded as a result of unsolicited proposals, together with a brief motivation for such award;
- d) particulars relating to:
 - 1) the cancellation or termination of contracts, together with the reasons therefore;

- 2) the use of a negotiated or confined market procurement procedure to enter into a supply, services, professional services or engineering and construction contract in excess of R10,0 million, including VAT, together with a brief motivation for doing so;
- 3) the evoking of the emergency procurement procedures where the value of the ensuing transaction exceeded R10,0 million, including VAT, together with a brief overview of the emergency and the outcomes of the procurement;
- 4) disputes arising from contracts which have been referred to arbitration or a court of law for settlement; and
- 5) contracts where the approval has been granted to increase the total of the prices or the time for completion at Procurement Gate 8D (see Figure 2 and Table 3).

12 ASSESSMENT OF SUPPLY CHAIN MANAGEMENT PERFORMANCE

An annual performance report shall be prepared for each portfolio of projects involving infrastructure delivery within two months of the financial year end which reflects performance in relation to at least the following:

- a) expenditure incurred in infrastructure delivery for the financial year, against the budget made available to cover such expenditure at the start of the year;
- b) the average variance between planned and achieved completion of stages of all packages and projects;
- c) an overview of all packages where stage 7 was completed within the financial year and the total of the prices and the time for completion at the start of the contract or when the order was issued exceed 20%, together with a brief explanation as to why such increases occurred;
- d) the average time taken to award a contract, measured from the closing date for tender submission or the final submission made in terms of a proposal or competitive negotiations procedure to a decision being taken to award the contract;
- e) the average time taken, in respect of all packages covered in the report, to complete stage 8 measured from the time that stage 7 is completed;
- f) the average difference between the total of the prices in the payment certificate that was issued following the completion of stage 7, and the total of the prices at the end of stage 9;
- g) the average time taken to award a contract above the threshold for quotations, measured from the closing date for tender submission or the final submission made in terms of a proposal or competitive negotiations procedure, to the acceptance of the tender evaluation report; and
- h) the average number of days that payment is later than that required under the terms of a contract.

13 RISK MANAGEMENT AND INTERNAL CONTROL

13.1 Risk management

13.1.1 Risk registers shall be established and maintained to enable risk mitigation relating to infrastructure procurement and delivery management to be proactively managed at a portfolio, programme, project and contract level. Such registers shall as a minimum contain:

- a) the entry date of the risk;
- b) a description of the risk, i.e. risk event, cause and possible outcome;
- c) the measures and action to mitigate risk, i.e. a description of the action, responsibility for action and timetable for implementation;
- d) action status, i.e. actioned, take no action, monitor and review or to be actioned.

13.1.2 Those responsible for establishing and maintaining risk registers shall issue risk reports when called upon to do so.

13.2 Internal control measures

13.2.1 The gates in the control frameworks provided in section 4 shall be used, as appropriate, to:

- a) authorise the proceeding with an activity within a process, or commencing with the next process;
- b) confirm conformity with requirements; or
- c) provide information which creates an opportunity for corrective action to be taken.

13.2.2 Suitable templates shall be used to record the approval or acceptance of documents at the gates provided in the control framework established in section 4.

14 INFRASTRUCTURE PROCUREMENT REQUIREMENTS

14.1 General

14.1.1 Procurement shall be undertaken in accordance with all applicable legislation and;

- a) the relevant requirements of SANS 10845-1, SANS 10845-2, SANS 10845-3 and SANS 10845-4;
- b) the administrative procedures embedded in the approved standard forms of contract identified in this standard; and
- c) the provisions of this standard.

14.1.2 All contracts that are entered into with contractors following a procurement process shall be in writing.

14.1.3 Quality may be evaluated in tender submissions as other objective criteria as provided for in the Preferential Procurement Policy Framework Act in accordance with the provisions of SANS 10845-1.

14.1.4 The preference points system contained in the Preferential Procurement Policy Framework Act shall not be applied to disposals. An assumption shall be made in the case of tenders for framework agreements that the 90:10 preference points system applies.

14.1.5 All awards above the quotation threshold in competitive selection and competitive negotiation procurement processes shall be published at least on:

- a) the organ of state's or relevant treasury's website; or
- b) if required in terms of the Construction Industry Development Board Act, on the Construction Industry Development Board's website.

14.1.6 The publication of the award of a contract shall contain at least the following information:

- a) contract numbers and title;
- b) a brief description of goods, services or works; and
- c) the names of successful tenderers and their B-BBEE status level of contribution, and where practical, the total of the prices at award, the duration of the contract and the tender points scored during the tender evaluation process.

14.2 Usage of standard procedures

14.2.1 Goods or services or a combination thereof should generally be procured from the open market. Tenders may, however, be solicited from a confined market where:

- a) it is established with reasonable certainty that:
 - 1) only a sole contractor is able to provide the goods or services or any combination thereof;
 - 2) only a very limited number of contractors are able to provide goods, services or works which are not freely available in the market, or which are provided solely for the organ of state in accordance with unique requirements;
- b) there is justification for standardising goods or making use of manufacturer-accredited service providers;

- c) a change in product or manufacturer requires modifications to related equipment and fixtures, e.g. a replacement pump requires costly changes to mountings, pipework or electrical connections or the replacement of circuit breakers requires costly changes to mounting frames, face panels, busbars, wiring and the like; or
- d) a replacement model requires the holding of additional spares or maintenance personnel.

14.2.2 The standard procurement procedures identified in Table 8 shall be implemented under the stated conditions in accordance with the provisions of SANS 10845-1. Projects shall not be subdivided to reduce the estimated tender value to fall within a threshold applicable to a specific procurement procedure.

Table 8: Conditions under which procedures provided for in SANS 10845-1 may be utilised

| Procedure | Conditions which need to be satisfied in order to utilise the procedure | |
|--|---|--|
| Competitive selection procedure | | |
| Nominated procedure | Any procurement, the estimated value of which does not exceed a threshold stated in Table 9. | |
| Open procedure | Any procurement, except where the cost of advertising or the evaluation of a large number of tender submissions is disproportionate to the value of the work. | |
| Qualified procedure | Any procurement where: 1) a contract requires for its execution a high degree of specialised input, or requires skills and expertise that are not readily available; 2) a contract requires for its execution exceptional management skills or quality; 3) a tender submission requires significant tenderer inputs in order to respond appropriately to requirements so that a financial offer may be determined; 4) it is desirable, in a large programme or project, to link packages of work to tenderers who have the appropriate capacity and capability to compete against one another; 5) the time and cost required to examine and evaluate a large number of tender offers would be disproportionate to the procurement; 6) for practical reasons, it is necessary to limit the number of tender submissions that are received; or 7) the goods or services are not freely available in the market, or are manufactured solely for the organ of state in accordance with that organ of state's own specifications. | |
| Quotation procedure | Any procurement where the estimated value does not exceed a threshold stated in Table 9. | |
| Proposal procedure using the two-envelope system | Services where tenderers are required to develop and price proposals to satisfy a broad scope of work. | |
| Proposal procedure using the two-stage system | Option 1 | Any procurement in which tenderers are required to submit technical proposals and, if required, cost parameters around which a contract may be negotiated. |
| | Option 2 | Any procurement in which tenderers are invited to submit technical proposals in the first stage and to submit tender offers based on procurement documents issued during the second stage. |
| Shopping procedure | Procurement which involves readily available goods and does not exceed the threshold value stated in Table 9. | |

Table 8 (concluded)

| Procedure | Conditions which need to be satisfied in order to utilise the procedure |
|-------------------------------------|--|
| Restricted competitive negotiations | <p>As for open competitive negotiations, but where:</p> <ol style="list-style-type: none"> 1) a contract requires for its execution a high degree of specialised input, or requires skills and expertise that are not readily available; 2) a contract requires for its execution exceptional management skills or quality; 3) a tender submission requires significant tenderer inputs in order to respond appropriately to requirements so that a financial offer may be determined; 4) the time and cost required to examine and evaluate a large number of tender offers would be disproportionate to the procurement; 5) for practical reasons, it is necessary to limit the number of tender submissions that are received; or 6) a target price is tendered and finalised prior to the award of the contract. |
| Open competitive negotiations | <p>Any procurement where:</p> <ol style="list-style-type: none"> 1) it is not feasible to formulate detailed specifications for the work or to identify the characteristics of goods or works to obtain the most satisfactory solution to procurement needs; 2) there are various possible means of satisfying procurement needs; 3) the technical character of the goods or works, or the nature of the services, warrants the use of competitive negotiations to realise the most satisfactory solution to procurement needs; 4) the purpose of the contract is research, experimentation, study or development; or 5) all the tenders received in a competitive selection procedure are non-responsive and the calling for fresh tenders is likely to result in a similar outcome. |
| Negotiated procedure | |
| | <p>Any procurement where:</p> <ol style="list-style-type: none"> 1) a rapid response is required due to the presence of, or the imminent risk of, an extreme or emergency situation arising from: <ol style="list-style-type: none"> a) human injury or death; b) human suffering or deprivation of human rights; c) serious damage to property or financial loss; d) livestock or animal injury, suffering or death; e) serious environmental damage or degradation; or f) interruption of essential services; 2) the required goods, services or works cannot technically or economically be separated from another contract previously performed by a specific contractor; 3) only one contractor has been identified as possessing the necessary experience and qualifications or product to deliver value for money in relation to a particular need; 4) the services, goods or works do not exceed a threshold value stated in Table 9; 5) the service or works being procured are largely identical to work previously executed by that contractor and it is not in the interest of the public or the organ of state to solicit other tender offers; 6) a professional service contract does not exceed a threshold value stated in Table 9 and but can be based on time and proven cost; 7) the nature of the works, goods or services, or the risks attached thereto, do not permit prior overall pricing; or 8) only one responsive tender is received. |

14.2.3 Prior approval shall be obtained for the following procurement procedures, unless such a procedure is already provided for in the approved procurement strategy:

- a) the negotiated procedure above the thresholds identified in Tables 8 and 9; and
- b) the approaching of a confined market, except where a rapid response is required in the presence of, or the imminent risk of, an extreme or emergency situation arising from the conditions set out in Table 8, and which can be dealt with, or the risks relating thereto arrested, within 48 hours.

14.2.4 Only a person authorised in terms of a policy developed in accordance with the provisions of section 5 may pursue a negotiated procedure in an emergency without the prior approval permitted in terms of 14.2.3.

14.2.5 Approval for the use of a confined market shall only be valid for a period not exceeding 18 months.

Table 9: Procurement thresholds

| Procedure (see Table 8 and SANS 10845-1) | Conditions which need to be satisfied in order to utilise the procedure | Threshold (Rand including VAT) | | |
|--|--|------------------------------------|--|---|
| | | Schedule 2 public enterprise | Department or a schedule 3 public enterprise | Municipality or a municipal entity |
| Negotiated | The services, goods or works have a value not exceeding a threshold | R125 000 | R75 000 | R75 000 |
| | A professional service contract has a value not exceeding a threshold | R500 000 | R350 000 | R200 000 |
| Nominated procedure | Any procurement not exceeding a threshold | R2 500 000 | R1 500 000 | R1 500 000 |
| Quotation procedure | Any procurement where the estimated value does not exceed a threshold | R2 000 000 | R1 000 000 | R200 000 |
| Shopping procedure | Supplies contract which involves readily available goods not exceeding a threshold | R50 000 | R50 000 | R10 000 |

14.3 Framework agreements

14.3.1 Framework agreements may be entered into with contractors by:

- a) inviting tender offers to enter into a suitable contract for the required work, using stringent eligibility and evaluation criteria to ensure that contracts are entered into with only those contractors who have the capability and capacity to provide the required goods, services or works; and
- b) entering into a limited number of contracts based on the projected demand and geographic location for such goods, services or works.

14.3.2 The term of a framework agreement shall not exceed:

- a) three years in the case of all organs of state other than a major public entity, a national government business enterprise or a provincial government business enterprise; or
- b) four years in the case of a major public entity, a national government business enterprise or provincial government business enterprise.

14.3.3 Framework agreements that are entered into shall not commit an organ of state to any quantum of work beyond the first order, or bind the employer to make use of such agreements to meet its needs.

The employer may approach the market for goods or services, or a combination thereof, whenever it considers that better value in terms of time, cost and the quality which may be obtained.

14.3.4 Orders:

- a) shall cover only goods or services, or any combination thereof, falling within the scope of work associated with the agreement which may not be amended for the duration of the contract;
- b) may not be issued after the expiry of the term of the framework agreement; and
- c) may be completed even if the completion of the order is after the expiry of the term.

14.3.5 The issuing of orders with a number of framework contractors covering the same scope of work may be made with and without requiring competition amongst framework contractors. Where competition is required amongst framework contractors, it shall be conducted in a non-discriminatory manner such that competition is not distorted.

14.3.6 Competition amongst framework contractors for orders shall take place where:

- a) there is no justifiable reason for issuing an order to a particular framework contractor, such as:
 - 1) the framework contractor provided the most economical transaction when the financial parameters included in the contract are applied, and has the capacity to deliver;
 - 2) the required goods, services or works cannot technically or economically be separated from another contract or order previously performed by a specific contractor;
 - 3) the service or works being instructed are largely identical to work previously executed by that contractor;
 - 4) the value of the order is less than the threshold for the quotation procedure;
 - 5) the schedule for delivery necessitates that each of the framework contractors be issued with orders on a continuous basis; or
 - 6) capacity to execute the order;
- b) the terms in the framework agreement are insufficiently precise or complete to cover the particular requirement, e.g. delivery time scales or time estimates to complete the order (productivity); or
- c) a better quality of service can be obtained through a competitive process.

14.4 Design competitions

14.4.1 A single- or two-stage design competition may be used as a means to identify one or more suitable contractors to provide design services. The conditions for a design competition shall clearly state the purpose of the competition and the intentions of the promoter, the nature of the problem that is to be solved and all the practical requirements to be met by the competitors.

14.4.2 A design competition shall be initiated following a call for an expression of interest. All respondents who satisfy the admission requirements for a design competition and complete an application form shall be admitted to the competition as participants.

14.4.3 A jury who is independent of participants in the competition shall be appointed to collectively decide on the outcome of the competition. Such a jury shall be autonomous in its decisions or opinions and endeavour, adopt decisions on each individual submission by consensus and record its decisions in writing. Not less than 50% of the members serving on the jury shall have relevant professional qualifications in the subject matter of the competition.

14.4.4 The design competition shall be conducted in such a manner that the identity of any particular participant during the process is not known to the jury until after competition winners are announced. The awarding of prizes and honoraria may be linked to such competitions.

14.4.5 A contract may be negotiated with the winner of the design competition. Where more than one contract is awarded to participants in a design competition, all competitors in the final stage of the competition shall be invited to submit tender offers. Tender offers shall be evaluated in terms of method 4 of SANS 10845-3, with the score for quality being based solely on the ranking of the competition jury.

14.5 Procurement documentation

14.5.1 General

14.5.1.1 Procurement documents shall be developed in accordance with the provisions of SANS 10845-1 and SANS 10845-2 and, where aspects of the national register of contractors or register of projects established in terms of the Construction Industry Development Board Act are implemented through procurement documents, the CIDB Standard for Uniformity in Construction Procurement.

14.5.1.2 The Form of Offer and Acceptance contained in Annex B of SANS 10845-2 shall be used, with minimal contract-specific amendments, to form the basis of agreement arising from the solicitation of tender offers.

14.5.1.3 The formation of a contract in the single volume approach (see SANS 10845-2) shall occur once:

- a) the schedule of deviations has been completed to reflect each and every amendment to the tender documents:
 - 1) made in terms of addenda issued prior to the close of tenders; and
 - 2) permitted in terms of the conditions of tender, and agreed to in the process of offer and acceptance; and
- b) the acceptance portion of the Form of Offer and Acceptance has been signed by the person authorised to do so.

14.5.1.4 The formation of the contract in the three-volume approach (see SANS 10845-2) shall take place after:

- a) each and every amendment to the tender documents made in terms of addenda issued prior to the close of tenders, and those permitted in terms of the conditions of tender and agreed to in the process of offer and acceptance have been incorporated into the final contract;
- b) a brief summary of the changes made in the final contract document is included in the schedule of deviations so as to allow the reader to understand the nature and extent of the changes; and
- c) the acceptance portion of the Form of Offer and Acceptance has been signed by the person authorised to do so.

14.5.1.5 A tenderer's covering letter shall not be included in the final contract document or referenced in the schedule of deviations. The agreed provisions of such a letter shall be stated in the schedule of deviations.

14.5.1.6 Standard returnable documents for infrastructure procurement contained in annexures A to E shall, where appropriate, form part of the Returnable Documents in procurement documents.

14.5.1.7 Standard documentation issued by a relevant treasury for non-infrastructure procurement shall not be included in infrastructure procurement documents unless they are found to be compatible, and

not in conflict with the provisions of a procurement document which complies with the provisions of this standard.

14.5.2 Tender, submission and auction data

14.5.2.1 The tender data shall reference the Standard Conditions of Tender contained in SANS 10845-3.

14.5.2.2 The tender offer validity period provided for in the tender data shall generally not exceed eight weeks, and in exceptional circumstances shall not exceed 12 weeks.

14.5.2.3 The tender data associated with Method 3 (financial offer and preference) shall be as follows:

| | |
|--------|--|
| 5.11.4 | <p>The procedure for the evaluation of responsive tenders is Method 3.</p> <p>The financial offer will be scored using the following formula:</p> $A = (1 - \frac{P - P_m}{P_m})$ <p>The value of W_1 is:</p> <ol style="list-style-type: none"> 1) 90 where the financial value, inclusive of VAT, of all responsive tenders received has a value in excess of R1 000 000; or 2) 80 where the financial value, inclusive of VAT, of one or more responsive tender offers has a value that equals or is less than R1 000 000. <p>Up to 100 minus W_1 tender evaluation points will be awarded to tenderers who complete the preferencing schedule and who are found to be eligible for the preference claimed.</p> |
|--------|--|

14.5.2.4 The tender data associated with Method 4 (financial offer, quality and preferences) shall be as follows:

| | |
|--------|---|
| 5.11.5 | <p>The procedure for the evaluation of responsive tenders is Method 4.</p> <p>The total number of tender evaluation points (T_{EV}) shall be determined in accordance with the following formula:</p> $T_{EV} = f_1 (N_{FO} + N_P) + f_2 N_Q$ <p>where f_1 and f_2 are fractions, f_1 equals 1 minus f_2 and f_2 equals</p> <p>N_{FO} is the number of tender evaluation points awarded for the financial offer made in accordance with 5.11.7 where the score for financial offer is calculated using the following formula</p> $A = (1 - \frac{P - P_m}{P_m})$ <p>and W_1 equals:</p> <ol style="list-style-type: none"> 1) 90 where the financial value, inclusive of VAT, of all responsive tenders received has a value in excess of R1 000 000; or 2) 80 where the financial value, inclusive of VAT, of one or more responsive tender offers has a value that equals or is less than R1 000 000. <p>N_P is the number of tender evaluation points awarded for preferences claimed in accordance with the Preferencing Schedule.</p> <p>N_Q is the number of tender evaluation points awarded for quality offered in accordance with 5.11.9 where $W_2 = 100$.</p> <p>Up to 100 minus W_1 tender evaluation points will be awarded to tenderers who complete the preferencing schedule and who are found to be eligible for the preference claimed.</p> |
|--------|---|

14.5.2.5 The submission data shall reference the Standard Conditions for the Calling for Expressions of Interest contained in SANS 10845-4.

14.5.2.6 Auction data shall be based on the auction data contained in SANS 10845-1.

14.5.3 Standard forms of contract

14.5.3.1 The standard forms of contract shall be selected from, and be suitable for use under the conditions described in Table 10.

14.5.3.2 The standard forms of contract shall be used with minimal contract amendments which do not change their intended usage and shall only be amended when absolutely necessary to accommodate special needs.

14.5.3.3 Adjudication shall be used to resolve disputes arising during the performance of a contract prior to proceeding to either arbitration or litigation.

Table 10: Approved forms of contract related to the delivery and maintenance of infrastructure

| Form of contract | Code | Intended usage |
|---|-------------|---|
| Construction Industry Development Board (CIDB) | | |
| CIDB Standard Professional Service Contract | SPSC | Professional services |
| CIDB General Conditions of Purchase | - | An order form type of contract for low-value goods without any incidental work or services on or before a specified date being required. |
| CIDB Contract for the Supply and Delivery of Goods | - | Simple, regional purchase of readily available materials or commodities which require almost no management of the buying and delivery process, minimal testing, installation and commissioning on delivery. |
| CIDB General Conditions of Service | - | An order form type of contract where low-value services on or before a specified date are required. |
| International Federation of Consulting Engineers (FIDIC) | | |
| FIDIC Short Form of Contract | Green Book | Building or engineering works of relatively small capital value, or for relatively simple or repetitive work, or for work of short duration. Use for design by employer- or contractor-designed works. |
| FIDIC Conditions of Contract for Construction for Building and Engineering Works designed by the Employer | Red Book | Building or engineering works designed by the employer. (The works may include some elements of contractor-designed works.) |
| FIDIC Conditions of Contract for plant and design-build for electrical and mechanical plant, and for building and engineering works, designed by the contractor | Yellow Book | The provision of electrical or mechanical plant and the design and construction of building or engineering works. |
| FIDIC Conditions of Contract for EPC Turnkey Projects | Silver Book | The provision on a design and construct (turnkey) basis of a process or power plant, of a factory or similar facility, or an infrastructure project or other type of development. |
| FIDIC Conditions of Contract for Design, Build and Operate Projects | Gold Book | "Green field" building or engineering works which are delivered in terms of a traditional design, build and operate sequence with a 20-year operation period. (The contractor has no responsibility for the financing of the project/package or its ultimate commercial success.) |
| South African Institution of Civil Engineering (SAICE) | | |
| SAICE General Conditions of Contract for Construction Works | GCC | Engineering and construction, including any level of design responsibility. |

Table 10 (concluded)

| Joint Building Contracts Committee (JBCC) | | |
|--|------|--|
| JBCC Principal Building Agreement | PBA | Buildings and related site works designed by the employer. |
| JBCC Minor Works Agreement | MWA | Buildings and related site works of simple content designed by the employer. |
| Institution of Civil Engineers (ICE) | | |
| NEC3 Engineering and Construction Contract | ECC | Engineering and construction including any level of design responsibility. |
| NEC3 Engineering and Construction Short Contract | ECSC | Engineering and construction which do not require sophisticated management techniques, comprise straightforward work and impose only low risks on both the employer and contractor. |
| NEC3 Professional Services Contract | PSC | Professional services, such as engineering, design or consultancy advice. |
| NEC3 Professional Services Short Contract | PSCC | Professional services which do not require sophisticated management techniques, comprise straightforward work and impose only low risks on both the client and consultant. |
| NEC3 Term Service Contract | TSC | Manage and provide a service over a period of time. |
| NEC3 Term Service Short Contract | TSSC | Manage and provide a service over a period of time, or provide a service which does not require sophisticated management techniques, comprises straightforward work and imposes only low risks on both the employer and contractor. |
| NEC3 Supply Contract | SC | Local and international procurement of high-value goods and related services, including design. |
| NEC3 Supply Short Contract | SSC | Local and international procurement of goods under a single order or on a batch order basis and is suitable for use with contracts which do not require sophisticated management techniques, and impose only low risks on both the purchaser and the supplier. |

14.5.4 Tender assessment schedules

Tender assessment schedules shall be used to take account of all tendered financial parameters that have an impact upon the final value of the contract.

14.5.5 Guarantees

14.5.5.1 Bonds which guarantee performance with a stated financial benefit in the event of non-performance:

- a) should as a general rule not be required in service, professional service and supply contracts; and
- b) shall be between 5% and 12,5% of the contract or package order value, excluding VAT, and may be either a fixed or variable guarantee.

14.5.5.2 Advance payment, where required in engineering and construction and supply contracts and approved by the organ of state's chief financial officer, may only be made to contractors against the lodging of a suitable advance payment bond.

14.5.6 Retention monies

Retention monies that are held shall not exceed 10% of any amount due to a contractor. The total amount of retention monies held shall not exceed 5% of the contract or package order price.

14.5.7 Communications

All procurement documents and communications shall be in English.

14.5.8 Intellectual property rights

Organs of state shall as a general rule own the rights over the materials specifically prepared by a contractor in relation to a contract.

14.5.9 Budgetary items

14.5.9.1 Provision for budgetary items in procurement documents shall as far as possible be avoided. Assumptions should rather be stated in the pricing data so that they can be priced and adjusted in terms of the contract, should these assumptions be incorrect. Where unavoidable, estimates of the likely costs may be included in the contract to cover identified work or services to be performed by a subcontractor appointed in terms of the contract.

14.5.9.2 No provision for contingencies or price adjustment for inflation shall be made in the pricing data or included in the contract price at the time that the contract is awarded or an order is issued.

14.5.10 Professional indemnity insurance

Professional service appointments shall as a general rule be subject to proof of current professional indemnity insurance being submitted by the contractor in an amount of not less than R3 million in respect of each claim, without limit to the number of claims.

14.6 Developmental procurement policy

14.6.1 General

14.6.1.1 Organs of state shall utilise procurement to promote Broad-Based Black Economic Empowerment in accordance with the provisions of the Broad-Based Black Economic Empowerment Act and, where appropriate, to promote:

- a) work opportunities for target groups; and
- b) national development goals, such as those identified by the Presidential Infrastructure Coordinating Commission.

14.6.1.2 Not less than 50% of the points allocated to preference in a points scoring system in the evaluation of tenders shall be allocated to Broad-Based Black Economic Empowerment goals.

14.6.1.3 Minimum local content shall be included in contracts in accordance with the Preferential Procurement Regulations issued in terms of the Preferential Procurement Policy Framework Act. Requirements shall be evaluated in tenders through declarations made by tenderers and shall be included in the scope of work associated with the contract.

14.6.2 Permitted targeted procurement procedures

The targeted procurement procedures that may be used to promote social and economic objectives shall include one or more of the following:

- a) the granting of preferences;
- b) accelerated rotations on electronic databases, where appropriate;
- c) the granting of up to 10% of the total number of evaluation points used to short-list tenderers following a call for expressions of interest;
- d) financial incentives for the attainment of key performance indicators in the performance of the contract; and
- e) the creation of contractual obligations to engage target groups in the performance of the contract by establishing requirements for the tendering of subcontracts in terms of a specified procedure, or establishing obligations to attain contract participation goals in accordance with the relevant provisions of SANS 10845.

Annexure A: Record of Addenda to tender documents

| | | |
|---|------|------------------|
| We confirm that the following communications received from the Employer before the submission of this tender offer, amending the tender documents, have been taken into account in this tender offer: | | |
| | Date | Title or Details |
| 1. | | |
| 2. | | |
| 3. | | |
| 4. | | |
| 5. | | |
| 6. | | |
| 7. | | |
| 8. | | |
| 9. | | |
| 10. | | |

Attach additional pages if more space is required.

Signed _____ Date _____

Name _____ Position _____

Tenderer _____

Annexure B: Proposed amendments and qualifications

The Tenderer should record any deviations or qualifications he may wish to make to the tender documents in this Returnable Schedule. Alternatively, a tenderer may state such deviations and qualifications in a covering letter to his tender and reference such letter in this schedule.

The Tenderer's attention is drawn to clause 5.8 of SANS 10845-3 regarding the employer's handling of material deviations and qualifications.

| Page | Clause or item | Proposal |
|------|----------------|----------|
| | | |

Signed _____ Date _____

Name _____ Position _____

Tenderer _____

Annexure C: Preferencing schedule: Broad-Based Black Economic Empowerment status

Preamble

Section 10(b) of the Broad-Based Black Economic Empowerment Act of 2003 (Act No. 53 of 2003) states that "Every organ of state and public entity must take into account and, as far as is reasonably possible, apply any **relevant code of good practice** issued in terms of this Act in developing and implementing a preferential procurement policy."

A number of codes of good practice have been issued in terms of Section 9(1) of the B-BBEE Act of 2003, including a generic code of good practice and various sector codes. The sector codes vary the metrics, weightings and targets used in the generic code of good practice to establish the overall performance of an entity and its B-BBEE status. The B-BBEE status needs to be assessed in accordance with the applicable code.

1 Conditions associated with the granting of preferences

Tenderers who claim a preference shall provide sufficient evidence of their B-BBEE status in accordance with the requirements of section 2 in respect of the applicable code as at the closing time for submissions, failing which their claims for preferences will be rejected.

2 Sufficient evidence of qualification

2.1 Exempted micro-enterprises

Sufficient evidence of qualification as an Exempted Micro-Enterprise is:

- a) a registered auditor's certificate or similar certificate issued by an accounting officer as contemplated in the Close Corporations Act of 1984 in respect of the entity's last financial year, or a 12-month period which overlaps with its current financial year; or
- b) a certificate issued by a verification agency and which is valid as at the closing date for submissions.

2.2 Enterprises other than micro-exempted enterprises

Sufficient evidence of B-BBEE status is an original or certified copy of the certificate issued by a verification agency accredited by the South African National Accreditation System (SANAS) or registered auditors approved by the Independent Regulatory Board for Auditors (IRBA) and which is valid as at the closing date for submissions.

3 Tender preferences claimed

The scoring shall be as follows:

| B-BBEE status determined in accordance with the preferencing schedule for Broad-Based Black Economic Empowerment | % Maximum points for preference |
|--|---------------------------------|
| Form not completed or no-complaint contributor | 0 |
| Level 8 contributor | 10 |
| Level 7 contributor | 20 |
| Level 6 contributor | 30 |
| Level 5 contributor | 40 |
| Level 4 contributor | 50 |
| Level 3 contributor | 80 |
| Level 2 contributor | 90 |
| Level 1 contributor | 100 |

4 Declaration

The tenderer declares that

- a) the tendering entity is a level contributor as stated in the submitted evidence of qualification as at the closing date for submissions
- b) the tendering entity has been measured in terms of the following code (tick applicable box):

☐ Generic code of good practice

☐ Other – specify

.....

.....

- c) the contents of the declarations made in terms of a) and b) above are within my personal knowledge and are to the best of my belief both true and correct

The undersigned, who warrants that he/she is duly authorised to do so on behalf of the tenderer, confirms that he/she understands the conditions under which such preferences are granted and confirms that the tenderer satisfies the conditions pertaining to the granting of tender preferences.

Signature:

Name:

Duly authorised to sign on behalf of:

Telephone:

Fax: Date:

Name of witness: Signature of witness:

Note: 1) Failure to complete the declaration will lead to the rejection of a claim for a preference.

- 2) Supporting documentation of the above-mentioned claim for a preference must be submitted with the tender submission to be eligible for a preference.

Annexure D: Compulsory Declaration

The following particulars must be furnished. In the case of a joint venture, separate declarations in respect of each partner must be completed and submitted.

Section 1: Enterprise details

| | |
|--------------------|--|
| Name of enterprise | |
| Contact person | |
| Email | |
| Telephone | |
| Cell | |
| Fax | |
| Physical address | |
| Postal address | |

Section 2: Particulars of companies and close corporations

| | |
|---|--|
| Company / Close Corporation registration number | |
|---|--|

Section 3: SARS information

| | |
|-------------------------|---|
| Tax reference number | |
| VAT registration number | (state <i>Not Registered</i> if not registered for VAT) |

Section 4: CIDB registration number

| | |
|--|--|
| CIDB Registration number (if applicable) | |
|--|--|

Section 5: Particulars of principals

principal: means a natural person who is a partner in a partnership, a sole proprietor, a director of 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 Corporations Act, 1984, (Act No. 69 of 1984).

| Full name of principal | Identity number | Personal tax reference number |
|------------------------|-----------------|-------------------------------|
| | | |
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Attach separate page if necessary

Section 6: Record in the service of the state

Indicate, by marking the relevant boxes with a cross, if any principal is currently or has been within the last 12 months in the service of any of the following:

- | | |
|---|--|
| <input type="checkbox"/> a member of any municipal council | <input type="checkbox"/> an employee of any department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act of 1999 (Act No. 1 of 1999) |
| <input type="checkbox"/> a member of any provincial legislature | |
| <input type="checkbox"/> a member of the National Assembly or the National Council of Provinces | <input type="checkbox"/> a member of an accounting authority of any national or provincial public entity |
| <input type="checkbox"/> a member of the board of directors of any municipal entity | <input type="checkbox"/> an employee of Parliament or a provincial legislature |
| <input type="checkbox"/> an official of any municipality or municipal entity | |

If any of the above boxes are marked, disclose the following:

| Name of principal | Name of institution, public office, board or organ of state and position held | Status of service (tick appropriate column) | |
|-------------------|---|--|-----------------------|
| | | Current | Within last 12 months |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

Insert separate page if necessary

Section 7: Record of family member in the service of the state

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

Indicate, by marking the relevant boxes with a cross, if any family member of a principal as defined in section 5 is currently or has within the last 12 months been in the service of any of the following:

- | | |
|---|---|
| <input type="checkbox"/> a member of any municipal council | <input type="checkbox"/> an employee of any provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act of 1999 (Act No. 1 of 1999) |
| <input type="checkbox"/> a member of any provincial legislature | |
| <input type="checkbox"/> a member of the National Assembly or the National Council of Provinces | <input type="checkbox"/> a member of an accounting authority of any national or provincial public entity |
| <input type="checkbox"/> a member of the board of directors of any municipal entity | <input type="checkbox"/> an employee of Parliament or a provincial legislature |
| <input type="checkbox"/> an official of any municipality or municipal entity | |

| Name of family member | Name of institution, public office, board or organ of state and position held | Status of service (tick appropriate column) | |
|-----------------------|---|--|-----------------------|
| | | Current | Within last 12 months |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

Insert separate page if necessary

Section 8: Record of termination of previous contracts with an organ of state

Was any contract between the tendering entity, including any of its joint venture partners, terminated during the past five years for reasons other than the employer no longer requiring such works or the employer failing to make payment in terms of the contract?

☐ Yes ☐ No (tick appropriate box)

If yes, provide particulars (insert separate page if necessary)

Section 9: Declaration

The undersigned, who warrants that he/she is duly authorised to do so on behalf of the tendering entity, confirms that the contents of this Declaration are within my personal knowledge, save where stated otherwise in an attachment hereto, and to the best of my belief is both true and correct, and that:

- i) neither the name of the tendering entity, nor any of its principals, appears on:
 - a) the Register of Tender Defaulters established in terms of the Prevention and Combating of Corrupt Activities Act of 2004 (Act No. 12 of 2004); or
 - b) National Treasury's Database of Restricted Suppliers (see www.treasury.gov.za);
- ii) the tendering entity or any of its principals has not been convicted of fraud or corruption by a court of law (including a court outside of the Republic of South Africa) within the last five years;
- iii) any principal who is presently employed by the state has the necessary permission to undertake remunerative work outside such employment (attach permission to this declaration);
- iv) the tendering entity is not associated, linked or involved with any other tendering entities submitting tender offers;
- v) the tendering entity has not engaged in any prohibited restrictive horizontal practices, including consultation, communication, agreement, or arrangement with any competing or potential tendering entity regarding prices, geographical areas in which goods and services will be rendered, approaches to determining prices or pricing parameters, intentions to submit a tender or not, the content of the submission (specification, timing, conditions of contract, etc.) or intention to not win a tender;
- vi) the tendering entity has no other relationship with any of the tenderers or those responsible for compiling the scope of work that could cause or be interpreted as a conflict of interest;
- vii) neither the tenderer nor any of its principals owes municipal rates and taxes or municipal service charges to any municipality or a municipal entity, and are not in arrears for more than three months;
- viii) SARS may, on an on-going basis during the term of the contract, disclose the tenderer's tax compliance status to the Employer and, when called upon to do so, obtain the written consent of any subcontractors who are subcontracted to execute a portion of the contract that is entered into in excess of the threshold prescribed by National Treasury, for SARS to do likewise.

Signed _____

Date _____

Name _____

Position _____

Enterprise name _____

NOTE 1: The Standard Conditions of Tender contained in SANS 10845-3 prohibits anticompetitive practices (clause 3.1) and requires that tenderers avoid conflicts of interest, only submit a tender offer if the tenderer or any of his principals is not under any restriction to do business with the Employer (4.1.1) and submit only one tender either as a single tendering entity or as a member in a joint venture (clause 4.13.1). Clause 5.7 also empowers the Employer to disqualify any tenderer who engages in fraudulent and corrupt practice. Clause 3.1 also requires tenderers to comply with all legal obligations.

NOTE 2: Section 30(1) of the Public Service Act, 1994, prohibits an employee (person who is employed in posts on the establishment of departments) from performing or engaging remunerative work outside his or her employment in the relevant department, except with the written permission of the executive authority of the department. When in operation, Section 8(2) of the Public Administration Management Act, 2014, will prohibit an employee of the public administration (i.e. municipalities and all national departments, national government components listed in Part A of Schedule 3 to the Public Service Act, provincial departments including the office of the premier listed in Schedule 1 of the Public Service Act and provincial departments listed in schedule 2 of the Public Service Act, and provincial government components listed in Part B of schedule 3 of the Public Service Act) or persons contracted to executive authorities in accordance with the provisions of section 12A of the Public Service Act of 1994 or persons performing similar functions in municipalities, from conducting business with the State or to be a director of a

public or private company conducting business with the State. The offence for doing so is a fine or imprisonment for a period not exceeding five years, or both. It is also a serious misconduct which may result in the termination of employment by the employer.

NOTE 3: Regulation 44 of Supply Chain Management regulations issued in terms of the Municipal Finance Management Act of 2003 requires that municipalities and municipal entities should not award a contract to a person who is in the service of the State, a director, manager or principal shareholder in the service of the State or who has been in the service of the State in the previous twelve months.

NOTE 4: Regulation 45 of Supply Chain Management regulations requires a municipality or municipal entity to disclose in the notes to the annual statements particulars of any award made to a close family member in the service of the State.

NOTE 5: Corrupt activities which give rise to an offence in terms of the Prevention and Combating of Corrupt Activities Act of 2004, include improperly influencing in any way the procurement of any contract, the fixing of the price, consideration or other moneys stipulated or otherwise provided for in any contract, and the manipulating by any means of the award of a tender.

NOTE 6: Section 4 of the Competition Act of 1998 prohibits restrictive horizontal practice, including agreements between parties in a horizontal relationship, which have the effect of substantially preventing or lessening competition, directly or indirectly fixing prices or dividing markets or constituting collusive tendering. Section 5 also prohibits restrictive vertical practices. Any restrictive practices that are suspicious will be reported to the Competition Commission for investigation and possible imposition of administrative penalties.

Annexure E: Municipal declaration and returnable documents

The following particulars must be furnished in relation to tenders for municipalities and municipal entities:

- a) where consultancy services are required; and
- b) goods, services or a combination thereof, where the estimated total of the prices exceeds R10 million, including VAT.

In the case of a joint venture, separate municipal declarations and returnable documents shall be submitted in respect of each partner.

Section 1: Enterprise details

| | |
|--------------------|--|
| Name of enterprise | |
| Contact person | |
| Email | |
| Telephone | |
| Cell | |
| Fax | |
| Physical address | |
| Postal address | |

Section 2: Declaration for consultancy services

The enterprise has been awarded the following consultancy services by an organ of state during the last five years:

| Name of organ of state | Estimated number of contracts | Nature of service, e.g. quantity surveying | Service similar to required service (yes/no)? |
|------------------------|-------------------------------|--|---|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

Attach separate page as necessary

Section 3: Goods, services, or a combination thereof, where the estimated total of the prices exceeds R10 million, including VAT

I/we certify that

1) (tick one of the boxes):

- ☐ the enterprise is **not** required by law to prepare annual financial statements for auditing
- ☐ the enterprise is required by law to have audited annual financial statements (attached herewith for the past three financial years or the years for which the enterprise has been in operation)

2) the enterprise and its directors have no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days (i.e. all municipal accounts are paid up to date);

3) source of goods and/or services :

(tick one of the boxes and insert percentages if applicable)

☐ goods and/or services are sourced only from within the Republic of South Africa

☐ % of the total cost of goods and/or services will be sourced from outside the Republic of South Africa, and the percentage of payment from the municipality or municipal entity which is expected to be transferred out of the Republic is %

I furthermore confirm that the following contracts were awarded to the enterprise by an organ of state during the last five years and attached particulars of any material non-compliance or dispute concerning the execution of such contracts:

| Name of organ of state | Estimated number of contracts | Nature of contracts |
|------------------------|-------------------------------|---------------------|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

Attach separate page as necessary

I, the undersigned who warrants that I am duly authorised on behalf of the tendering entity, hereby declare that the contents of this Declaration are within my personal knowledge, and save where stated otherwise, are to the best of my belief both true and correct.

Signed _____

Date _____

Name _____

Position _____

Tenderer _____

Annexure A



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

October 2015

Model SCM Policy for Infrastructure Procurement and Delivery Management

for use by organs of state which are subject to the **Local Government Municipal Finance Management Act**

MFMA Circular No 77: Model SCM Policy for Infrastructure Delivery Management provides guidance to municipalities and municipal entities on the establishment of a suitable supply chain management system for infrastructure delivery which is better able to deliver value for money, while minimizing the scope for corruption. The *Model SCM Policy for Infrastructure Delivery Management* which is attached to this circular is issued in terms of Section 168 of the Municipal Finance Management Act of 2003 in support of Regulation 3(2) of the MFMA Supply Chain Management Regulations as a Treasury guideline determining a standard for municipal supply chain management policies. It is linked to the *National Treasury Standard for Infrastructure Procurement and Delivery Management* which establishes:

a) requirements for the following matters as applied to the supply chain management system for infrastructure delivery:

- institutional arrangements;
- demand management;
- acquisition management;
- contract management;
- logistics management;
- disposal management;
- reporting of supply chain management information;
- regular assessment of supply chain management performance; and
- risk management and internal control; and

b) a control framework for the planning, design and implementation of infrastructure projects and infrastructure procurement.

This standard for municipal supply chain management policies relating to infrastructure procurement and delivery management, or any modified version of it, when adopted will assist municipalities and municipal entities to better plan and obtain the value for money when undertaking infrastructure projects.

Supply chain management may be defined as *"the design, planning, execution, control and monitoring of supply chain activities in the delivery of goods, services or any combination thereof"*. On the other hand infrastructure is defined as *"immovable assets which are acquired, constructed or which results from construction operations or moveable assets which cannot function independently from purpose built immovable assets"* while infrastructure delivery is defined as *"the combination of all planning, technical, administrative and managerial actions associated with the construction, supply, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure."* Accordingly, infrastructure delivery management is the supply chain management system for infrastructure.

This policy is aligned with the Supply Chain Management Regulations issued in terms of the Local Government: Municipal Finance Management Act of 2003.

There are unavoidably duplications in supply chain management policies for general goods and services and those for infrastructure delivery management arising from not only regulatory requirements but also an overlap in support functions such as the receipt of bids and advertising of bids. This model policy document may accordingly be issued as a stand-alone policy or as a policy which is supplementary to a municipality's or municipal entity's supply chain management system for general goods and services. Where it is issued as a supplementary policy, text should be replaced with cross references to the overarching policy.

The approach to procurement documentation is significantly different between general goods and services and infrastructure delivery. Documents for general goods and services, are based on the National Treasury General Conditions of Contract (GCC) which focuses on the rights and obligations of the parties in a generic manner and also deals with aspects of the bidding processes. This GCC requires that goods conform to the standards mentioned in the bidding documents and specifications and is used with standard bidding documents which include an invitation to bid, price schedules, local content, certificate of bid independence, declaration of bidders past SCM practices etc. Accordingly, the major variables between documents are the specifications or terms of reference and the evaluation criteria which ensures that bids are awarded on the basis of the lowest price for meeting a minimum standard. Contracts or service level agreements are frequently negotiated after the award of the bid.

In contrast, infrastructure procurement documents are based on a standard approach to the formatting and compilation of procurement documents used in conjunction with flexible standard conditions for the calling for an expression of interest and conditions of tender and a standard form of contract selected from a prescribed list. These standard forms of contract permit different allocations of risk to the parties to a contract and a wide range of pricing strategies to be pursued. This approach to procurement documentation enables procurement strategy and tactics to be exercised both in the awarding and in the performance of a contract in order to realise best value for money outcomes. Very seldom are material changes made in the draft contract which is issued to tenderers during the process of offer and acceptance as the offer is based on the selected allocation of risks and pricing strategies.

There are accordingly significant differences in the approach to bid specification and bid evaluation committees between the SCM system for general goods and services and that for infrastructure as a very different skills sets coupled with contextual knowledge is required. On the other hand, the bid adjudication committee is a governance committee which can deal with submissions emanating from both supply chains. (In any event, in most of the smaller organisations, the membership of this committee would probably not differ significantly if separate bid adjudication committees are established for the different supply chains.)

In order to distinguish between committees used in the two supply chain management systems, the terms procurement documentation, evaluation and tender committee are used in this document for the corresponding bid specification, bid evaluation and bid adjudication committees referred to in Treasury Regulations.

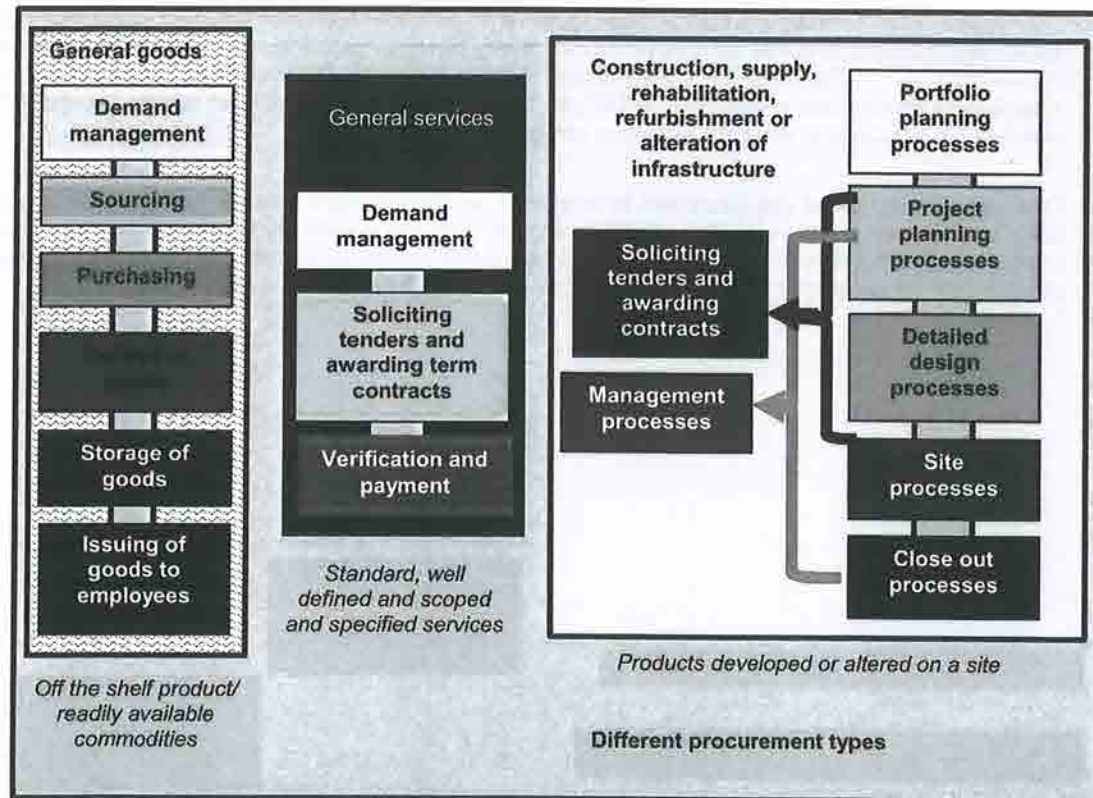
All text in square brackets needs to be populated with the correct data. All footnotes need to be deleted following the completion of the document.

Those responsible for putting in place the municipality's or municipal entity's policy need to review this model policy to ensure that it meets the needs of the municipality or municipal entity and adapt it as necessary so that the policies for both supply chain management systems are aligned.

The Supply Chain Management Regulations issued in terms of the MFMA permit the accounting officer (municipal manager or chief executive) to make use of any Treasury guidelines determining standards for municipal supply chain management policies and to submit to the council or board of directors that guideline standard, or any modified version as a draft policy (see Regulations 2 and 3). The Regulations furthermore require the municipal manager or chief executive to report any deviation from the guideline standard to the National Treasury and the relevant provincial treasury. Accordingly, all departures from this model policy and the *Standard for Infrastructure Procurement and Delivery Management* which is embedded within the policy must be reported to the relevant treasury.

Preface

Public procurement that is unrelated to infrastructure delivery typically relates to goods and services that are standard, well-defined and readily scoped and specified. Once purchased, goods invariably need to be taken into storage prior to being issued to employees. Services most often involve routine, repetitive services with well understood interim and final deliverables which do not require strategic inputs or require decisions to be made regarding the fitness for purpose of the service outputs.



In contrast, procurement relating to the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure covers a wide and diverse range of goods and services, which are required to provide or alter the condition of immovable assets on a site. Accordingly, the procurement process for the delivery of infrastructure involves the initial and subsequent recurring updating of planning processes at a portfolio level flowing out of an assessment of public sector service delivery requirements or business needs. Thereafter it involves planning at a project level and the procurement and management of a network of suppliers, including subcontractors, to produce a product on a site. There is no need to store and issue materials or equipment unless these are issued to employees responsible for the maintenance or operation of infrastructure, or are issued free of charge to contractors for incorporation into the works.

Procurement is the process which creates, manages and fulfils contracts. Procurement deals with activities surrounding contracts. Such processes focus on establishing what is to be procured, developing a procurement strategy, producing procurement documentation, soliciting and evaluating tender offers, awarding of contracts and administering contracts. On the other hand, supply chain management (SCM) is the design, planning, execution, control and monitoring of supply chain activities in the delivery of goods, services or any combination thereof. Supply chains comprise all those public and private entities that are involved in delivering the inputs, outputs and outcomes of projects. Accordingly, supply chain management is concerned with the oversight, co-ordination and monitoring of inputs, outputs and outcomes of projects from the various entities within a supply chain.

Infrastructure is defined as "immovable assets which are acquired, constructed or which results from construction operations or moveable assets which cannot function independently from purpose built immovable assets" while infrastructure delivery is defined as "the combination of all planning, technical, administrative and managerial actions associated with the construction, supply, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure." Accordingly, infrastructure delivery management contextualises the supply chain management system for infrastructure.

Understandably, there are several overlaps between the supply chain management system for general goods and services and that for infrastructure delivery management. However, the inclusion of control frameworks in the Standard for Infrastructure Procurement and Delivery Management is aimed at expenditure control and a reduction in the gap between what is planned and budget for and what is delivered to ensure that value for money is achieved.

The primary purpose of this document is to embed an infrastructure delivery management system for [name of municipality or municipal entity] which is aligned with the regulatory framework for public sector procurement, supply chain management and expenditure control. It also enables the National Treasury Standard for Infrastructure Procurement and Delivery Management to be implemented.

[name of municipality or municipal entity]'s SCM Policy for Infrastructure procurement and delivery management

Contents

| | | |
|-------|---|----|
| 1 | Scope | 1 |
| 2 | Terms, definitions and abbreviations | 1 |
| 2.1 | Terms and definitions | 1 |
| 2.2 | Abbreviations | 2 |
| 3 | General requirements | 2 |
| 3.1 | Delegations | 2 |
| 3.2 | Implementation of the Standard for Infrastructure Procurement and Delivery Management | 3 |
| 3.3 | Supervision of the infrastructure delivery management unit | 3 |
| 3.4 | Objections and complaints | 3 |
| 3.5 | Resolution of disputes, objections, complaints and queries | 4 |
| 4 | Control framework for infrastructure delivery management | 4 |
| 4.1 | Assignment of responsibilities for approving or accepting end of stage deliverables | 4 |
| 4.2 | Additional gates | 4 |
| 4.3 | Additional requirements | 5 |
| 4.4 | Gateway reviews | 5 |
| 4.4.1 | Gateway reviews for major capital projects above a threshold | 5 |
| 4.4.2 | Elective gateway reviews | 5 |
| 5 | Control framework for infrastructure procurement | 6 |
| 6 | Infrastructure delivery management requirements | 6 |
| 6.1 | Institutional arrangements | 6 |
| 6.1.1 | Committee system for procurement | 6 |
| 6.1.2 | Actions of an authorised person relating to the award of a contract or an order | 12 |
| 6.1.3 | Conduct of those engaged in infrastructure delivery | 13 |
| 6.1.4 | Measures to prevent abuse of the infrastructure delivery system | 16 |
| 6.1.5 | Awards to persons in the service of the state | 16 |
| 6.1.6 | Collusive tendering | 17 |
| 6.1.7 | Placing of contractors under restrictions | 17 |
| 6.1.8 | Complaints | 18 |
| 6.2 | Acquisition management | 18 |
| 6.2.1 | Unsolicited proposal | 18 |
| 6.2.2 | Tax and rates compliance | 19 |
| 6.2.3 | Declarations of interest | 20 |
| 6.2.4 | Invitations to submit expressions of interest or tender offers | 20 |
| 6.2.5 | Publication of submissions received and the award of contracts | 20 |
| 6.2.6 | Disposal committee | 21 |
| 6.3 | Reporting of infrastructure delivery management information | 21 |
| 7 | Infrastructure procurement | 21 |
| 7.1 | Usage of procurement procedures | 21 |
| 7.2 | Procurement documents | 21 |
| 7.3 | Developmental procurement policy | 22 |
| 7.4 | Payment of contractors | 22 |
| 7.5 | Approval to utilise specific procurement procedures | 22 |
| 7.6 | Receipt and safeguarding of submissions | 23 |
| 7.7 | Opening of submissions | 23 |
| 7.8 | Use of another organ of state's framework agreement | 24 |
| 7.9 | Insurances | 24 |
| 7.9.1 | Contractors shall be required to take out all insurances required in terms of the contract. | 24 |
| 7.10 | Written reasons for actions taken | 25 |
| 7.11 | Request for access to information | 25 |

1 Scope

This policy establishes the *[name of municipality or municipal entity]*'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 *[name of municipality or municipal entity]* 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.

2 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 *[name of municipality or municipal entity]* that acts on the *[name of municipality or municipal entity]*'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

3 General requirements¹

3.1 Delegations

3.1.1 The [council or board of directors] of [name of municipality or municipal entity] hereby delegates all powers and duties to the [municipal manager or chief executive] which are necessary to enable the [municipal manager or chief executive] 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

¹ This clause is required to ensure that the standard is linked to the policy and aligned with the MFMA SCM Regulations.

- d) comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Local Government Municipal Finance Management Act of 2003 Act.

3.1.2 No departure shall be made from the provisions of this policy without the approval of the [municipal manager or chief executive] of [name of municipality or municipal entity]²

3.1.3 The [municipal manager or chief executive] 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 [name of municipality], to the council of the [name of municipality]³ / 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 [name of parent 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 [council⁴ / board of directors], who must then submit the report to the municipal manager of [name of municipality] for submission to the council;
- c) within 10 days of the end of each quarter, submit a report on the implementation of the policy to the [mayor / board of directors]; and
- d) make the reports public in accordance with section 21A of the Municipal Systems Act of 2000.

3.2 Implementation of the Standard for Infrastructure Procurement and Delivery Management

3.2.1 Infrastructure procurement and delivery management shall be undertaken in accordance with the all applicable legislation and the relevant requirements of the latest edition of the National Treasury Standard for Infrastructure Procurement and Delivery Management.⁵

3.2.2 Pre-feasibility and feasibility reports are required on⁶

3.2.3 Stage 3 to 7 are required for⁷

3.3 Supervision of the infrastructure delivery management unit⁸

The Infrastructure Delivery Management Unit shall be directly supervised by the [chief financial officer / person delegated in terms of section 82 of the MFMA].

3.4 Objections and complaints⁹

² SCM Regulation 36 of the MFMA permits deviations from, and ratification of minor breaches or procurement processes.

³ Delete text after / in the case of a municipality and the text before the / in the case of a municipal entity.

⁴ Delete text after / in the case of a municipality and the text before the / in the case of a municipal entity.

⁵ Any deviation to the provisions of this standard must be reported to National Treasury and the relevant treasury.

⁶ Sub-clause 4.1.1.4 c) of the standard permits an organ of states' policy to require that pre-feasibility and feasibility reports are required, notwithstanding the test provided for in this sub-clause to determine if such reports are required. The compiler of the policy needs to delete this sub-clause if it is not required.

⁷ Sub-clause 4.1.1.1 of the standard permits stages 3 to 9 where the work does not involve the provision of new infrastructure or the rehabilitation, refurbishment, alteration of existing infrastructure. Stages 5 and 6 to be omitted where there is sufficient information to proceed to stage 7 is contained in the stage 4 deliverable. The policy may require that certain types of work (e.g. specific types of maintenance) need to pass through all the stages. If this is the case, the policy may require the application of all the stages for specific types of projects. The compiler of the policy needs to delete this sub-clause if it is not required.

⁸ SCM Regulation 7 which is issued in terms of the MFMA requires each municipality to establish a supply chain management unit to implement its supply chain management policy, which where possible, should operate 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 MFMA. There are benefits in establishing SCM units for general goods and services and infrastructure and to delegate the supervision to a person other than the chief financial officer.

⁹ This clause aligns with SCM Regulation 49 issued in terms of the MFMA.

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 queries¹⁰

3.5.1 The [municipal manager, chief executive or delegated person] shall appoint an independent and impartial person, not directly involved in the infrastructure delivery management processes to assist in the resolution of disputes between the [municipality / municipal entity] 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 [name of municipality / municipal entity]'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 / chief executive] 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 [name of applicable 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 [name of applicable provincial treasury] does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.

4 Control framework for infrastructure delivery management¹¹

4.1 Assignment of responsibilities for approving or accepting end of stage deliverables¹²

The responsibilities for approving or accepting end of stage deliverables shall be as stated in Table 1.

4.2 Additional gates¹³

The following additional gates shall apply:

¹⁰ This clause aligns with SCM Regulation 50 issued in terms of the MFMA.

¹¹ This clause is required to ensure compliance with the requirements of the standard.

¹² The terms "approve" and "accept" have the meanings "officially agree to" and "receive as adequate, valid, or suitable give an affirmative answer to a proposal", respectively. Approvals will typically take place at a senior management level whilst acceptances can be made at a lower level. Approvals and acceptances can be granted by individuals or committees. Where a municipality or municipal entity implements a project on behalf of an organ of state, acceptance / approval of end of stage deliverables may have to be granted in consultation with such an organisation. Alternatively it may be assigned to a party to an agency agreement developed in accordance with the provisions of clauses 5.2 of the standard. As a result, Table 1 may have to differentiate between own infrastructure and client institution's infrastructure. It may also have to differentiate between the value and type of projects.

¹³ Clause 4.1.1.7 of the standard permits the inclusion of additional gates, if deemed necessary. This is an optional provision. The compiler of the policy should either delete this provision or describe the additional gates that are required, what their end of stage deliverable and any requirements associated with deliverables, who approves / accepts the deliverable etc..

4.3 Additional requirements¹⁴

The following additional requirements apply:

4.4 Gateway reviews

4.4.1 Gateway reviews for major capital projects above a threshold

4.4.1.1 [Designated person] shall appoint a gateway review team in accordance with the provisions of clause 4.1.13.1.2 of the standard to undertake gateway reviews for major capital projects.

4.4.1.2 The requirements for a gateway review in addition to those contained in section 4.1.13 of the standard are as follows:¹⁵

4.4.2 Elective gateway reviews¹⁶

Gateway reviews shall be undertaken

Table 1: Responsibilities for approving or accepting end of stage deliverables in the control framework for the management of infrastructure delivery

| Stage | | Person assigned the responsibility for approving or accepting end of stage deliverables |
|-------|--|--|
| No | Name | |
| 0 | Project initiation | [Designated person] accepts the initiation report |
| 1 | Infrastructure planning | [Designated person] approves the infrastructure plan |
| 2 | Strategic resourcing | [Designated person] approves the delivery and / or procurement strategy |
| 3 | Pre-feasibility | [Designated person] accepts the pre-feasibility report |
| | Preparation and briefing | [Designated person] accepts the strategic brief |
| 4 | Feasibility | [Designated person] accepts the feasibility report |
| | Concept and viability | [Designated person] accepts the concept report |
| 5 | Design development | [Designated person] accepts the design development report |
| 6 | Design documentation | 6A Production information [Designated person] 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 |

¹⁴ State additional requirements for any of the stages, as necessary. Sub clause 4.1.1.4 permits a municipality or municipal entity to insist that pre-feasibility and feasibility reports be provided irrespective of the test contained in the standard for determining if such reports contained in the standard suggests otherwise.

¹⁵ Delete or add in any additional requirements.

¹⁶ State optional requirements or delete clause. Gateway reviews may be undertaken by a gateway review team of the deliverables associated with any of the gates in the control framework. Such reviews should preferably take place at gates 4, 5 or 8. They can also be conducted on a random sample basis after the end of stage deliverable has been accepted. Such reviews can capture lessons learned and in so doing improve the quality of future deliverables.

| 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 [Designated person] accepts the close out report |

5 Control framework for infrastructure procurement¹⁷

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:¹⁸

- a) [designated person] shall grant approval for the issuing of the procurement documents, based on the contents of a documentation review report developed in accordance with the provisions of the standard;
- b) the authorised person may award the contract if satisfied with the recommendations contained in the evaluation report prepared in accordance with the provisions of the standard.

5.3 The responsibilities for taking the key actions associated with the issuing of an order in terms of a framework agreement shall be as stated in Table 3.

6 Infrastructure delivery management requirements

6.1 Institutional arrangements

6.1.1 Committee system for procurement¹⁹

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.

¹⁷ This clause is required to ensure compliance with the requirements of the standard.

¹⁸ SCM Regulation 26 of the MFMA requires that a committee system be established for procurement above the threshold for quotations. It is not, however, a requirement for such a committee to deal with quotations.

¹⁹ SCM Regulation 26 of the MFMA requires that a committee system be established for procurement above the threshold for quotations. A municipality of a municipal entity may require that the tender committee (bid adjudication committee) also deal with quotations.

The principle of segregation (an internal control designed to prevent error and fraud by ensuring that at least two individuals are responsible for the separate parts of any task) is dealt with the committee system in the standard as follows:

- procurement gate 3: a technical evaluation of procurement documents and an approval of such documentation;
- procurement gate 5: a technical evaluation of submissions and an authorization to proceed with the next phase of a procurement process; and
- procurement gate 6: a tender evaluation and a recommendation to award a contract.

6.1.1.1.3 The persons appoint in writing as technical advisors and subject matter experts may attend any committee meeting.

6.1.1.1.4 No person who is a political officer bearer, a public office bearer including any councilor of a municipality, a political advisor or a person appointed in terms of section 12A of the Public Service Act of 1994 or who has a conflict of interest shall be appointed to a procurement documentation, evaluation or tender committee.

6.1.1.1.5 Committee decisions shall as far as possible be based on the consensus principle i.e. the general agreement characterised by the lack of sustained opposition to substantial issues. Committees shall record their decisions in writing. Such decisions shall be kept in a secured environment for a period of not less than five years after the completion or cancellation of the contract unless otherwise determined in terms of the National Archives and Record Services Act of 1996.

6.1.1.1.6 Committees may make decisions at meetings or, subject to the committee chairperson's approval, on the basis of responses to documents circulated to committee members provided that not less than sixty percent of the members are present or respond to the request for responses. Where the committee chairperson is absent from the meeting, the members of the committee who are present shall elect a chairperson from one of them to preside at the meeting.

6.1.1.2 Procurement documentation committee

6.1.1.2.1 The *[municipal manager or chief executive or the appropriately delegated authority e.g. project director]* shall appoint in writing on a procurement by procurement basis:

- a) the persons to review the procurement documents and to develop a procurement documentation review report in accordance with clause 4.2.2.1 of the standard; and
- b) the members of the procurement documentation committee.

6.1.1.2.2 The procurement documentation committee shall comprise one or more persons. The chairperson shall be an employee of *[name of municipality or municipal entity]* with requisite skills. Other members shall, where relevant, include a representative of the end user or the department requiring infrastructure delivery.

6.1.1.2.3 No member of, or technical adviser or subject matter expert who participates in the work of the any of the procurement committees or a family member or associate of such a member, may tender for any work associated with the tender which is considered by these committees.

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 |
|----------|--|--|--|--|
| | 1.3 PG1 | Obtain permission to start with the procurement process | | |
| 1* | | | Make a decision to proceed / not to proceed with the procurement based on the broad scope of work and the financial estimates. | [designated person e.g. project director or programme manager] |
| 2* | 2.5 PG2 | Obtain approval for procurement strategies that are to be adopted including specific approvals to approach a confined market or the use of the negotiation procedure | Confirm selection of strategies so that tender offers can be solicited | [designated person e.g. project director] |
| 3 | 3.2 PG3 | Obtain approval for procurement documents | Grant approval for the issuing of the procurement documents | Procurement documentation committee |
| 4 | 3.3 PG4 | Confirm that budgets are in place | Confirm that finance is available for the procurement to take place | [designated person e.g. programme or financial manager] |
| | 4.2 PG5 | Obtain authorisation to proceed with next phase of tender process in the qualified, proposal or competitive negotiations procedure | Review evaluation report, ratify recommendations and authorise progression to the next stage of the tender process | [designated person] |
| | 4.7 PG6 | Confirm recommendations contained in the tender evaluation report | Review recommendations of the evaluation committee and refer back to evaluation committee for reconsideration or make recommendation for award | Tender committee [or bid adjudication committee] |
| 5 | 5.3 PG7 | Award contract | Formally accept the tender offer in writing and issue the contractor with a signed copy of the contract | [authorised person] ²⁰ |
| | 5.5 GF1 | Upload data in financial management and payment system | Verify data and upload contractor's particulars and data associated with the contract or order | [designated person] |

* Applies only to goods and services not addressed in a procurement strategy developed during stage 2 (strategic resourcing) of the control framework for infrastructure delivery management

²⁰ The award of a contract can be linked to contract value. For example, high value contracts may be awarded by the municipal manager or chief executive and lower amounts by different appropriately delegated authorities.

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 PG8A | Obtain approval to waive penalties or low performance damages. | [designated person] |
| | 6.5 PG8B | Obtain approval to notify and refer a dispute to an adjudicator | [designated person] |
| | 6.6 PG8C | Obtain approval to increase the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at the award of a contract or the issuing of an order up to a specified percentage ²¹ | [designated person or designated persons] |
| | 6.7 PG8D | Obtain approval to exceed the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at award of a contract or the issuing of an order by more than 20% and 30%, respectively | [municipal manager or chief executive or, depending upon the value, a appropriately delegated authority] |
| | 6.8 PG8E | Obtain approval to cancel or terminate a contract | [authorised person] |
| | 6.9 PG8F | Obtain approval to amend a contract | [authorised person] |

²¹ Stepped thresholds leading up to the 20% and 30% values given in PG8D may be necessary to manage cost and time overruns, respectively, the principle being that approval to exceed these percentages needs to be granted at a more senior level with each increase. For example, the increases for cost overruns could be as follows:

- ≤ 2.5 % - contract manager;
- 2.5 to 10% - project director
- > 10% - appropriately delegated authority

Table 3: Procurement activities and gates associated with the issuing of an order above the quotation threshold in terms of a framework agreement

| Activity | Key action | Person assigned responsibility to perform key action |
|----------|---|--|
| 1 FG1 | Confirm justifiable reasons for selecting a framework contractor where there is more than one framework agreement covering the same scope of work | [designated person] |
| 3 FG2 | Obtain approval for procurement documents | [designated person] |
| 4 FG3 | Confirm that budgets are in place | [designated person e.g. programme manager or financial director] |
| 6 FG4 | Authorise the issuing of the order | [authorised person] |

6.1.1.3 Evaluation committee

6.1.1.3.1 The [municipal manager or chief executive or the appropriately delegated authority e.g. project director] 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 [name of municipality or municipal entity] with requisite skills. Other members shall include a supply chain management practitioner²² 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 [municipal manager or chief executive or chief financial officer or designation of delegate] 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 committee²³

6.1.1.4.1 The tender committee shall comprise the following persons or their mandated delegate:²⁴

- a) [title of post] who shall be the chairperson:
- b) [title of post]
- c) [title of post]
- d) etc..

²² A supply chain management practitioner in the context of infrastructure delivery includes a built environment professional

²³ Where no separate tender committee is established, this section should simply refer to the bid adjudication committee which is set up to deal with tenders with both the supply chain for general goods and services and for infrastructure

²⁴ The chairperson needs to be an employee of the municipality or the municipal entity with requisite skills. Other members should be employees of the municipality or the municipal entity and include at least four senior managers including the chief financial officer, a supply chain management practitioner and a technical expert in the relevant field, if such municipality or municipal entity has such an expert.

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 or chief executive].

6.1.1.4.6 The tender committee shall report to the [municipal manager or chief executive] any recommendation made to award a contract to a tenderer other than the tenderer recommended by the evaluation committee, giving reasons for making such a recommendation.

6.1.1.4.7 The tender committee shall not make a recommendation for an award of a contract or order if the recommended tenderer or framework contractor has:

- a) made a misrepresentation or submitted false documents in competing for the contract or order; or
- b) been convicted of a corrupt or fraudulent act in competing for any contract during the past five years.

6.1.1.4.8 The tender committee may on justifiable grounds and after following due process, disregard the submission of any tenderer if that tenderer or any of its directors, members or trustees or partners has abused the delivery management system or has committed fraud, corruption or any other improper conduct in relation to such system. The National Treasury and the [name of applicable provincial treasury] shall be informed where such tenderers are disregarded.

6.1.2 Actions of an authorised person relating to the award of a contract or an order

6.1.2.1 Award of a contract

6.1.2.1 The authorised person shall, if the value of the contract inclusive of VAT, is within his or her delegation, consider the report(s) and recommendations of the tender committee, or in the case of the awards for contracts below the quotation threshold, the recommendation of the [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 *[name of applicable provincial 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 or her delegation, consider the recommendation of the evaluation committee or the *[designated person]*, 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 delivery²⁵

6.1.3.1 General requirements

6.1.3.1.1 All personnel and agents of *[name of municipality or municipal entity]* 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 *[name of municipality or municipal entity]*'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;

²⁵ Sub clause 5.1 d) of the standard requires that the municipality's or municipal entity's policy establish ethical standards for those involved in the procurement and delivery of infrastructure. This clause is aligned with the provisions of SCM Regulation 46 (Ethical standards) issued in terms of the MFMA and National Treasury's Code of Conduct for Supply Chain Management Practitioners

- 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 *[name of municipality or municipal entity]* 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 *[name of municipality or municipal entity]* 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 *[name of municipality or municipal entity]* 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 *[name of municipality or municipal entity]* proprietary information.

6.1.3.2.2 The employees and agents of *[name of municipality or municipal entity]* 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 *[name of municipality or municipal entity]*'s interest to do so, submit a tender for work associated with such documents provided that:

- a) *[name of municipality or municipal entity]* 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 *[name of municipality or municipal entity]*.

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 *[name of municipality or municipal entity]* and a tenderer or respondent shall be disclosed and recorded in the tender evaluation report.

6.1.3.3.3 *[name of municipality or municipal entity]* 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 *[name of municipality or municipal entity]*'s confidential information and interests.

6.1.3.5 Gratifications, hospitality and gifts

6.1.3.5.1 The employees and agents of *[name of municipality or municipal entity]* shall not, directly or indirectly, accept or agree or offer to accept any gratification from any other person including a commission, whether for the benefit of themselves or for the benefit of another person, as an inducement to improperly influence in any way a procurement process, procedure or decision.

6.1.3.5.2 The employees and agents of *[name of municipality or municipal entity]* 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 *[name of municipality or municipal entity]* 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 *[name of municipality or municipal entity]* 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 or chief executive or delegated official]*²⁶.

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 *[name of municipality or municipal entity]* shall without delay report to the *[municipal manager or chief executive or chief financial officer or appropriately delegated authority]* 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 *[name of municipality or municipal entity]* shall promptly report to the *[municipal manager or chief executive or chief financial officer or appropriately delegated authority]* 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 system²⁷

The *[municipal manager or chief executive or chief financial officer or appropriately delegated authority]* 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 *[name of applicable provincial treasury]* of those steps;
- b) report to the South African Police Service any conduct that may constitute a criminal offence;
- c) lodge complaints with the Construction Industry Development Board or any other relevant statutory council where a breach of such council's code of conduct or rules of conduct are considered to have been breached;
- d) cancel a contract if:
 - 1) it comes to light that the contractor has made a misrepresentation, submitted falsified documents or has been convicted of a corrupt or fraudulent act in competing for a particular contract or during the execution of that contract; or
 - 2) an employee or other role player committed any corrupt or fraudulent act during the tender process or during the execution of that contract.

6.1.5 Awards to persons in the service of the state²⁸

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;

²⁶ SCM Regulation permits the receipt of gifts and hospitality provided that they are declared to the municipal manager or the chief executive

²⁷ The requirement to prevent abuse of the supply chain management system is aligned with the provisions of SCM Regulation 38 issued in terms of the MFMA.

²⁸ The clause aligns with SCM Regulation 44 issued in terms of the MFMA.

- d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No. 1 of 1999);
- e) a member of the accounting authority of any national or provincial public entity; or
- f) an employee of Parliament or a provincial legislature.

6.1.5.2 The notes to the annual financial statements of the *[municipality / municipal entity]* shall disclose particulars of an award of more than R 2000 to a person who is a family member of a person identified in 6.1.5.1 or who has been in the previous 12 months. Such notes shall include the name of the person, the capacity in which such person served and the amount of the award.

6.1.6 Collusive tendering²⁹

Any submissions made by a respondent or tenderer who fails to declare in the Compulsory Declaration that the tendering entity:

- a) is not associated, linked or involved with any other tendering entity submitting tender offers; or
- b) has not engaged in any prohibited restrictive horizontal practices including consultation, communication, agreement, or arrangement with any competing or potential tendering entity regarding prices, geographical areas in which goods and services will be rendered, approaches to determining prices or pricing parameters, intentions to submit a tender or not, the content of the submission (specification, timing, conditions of contract etc.) or intention to not win a tender

shall be rejected.

6.1.7 Placing of contractors under restrictions³⁰

6.1.7.1 If any tenderer which has submitted a tender offer or a contractor which has concluded a contract has, as relevant:

- a) withdrawn such tender or quotation after the advertised closing date and time for the receipt of submissions;
- b) after having been notified of the acceptance of his tender, failed or refused to commence the contract;
- c) had their contract terminated for reasons within their control without reasonable cause;
- d) offered, promised or given a bribe in relation to the obtaining or the execution of such contract;
- e) acted in a fraudulent, collusive or anti-competitive or improper manner or in bad faith towards *[name of municipality or municipal entity]*; or
- f) made any incorrect statement in any affidavit or declaration with regard to a preference claimed and is unable to prove to the satisfaction of *[name of municipality or municipal entity]* that the statement was made in good faith or reasonable steps were taken to confirm the correctness of the statements,

a *[designated person]* shall prepare a report on the matter and make a recommendation to the *[municipal manager or chief executive]* for placing the contractor or any of its principals under restrictions from doing business with the *[name of municipality or municipal entity]*.

²⁹ The standard requires the inclusion of the Compulsory Declaration in all procurement documents. This sub-clause aligns with SCM Regulation 44 issued in terms of the MFMA and SANS 10845-3 which is incorporated by reference in the standard.

³⁰ This sub-clause is aligned with the requirements of SCM Regulation 38 issued in terms of the MFMA.

6.1.7.2 The *[municipal manager or chief executive]* may, as appropriate, upon the receipt of a recommendation made in terms of 6.1.7.1 and after notifying the contractor of such intention in writing and giving written reasons for such action, suspend a contractor or any principal of that contractor from submitting a tender offer to *[name of municipality or municipal entity]* for a period of time.

6.1.7.3 The *[designation of person, office or department]* shall:

- a) record the names of those placed under restrictions in an internal register which shall be accessible to employees and agents of *[name of municipality or municipal entity]* who are engaged in procurement processes; and
- b) notify the National Treasury and *[name of applicable provincial treasury]* and, if relevant, the Construction Industry Development Board, of such decision and provide them with the details associated therewith.

6.1.8 Complaints

6.1.8.1 All complaints regarding the *[name of municipality or municipal entity]*'s infrastructure delivery management system shall be addressed to the *[designation of person, office or department]*. Such complaints shall be in writing.

6.1.8.2 The *[designation of person, office or department]* shall investigate all complaints regarding the infrastructure procurement and delivery management system and report on actions taken to the *[designation of person, office or department]* who will decide on what action to take.

6.2 Acquisition management

6.2.1 Unsolicited proposal³¹

6.2.1.1 The *[name of municipality or municipal entity]* is not obliged to consider unsolicited offers received outside a normal procurement process but may consider such an offer only if:

- a) the goods, services or any combination thereof that is offered is a demonstrably or proven unique innovative concept;
- b) proof of ownership of design, manufacturing, intellectual property, copyright or any other proprietary right of ownership or entitlement is vested in the person who made the offer;
- c) the offer presents a value proposition which demonstrates a clear, measurable and foreseeable benefit for *[name of municipality or municipal entity]*;
- d) the offer is in writing and clearly sets out the proposed cost;
- e) the person who made the offer is the sole provider of the goods or service; and
- f) the *[municipal manager or chief executive]* finds the reasons for not going through a normal tender processes to be sound.

6.2.1.2 The *[municipal manager or chief executive]* may only accept an unsolicited offer and enter into a contract after considering the recommendations of the tender committee if:

- a) the intention to consider an unsolicited proposal has been made known in accordance with Section 21A of the Municipal Systems Act of 2000 together with the reasons why such a proposal should not be open to other competitors, an explanation of the potential benefits for the *[municipality or municipal entity]* and an invitation to the public or other potential suppliers and providers to submit their comments within 30 days after the notice;

³¹ The clause aligns with SCM Regulation 37 issued in terms of the MFMA.

- b) the [name of municipality or municipal entity] has obtained comments and recommendations on the offer from the National Treasury and [name of applicable provincial treasury];
- c) the tender committee meeting which makes recommendations to accept an unsolicited proposal was open to the public and took into account any public comments that were received and any comments and recommendations received from the National Treasury and [name of applicable provincial treasury]; and
- d) the provisions of 6.2.1.3 are complied with.

6.2.1.3 The [municipal manager or chief executive] shall, within 7 working days after the decision to award the unsolicited offer is taken, submit the reasons for rejecting or not following the recommendations to the National Treasury, the [name of applicable provincial treasury] and Auditor General. A contract shall in such circumstances not be entered into or signed within 30 days of such submission.

6.2.2 Tax and rates compliance³²

6.2.2.1 SARS tax clearance

6.2.2.1.1 No contract may be awarded or an order issued where the value of such transaction exceeds R 15 000, unless a tenderer or contractor is in possession of an original valid Tax Clearance Certificate issued by SARS provided that the tenderer is not domiciled in the Republic of South Africa and the SARS has confirmed that such a tenderer is not required to prove their tax compliance status.

6.2.2.1.2 In the case of a partnership, each partner shall comply with the requirements of 6.2.2.1.1.

6.2.2.1.3 No payment shall be made to a contractor who does not satisfy the requirements of 6.2.2.1.2. An employee of [name of municipality or municipal entity] shall upon detecting that a tenderer or contractor is not tax compliant, immediately notify such person of such status.

6.2.2.1.4 Notwithstanding the requirements of 6.2.2.1.1 and 6.2.2.1.3 the following shall apply, unless a person who is not tax compliant indicates to [designated person] that it intends challenging its tax compliance status with SARS,

- a) a contract may be awarded to a non-compliant tenderer if such a tenderer is able to remedy its tax compliance status within a period not exceeding 10 working days after being duly notified of its non-compliant status;
- b) an order may be awarded to a non-compliant contractor if such a contractor is able to remedy its tax compliance status within a period not exceeding 10 working days after being duly notified of its non-compliant status;
- c) a non-compliant contractor shall be issued with a first warning that payments in future amounts due in terms of the contract may be withheld, before the authorising of any payment due to such contractor;
- d) before authorising a further payment due to a non-compliant contractor who has failed to remedy its tax compliance status after receiving a first warning, a second and final warning shall be issued to such contractor;
- e) no payments may be released for any amounts due in terms of the contract due to a non-compliant contractor if, after a period of 30 calendar days have lapsed since the second warning was issued, the non-compliant contractor has failed to remedy its tax compliance status.

6.2.2.1.5 The [name of municipality or municipal entity] may cancel a contract with a non-compliant contractor if such a contractor fails to remedy its tax compliance status after a period of 30 calendar days have lapsed since the second warning was issued in terms of 6.2.2.1.4e).

³² This sub-clause aligns with the provisions of SCM Regulation 43 issued in terms of the MFMA.

6.2.2.2 Municipal rates and taxes³³

No contract may be awarded to a tenderer who, of the principals of that tenderer, owes municipal rates and taxes or municipal service charges to any municipality or a municipal entity and are in arrears for more than 3 months.

6.2.3 Declarations of interest

Tenders and respondents making submissions in response to an invitation to submit a tender or a call for an expression of interest, respectively shall declare in the Compulsory Declaration whether or not any of the principals:

- a) are an employee of the *[name of municipality or municipal entity]* or in the employ of the state; or
- b) have a family member or a business relation with a person who is in the employ of the state.

6.2.4 Invitations to submit expressions of interest or tender offers

6.2.4.1 All invitations to submit tenders where the estimated value of the contract exceeds R200 000 including VAT, except where a confined tender process is followed, and expressions of interest shall be advertised on the *[name of municipality or municipal entity]*'s website and on the National Treasury eTender Publication Portal.³⁴ Advertisements shall be placed by *[name of designated person]*

6.2.4.2 Advertisements relating to construction works which are subject to the Construction Industry Development Regulations issued in terms of the Construction Industry Development Act of 2000 shall in addition to the requirements of 6.2.4.1 be advertised on the CIDB website. Advertisements shall be placed by *[name of designated person]*.

6.2.4.3 Where deemed appropriate by *[name of designated person]* an invitation to tender and a call for an expression of interest shall be advertised in suitable local and national newspapers and the Government Tender Bulletin as directed by such person. Advertisements shall be placed by *[name of designated person]*.

6.2.4.4 Such advertisements shall be advertised for a period of at least 30 days before closure, except in urgent cases when the advertisement period may be shortened as determined by the *[municipal manager or chief executive or the appropriately delegated authority e.g. project director]*.

6.2.4.5 Invitations to submit expressions of interest or tender offers shall be issued not less than 10 working days before the closing date for tenders and at least 5 working days before any compulsory clarification meeting. Procurement documents shall be made available not less than 7 days before the closing time for submissions.

6.2.5 Publication of submissions received and the award of contracts³⁵

6.2.5.1 The *[designated person]* shall publish within 10 working days of the closure of any advertised call for an expression of interest or an invitation to tender where the estimated value of the contract exceeds R200 000 including VAT on the municipality's or municipal entity's website, the names of all tenderers that made submissions to that advertisement, and if practical or applicable, the total of the prices and the preferences claimed. Such information shall remain on the website for at least 30 days.

6.2.5.2 The *[designated person]* shall publish within 7 working days of the award of a contract the following on the *[name of municipality or municipal entity]*'s website

- a) the contract number;

³³ This subclause aligns with the provisions of SCM Regulation 38 issued in terms of the MFMA.

³⁴ This subclause aligns with National Treasury Instruction No 1 of 2015/2016 – Advertisement of bids and the publication of awards on the eTender Publication Portal.

³⁵ This subclause aligns with National Treasury Instruction No 1 of 2015/2016 – Advertisement of bids and the publication of awards on the eTender Publication Portal.

- b) contract title;
- c) brief description of the goods, services or works;
- d) the total of the prices, if practical;
- e) the names of successful tenderers and their B-BBEE status level of contribution;
- f) duration of the contract; and
- g) brand names, if applicable.

6.2.5.3 The *[designated person]* shall submit within 7 working days of the award of a contract the information required by National Treasury on the National Treasury eTender Publication Portal regarding the successful and unsuccessful tenders. Submissions shall be made by *[designated person]*.

6.2.5.4 The award of contracts relating to construction works which are subject to the Construction Industry Development Regulations issued in terms of the Construction Industry Development Act of 2000 shall in addition to the requirements of 6.2.5.3 be notified on the CIDB website. The notification shall be made by placed by *[designated person]*.

6.2.6 Disposal committee

6.2.6.1 The *[municipal manager or chief executive or the appropriately delegated authority e.g. project director]* shall appoint on a disposal by disposal basis in writing the members of the disposal committee to decide on how best to undertake disposals in accordance with the provisions of clause 10 of the standard.

6.2.6.2 The disposal panel shall comprise not less than three people. The chairperson shall be an employee of *[name of municipality or municipal entity]*.

6.2.6.3 The disposal committee shall make recommendations to *[designated person]* who shall approve the recommendations, refer the disposal strategy back to the disposal committee for their reconsideration, decide not to proceed or to start afresh with the process.

6.3 Reporting of infrastructure delivery management information

[designated person] shall submit any reports required in terms of the standard to the National Treasury or *[name of applicable provincial treasury]*.

7 Infrastructure procurement

7.1 Usage of procurement procedures³⁶

The *[name of municipality or municipal entity]* shall not apply the following procedures:

- a) *[identify procedure]*;
- b) *[identify procedure]*;

7.2 Procurement documents

7.2.1 The forms of contract that may be used are as follows:

³⁶ Delete this clause if there are no restriction. Amend if there are specific circumstance under which a procurement procedure is to be used.

| Form of contract ³⁷ | Code | Usage |
|--------------------------------|------|-------|
| | | |

7.2.2 The [name of municipality or municipal entity]'s preapproved templates for Part C1 (Agreements and contract data) of procurement documents shall be utilised to obviate the need for legal review prior to the awarding of a contract. All modifications to the standard templates shall be approved by [designated person] prior to being issued for tender purposes.

7.2.3 Disputes arising from the performance of a contract shall be finally settled in a South African court of law.³⁸

7.2.4 [state additional requirements, if any e.g. use of standard access specifications, health and safety specifications etc.]³⁹

7.2.5 The Municipal Declaration and returnable documents contained in the standard shall be included in all tenders for:

- a) consultancy services;⁴⁰ and
- b) goods and services or any combination thereof where the total of the prices is expected to exceed R10 m including VAT.⁴¹

7.3 Developmental procurement policy⁴²

The following specific goals shall be proposed:

.....

7.4 Payment of contractors⁴³

The [name of municipality or municipal entity] shall settle all accounts within 30 days of invoice or statement as provided for in the contract.

7.5 Approval to utilise specific procurement procedures⁴⁴

7.5.1 Prior approval shall be obtained for the following procurement procedures from the following persons, unless such a procedure is already provided for in the approved procurement strategy:

- a) [designated person / committee] shall authorise the use of the negotiated procedure above the thresholds provided in the standard.
- b) [designated person / committee] shall authorise the approaching of a confined market except where a rapid response is required in the presence of, or the imminent risk of, an extreme or emergency situation arising from the conditions set out in the standard and which can be dealt with or the risks relating thereto arrested within 48 hours; and
- c) the proposal procedure using the two-envelope system, the proposal procedure using the two-stage system or the competitive negotiations procedure⁴⁵.

³⁷ Reproduce from Table 11 of the standard the forms of contract which the municipality or municipal entity wishes to make use of.

³⁸ This sub-clause aligns with SCM Regulation 21 issued in terms of the PFMA.

³⁹ Include if requirements are not included in the templates.

⁴⁰ The clause aligns with SCM Regulation 35(3) issued in terms of the MFMA.

⁴¹ The clause aligns with SCM Regulation 35(3) issued in terms of the MFMA.

⁴² State specific goals that may be promoted.

⁴³ The Section 65 of the MFMA requires municipal manager or chief executives to settle all contractual obligations and pay all money owing within 30 days of receiving the relevant statement or invoice.

⁴⁴ This clause is necessary to enable the standard to be implemented.

⁴⁵ 7.5.1 c) is an optional statement and needs to be deleted if this control is not required.

7.5.2 The person authorised to pursue a negotiated procedure in an emergency is *[designated person]*.

7.6 Receipt and safeguarding of submissions⁴⁶

7.6.1 A dedicated and clearly marked tender box shall be made available to receive all submissions made.⁴⁷

7.6.2 The tender box shall be fitted with two locks and the keys kept separately by two *[designated persons]*. Such personnel shall be present when the box is opened on the stipulated closing date for submissions.

7.7 Opening of submissions⁴⁸

7.7.1 Submissions shall be opened by an opening panel comprising two people nominated by *[designated persons]* who have declared their interest or confirmed that they have no interest in the submissions that are to be opened.

7.7.2 The opening panel shall open the tender box at the stipulated closing time and:

- a) sort through the submissions and return those submissions to the box that are not yet due to be opened including those whose closing date has been extended;
- b) return submissions unopened and suitably annotated where:
 - 1) submissions are received late, unless otherwise permitted in terms of the submission data;
 - 2) submissions were submitted by a method other than the stated method,
 - 3) submissions were withdrawn in accordance with the procedures contained in SANS 10845-3; and,
 - 4) only one tender submission is received and it is decided not to open it and to call for fresh tender submissions;
- c) record in the register submissions that were returned unopened;
- d) open submissions if received in sealed envelopes and annotated with the required particulars and read out the name of and record in the register the name of the tenderer or respondent and, if relevant, the total of prices including VAT where this is possible;
- e) record in the register the name of any submissions that is returned with the reasons for doing so;
- f) record the names of the tenderer's representatives that attend the public opening;
- g) sign the entries into the register; and
- h) stamp each returnable document in each tender submission.

7.7.3 Each member of the opening panel shall initial the front cover of the submission and all pages that are stamped in accordance with the requirements of 7.7.3h).

7.7.4 Respondents and tenderers whose submissions are to be returned shall be afforded the opportunity to collect their submissions.

7.7.5 Submissions shall be safeguarded from the time of receipt until the conclusion of the procurement process.

⁴⁶ This section may not be necessary if the policy for general goods and services already covers these requirements.

⁴⁷ Modify as necessary. Preferably describe the location and accessibility of the box.

⁴⁸ This section may not be necessary if the policy for general goods and services already covers these requirements.

7.8 Use of another organ of state's framework agreement⁴⁹

The [name of municipality or municipal entity] may make use of another organ of state's framework contract which has been put in place by means of a competitive tender process and there are demonstrable benefits for doing so. The [municipal manager or chief executive or delegated official] shall make the necessary application to that organ of state to do so.

7.9 Insurances⁵⁰

7.9.1 Contractors shall be required to take out all insurances required in terms of the contract.⁵¹

7.9.2 The insurance cover in engineering and construction contracts for loss of or damage to property (except the works, Plant and Materials and Equipment) and liability for bodily injury to or death of a person (not an employee of the Contractor) caused by activity in connection with a contract shall in general not be less than the value stated in Table 4, unless otherwise directed by [designated person].

7.9.3 Lateral earth support insurance in addition to such insurance shall be take out on a case by case basis.

Table 4: Minimum insurance cover⁵²

| Type of insurance | Value |
|---|---|
| Engineering and construction contracts - loss of or damage to property (except the works, Plant and Materials and Equipment) and liability for bodily injury to or death of a person (not an employee of the Contractor) caused by activity in connection with a contract | Not less than R20 million |
| Professional services and service contracts - death of or bodily injury to employees of the Contractor arising out of and in the course of their employment in connection with a contract or damage to property | Not less than R10 million |
| Professional indemnity insurance | geotechnical, civil and structural engineering: R5,0 million electrical, mechanical and engineering: R3,0 million architectural: R5,0 million other R3,0 million |

7.9.4 The insurance cover in professional services and service contracts for damage to property or death of or bodily injury to employees of the Contractor arising out of and in the course of their employment in connection with a contract shall not be less than the value stated in Table 4 for any one event unless otherwise directed by [designated person].

7.9.5 SASRIA Special Risk Insurance in respect of riot and associated risk of damage to the works, Plant and Materials shall be taken out on all engineering and construction works.

7.9.5 Professional service appointments shall as a general rule be subject to proof of current professional indemnity insurance being submitted by the contractor in an amount not less than the value stated in Table 4 in respect of each claim, without limit to the number of claims, unless otherwise directed by the [designated person] in relation to the nature of the service that they provide.

⁴⁹ This clause aligns with SCM Regulation 32 issued in terms of the MFMA and clause 7.3 of the Standard.

⁵⁰ Align with the manner in which the municipality or municipal entity wishes to manage risk.

⁵¹ Alternatively state that the insurances shall be principal or employer controlled.

⁵² Modify as necessary

7.9.6 [name of municipality or municipal entity] shall take out professional indemnity insurance cover where it is deemed necessary to have such insurance at a level higher than the levels of insurance commonly carried by contractors.

7.9.7 Where payment is to be made in multiple currencies, either the contractor or [name of municipality or municipal entity] should be required to take out forward cover. Alternatively, the prices for the imported content should be fixed as soon as possible after the starting date for the contract.

7.10 Written reasons for actions taken

7.10.1 Written reasons for actions taken shall be provided by a [designated person].

7.10.2 The written reasons for actions taken shall be as brief as possible and shall as far as is possible, and where relevant, be framed around the clauses in the:

- a) SANS 10845-3, *Construction procurement - Part 3: Standard conditions of tender*, and, giving rise to the reason why a respondent was not short listed, prequalified or admitted to a data base; or
- b) SANS 10845-4, *Construction procurement - Part 4: Standard conditions for the calling for expressions of interest*;

as to why a tenderer was not considered for the award of a contract or not awarded a contract.

7.10.3 Requests for written reasons for actions taken need to be brief and to the point and may not divulge information which is not in the public interest or any information which is considered to prejudice the legitimate commercial interests of others or might prejudice fair competition between tenderers.

7.11 Request for access to information⁵³

7.11.1 Should an application be received in terms of Promotion of Access to Information Act of 2000 (Act 2 of 2000), the "requestor" should be referred to the [name of municipality or municipal entity]'s Information Manual which establishes the procedures to be followed and the criteria that have to be met for the "requester" to request access to records in the possession or under the control of [name of municipality or municipal entity]'s.

7.11.2 Access to technical and commercial information such as a comprehensive programme which links resources and prices to such programme should be refused as such information provides the order and timing of operations, provisions for time risk allowances and statements as to how the contractor plans to do the work which identifies principal equipment and other resources which he plans to use. Access to a bill of quantities and rates should be provided in terms of the Act.

⁵³ Amend as necessary