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**THEEWATERSKLOOF
MUNICIPALITY**



Theewaterskloof
Municipality

**SUPPLY CHAIN
MANAGEMENT POLICY**

Approved by Council
26 May 2016 – SC 22/2016

JULY 2016

THEEWATERSKLOOF MUNICIPALITY
SUPPLY CHAIN MANAGEMENT POLICY

This Policy consists of two parts:

Part A is the Supply Chain Management Policy, adopted in terms of section 111 of the Local Government: Municipal finance Management Act, No. 56 of 2003 and the Municipal Supply Chain Management Regulations, Notice 888 of 30 May 2005;

And

Part B is the Preferential Procurement Policy, adopted in terms of section 2 of the Preferential Procurement Policy Framework Act, No. 5 of 2000 and the Preferential Procurement Regulations of 2011.

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PART A

MUNICIPAL SUPPLY CHAIN MANAGEMENT POLICY

LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003

The Council of the Theewaterskloof Municipality resolved on 29 June 2006 in terms of section 111 of the Local Government: Municipal Finance Management Act (No. 56 of 2003) to adopt the following as the Supply Chain Management Policy of the Municipality:

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1. DEFINITIONS

In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, and –

- *“Accounting Officer”* means a person appointed by the Municipality in terms section 82 of the Local government: Municipal Structures Act, 1998 (Act. No. 117 of 1998) and who is the head of administration and also the Municipal Manager for the Municipality;
- *“Act” or “MFMA”* means the Local Government Municipal Finance Management Act, 2003 (Act. No. 56 of 2003)
- *“Approved budget”* means an annual budget approved by Theewaterskloof Municipal Council;
- *“CFO”* means Chief Financial Officer of Theewaterskloof Municipality or Director of Finance in this instance;
- *“CIDB”* means Construction Industry Development Board;
- *“Close family member”* Means:
 - a) A spouse, domestic partner, dependent child or relative living in a common household;
 - b) A grandparent, parent, nondependent child, grandchild, brother or sister; and
 - c) The spouse or domestic partner of a child, a parent-in-law, a brother-in-law or a sister-in-law
- *“Competitive bidding process”* means a competitive bidding process referred to in paragraph 12 (1) (d) of this Policy;
- *“Competitive bid”* means a bid in terms of a competitive bidding process;
- *“Contract”* means the agreement that result from the acceptance of a bid by the Municipality;
- *“Councillor”* means a member of a municipal council;
- *“Delegation”* in relation to a duty, includes an instruction or request to perform or to assist in performing the duty;
- *“final award”* in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept;
- *“Formal written price quotation”* means quotations referred to in paragraph 12 (1) (c) of this Policy;
- *“in the service of the state”* means to be –
 - a) member of –
 - a. any municipal council;
 - b. any provincial legislature; or
 - c. the National Assembly or the National Council of Provinces;
 - b) a member of the board of directors of any municipal entity;
 - c) an official of any municipality or municipal entity;
 - d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999);
 - e) a member of the accounting authority of any national or provincial public entity; or
 - f) an employee of Parliament or a provincial legislature;
- *“Long term contract”* means a contract with a duration period exceeding one year and is less than three years;
- *“List of accredited prospective”* means the list of accredited prospective providers which Theewaterskloof Municipality must keep in terms of paragraph 14 of this policy;

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- *“Other applicable legislation”* means any other legislation applicable to municipal supply chain management, including –

 - a) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);
 - b) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003);
 - c) the Construction Industry Development Board Act, 2000 (Act No.38 of 2000);
- *“Treasury guidelines”* means any guidelines on supply chain management issued by the Minister in terms of section 168 of the Act;
- *“the Regulations”* means the Local Government: Municipal Finance Management Act, 2003, Municipal Supply Chain Management Regulations published by Government Notice 868 of 2005;
- *“PPPF Regulations”* means Preferential Procurement Regulations, 2011 – Published under Government Notice R502 in Government Gazette 34350 of 08 June 2011.
- *“Written or verbal quotations”* means quotations referred to in paragraph 12(1) of this Policy;
- *“Contract with a long term nature”* means a contract with a duration period exceeding three years;
- *“Petty Cash”* means a small amount of cash kept on hand for incidental purchases of low value goods and services (i.e. postage, office supplies, reimbursement out-of-pocket expenditures), which cannot be accommodated through other purchasing procedures;
- *“SCM TR”* Supply Chain Treasury Regulations, 2005;
- *“SMME”* Small Medium and Micro Enterprise as defined in the National Small Business Act, 102 of 1996, as amended;
- *“Strip and quote”* When the repairs and maintenance on machines, vehicles are done by one supplier and/or strip-and-quote, for example a municipal vehicle enters the workshop that needs repairs, however to do the repairs, the vehicle has to be send to a supplier that determines what repairs should be done;
- *“Single source”* refers to when the competition exist in the market, but from a selected few suppliers due to technical capabilities and abilities comply with the requirements of the municipality;
- *“Sole suppliers”* It refers in instances where there is no competition and only one service provider exist in the market, with sole distribution rights and/or patent rights or manufacturer.
- *“Minor Breach”* The procurement of goods / services with no significant impact on the essential fairness, equity, transparency, competitiveness or cost effectiveness; The circumstances is justifiable; and Goods / services were procured in good faith.

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CHAPTER 1 IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

2. SUPPLY CHAIN MANAGEMENT POLICY

(1) All officials and other role players in the supply chain management system of the Theewaterskloof Municipality must implement this Policy in a way that–

- a) gives effect to –
 - i) section 217 of the Constitution; and
 - ii) Part 1 of Chapter 11 and other applicable provisions of the Act;
- b) is fair, equitable, transparent, competitive and cost effective;
- c) complies with –
 - i) the Regulations; and
 - ii) any minimum norms and standards that may be prescribed in terms of section 168 of the Act;
- d) is consistent with other applicable legislation such as –
 - i) The Preferential Procurement Policy Framework Act;
 - ii) Promotion of Administrative Justice Act;
 - iii) Promotion of Access to Information Act;
 - iv) Construction Industry Development Board Act;
 - v) Competition Act, 1998;
 - vi) National Practise Notes;
 - vii) The Prevention and Combating of Corrupt Activities Act, 2004;
 - viii) State Information Technology Agency Act, 1998;
 - ix) Broad-Based Black Economic Empowerment Act, 2003; and
 - x) Other relevant 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) This Policy applies when the Theewaterskloof Municipality –

- a) procures goods or services;
- b) disposes goods no longer needed;
- c) selects contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or

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- d) selects external mechanisms referred to in section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.
- (3) This Policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110 (2) of the Act, including –
- a) water from the Department of Water Affairs or a public entity, another municipality or a municipal entity;
 - b) electricity from Eskom or another public entity, another municipality or a municipal entity;
- (4) Overall Purpose And Objectives Of The Supply Chain Management Policy
1. Theewaterskloof Municipality's overall purpose of the Supply Chain Management Policy, Principles and Operational System is the following:
 - a) Ensure effective and efficient application of resources.
 - b) Promote accountability, transparency and fairness.
 - c) Provide access to contracts for local small, medium and micro enterprises.
 - d) Stimulate socio-economic development.
 - e) Eliminate and counter corruption.
 - f) Contribute towards reduction of unemployment, especially within the Theewaterskloof Municipal area.
 - g) Broadening the tax base within the Theewaterskloof Municipal area.
 - h) Encourage linkages between small and large enterprises.
 - i) Promote skills transfer and training of the historically disadvantaged.
 2. In order to achieve this, empowerment goals will be set and revised from time to time, which aims to redress the skewed distribution of wealth and therefore contribute to the alleviation of poverty, as well as increasing usage of local resources, stimulation of skills development and transfer, fast tracking the growth and ensuring sustainability of SMME's.
 3. The policy rests upon certain core principles of behaviour as set out in the Constitution and ratified by the Constitutional Certification Judgements. In this context, the policy will be applied in accordance with a system, which is fair, equitable, transparent, competitive and cost-effective.

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4. Theewaterskloof Municipality's overall objective of the Supply Chain Management Policy, Principles and Operational System is the following:

- a) Implement best procurement practises through effective planning, strategic purchasing and contract management.
- b) Standardise levels of skill and knowledge of employees/workers.
- c) Promote B-BBEE - enterprises providing services and goods within the Theewaterskloof Municipal area.
- d) Introduce a systematic approach to the appointment of service providers and to promote consistency in respect of supply chain management.
- e) Promote SMME's, Joint Ventures and partnerships, especially within the Theewaterskloof Municipal area.
- f) Create new jobs or intensify labour absorption within the local area.
- g) Promote enterprises located within the Theewaterskloof Municipal area for work to be done or services to be rendered.
- h) Empower the work force by standardising the level of skill and knowledge of workers.
- i) Develop human resources, inclusive of assistance with tertiary and other advanced training programs, in line with key indicators such as percentage of wage bill spent on education and training and improvement of management skills.
- j) Ensure that specific goals are measurable and quantifiable and organs of state must monitor the execution of the contract for compliance with such goals.

3. AMENDMENT OF THE SUPPLY CHAIN MANAGEMENT POLICY

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

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4. DELEGATION OF SUPPLY CHAIN MANAGEMENT POWERS AND DUTIES

- (1) The Theewaterskloof Council hereby delegates all powers and duties to the Accounting Officer which are necessary to enable the Accounting Officer –
- a) to discharge the supply chain management responsibilities conferred on Accounting Officers in terms of –
 - (i) Chapter 8 or 10 of the Act; and
 - (ii) this Policy;
 - b) to maximise administrative and operational efficiency in the implementation of this Policy;
 - c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this Policy; and
 - d) to comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.
- (2) Sections 79 and 106 of the Act apply to the sub delegation of powers and duties delegated to an Accounting Officer in terms of subparagraph (1).
- (3) The Accounting Officer may not sub-delegate any supply chain management powers or duties to a person who is not an official of Theewaterskloof Municipality or to a committee which is not exclusively composed of officials of the Theewaterskloof Municipality;
- (4) Paragraph 4(3) may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.

5. SUB-DELEGATIONS

- (1) The Accounting Officer may in terms of section 79 or 106 of the Act sub-delegate any supply chain management powers and duties, including those delegated to the Accounting Officer in terms of this Policy, but any such sub-delegation must be consistent with subparagraph (2) of this paragraph and paragraph 4 of this Policy.
- (2) The power to make a final award –
- a) above R10 million (VAT included) may not be sub-delegated by the Accounting Officer;
 - b) above R2 million (VAT included), but not exceeding R10 million (VAT included), may be sub-delegated but only to –
 - (i) the chief financial officer;

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- (ii) a senior manager; or
 - (iii) a bid adjudication committee of which the chief financial officer or a senior manager is a member;
 - c) not exceeding R2 million (VAT included) may be sub-delegated but only to –
 - (i) the chief financial officer;
 - (ii) a senior manager;
 - (iii) a manager directly accountable to the chief financial officer or a senior manager; or
 - (iv) a 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 subparagraph (2) must within five days of the end of each month submit to the official referred to in subparagraph (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 subparagraph 5(3) must be submitted:
- a) to the Accounting Officer, in the case of an award by –
 - (i) the chief financial officer;
 - (ii) a senior manager; or
 - (iii) a bid adjudication committee of which the chief financial officer or a senior manager is a member; or
 - b) to the chief financial officer or the senior manager responsible for the relevant bid, in the case of an award by –
 - (i) a manager referred to in subparagraph 5(2)(c)(iii); or
 - (ii) a bid adjudication committee of which the chief financial officer or a senior manager is not a member.
- (5) Subparagraphs 5(3) and 5(4) of this policy do not apply to procurements out of petty cash.
- (6) This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub-delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.
- (7) No supply chain management decision-making powers may be delegated to an advisor or consultant.

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- (8) The Accounting Officer may sub-delegate the power to cancel bids on recommendation by the relevant department.

6. OVERSIGHT ROLE OF COUNCIL

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

7. SUPPLY CHAIN MANAGEMENT UNIT

- (1) A supply chain management unit is hereby established to implement this Policy.
- (2) The Supply Chain Management Unit shall operate as a centralised supply chain management function to administer and co-ordinate all the supply chain management activities and functions of the Municipality as described in this Policy unless a function or activity is specifically excluded by the Accounting Officer from the Unit's terms of reference.

8. TRAINING OF SUPPLY CHAIN MANAGEMENT OFFICIALS

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

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CHAPTER 2

SUPPLY CHAIN MANAGEMENT SYSTEM

9. FORMAT OF SUPPLY CHAIN MANAGEMENT SYSTEM

This Policy provides systems for –

- (i) Demand management;
- (ii) Acquisition management;
- (iii) Logistics management;
- (iv) Disposal management;
- (v) Risk management; and
- (vi) Performance management.

PART 1: DEMAND MANAGEMENT

10. SYSTEM OF DEMAND MANAGEMENT

- (1) The Accounting Officer must establish and implement an appropriate demand management system in order to ensure that the resources required by the municipality support its operational commitments and its strategic goals outlined in the Integrated Development Plan.
- (2) The demand management system must –
 - a) include timely planning and management processes to ensure that all goods and services required by the Theewaterskloof Municipality are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical delivery dates, and are of the appropriate quality and quantity at a fair cost;
 - b) take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature; and
 - c) provide for the compilation of the required specifications to ensure that its needs are met.
 - d) To undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.
- (3) All user departments are required to submit their procurement plans by the end of April, for the following financial year to the Manager Supply Chain Management to improve planning and management of resources.

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PART 2: ACQUISITION MANAGEMENT

11. SYSTEM OF ACQUISITION MANAGEMENT

- (1) The Accounting Officer must implement the system of acquisition management set out in this Part in order to ensure –
- a) that goods and services are procured by the Theewaterskloof Municipality in accordance with authorised processes only;
 - b) that expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Act;
 - c) that the threshold values for the different procurement processes are complied with;
 - d) that bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation; and
 - e) that any Treasury guidelines on acquisition management are properly taken into account.
- (2) When procuring goods or services contemplated in section 110(2) of the Act, the Accounting Officer must make public the fact that such goods or services are procured otherwise than through the Theewaterskloof Municipality's supply chain management system, including -
- a) the kind of goods or services; and
 - b) the name of the supplier.
- (3) Where the procurement will have budgetary implications for future years, Section 33 of the MFMA regarding contracts must be complied with. Section 33 (1) will not apply to contracts valued at below R1million or as prescribed by National Treasury.

12. RANGE OF PROCUREMENT PROCESSES

- (1) Goods and services may only be procured by way of –
- a) petty cash purchases, up to a transaction value of **R200.00** (VAT included);
 - b) 1 (one) written or verbal quotation for procurements of a transaction value **up to R 2,000.00** (VAT included);
 - c) 3 (three) written quotations for procurements of a transaction value from **R 2,000.01 up to R 30,000.00** (VAT included);
 - d) 3 (three) formal written price quotations for procurements of a transaction value over **R 30,000.00 up to R200,000.00** (VAT included); and
 - e) a competitive bidding process for–
 - (i) procurements above a transaction value of **R200,000.00** (VAT included); and
 - (ii) the procurement of long term contracts.

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(2) The Accounting Officer may, in writing-

- a) lower, but not increase, the different threshold values specified in subparagraph 12(1);
or
- b) direct that –
 - (i) written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2,000.00 (VAT included);
 - (ii) formal written price quotations be obtained for any specific procurement of a transaction value lower than R10,000.00 (VAT included); or
 - (iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than R200,000.00 (VAT included).

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

13. GENERAL PRECONDITIONS FOR CONSIDERATION OF WRITTEN QUOTATIONS OR BIDS

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

- a) has furnished that provider's –
 - (i) full name;
 - (ii) identification number or company or other registration number; and
 - (iii) tax reference number and VAT registration number, if any;
- b) has either supplied a valid tax clearance certificate or has authorised the Theewaterskloof Municipality to obtain a tax clearance from the South African Revenue Services that the provider's tax matters are in order; and
- c) has indicated –
 - (i) whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;
 - (ii) if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or
 - (iii) whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months;

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- (2) The following are minimum requirements for compliance to the CIDB regulations for all formal tenders (above R200 000):
- a) The verification of contractor registration and grading on the CIDB website.
 - b) Utilisation of contractors registered with the CIDB.
 - c) Assessing bidders' documents against the prescribed CIDB contractor requirements.
 - d) Registration of every project approved by the Municipality, consisting of construction works contract with the CIDB.
 - e) The advertising of construction contracts on the CIDB i-tender system.
 - f) The updating and completion of contracts registered on the i-tender system.
 - g) Issuing of dates in respect of completion certificates, renewals, terminations or cancellations, the settlement of all amounts owing to contractors in accordance with contracts and the submission of status reports to the CIDB.
 - h) The placing of registered contractors or any principals of that contractor under any restriction to participate in public procurement as contemplated in the CIDB Regulations.
 - i) Suspension and deregistration of contractors as contemplated in the CIDB Regulations.
 - j) Construction contracts arranged by consultants to adhere to all of the abovementioned requirements and CIDB Regulations.
 - k) Subcontracting arrangements and joint-venture initiatives to be aligned to CIDB guidelines and requirements.

14. LISTS OF ACCREDITED PROSPECTIVE PROVIDERS

- (1) The Accounting Officer must –
- a) keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements through written or verbal quotations and formal written price quotations;
 - b) at least once a year through newspapers commonly circulating locally, the website and any other appropriate ways, invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers;
 - c) specify the listing criteria for accredited prospective providers; and
 - d) disallow the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.
- (2) The list must be updated at least quarterly to include any additional prospective providers and any new commodities or types of services. Prospective providers must be allowed to submit applications for listing at any time.
- (3) The list must be compiled per commodity and per type of service.

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(4) The listing criteria for accredited prospective suppliers are:-

- Name of supplier / service provider / trade name;
- Business physical address;
- Business postal address;
- Sales department telephone number;
- Sales department fax number;
- Sales department email address;
- Type of enterprise;
- Company / Close Corporation registration number (as per CIPC document) (if applicable);
- Vat registration number (if applicable);
- Income Tax registration number;
- Details and ID numbers of Directors /Owners /Partners/Members;
- Bank details (certified correct by preferred bank);
- Valid certification in respect of Exempted Micro Enterprises or B-BBEE Status Level of Contributor;
- CIDB number (if applicable);
- Classification of services / goods offered for registration;
- Declaration by supplier;
- Original Valid Tax Clearance Certificate as proof of Tax compliance for accumulative amounts per supplier exceeding R 30 000 per financial year; and
- If the required conditions are not met the prospective supplier will be informed and given 30 days for rectification. The document will be destroyed if not rectified within the prescribed period.

15. PETTY CASH PURCHASES

(1) The Municipality's Petty Cash Policy, as approved by the Accounting Officer, shall be applicable to all purchases not exceeding R200.00, including VAT, or amount as determined by the Accounting Officer in terms of this Policy, or as may be legislated from time to time.

(2) The Petty Cash Policy must include conditions –

- a) determining the terms on which a manager may delegate responsibility for petty cash to an official reporting to the manager;
- b) limiting the number of petty cash purchases or the maximum amounts per month for each manager;
- c) excluding any types of expenditure from petty cash purchases, where this is considered necessary; and

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- d) requiring monthly reconciliation reports from each manager to the Chief Financial Officer, including –
- (i) the total amount of petty cash purchases for that month; and
 - (ii) receipts and appropriate documents for each purchase.

16. WRITTEN OR VERBAL QUOTATIONS

- (1) The conditions for the procurement of goods or services through written or verbal quotations are as follows:
- a) Quotations must be obtained in terms of paragraph 12(1) (a)-(e) preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the Theewaterskloof Municipality, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria set out in paragraph 14(1)(b) and (c) of this Policy;
 - b) to the extent feasible, providers must be requested to submit such quotations in writing;
 - c) if it is not possible to obtain quotations in terms of paragraph 12(1)(a)-(e) the reasons must be recorded and reported quarterly to the Accounting Officer or another official designated by the Accounting Officer;
 - d) the Accounting Officer must record the names of the potential providers requested to provide such quotations with their quoted prices;
 - e) if a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider; and
 - f) any other conditions determined by the Accounting Officer.
- (2) No quotation, written or verbal, may be made available by an official to a prospective bidder.

17. FORMAL WRITTEN PRICE QUOTATIONS

- (1) The conditions for the procurement of goods or services through formal written price quotations are as follows:
- a) quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the Theewaterskloof Municipality;
 - b) quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria set out in paragraph 14(1)(c) and (d) of this Policy;
 - c) if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the chief financial officer or an official designated by the chief financial officer, and
 - d) the Accounting Officer must record the names of the potential providers and their written quotations.

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- (2) A designated official referred to in subparagraph 17(1)(c) must within three days of the end of each month report to the chief financial officer on any approvals given during that month by that official in terms of that subparagraph.

18. PROCEDURES FOR PROCURING GOODS OR SERVICES THROUGH WRITTEN OR VERBAL QUOTATIONS AND FORMAL WRITTEN PRICE QUOTATIONS

- (1) The procedure for the procurement of goods or services through written or verbal quotations or formal written price quotations is as follows:
- a) when using the list of accredited prospective providers the Accounting Officer must promote on going competition amongst providers by inviting providers to submit quotations on a rotation basis;
 - b) all requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements of paragraph 17, be advertised for at least seven days on the website and an official notice board of the Theewaterskloof Municipality;
 - c) offers received must be evaluated on a comparative basis taking into account unconditional discounts;
 - d) the Accounting Officer or chief financial officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub-delegation;
 - e) offers below R30 000 (VAT included) must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services and lowest price;
 - f) acceptable offers, which are subject to the preference points system (PPPFA and associated regulations), must be awarded to the bidder who scored the highest points;
 - g) council requirements for proper record keeping.

19. COMPETITIVE BIDS

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

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20. PROCESS FOR COMPETITIVE BIDDING

- (1) The procedures for the following stages of a competitive bidding process are as follows:
- a) Compilation of bidding documentation as detailed in paragraph 21;
 - b) Public invitation of bids as detailed in paragraph 22;
 - c) Site meetings or briefing sessions as detailed in paragraph 22;
 - d) Handling of bids submitted in response to public invitation as detailed in paragraph 23;
 - e) Evaluation of bids as detailed in paragraph 28;
 - f) Award of contracts as detailed in paragraph 29;
 - g) Administration of contracts;
 - h) After approval of a bid, the Accounting Officer and the bidder must enter into a written agreement;
 - i) Proper record keeping; and
 - j) Original / legal copies of written contracts agreements should be kept in a secure place for reference purposes.

21. BID DOCUMENTATION FOR COMPETITIVE BIDS

- (1) The criteria to which bid documentation for a competitive bidding process must comply, must –
- a) take into account –
 - (i) the general conditions of contract and any special conditions of contract, if specified;
 - (ii) any Treasury guidelines on bid documentation; and
 - (iii) the requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;
 - b) include the preference points system to be used, goals as contemplated in the Preferential Procurement Regulations and evaluation and adjudication criteria, including any criteria required by other applicable legislation;
 - c) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
 - d) if the value of the transaction is expected to exceed R10 million (VAT included), require bidders to furnish–
 - (i) if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements –
 1. for the past three years; or
 2. since their establishment if established during the past three years;
 - (ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;

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- (iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract; and
- (iv) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality or municipal entity 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), when unsuccessful, in a South African court of law; and
- f) The period for which bids are to remain valid and binding must be indicated in the bid documents.

22. PUBLIC INVITATION FOR COMPETITIVE BIDS

- (1) The procedure for the invitation of competitive bids, is as follows:
- a) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the Theewaterskloof Municipality or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin); and
 - b) the information contained in a public advertisement, must include –
 - (i) the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included), or which are of a long term nature with a contract duration period exceeding three years, or 14 days in any other case, from the date on which the advertisement is in a newspaper, subject to subparagraph 22(2) of this policy;
 - (ii) a statement that bids may only be submitted on the bid documentation provided by the Theewaterskloof Municipality;
 - (iii) date, time and venue of any proposed site meetings or briefing sessions; and
 - (iv) the bid notice may require payment of a non-refundable deposit by bidders wanting to collect bid documents. This deposit shall be determined by the municipality's council tariffs from time to time.
 - (v) for bids (excluding quotations) for construction works the bid closing date must be at least 21 (twenty one) days after publication of the notice.
 - (vi) for banking services, the bid closing date must be at least 60 (sixty) days after publication of the notice.

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- (2) The Accounting Officer may determine a closure date for the submission of bids which is less than the 30 or 14 days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.
- (3) Bids submitted must be sealed.
- (4) Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.

23. PROCEDURE FOR HANDLING, OPENING AND RECORDING OF BIDS

- (1) The procedures for the handling, opening and recording of bids, are as follows:
- a) Bids–
- (i) must be opened only in public;
 - (ii) must be opened at the same time and as soon as possible after the period for the submission of bids has expired; and
 - (iii) received after the closing time should not be considered and returned unopened immediately.
- b) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price;
- c) No information, except the provisions in subparagraph (b), relating to the bid should be disclosed to bidders or other persons until the successful bidder is notified of the award;
- d) The Accounting Officer must –
- (i) record in a register all bids received in time;
 - (ii) make the register available for public inspection;
 - (iii) publish the entries in the register and the bid results on the website; and
- e) Opening of Bids, –
- (i) the bids shall be opened in public as soon as practical after the closing time.
 - (ii) 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 Municipality disclaims any responsibility for seeing that the bids are in fact lodged in the correct bid box).
 - (iii) all bids shall be opened in public and checked for compliance.
 - (iv) the official opening the bids shall in all cases read out the name of the bidder and, if practical, the amount of the bid.

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- (v) the bid/proposal shall be stamped with the official stamps, and endorsed with the opening official's signature,
 - (vi) the name of the bidder, and where possible, the bid sum shall be recorded in a bid opening record kept for that purpose, and
 - (vii) the responsible official who opened the bid shall forthwith place his/her signature on the bid opening record and shall ensure that the bid opening record and the bid prices, where applicable, are made available for public inspection and are published on the Municipality's official website.
- f) Bid validity periods, –
- (i) The validity period is calculated from the bid closure date and bids shall remain in force and binding for a period as indicated in the invitation to bid and the bid documents, subject to any other applicable legislation and instructions from the National Treasury for specific types of procurement.
 - (ii) The period of validity may be extended, provided that the original bid validity period has not expired and that all bidders are given an opportunity to extend such period.
 - (iii) Any such extension shall be agreed to by a bidder in writing. Bidders who fail to respond to such a request before the validity of their bid expires, or who decline such a request shall not be considered further in the bid evaluation process.
 - (iv) All bidders who indicated the acceptance of the extension of the bid validity period, bids will be considered for evaluation purposes.
 - (v) To cater for a possible objection or complaint in terms of paragraph 49 of this policy or an appeal in terms of section 62 of the Municipal Systems Act, the official responsible for the bid must ensure that all bidders are requested to extend the validity of their bids where necessary in order to ensure that the bids are valid throughout the objection, complaint or appeal period.
 - (vi) If the validity of all bids expired without it being awarded, including any extensions thereof allowable in terms of applicable legislation, the bid must be cancelled and published in the same media in which the original bid invitation appeared.
 - (vii) All bidders must be notified in writing of the cancellation of a bid in terms of subparagraph (vi) above.
- g) The Theewaterskloof Municipality should after the closure of bids above the threshold value of R 30,000 (Vat incl.) publish on the website:-
- (i) the reference number of the bid;
 - (ii) the description of the goods, services or infrastructure
 - 1. project;
 - (iii) names of all bidders;
 - (iv) the B-BBEE Status Level of Contribution of all bidders;

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(v) the Local Content Percentages of the goods offered

1. (if practical);

(vi) the total price of bids (if practical);

h) Copies of the results must be made available at municipal offices and libraries. The information must be published within 10 working days after closure of the bid and it must remain on the website for at least 30 days.

24. NEGOTIATIONS WITH PREFERRED BIDDERS

(1) The Accounting Officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation –

- a) does not allow any preferred bidder a second or unfair opportunity;
- b) is not to the detriment of any other bidder;
- c) does not lead to a higher price than the bid as submitted; and
- d) does not lead to a lower price in respect of sale of land / goods.

(2) Minutes of such negotiations must be kept for record purposes.

25. TWO-STAGE BIDDING PROCESS

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

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

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

(3) In the second stage final technical proposals and priced bids should be invited.

26. COMMITTEE SYSTEM FOR COMPETITIVE BIDS

(1) A committee system for competitive bids is hereby established, consisting of the following committees for each procurement or cluster of procurements as the Accounting Officer may determine:

- a) a bid specification committee;
- b) a bid evaluation committee; and
- c) a bid adjudication committee;

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- (2) The Accounting Officer appoints the members of each committee, taking into account section 117 of the Act; and
- (3) A neutral or independent observer, appointed by the Accounting Officer, must attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.
- (4) The committee system must be consistent with –
 - a) paragraph 27, 28 and 29 of this Policy; and
 - b) any other applicable legislation.
- 5) The Accounting Officer may apply the committee system to formal written price quotations.

27. BID SPECIFICATION COMMITTEES

- (1) A bid specification committee must compile the specifications for each procurement of goods or services by the Theewaterskloof Municipality.
- (2) Specifications –
 - a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
 - b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
 - c) must, 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 word “equivalent”;
 - f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations of 2011; and

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g) must be approved by the Accounting Officer prior to publication of the invitation for bids in terms of paragraph 22 of this Policy.

- (3) A bid specification committee must be composed of one or more officials of the Theewaterskloof Municipality preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisors.
- (4) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.

28. BID EVALUATION COMMITTEES

- (1) A bid evaluation committee must –
- a) evaluate bids in accordance with –
 - (i) the specifications for a specific procurement; and
 - (ii) the points system set out in terms of paragraph 27(2)(f).
 - b) evaluate each bidder's ability to execute the contract;
 - c) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears, and;
 - d) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.
 - e) submit to the adjudication committee a report and reasons in the event of a tender not being awarded.
- (2) A bid evaluation committee must as far as possible be composed of-
- a) officials from departments requiring the goods or services; and
 - b) at least one supply chain management practitioner of the Theewaterskloof Municipality.
- (3) The Relevant user department's official shall carry out a preliminary evaluation of all valid bids, excluding quotations, received and shall submit a bid evaluation report to the Bid Evaluation Committee for consideration.

29. BID ADJUDICATION COMMITTEES

- (1) A bid adjudication committee must –
- a) consider the report and recommendations of the bid evaluation committee; and
 - b) either –
 - (i) depending on its delegations, make a final award or a recommendation to the Accounting Officer to make the final award; or

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- (ii) make another recommendation to the Accounting Officer how to proceed with the relevant procurement.
 - c) Consider the report and recommendations of the bid evaluation committee where it is recommended that the tender not be awarded; and either
 - (i) take a decision that the tender not be awarded for the reasons presented and that it be re-advertised; or
 - (ii) take a decision that the tender be awarded and make a final award or a recommendation to the Accounting Officer to make the final award.
- (2) A bid adjudication committee must consist of at least four senior managers of the Theewaterskloof Municipality which must include –
- a) the chief financial officer or, if the chief financial officer is not available, another manager in the budget and treasury office reporting directly to the chief financial officer and designated by the chief financial officer; and
 - b) at least one senior supply chain management practitioner who is an official of the Theewaterskloof Municipality; and
 - c) a technical expert in the relevant field who is an official, if such an expert exists.
- (3) The Accounting Officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.
- (4) Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.
- (5) a) If the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid –
- (i) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears, and;
 - (ii) notify the Accounting Officer.
- b) The Accounting Officer may –
- (i) after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in paragraph (a); and
 - (ii) if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.

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(6) The Accounting Officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.

(7) The Accounting Officer must comply with section 114 of the Act within 10 working days.

30. PROCUREMENT OF BANKING SERVICES

(1) A contract for banking services –

- a) must be procured through competitive bids;
- b) must be consistent with section 7 or 85 of the Act; and
- c) may not be for a period of more than five years at a time.

(2) The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.

(3) The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper in terms of paragraph 22(1). Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

31. PROCUREMENT OF IT RELATED GOODS OR SERVICES

(1) The Accounting Officer may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.

(2) Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.

(3) The Accounting Officer must notify SITA together with a motivation of the IT needs if –

- a) the transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included); or
- b) the transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT included).

(4) If SITA comments on the submission and the Theewaterskloof Municipality disagrees with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National Treasury, the relevant provincial treasury and the Auditor General.

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- (5) Procurement of ICT related equipment should be done, if applicable, in accordance with the ICT Standardisation Policy.

**32. PROCUREMENT OF GOODS AND SERVICES UNDER CONTRACTS SECURED BY OTHER
ORGANS OF STATE**

- (1) The Accounting Officer may procure goods or services under a contract secured by another organ of state, but only if –
- a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
 - b) there is no reason to believe that such contract was not validly procured;
 - c) there are demonstrable discounts or benefits to do so; and
 - d) that other organ of state and the provider have consented to such procurement in writing.
- (2) Subparagraphs 32(1)(c) and (d) do not apply if –
- a) a municipal entity procures goods or services through a contract secured by its parent municipality; or
 - b) a municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.
- (3) If paragraph (1) is complied with, Theewaterskloof Municipality must request at least the following documents from the relevant organ of state and service provider as referred to under subparagraph (1)(d) –
- a) A written declaration confirming –
 - (i) That the organ of state followed a competitive bidding process applicable to it;
 - (ii) That the organ of state has no reason to believe that the contract was not validly procured by itself;
 - (iii) That the organ of state evaluated the bid in terms of price and preference and if applicable, in terms of functionality or quality, and concluded that the bid(s) that were accepted were in all aspects the best compliant and respective bid(s); and
 - (iv) That the organ of state gives formal written permission to Theewaterskloof Municipality to procure goods and / or services from the approved bid(s) as accepted by the organ of state;
 - b) Agenda and minutes of the organ of state's Bid Evaluation Committee at which the specific bid was evaluated;

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- c) Agenda and minutes of the organ of state's Bid Adjudication Committee at which the bid was awarded or the approval of the Accounting Officer of that organ of state who approved the bid;
 - d) A copy of the successful bidder(s) bid submissions; and
 - e) Written consent from the service provider.
- (4) If Theewaterskloof Municipality should enter into a contract secured by other organs of state, it shall enter into a contract with the successful bidder(s) on the same terms and conditions as accepted by the relevant organ of state.

33. PROCUREMENT OF GOODS NECESSITATING SPECIAL SAFETY ARRANGEMENTS

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

34. PROUDLY SA CAMPAIGN

- (1) Theewaterskloof Municipality supports the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from:
- Firstly – suppliers and businesses within the municipality or district;
 - Secondly – suppliers and businesses within the relevant province;
 - Thirdly – suppliers and businesses within the Republic.

35. APPOINTMENT OF CONSULTANTS

- (1) The Accounting Officer may procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.
- (2) Consultancy services must be procured through competitive bids if –
- a) the value of the contract exceeds R200 000 (VAT included); or
 - b) the duration period of the contract exceeds one year.
- (3) In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of –
- (a) all consultancy services provided to an organ of state in the last five years; and

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(b) any similar consultancy services provided to an organ of state in the last five years.

- (4) The Accounting Officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the Theewaterskloof Municipality.
- (5) The procurement of Consultants will be done in accordance with the prescripts contained in the Policy on the use of Consultants. Should a difference of interpretation arise between this policy and the Policy on the use of Consultants, the interpretation as ascribed to in this policy will prevail.

36. DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF, PROCUREMENT PROCESSES

- (1) The Accounting Officer may –
- a) dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –
 - (i) in an emergency; (An emergency is an unforeseeable sudden event with harmful or potential harmful consequences for the municipality which requires urgent action to address.)
- Circumstances that warrant emergency dispensation, includes but are not limited to –
- a) the possibility of human injury or death,
 - b) the prevalence of human suffering or deprivation of rights,
 - c) the possibility of damage to property, or suffering and death of livestock and animals, the interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the municipality as a whole, the possibility of serious damage occurring to the natural environment,
 - d) the possibility that failure to take necessary action may result in the municipality not being able to render an essential community service,
 - e) the possibility that the security of the state could be compromised.

The prevailing situation, or imminent danger, should be of such a scale and nature that it could not readily be alleviated by interim measures, in order to allow time for the formal tender process.

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- (ii) if such goods or services are produced or available from a single source or sole provider only (as per definition);
 - (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
 - (iv) acquisition of animals for zoos and/or nature and game reserves; or
 - (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes;
 - (vi) 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; and
- b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.
- (2) The Accounting Officer must record the reasons for any deviations in terms of subparagraphs 36(1)(a) and (b) of this policy and report them to the next meeting of the council and include as a note to the annual financial statements.
- (3) Subparagraph 36(2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of this policy.

37. UNSOLICITED BIDS

- (1) In accordance with section 113 of the Act there is no obligation to consider unsolicited bids received outside a normal bidding process.
- (2) The Accounting Officer may decide in terms of section 113(2) of the Act to consider an unsolicited bid, only if –
- a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
 - b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages;
 - c) the person who made the bid is the sole provider of the product or service; and
 - d) the reasons for not going through the normal bidding processes are found to be sound by the Accounting Officer.

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- (3) If the Accounting Officer decides to consider an unsolicited bid that complies with subparagraph 37(2) of this policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with –
- a) reasons as to why the bid should not be open to other competitors;
 - b) an explanation of the potential benefits if the unsolicited bid were accepted; and
 - c) an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.
- (4) The Accounting Officer must submit all written comments received pursuant to subparagraph 37(3), including any responses from the unsolicited bidder, to the National Treasury and the relevant provincial treasury for comment.
- (5) The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the Accounting Officer, depending on its delegations.
- (6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
- (7) When considering the matter, the adjudication committee must take into account –
- a) any comments submitted by the public; and
 - b) any written comments and recommendations of the National Treasury or the relevant provincial treasury.
- (8) If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the Accounting Officer must submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.
- (9) Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the Theewaterskloof Municipality to the bid may be entered into or signed within 30 days of the submission.

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38. COMBATING OF ABUSE OF SUPPLY CHAIN MANAGEMENT SYSTEM

- (1) The Accounting Officer must–
- a) take all reasonable steps to prevent abuse of the supply chain management system;
 - b) investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this Policy, and when justified –
 - (i) take appropriate steps against such official or other role player; or
 - (ii) report any alleged criminal conduct to the South African Police Service;
 - c) check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;
 - d) reject any bid from a bidder–
 - (i) if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the Theewaterskloof Municipality, or to any other municipality or municipal entity, are in arrears for more than three months; or
 - (ii) who during the last five years has failed to perform satisfactorily on a previous contract with the Theewaterskloof Municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;
 - e) reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;
 - f) cancel a contract awarded to a person if –
 - (i) the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or
 - (ii) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and
 - g) reject the bid of any bidder if that bidder or any of its directors –
 - (i) has abused the supply chain management system of the Theewaterskloof Municipality or has committed any improper conduct in relation to such system;
 - (ii) has been convicted for fraud or corruption during the past five years;
 - (iii) has wilfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
 - (iv) has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).

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- (2) The Accounting Officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of subparagraphs 38(1)(b)(ii), (e) or (f) of this policy.

PART 3: LOGISTICS, DISPOSAL, RISK AND PERFORMANCE MANAGEMENT

39. LOGISTICS MANAGEMENT

- (1) The Accounting Officer must establish and implement an effective system of logistics management, which must include -
- a) the monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;
 - b) the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
 - c) the placing of manual or electronic orders for all acquisitions other than those from petty cash;
 - d) before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;
 - e) appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;
 - f) regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and
 - g) monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

40. DISPOSAL MANAGEMENT

- (1) The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to sections 14 and 90 of the Act, are as follows:
- (2) Assets may be disposed of by –
- a) transferring the asset to another organ of state in terms of a provision of the Act 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.

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- (3) The Accounting Officer must ensure that –
- a) immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
 - b) movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;
 - c) firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the National Conventional Arms Control Committee;
 - d) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise;
 - e) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;
 - f) where assets are traded in for other assets, the highest possible trade-in price is negotiated; and
 - g) in the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment.
- (4) For purposes of Sec. 14 of the act the Asset Management policy will be deemed to form part of this policy.
- (5) Out of hand sales of immovable property will be done in accordance with the Asset Management policy.
- (6) Should a difference of interpretation arise between this policy and the Asset Management policy, the interpretation as ascribed to in this policy will prevail.

41. RISK MANAGEMENT

- (1) The criteria for an effective risk management strategy within supply chain management system, should include the identification, consideration and avoidance of potential risks.
- (2) Risk management should include –
- a) the identification of risks on a case-by-case basis;
 - b) the allocation of risks to the party best suited to manage such risks;
 - c) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;

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- d) the management of risks in a pro-active manner and the provision of adequate cover for residual risks; and
- e) the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

42. PERFORMANCE MANAGEMENT

- (1) The Accounting Officer must establish and implement an internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were followed and whether the objectives of this Policy were achieved.

PART 4: OTHER MATTERS

43. PROHIBITION ON AWARDS TO PERSONS WHOSE TAX MATTERS ARE NOT IN ORDER

- (1) No award above R 30 000 may be made in terms of this Policy to a person whose tax matters have not been declared by the South African Revenue Service to be in order.
- (2) Before making an award to a person the accounting person must first check with SARS whether that person's tax matters are in order.
- (3) If SARS does not respond within 7 days such person's tax matters may for purposes of subparagraph 43(1) be presumed to be in order.
- (4) Theewaterskloof Municipality will process transactions per supplier on the proviso that the accumulative amounts per supplier does not exceed R30,000 (including VAT) per financial year, without the required tax clearance certificate as per clause 43(1) above.

44. PROHIBITION ON AWARDS TO PERSONS IN THE SERVICE OF THE STATE

- (1) Irrespective of the procurement process followed, no award may be made to a person in terms of this Policy –
 - a) who is in the service of the state;
 - b) 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) a person who is an advisor or consultant contracted with the Theewaterskloof Municipality.

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45. AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE

- (1) The Accounting Officer must ensure that the notes to the annual financial statements disclose particulars of any award to a person who is a spouse, domestic partner, dependent child or relative living in a common household; a grandparent, parent, nondependent child, grandchild, brother or sister; the spouse or domestic partner of a child, a parent-in-law, a brother-in-law or a sister-in-law of a person in the service of the state, or has been in the service of the state in the previous twelve months, including –
- a) the name of that person;
 - b) the capacity in which that person is in the service of the state; and
 - c) the amount of the award.

46. ETHICAL STANDARDS

- (1) A code of ethical standards as set out in **the “National Treasury’s code of conduct for supply chain management practitioners and other role players involved in supply chain management”** is hereby established for officials and other role players in the supply chain management system of the Theewaterskloof Municipality in order to promote –
- a) mutual trust and respect; and
 - b) an environment where business can be conducted with integrity and in a fair and reasonable manner.
- (2) An official or other role player involved in the implementation of the supply chain management policy –
- a) must treat all providers and potential providers equitable;
 - b) may not use his or her position for private gain or to improperly benefit another person;
 - c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R 350;
 - d) must declare to the Accounting Officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the municipality;
 - e) 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;
 - f) must be scrupulous in his or her use of property belonging to the Theewaterskloof Municipality;

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- g) must assist the Accounting Officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and
 - h) must report to the Accounting Officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including –
 - (i) any alleged fraud, corruption, favouritism or unfair conduct;
 - (ii) any alleged contravention of paragraph 47(1) of this policy; or
 - (iii) any alleged breach of this code of ethical standards.
- (3) Declarations must be dealt with as follow:
- a) must be recorded in a register which the accounting officer must keep for this purpose; and
 - b) all declarations by the Accounting Officer must be made to the mayor of Theewaterskloof Municipality who must ensure that such declarations are recorded in the register.
- (4) A breach of the code of ethics must be dealt with as follows -
- a) in the case of an employee, in terms of the disciplinary procedures of the Theewaterskloof Municipality envisaged in section 67(1)(h) of the Municipal Systems Act;
 - b) in a case a councillor, in terms of Schedule 1 of the Systems Act;
 - c) in the case a role player who is not an employee, through other appropriate means in recognition of the severity of the breach;
 - d) All instances of non-compliance this policy should be reported to the Accounting Officer and must be dealt with in terms of chapter 15 of the Act.

47. INDUCEMENTS, REWARDS, GIFTS AND FAVOURS TO MUNICIPALITIES, OFFICIALS AND OTHER ROLE PLAYERS

- (1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant –
- a) any inducement or reward to the Theewaterskloof Municipality for or in connection with the award of a contract; or
 - b) any reward, gift, favour or hospitality to –
 - (i) any official; or
 - (ii) any other role player involved in the implementation of this Policy.
- (2) The Accounting Officer must promptly report any alleged contravention of subparagraph 47(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.

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(3) Subparagraph 47(1) does not apply to gifts less than R350 in value.

48. SPONSORSHIPS

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

49. OBJECTIONS AND COMPLAINTS

- (1) Persons aggrieved by decisions or actions taken in the implementation of this supply chain management system, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action.

50. RESOLUTION OF DISPUTES, OBJECTIONS, COMPLAINTS AND QUERIES

- (1) The Accounting Officer may, if deem so, appoint an independent and impartial person, not directly involved in the supply chain management processes –
- a) To assist in the resolution of disputes between the Theewaterskloof Municipality and other persons regarding –
 - (i) Any decisions or actions taken in the implementation of the supply chain management system; or
 - (ii) Any matter arising from a contract awarded in the course of the supply chain management system.
 - b) To deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
- (2) The Accounting Officer, or another official designated by the Accounting Officer, is responsible for assisting the appointed person to perform his or her functions effectively.
- (3) The person appointed should, if appointed –
- a) Strive to resolve promptly all disputes, objections, complaints or queries received; and
 - b) Submit monthly reports to the Accounting Officer on all disputes, objections, complaints or queries received, attended to or resolved.

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- (4) A dispute, objection, complaint or query may be referred to the relevant provincial treasury if –
- a) The dispute, objection, complaint or query is not resolved within 60 days; or
 - b) No response is forthcoming within 60 days.
- (5) If the Provincial Treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.
- (6) This paragraph must not be read as affecting a person's rights to approach a court at any time.

51. CONTRACTS PROVIDING FOR COMPENSATION BASED ON TURNOVER

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

52. MANAGEMENT OF EXPANSION OR VARIATION OF ORDERS AGAINST THE ORIGINAL CONTRACT

- (1) The Accounting Officer may expand or vary orders against the original contract by -
- a) not more than 20% for construction related goods, services and/or infrastructure projects; and;
 - b) by not more than 15% for all other goods and/or services of the original value of the contract.
- (2) Any increase in the contract sum within the threshold mentioned above not authorized by the Accounting Officer must be explained and motivated in a report to the Accounting Officer who may at his sole discretion condone such increase.
- (3) Anything beyond the abovementioned thresholds must be reported to Theewaterskloof Council.
- (4) Any expansion or variation in excess of these thresholds must be dealt with in terms of the provisions of section 116(3) of the Act which will be regarded as an amendment to the contract.

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53. RIGHT OF APPEAL

- (1) In terms of Section 62 of the Municipal Systems Act (Act 32 of 2000 as amended), a person whose rights are affected by a decision taken by the Municipality, in terms of a delegated authority, in the implementation of its supply chain management system, may appeal against that decision by giving written notice of the appeal and reasons to the Municipal Manager within 21 days of the date of receipt of the notification of the decision.
- (2) Notification of the decision must state that any appeal must be submitted in writing to the Municipal Manager and must at least contain the following information:
 - a) The reasons and / or grounds for the appeal;
 - b) The way in which the appellants rights have been affected; and
 - c) The remedy sought by the appellant.
- (3) No bid, where a competitive bidding process was followed, shall be formally accepted until a ruling has been made on any appeal/s received.
- (4) The appeal authority must consider the appeal and confirm, vary or revoke the decision, but no such variation or revocation of a decision may detract from any rights that may have accrued as a result of the decision.

Commencement: This Policy took effect on 29 June 2006

Approved / Amended	Meeting	Date	Council Resolution
<i>Approved</i>	<i>Council</i>	<i>2006/11/01</i>	<i>C69/2006</i>
<i>Approved Amended Policy</i>	<i>Council</i>	<i>2010/11/23</i>	<i>C105/2010</i>
<i>Review Date</i>	<i>Mgt.</i>	<i>2013/01/17</i>	<i>N/A</i>
<i>Approved Amended Policy</i>	<i>Council</i>	<i>2013/01/24</i>	<i>C10/2013</i>
<i>Review Date</i>	<i>SCM</i>	<i>2013/03/05</i>	<i>N/A</i>
<i>Approved Amended Policy</i>	<i>Council</i>	<i>2013/05/28</i>	<i>C51/2013</i>
<i>Review Date</i>	<i>SCM</i>	<i>2013/09/16</i>	<i>N/A</i>
<i>Review Date</i>	<i>SCM</i>	<i>2013/09/26</i>	<i>N/A</i>
<i>Review Date</i>	<i>CFO</i>	<i>2014/03/18</i>	<i>N/A</i>
<i>Approved Amended Policy</i>	<i>Council</i>	<i>2014/03/27</i>	<i>C27/2014</i>
<i>Review Date</i>	<i>SCM + Legal</i>	<i>2015/03/13</i>	<i>N/A</i>
<i>Review Date</i>	<i>CFO + Legal + SCM</i>	<i>2015/03/17</i>	<i>N/A</i>
<i>Approved Amended Policy</i>	<i>Council</i>	<i>2015/05/28</i>	<i>C53/2015</i>
<i>Review Date</i>	<i>SCM</i>	<i>2015/10/19</i>	<i>N/A</i>
<i>Approved Amended Policy</i>	<i>Council</i>	<i>2015/10/29</i>	<i>C184/2015</i>
<i>Review Date</i>	<i>Dep. CFO, SCM & Legal</i>	<i>2016/03/07</i>	<i>N/A</i>
<i>Review Date</i>	<i>CFO & SCM</i>	<i>2016/03/08</i>	<i>N/A</i>
<i>Approved Amended Policy</i>	<i>Council</i>	<i>2016/03/23</i>	<i>C19/2016</i>

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PART B

PREFERENTIAL PROCUREMENT REGULATIONS OF 2011.

Part B is the Preferential Procurement Policy, adopted in terms of section 2 of the Preferential Procurement Policy Framework Act, No. 5 of 2000 and the Preferential Procurement Regulations of 2011.

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1. DEFINITIONS

- 1) In these Policy, any word or expression to which a meaning has been assigned in the Act, has the meaning so assigned, and, unless the context otherwise indicates –
- a) **“Act”**
means the Preferential Procurement Framework Act, 2000 (Act No. 5 of 2000)
 - b) **“all applicable taxes”**
includes value added tax, pay as you earn, income tax, unemployment insurance fund contributions and skill development levies;
 - c) **“B-BBEE”**
means broad based black economic empowerment as defined in section 1 of the Broad Based Black Economic Empowerment Act;
 - d) **“B-BBEE status level 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 Practise for Black Economic Empowerment, issued in terms of section 9(1) of the Black Economic Empowerment Act;
 - e) **“Broad-Based Black Economic Empowerment Act”**
means the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003);
 - f) **“comparative price”**
means the price after the factors of a non-firm price and all unconditional discounts that can be utilised have been taken into consideration;
 - g) **“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;
 - h) **“contract”**
means the agreement that results from the acceptance of a tender by an organ of state;
 - i) **“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 services, works or goods or locally manufactured goods meet the stipulated minimum threshold for local production and content;
 - j) **“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;
 - k) **“functionality”**
means the measurement according to predetermined norms, as set out in the tender documents, of a service or commodity that is designated to be practical and useful, working or operating, taking

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into account, among other factors, the quality, reliability, viability and durability of a service and the technical capacity and ability of a tenderer;

l) “imported content”

means that portion of the tender price represented by the cost of components, parts or materials which have been or are still to be imported (whether by the supplier or its subcontractors) and which costs are inclusive of the costs abroad, plus freight and other direct importation costs, such as landing costs, dock dues, import duty, sales duty or other similar taxes or duty at the South African port of entry;

m) “local content”

means that portion of the tender price which is not included in the imported content, provided that local manufacture does take place;

n) “non-firm prices”

means all prices other than “firm” prices;

o) “person”

includes a juristic person;

p) “stipulated minimum threshold”

means that portion of local production and content as determined by the Department of Trade and Industry;

q) “rand value”

means the total estimated value of a contract in South African currency, calculated at the time of tender invitations, and includes all applicable taxes and excise duties;

r) “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;

s) “tender”

means a written offer in a prescribed or stipulated form in response to an invitation by an organ of state for the provision of services, works or goods, through price quotations, advertised competitive tendering processes or proposals;

t) “total revenue”

bears the same meaning assigned to this expression in the Codes of Good Practice on Black Economic Empowerment, issued in terms of section 9(1) of the Broad Based Black Economic Empowerment Act and promulgated in the Government Gazette on 9 February 2007;

u) “trust”

means the arrangement through which the property of one person is made over or bequeathed to a trustee to administer such property for the benefit of another person; and

v) “trustee”

means any person, including the founder of a trust, to whom property is bequeathed in order for such property to be administered for the benefit of another person.

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2. APPLICATIONS

1. This Policy applies to the acquisition of goods / works and or services in excess of R30,000 by the Municipality.
2. The Municipal Manager may, when deemed necessary, impose the preference point system to the acquisition of goods / works and or services with a value less than R30,000.

3. PLANNING AND STIPULATION OF PREFERENCE POINT SYSTEM

1. The Municipality must, prior to making an invitation for tenders-
 - a) properly plan for, and, as far as possible, accurately estimate the costs of the provision of services, works or goods for which an invitation for tenders is to be made;
 - b) determine and stipulate the appropriate preference point system to be utilised in the evaluation and adjudication of the tenders; and
 - c) determine whether the service, works or goods for which an invitation for tenders is to be made has been designated for local production and content in terms of Paragraph 9.

4. EVALUATION OF TENDERS ON FUNCTIONALITY

- (1) When the Municipality invites a bid that will be evaluated on the basis of functionality as a criterion, the Municipal Manager must clearly specify the following aspects in the bid documents:

(a) Evaluation criteria for measuring functionality

The evaluation criteria may include criteria such as the consultant's relevant experience for the assignment, the quality of the methodology proposed, the qualifications of the key staff proposed, transfer of knowledge etc.

(b) Weight of each criterion

The weight that is allocated to each criterion should not be generic and should be determined separately for each bid on an each case on its own merit basis.

(c) Applicable values

The applicable value that will be utilized when scoring each criterion should be objective. As a guide, values ranging from 1 being poor, 2 being average, 3 being good, 4 being very good and 5 that are excellent, may be utilised.

(d) Minimum qualifying score for functionality

The minimum qualifying score for functionality that must be obtained for a bid to be regarded as acceptable should not be generic. It should be determined separately for each bid or each case on its own merit basis. The minimum qualifying score must not be prescribed so low that it may jeopardize the quality of the service required nor so high that it may be restrictive to the extent that it jeopardizes the fairness of the SCM system.

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The formula to be utilised to convert the functionality by bid/proposal under consideration

$Ps = So/Ms \times 100$ where:

Ps = percentage scored for functionality by bid/proposal under consideration

So = total score of bid /proposals under consideration

Ms = maximum possible score

- (2) Bids that were invited on the basis of functionality as a criterion must be evaluated in two stages – first functionality must be assessed and qualifying bids will then be evaluated in terms of the 80/20 or 90/10 preference point systems prescribed in Preferential Procurement Regulations 5 and 6.

- (3) The evaluation must be done as followed:

(a) First stage – Evaluation of functionality

- (i) Bids must be evaluated in term of the evaluation criteria as embodied in the bid documents. The amendment of evaluation criteria, weights, applicable values and/or the minimum qualifying score for functionality after the closure of bids should not be allowed as this will jeopardize the fairness of the system. A bid is regarded as acceptable if it achieves the prescribed minimum qualifying score for functionality.
- (ii) Bids that fail to achieve the minimum qualifying score for functionality must be disqualified.

(b) Second stage – Evaluation in term of the 80/20 or 90/10 preference point systems

- (i) Only acceptable bids must be evaluated further in term of the 80/20 or 90/10 preference point systems prescribed in Preferential Procurement Regulations 5 and 6.

5. THE 80/20 PREFERENCE POINT SYSTEM FOR THE ACQUISITION OF GOODS / WORKS AND OR SERVICES UP TO A RAND VALUE UP TO R1 MILLION

- 1) (a) The following formula must be used to calculate the points for price in respect of tenders (including price quotations) with a Rand value equal to, or above R30,000 and up to a Rand value of R1,000,000 (all applicable taxes included):

$$Ps = 80 \frac{(1 - Pt - P_{min})}{P_{min}}$$

i. Where

- ii. Ps = Points scored for comparative price of tender /offer under consideration
- iii. Pt = Comparative price of tender /offer under consideration; and
- iv. Pmin = comparative price of lowest acceptable tender /offer.

- (b) The municipality may apply the formula in paragraph 1(a) for price quotation with a value less than R30,000 if and when appropriate:

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- 2) Subject to sub-paragraph 3, points must be awarded to a tenderer for attaining the B-BBEE status level of contributor in accordance with the table below:

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 points may be allocated in accordance with sub-paragraph (2).
 4) The points scored by a tenderer in respect of B-BBEE contribution contemplated in sub-paragraph (2) must be added to the points scored for price as calculated in accordance with sub-paragraph (1).
 5) Subject to paragraph 7, the contract must be awarded to the tenderer who scores the highest total number of points.

**6. THE 90/10 PREFERENCE POINT SYSTEM FOR THE ACQUISITION OF GOODS /
WORKS AND OR SERVICES UP TO A RAND VALUE ABOVE R 1 MILLION**

- (1) The following formula must be used to calculate the points for price in respect of tenders with a Rand value above R1,000,000 (all applicable taxes included):

$$Ps = 90 \frac{(1 Pt - Pmin)}{Pmin}$$

Where

Ps = Points scored for comparative price of tender /offer under consideration;

Pt = Comparative price of tender /offer under consideration; and

Pmin = Comparative price of lowest acceptable tender /offer.

- (2) Subject to sub-paragraph 3, points must be awarded to a tenderer for attaining their B-BBEE status level of contributor in accordance with the table below:

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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 points may be allocated in accordance with sub-paragraph (2).
- (4) The points scored by a tenderer in respect of B-BBEE contribution contemplated in sub-paragraph (2) must be added to the points scored for price as calculated in accordance with sub-paragraph (1).
- (5) Subject to paragraph 7, the contract must be awarded to the tenderer who scores the highest total number of points.

7. AWARDS OF CONTRACTS TO TENDERERS NOT SCORING THE HIGHEST NUMBER OF POINTS

- (1) The Municipality may, in exceptional circumstances, award a contract on reasonable and justifiable grounds, to a tenderer that did not score the highest number of points. The reasons for such a decision must be defensible in a court of law.

8. CANCELLATION AND RE-INVITATION OF TENDERS

- (1) In the event that,
- (a) in the application of the 80/20 preference point system, if all bids received exceed R1 000 000, the bid must be cancelled.
- (b) if one or more acceptable bid(s) received are within the R1 000 000 threshold, all received must be evaluated on the 80/20 preference point system.
- (2) In the event that,
- a) in the application of the 90/10 preference point system, if all bids received are equal to or below R1million, the bids must be cancelled.
- b) if one or more of the acceptable bid(s) received are above the R1 million threshold, all bids received must be evaluated on the 90/10 preference point system.

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- (3) If a bid was cancelled as contemplated in paragraph 1(a) and 2(a), bids must be re-invited and the correct preference point system must be stipulated in the bid documents of the re-invited bid.
- (4) The Municipal Manager may, prior to the award of the bid, cancel the bid if:
- (a) **Due to changed circumstances, there no longer is a need for the service, work or goods requested.** (the Municipal Manager must ensure that only goods, services or works that are required to fulfil the needs of the institution are procured); or
 - (b) **Funds are no longer available to cover the total envisaged expenditure.** (the Municipal Manager must ensure that the budgetary provisions exist prior to inviting bids); or
 - (c) **No acceptable bids are received.** (if all bids received are rejected, the Municipality must review the reasons justifying and consider making revisions to the specific conditions of contract, design and specifications, scope of the contract, or a combination of these, before inviting new bids).
- (5) The decision to cancel a tender in terms of sub-paragraph 4 must be published in the media in which the original tender invitation was advertised.

9. LOCAL PRODUCTION AND CONTENT

9.1 Designated Sectors

- 9.1.1 Bids in respect of services, works or goods that have been designated for local production and content, **must** contain a specific bidding condition that only locally produced goods, services or works or locally manufactured goods with a stipulated minimum threshold for local production and content will be considered.
- 9.1.2 The Municipal Manager must stipulate in bid invitations that the exchange rate to be used for the calculation of local content (local content and local production are used interchangeably) must be the exchange rate published by the SARB at 12:00 on the date, one week (7 calendar days) prior to the closing date of the bid.
- 9.1.3 Only the South African Bureau of Standards (SABS) approved technical specification number SATS 1286:201x must be used to calculate local content. The following formula to calculate local content must be disclosed in the bid documentation:
The local content (LC) as a percentage of the bid price must be calculated in accordance with the SABS approved technical specification number SATS 1286: 201x as follows:

$$[LC] = 1 - \frac{x}{y} \times 100$$

Where

x imported content

y bid price excluding value added tax (VAT)

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Prices referred to in the determination of x must be converted to Rand (ZAR) by using the exchange rate published by the SARB at 12:00 on the date, one week (7 calendar days) prior to the closing date of the bid.

- 9.1.4 For the purpose of paragraphs 7.1.1, 7.1.2 and 7.1.3 above, the SBD / MBD 6.2 (Declaration Certificate for Local Content) must form part of the bid documentation.
- 9.1.5 The Declaration Certificate for Local Content (SBD / MBD 6.2) must be completed and duly signed. The Municipal Manager is required to verify the accuracy of the rates of exchange quoted by the bidder in paragraph 4.1 of this Certificate.

9.2 Non-Designated Sectors

- 9.2.1 Where there is no designated sector, the Municipal Manager **may** decide to include a specific bidding condition that only locally produced goods, services or works or locally manufactured goods with a stipulated minimum threshold for local production and content, will be considered, on condition that such prescript and threshold(s) are in accordance with the specific directives issued for this purpose by the National Treasury in consultation with the DTI.
- 9.2.2 The Municipal Manager must stipulate in bid invitations that the exchange rate to be used for the calculation of local content must be the exchange rate published by the SARB at 12:00 on the date, one week (7 calendar days) prior to the date of closure of the bid.
- 9.2.3 Only the South African Bureau of Standards approved technical specification number SATS 1286:201x as indicated in paragraph 7.1.3 above must be used to calculate local content.
- 9.2.4 For the purpose of paragraphs 7.2.1, 7.2.2 and 7.2.3 above, the SBD / MBD 6.2 (Declaration Certificate for Local Content) must form part of the bid documentation.
- 9.2.5 The Declaration Certificate for Local Content (SBD / MBD 6.2) must be completed and duly signed. The Municipal Manager is required to verify the accuracy of the rate(s) of exchange quoted by the bidder in paragraph 4.1 of this Certificate.

10. B-BBEE STATUS LEVEL CERTIFICATES

- (1) Tenderers with annual total revenue of R5 million or less qualify as Exempted Micro Enterprises (EMEs) in terms of the Broad-Based Black Economic Empowerment Act, and must submit a certificate issued by a registered auditor, Accounting Officer (as contemplated in section 60(4) of the Close Corporation Act, 1984 (Act No. 69 of 1984)) or an accredited verification agency.
- (2) Tenderers other than Exempted Micro-Enterprises (EMEs) 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.

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- (4) The B-BBEE status level attained by the tenderer must be used to determine the number of points contemplated in paragraphs 5(2) and 6(2).

11. CONDITIONS

- (1) Only a tenderer who has completed and signed the declaration part of the tender documentation may be considered.
- (2) The Municipality must, when calculating comparative prices, take into account any discounts which have been offered unconditionally.
- (3) A discount which has been offered conditionally must, despite not been taken into account for evaluation purposes, be implemented when payment is affected.
- (4) Points scored must be rounded off to the nearest 2 decimal places.
- (5) (a) In the event that two or more tenders have scored equal total points, the successful tender must be the one scoring the highest number of preference points for B-BBEE;
(b) however, when functionality is part of the evaluation process and two or more tenders have scored equal points including equal preference points for B-BBEE, the successful tender must be the one scoring the highest score for functionality;
(c) Should two or more tenders be equal in all respects, the award shall be decided by the drawing of lots.
- (6) A trust, consortium or joint venture will qualify for points for their B-BBEE status level as a legal entity, provided that the entity submits their B-BBEE status level certificate.
- (7) A trust, consortium or joint venture will qualify for points for their B-BBEE status level as an unincorporated entity, provided that the entity submits their consolidated B-BBEE scorecard as if they were a group structure and that such a consolidated B-BBEE scorecard is prepared for every separate tender.
- (8) A person must not be awarded points for B-BBEE status level if it is indicated in the tender documents that such a tenderer intends sub-contracting more than 25% of the value of the contract to any other enterprise that does not qualify for at least the points that such a tenderer qualifies for, unless the intended sub-contractor is an exempted micro enterprise that has the capability and ability to execute the sub-contract.
- (9) A person awarded a contract may not sub-contract more than 25% of the value of the contract to any other enterprise that does not have an equal or higher B-BBEE status level than the person concerned, unless the contract is sub-contracted to an exempted micro enterprise that has the capability and ability to execute the sub-contract.

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- (10) A person awarded a contract in relation to a designated sector, may not sub-contract in such a manner that the local production and content of the overall value of the contract is reduced to below the stipulated minimum threshold.
- (11) When the Municipality is in need of a service provided by only tertiary institutions, such services must be procured through a tendering process from the identified tertiary institutions.
- (12) Tertiary institutions referred to in sub-paragraph 11 will be required to submit their B-BBEE status in terms of the specialised scorecard contained in the B-BBEE Codes of Good Practice.
- (13) (a) should the Municipality require a service that can be provided by 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 tendering process;
- (b) public entities will be required to submit their B-BBEE status in terms of the specialised scorecard contained in the B-BBEE Codes of Good Practice.

12. DECLARATIONS

- (1) A tender, must in the manner stipulated in the tender document, declare that –
- (a) the information provided is true and correct;
- (b) the signatory to the tender document is duly authorised; and
- (c) documentary proof regarding any tendering issue will, when required, be submitted to the satisfaction of the Municipality.

13. SALE AND LETTING OF ASSETS

- (1) This Policy is not applicable to the sale and letting of assets.
- (2) In instances where assets are sold or leased by means of a bidding process, the bid must be awarded to the bidder with the highest price.

14. REMEDIES

- (1) Upon detection that the B-BBEE status level has been claimed or obtained fraudulently, or any of the conditions of contract have not been fulfilled, the Municipality must act against the tenderer or contractor.
- (2) In addition to any other remedy it may have the Municipality may:
- (a) disqualify a person from the tendering process;
- (b) recover all costs, losses or damages incurred or suffered as a result of the conduct;
- (c) cancel contract and claim any damages suffered;
- (d) restrict the tenderer or contractor, its shareholders and directors for a period not exceeding 10 years – apply *audi alteram partem* rule; and
- (e) forward the matter for criminal prosecution.

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15. TAX CLEARANCE

- (1) No tender may be awarded to any person whose tax matters have not been declared by the South African Revenue Service to be in order.

16. TRANSITIONAL ARRANGEMENTS

- (1) If a bid was invited in terms of the evaluation criteria prescribed in the Preferential Procurement Regulations, 2001 (prior the date of coming into effect of the Preferential Procurement Regulations, 2011) but will only be evaluated and awarded after the date of coming into effect of the Preferential Procurement Regulations, 2011, the bid must be evaluated and awarded in terms of the evaluation criteria prescribed in the Preferential Procurement Regulations, 2001 and in terms of the conditions contained in the bid documents. Such a bid must be evaluated and awarded as soon as possible but not later than the expiry of the validity dates of the bid.
- (2) The extension of the validity period of such a bid must not be allowed.

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ANNEXURE A

Code of Conduct for Supply Chain Management Practitioners and Other Role Players

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

General Principles

The **Theewaterskloof Municipality** commits itself to a policy of fair dealing and integrity in the conducting of its business. Officials and other role players involved in Supply Chain Management (SCM) are in a position of trust, implying a duty to act in the public interest. Officials and other role players should not perform their duties to unlawfully gain any form of compensation, payment or gratuities from any person, or provider/contractor for themselves, their family or their friends.

Officials and other role players involved in SCM should ensure that they perform their duties efficiently, effectively and with integrity, in accordance with the relevant legislation, policies and guidelines. They should ensure that public resources are administered responsibly.

Officials and other role players involved in SCM should be fair and impartial in the performance of their functions. They should at no time afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual. They should not abuse the power and authority vested in them.

Conflict of interest

An official or other role player involved with Supply Chain Management –

- a) must treat all providers and potential providers equitably;
- b) may not use his or her position for private gain or to improperly benefit another person;
- c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350;
- d) must declare to the Accounting Officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
- e) must declare to the Accounting Officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process, or in any award of a contract by the municipality ;

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- f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
- g) must declare any business, commercial and financial interests or activities undertaken for financial gain that may raise a possible conflict of interest;
- h) should not place him/herself under any financial or other obligation to outside individuals or organizations that might seek to influence them in the performance of their official duties; and
- i) should not take improper advantage of their previous office after leaving their official position.

Accountability

Practitioners are accountable for their decisions and actions to the public. Practitioners should use public property scrupulously. Only Accounting Officers or their delegates have the authority to commit the municipality to any transaction for the procurement of goods and / or services. All transactions conducted by a practitioner should be recorded and accounted for in an appropriate accounting system. Practitioners should not make any false or misleading entries into such a system for any reason whatsoever.

Practitioners must assist the Accounting Officer in combating fraud, corruption, favouritism and unfair and irregular practices in the Supply Chain Management system.

Practitioners must report to the Accounting Officer any alleged irregular conduct in the Supply Chain Management system which that person may become aware of, including:

- a) any alleged fraud, corruption, favouritism or unfair conduct;
- b) any alleged contravention of the policy on inducements, rewards, gifts and favours to municipality officials or other role players; and
- c) any alleged breach of this code of conduct.

Any declarations made must be recorded in a register which the Accounting Officer must keep for this purpose. Any declarations made by the Accounting Officer must be made to the executive mayor who must ensure that such declaration is recorded in the register.

Openness

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

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Confidentiality

Any information that is the property of the municipality or its providers should be protected at all times. No information regarding any bid / contract / bidder / contractor may be revealed if such an action will infringe on the relevant bidder's / contractors personal rights.

Matters of confidential nature in the possession of officials and other role players involved in SCM should be kept confidential unless legislation, the performance of duty or the provisions of law requires otherwise. Such restrictions also apply to officials and other role players involved in SCM after separation from service.

Bid Specification / Evaluation / Adjudication Committees

6.1 Bid specification, evaluation and adjudication committees should implement Supply Chain Management on behalf of the **Theewaterskloof Municipality** in an honest, fair, impartial, transparent, cost-effective and accountable manner.

6.2 Bid evaluation / adjudication committees should be familiar with and adhere to the prescribed legislation, directives and procedures in respect of Supply Chain Management in order to perform effectively and efficiently.

6.3 All members of bid adjudication committees should be cleared by the Accounting Officer at the level of "CONFIDENTIAL" and should be required to declare their financial interest annually.

6.4 No person should-

6.4.1 interfere with the Supply Chain Management system of the municipality or

6.4.2 amend or tamper with any price quotation / bid after its submission.

Combative Practices

Combative practices are unethical and illegal and should be avoided at all cost. They include but are not limited to:

- a) Suggestions to fictitious lower quotations;
- b) Reference to non-existent competition;
- c) Exploiting errors in price quotations / bids;
- d) Soliciting price quotations / bids from bidders / contractors whose names appear on the Register for Tender Defaulters.

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TARIFF POLICY

Approved by Council :

SC22/2016 - 26 May 2016

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TARIFF POLICY

THEEWATERSKLOOF MUNICIPALITY

PREAMBLE

Whereas a tariff policy must be compiled, adopted and implemented in terms of Section 74 of the Local Government: Municipal Systems Act 2000, such policy to cover, among other things, the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements;

And whereas the tariff policy at least should include the principles in section 74(2);

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

Now therefore the Municipal Council of the Theewaterskloof Municipality adopts the following tariff policy.

1. DEFINITIONS

In this tariff policy, unless inconsistency with the context, a word or expressions to which a meaning in the Act has been attached means:-

- 1) **“agricultural consumers”** include but are not limited to- farms, smallholdings and agricultural show grounds;
- 2) **“break even”** occurs where the volume sales are equal to the fixed and variable cost associated with the provision of the service;
- 3) **“charitable and welfare institutions and organisations”** include but are not limited to- any institution managed on a non-profitable basis by a church association or a registered charity organisation for example old age homes, pre-primary schools, care facility for preprimary children, old age facility, homes and/or care facilities for the homeless and children homes;
- 4) **“commercial consumers”** include but are not limited to- business undertakings, shops, offices, liquor stores, supermarkets, public garages, gathering places, nurseries, places of entertainment, service stations, hairdressings salons, banks, hotels, guesthouses, boarding houses and doctor-and dentist consulting rooms;
- 5) **“community service”** are services that the Council has classified as such and the tariffs have been compiled with the intention that the costs of the services cannot be recovered fully from public service charges and are of a regulatory nature;
- 6) **“councillor for financial matters”** the councillor of the municipal council responsible for financial matters;
- 7) **“domestic consumers”** include but are not limited to- residence, group housing, town houses, semi-detached houses, and flats;
- 8) **“economic services”** are services that the Council has classified as such and the tariffs have been compiled with the intention that the total costs of the services are recovered from customers;
- 9) **“educational and communal institutions”** include but are not limited to- schools, colleges, pre-primary schools not operated by a registered charity or welfare organisations, libraries, museums, churches, hospitals, clinics, correctional institutions, school hostels and community halls;
- 10) **“fixed costs”** are costs which do not vary with consumption or volume produced;
- 11) **“geographical areas”** areas identified as such by council due to service backlogs, social circumstances or any other similar reasons;

- 12) **“indigent households”** are households that are registered at the municipality as such and meet the criteria as stipulated in the credit control and debt collection policy and occupying a property within the jurisdiction of the municipality;
- 13) **“industrial consumers”** include but are not limited to- industrial undertakings, factories, warehouses, workshop, scrap yards, stores, wine cellars, abattoir, dairy processing plants and fish markets; or any consumer who’s volume of consumption of municipal services are of such a nature that it does not fall within the ordinary definition of a business consumer
- 14) **“in season”** refers to the period from Western Cape’s September Holidays until Easter Weekend;
- 15) **“lifeline tariffs”** a unit charge calculated by dividing the total cost associated with the service by the volume consumed (units); A special electricity tariff introduced by council aimed at assisting low income earners to reduce electricity bills.
- 16) **“municipal property”** include but are not limited to- all properties registered in the name of the Theewaterskloof Municipality or controlled by the municipality including libraries, museums, and contagious diseases hospital and caravan parks;
- 17) **“resident”** a person who is ordinary resident in the municipal area;
- 18) **“special agreements”** are special tariff agreements entered into with consumers making significant economic contribution to the community and create job opportunities;
- 19) **“sport and recreation facilities”** include but are not limited to- properties used exclusively for sport and recreation purposes including school sport fields which are metered separately for water and electricity consumption and caravan parks;
- 20) **“the Act”**: the Local Government: Municipal Systems Act, 2000 (Act no 32 of 2000);
- 21) **“total cost”** is the sum of all fixed and variable costs associated with a service;
- 22) **“trading services”** Are services that the Council has classified as trading services and the tariffs have been compiled with the intention that the Council makes a profit on the delivery of the services;
- 23) **“two-part tariffs”** are tariffs that are raised to cover the fixed and variable costs separately. The fixed costs are recovered by dividing the total fixed costs by the number of customers per category and the variable costs are recovered by dividing the total variable costs by the volume consumed;
- 24) **“units consumed”** are the number of units consumed of a particular service and are measured in terms of the tariff structure reflected in Section 7;
- 25) **“variable costs”** are costs that vary with consumption or volume produced.

2. PURPOSE OF THIS POLICY

The Theewaterskloof Municipality wishes to achieve the following objectives by adopting this tariff policy.

- (1) To comply with the provisions of section 74 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000).
- (2) To prescribe procedures for calculating tariffs where the municipality wishes to appoint service providers in terms of section 76(b) of the Act.
- (3) To give guidance to the Councillor responsible for finance regarding tariff proposals that must be submitted to Council annually during the budget process.

3. TARIFF PRINCIPLES

In setting its annual tariffs the council shall at all times take due cognisance of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs may have on local economic development.

The Theewaterskloof Municipality wishes to record that the following tariff principles will apply.

Service tariffs imposed by the local municipality shall be viewed as user charges and shall not be viewed as taxes, and therefore the ability of the relevant consumer or user of the services to which such tariffs relate, shall not be considered as a relevant criterion (except in the case of the indigent relief measures approved by the municipality from time to time).

The municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region.

Tariffs for the four major services rendered by the municipality, namely:

- * electricity
- * water
- * sewerage (waste water)
- * refuse removal (solid waste),

shall as far as possible recover the expenses associated with the rendering of each service concerned. The tariff which a particular consumer or user pays shall therefore be directly related to the standard of service received and the quantity of the particular service used or consumed.

The municipality shall, as far as circumstances reasonably permit, ensure that the tariffs levied in respect of the foregoing services further generate an operating surplus each financial year of up to 20%. Such surpluses shall be applied in relief of property rates and for the partial financing of general services or for the future capital expansion of

the service concerned, or both. The modesty of such surplus shall prevent the service tariffs concerned from being viewed as concealed taxes.

The municipality shall develop, approve and at least annually review an indigent support programme for the municipal area. This programme shall set out clearly the municipality's cost recovery policy in respect of the tariffs which it levies on registered indigents, and the implications of such policy for the tariffs which it imposes on other users and consumers in the municipal region.

In line with the principles embodied in the Constitution and in other legislation pertaining to local government, the municipality may differentiate between different categories of users and consumers in regard to the tariffs which it levies. Such differentiation shall, however, at all times be reasonable, and shall be fully disclosed in each annual budget.

The municipality's tariff policy shall be transparent, and the extent to which there is cross-subsidisation between categories of consumers or users shall be evident to all consumers or users of the service in question.

The municipality further undertakes to ensure that its tariffs shall be easily explainable and understood by all consumers and users affected by the tariff policy concerned.

The municipality also undertakes to render its services cost effectively in order to ensure the best possible cost of service delivery.

In the case of directly measurable services, namely electricity and water, the consumption of such services shall be properly metered by the municipality, and meters shall be read, wherever circumstances reasonably permit, on a monthly basis. The charges levied on consumers shall be proportionate to the quantity of the service which they consume.

In addition, the municipality shall levy monthly basic charges for the services concerned, and these charges shall be fixed for each type of property as determined in accordance with the detailed policies set out below. Generally, consumers of water and electricity shall therefore pay two charges: one, relatively minor, which is unrelated to the volume of consumption and is levied because of the availability (which include the fixed cost related to making such service available) of the service concerned; and another directly related to the consumption of the service in question.

In considering the costing of its water, electricity and sewerage services, the municipality shall take due cognisance of the high capital cost of establishing and expanding such services, and of the resultant high fixed costs, as opposed to variable costs of operating these services. The municipality therefore undertakes to plan the management and expansion of the services carefully in order to ensure that both current and reasonably expected future demands are adequately catered for, and that demand levels which fluctuate significantly over shorter periods are also met. This may mean that the services operate at less than full capacity at various periods, and the costs of such surplus capacity must also be covered in the tariffs which are annually levied.

In adopting what is fundamentally a two-part tariff structure, namely a fixed basic charge coupled with a charge based on consumption, the municipality believes that it is properly attending to the demands which both future expansion and variable demand cycles and other fluctuations will make on service delivery.

It is therefore accepted that part of the municipality's tariff policy for electricity services will be to ensure that those consumers who are mainly responsible for peak demand, and therefore for the incurring by the municipality of the associated demand charges from Eskom, will have to bear the costs associated with these charges. To this end the municipality shall therefore install demand meters to measure the maximum demand of such consumers during certain periods. Such consumers shall therefore pay the relevant demand charge as well as a service charge directly related to their actual consumption of electricity during the relevant metering period.

Furthermore the following principles will also apply:

- (1) Free services will only be possible if the National Government pay to the municipality an equitable share subsidy which covers the full costs of the free services.
- (2) All users of municipal services will be treated equitably. The various categories of customers will pay the same charges based on the same cost structure.
- (3) The amount payable by consumers will be in proportion to usage of the service.
- (4) Indigent households must at least have access to basic services through lifeline tariffs or direct subsidisation.
- (5) Tariffs must reflect the total cost of services.
- (6) Within limits, customers should be free to choose from a range of applicable tariffs.
- (7) Tariffs must be set at a level that facilitates the sustainability of services. Sustainability will be achieved by ensuring that:
 - (a) Cash inflows cover cash outflows. This means that sufficient provision for working capital and bad debts will be made.
 - (b) Access to the capital market is maintained. This will be achieved by providing for the repayment of capital, maintaining sufficient liquidity levels and making profits on trading services.
- (8) Provision will be made in appropriate circumstances for a surcharge on a tariff. This will be required during a national disaster and periods of droughts when a restriction of usage is required.
- (9) Efficient and effective use of resources will be encouraged by providing for penalties to prohibit exorbitant use.
- (10) The extent of subsidisation of tariffs will be disclosed.

4. CATEGORIES OF CUSTOMERS

- (1) Separate tariffs structure may be raised for the following categories of customers
 - a) domestic consumers;
 - b) commercial consumers;
 - c) industrial consumers;
 - d) agricultural consumers;
 - e) municipalities;
 - f) consumers with whom special agreements were made;
 - g) consumers in certain geographical areas;
 - h) sport and recreation facilities
 - i) educational and communal institutions; and
 - j) charitable and welfare institutions and organisations.
 - k) Governmental Institution
 - l) Other categories may defined and added to categories should the need arise to further deferentiate during a financial year.
- (2) Where there is a substantial difference between the infrastructure use to provide a service to a specific group of users within a category and/or standard of services provided, the Council can, after the considering a report by the Municipal Manager or the relevant Head of Department, determine differentiated tariffs for the different consumer within the specific category.
- (3) The differentiation must be based on one or more of the following elements; infrastructure costs, volume usage, availability and service standards, where applicable.

5. SERVICE-, EXPENDITURE CLASSIFICATIONS AND COST ELEMENTS

Service classification

- (1) The Chief Financial Officer shall, subject to the guidelines provided by the National Treasury of the Department of Finance and Mayoral Committee of the Council, make provision for the following classification of services.
 - (a) **Trading services**
 - (i) Water.
 - (ii) Electricity.
 - (iii) Camping facilities.
 - (b) **Economic services**
 - (i) Refuse removal.
 - (ii) Sewerage disposal.
 - (c) **Community services**
 - i) Air pollution.
 - ii) Fire fighting services.

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

(d) ***Subsidised services***

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

Expenditure classification

(2) Expenditure will be classified in the following categories.

(a) Subjective classification:

- (i) Employee Related Costs;
- (ii) Remuneration of Councillors;
- (iii) Bad Debts;
- (iv) Collection Costs;
- (v) Depreciation;
- (vi) Repairs and Maintenance;
- (vii) Interest on External Borrowings;
- (viii) Bulk Purchases;
- (ix) Contracted Services;
- (x) Grants and Subsidies paid;

- (xi) General Expenditure;
- (xii) Contributions to fixed assets;
- (xiii) Contributions to funds, reserves & provisions;
- (xiv) Loss on disposal of Property, Plant and Equipment;
- (xv) Less: Inter Departmental Charges; and
- (xvi) Surplus / (Deficit)

(b) **Objective classification:**

- (i) Cost centres will be created to which the costs associated with providing the service can be allocated:
 - a) Function.
 - b) Department.
 - c) Section.
- (ii) The subjective classification of expenditure each with a unique vote will be applied to all cost centres.

Cost elements

- (3) The following cost elements will be used to calculate the tariffs of the different services:
- (i) Fixed costs which consist of the capital costs (interest and redemption) on external loans as well as internal advances and or depreciation whichever are applicable to the service and any other costs of a permanent nature as determined by the Council from time to time.
 - (ii) Variable cost: This includes all other variable costs that have reference to the service.
 - (iii) Total cost: consist of the fixed cost and variable cost.

6. TARIFF TYPES

In determining the type of tariff applicable to the type of service the municipality shall make use of the following five options or a combination of the same.

- (1) **Single tariff:** this tariff shall consist of a cost per unit consumed. All costs will be recovered through unit charges at the level where income and expenditure breaks even. Subject to a recommendation by the Chief Financial Officer the council may decide to approve profits on trading services during the budget meeting. Such profits will be added to the fixed and variable cost of the service for the purpose of calculating the tariffs.
- (2) **Cost related two to three part tariff:** this tariff shall consist of two to three 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. Three part tariffs will be used to calculate the tariff for electricity and to provide for maximum demand and usage during limited demand.

- (3) **Inclining block tariff:** this tariff is based on consumption levels being categorised into blocks, the tariff being determined and increased as consumption levels increase. This tariff will only be used to subsidise free basic services and prohibit the exorbitant use of a commodity.
- (4) **Declining block tariff:** this tariff is the opposite of the inclining block tariff and decreases as consumption levels increase. The first step will be calculated by dividing the fix and variable cost and profit determined by council from time to time by the volume consumed. This tariff will only be used for special agreements.
- (5) **Regulating tariff:** this tariff is only of a regulatory nature and the municipality may recover the full or a portion of the cost associated with rendering the service.

7. TARIFF STRUCTURES AND METHODS OF CALCULATIONS

7.1 CALCULATION OF TARIFFS FOR MAJOR SERVICES

In order to determine the tariffs which must be charged for the supply of the four major services, the municipality shall identify all the costs of operation of the undertakings concerned, including specifically the following:

- * Cost of bulk purchases in the case of water and electricity.
- * Distribution costs.
- * Distribution losses in the case of electricity and water.
- * Depreciation expenses.
- * Maintenance of infrastructure and other fixed assets.
- * Administration and service costs, including:
 - service charges levied by other departments such as finance, human resources and legal services;
 - reasonable general overheads, such as the costs associated with the office of the municipal manager;
 - adequate contributions to the provisions for bad debts and obsolescence of stock;
 - all other ordinary operating expenses associated with the service concerned including, in the case of the electricity service, the cost of

providing street lighting in the municipal area (note: the costs of the democratic process in the municipality – that is, all expenses associated with the political structures of the municipality – shall form part of the expenses to be financed from property rates and general revenues, and shall not be included in the costing of the major services of the municipality).

* The intended surplus to be generated for the financial year, such surplus to be applied as per Council's Accounting Policy:

- as an appropriation to capital reserves; and/or
- generally in relief of rates and general services.
- The cost of approved indigent relief measures.

The municipality shall annually during the budget process decide on the units kWh electricity per month and the kl of water per month to be supplied free of charge to consumers who have registered as indigents in terms of the municipality's indigent relief programme. The municipality shall further consider relief in respect of the tariffs for sewerage and refuse removal for such registered indigents to the extent that the council deems such relief affordable in terms of each annual budget, but on the understanding that such relief shall not be less than a discount of 50% on the monthly amount billed for the service concerned.

Council may approve discounted tariffs for pre-paid meters.

The following tariff structure will, where possible, be used to determine tariffs:

7.1.1 WATER

(a) Tariff structure

(i) Fixed plus rising block tariffs will be applied to all domestic consumers. Rising block tariffs will be applied to all other consumers.

(ii) The following blocks will apply:

Domestic consumers:

- 0 – 6 kl
- > 6 – 15 kl
- > 15 – 30 kl
- > 30 – 40 kl
- > 40 kl

Other/Non-domestic consumers:

- 0 – 30kl
- >30kl – 40kl

> 40kl

Sports Clubs (for irrigation of sports fields only)

0 to 500 kl

>501 kl

Schools

0 - 500kl

➤ 500kl

Proefplaas

0 – 167kl

168 – 222kl

➤ 222kl

(b) Method of calculation

- (i) Approved Indigent Households will receive free water up to 6kl per month at cost
- (ii) The number of users and estimated volume consumed per category will be used to determine the fixed tariff per category.
- (iii) The variable costs or unit charge will be calculated on the following sliding scales:

Domestic consumers:

0– 6 kl

> 6 – 15 kl

> 15 – 30 kl

> 30 – 40 kl

> 40 kl

Other/Non-domestic consumers:

0– 30kl

>30kl – 40kl

> 40kl

Sports Clubs (for irrigation of sports fields only)

0 to 500kl

>500kl

Schools

- 0 - 500kl
- 500kl

Proefplaas

- 0 – 167kl
- 168 – 222kl
- 222kl
- (iv) Where properties are not connected to the water service or can reasonably be connected to the service an availability tariff will be payable. The tariff will be a portional calculation of the deemed fixed cost.

- (c) Tariff structure and method of calculation “leiwaterr” maintenance
 Leiwaterr Fixed amount per minute per year

7.1.2 ELECTRICITY

a) Price policy

Council decided on the following basis for determining electricity tariffs:

- Prices shall be determined in line with the nationally approved Electricity price policy.
- The level of tariffs shall be determined in such a way that the total electricity revenue shall cover the total cost of electricity provision, including the following:
 - The purchase cost plus any own generating costs.
 - The maintenance costs of the network.
 - The client services and administration involved in providing electricity services.
 - The necessary provisions such as bad debts, accumulated leave, etc.
 - Provision for capital for the expansion of the network and upgrading of the current outdated assets.
 - All services delivered by external parties or any other department of the Municipality in respect of electricity.
 - Minus any services delivered to other parties.
 - Plus a surcharge on electricity as contribution to municipal rates relief.
- The individual tariffs shall be determined as follows:

- In respect of individual level and structures, tariffs shall as far as possible cover the structure and level of costs of provision:
 - Basic charges to cover the fixed monthly costs.
 - Capacity or maximum demand charges to cover network costs plus partial surplus.
 - Energy charges to cover energy costs per time of consumption plus partial surplus.
- Tariff categories shall be charged according to the various client types, which shall primarily be determined by cost of provision and metering considerations.
- Provision for subsidising the poor shall be made as follows:
 - Clients who are willing to have their capacity restricted to 20
 - Ampère and who have been supplied with a prepaid meter.
 - The tariff shall have only one energy charge without any basic charge or capacity charge.
 - The energy rate shall be lower than the regular cost-reflective tariffs. The lower tariff will be applicable to the first 350 kWh minus the free 70 kWh in the case of an indigent
- Council shall continue to maintain a list of indigents. These clients would have to comply with the conditions for subsidised tariffs after which they will receive 70 kWh/m (or as may be determined from time to time) free of charge, which shall be covered from the Equitable Share.
- Clients may be supplied with prepaid meters according to the policy as may be determined from time to time and the tariff shall be independent of the type of meter.
- The financial impact (loss) of subsidisation of the poor shall be borne by all electricity clients as an equal c/kWh surcharge.
- The tariffs shall be submitted to NERSA for approval. If NERSA's approval is not in line with National and Council policy, Council shall appeal against the decision.

b) Tariffs

Council sets the following tariffs:

TARIFF	COMPONENT METERING UNITS			
	Basic charge R/ Consumer / Month	Energy charge (c/kWh)	Time of energy consumption charges	Maximum demand/ capacity charges (R/kVA/month)
Single Tariff (energy costs only)		X		
Two-part Tariff (Basic & energy)	X	X		
Time of use Tariff	X		X	X

c) Single tariff (energy cost only)

This tariff is suitable for households and small business consumers.

- One part Pre-paid domestic Tariff
- Life line tariff: Prepaid limited to 20 Amps
- One part Pre-paid tariff for business consumers up to 20 ASF

d) Two-part tariff

This tariff is suitable for household consumers and business consumers.

- The basic charge must cover the estimated fixed client costs.
- Currently, the network, energy and surplus must be covered by the energy charge.

e) Time of use tariff

This tariff is suitable for larger clients. It is not only the most cost-reflective tariff, but also offers clients the opportunity of moving loads to cheaper times, thereby reducing their accounts. This tariff is available for clients ≥ 50 kVa and compulsory for clients ≥ 100 kVa. New clients ≥ 500 kVa to be on Time of use tariff Medium Voltage

- The basic charge must cover the estimated fixed client costs.
- The capacity charge covers the estimated indivisible portion of the network costs. The charge is calculated on the greatest of the reported demand or the recorded maximum demand.
- The maximum demand charge receives the joint portion of the network costs plus partial surplus and is calculated on the highest demand recorded in each month.

- The energy charges cover the purchase cost and the rest of the surplus. The energy charges are determined on Eskom's purchase costs per time of consumption period plus the same c/kWh surcharge for all the periods.
 - The reactive energy charge is determined to cover the Eskom reactive energy charge as well as to send a price signal to council's clients to uphold their labour factor.
- f) Where properties are not connected to the electricity service but can reasonably be connected to the service, an availability tariff will be payable. The tariff will be a proportional calculation of the deemed fixed cost.

7.1.3 REFUSE REMOVAL

- (a) Tariff structure
- (i) Removals per week.
 - 1 Containers per week (volume)(240 litre)(1,1m³)
 - 2 Establish dumping site rehabilitation reserve fund.
- (b) Method of calculation
- (i) The costs per unit of measurement will be determined by dividing the total costs of the service by the total number of users. The total cost of the service includes the removal cost plus the operating cost associated with the service. A cost per month will be calculated for domestic consumers based on the number of removals per week.
 - (ii) The cost associated with the removal of bulk containers will be determined by calculating how many of the smallest removal units will be absorbed by a specific container.
 - (iii) Calculation for Capital Reserve Fund Purposes to be based as follow:
 - Projected rehabilitation cost amounts to be projected to dump site life- span e.g. years
 - Determine funding to be made from annual contributions to Reserve Fund at end of dump site life and capital funding to be made available from loans
 - identify or define quantity of current users to contribute to projected amount for contribution.
 - Calculate monthly/annual tariff using above information to make provision for contributions towards cash funded reserve only i.e. taking non-payment into consideration.
 - (iv) After council has consulted with owners or occupiers of commercial and industrial undertakings which do not make use of the standard black bags

or mass containers tariffs will be determined based on the estimated volume that will be removed per month.

- (v) Private dumping at the disposal site will be allowed after a tariff based on the estimated volume of the dumping has been paid.
 - (vi) A refuse removal tariff will be raised and is payable by all owners or occupiers of each developed property connected to the water and electricity distribution network of the council or any other service provider or those who have applied to be connected whether such owner or occupier uses the refuse removal service or not or those who are not connected to the distribution networks to whom a refuse removal service is rendered on request.
 - (vii) No refuse removal tariffs will be raised in Tesselaarsdal, except where refuse removal is requested in writing.
- (c) Where properties can make use of a refuse removal service an availability tariff will be payable. The tariff will be a proportional calculation of the deemed fixed cost.

7.1.4 SEWERAGE/EMPTYING OF CONSERVANCY TANKS

- (a) Unit of measurement
 - (i) Number of toilet pans or urinals.
 - (ii) Tanker load.
 - (iii) per half an hour or part thereof
- (b) Method of calculation
 - (i) Properties used for residential purposes will pay a fixed tariff per month irrespective of the number of toilet pans or urinals, such fixed tariff will also be applicable where no municipal sewerage network exists. This tariff will entitled owners of conservancy tanks to one removal per month.
 - (ii) All other categories (excluding industrial consumers) will pay a variable cost based on the number of toilet pans or urinals and the variable cost allocated to that particular category.
 - (iii) Residential properties, business premises and farms where no municipal sewer network exists shall pay a tariff per half-hour (30 minutes) or portion thereof.

- (iv) Tariffs for the treatment of industrial effluent will be calculated according to the following formula: $R = V [(A + B) + 10^{-3} Cs]$

Where

R is the amount in cents due to the Council per cycle;

V equals the total volume of industrial effluent discharged from the premises during the cycle concerned in kiloliters;

A is the capital cost (depreciation) plus maintenance costs for the cycle concerned on the sewage treatment works, divided by the total flow in M^3 received at the works during the cycle, (in cents. M^3);

B is the capital cost (depreciation) plus maintenance costs for the cycle concerned on the pipe system as used by the consumer, divided by the total flow for the cycle (in cents/ M^3);

C is the cost of treating on kl of sewage (in cents/ M^3), and

S is the average chemical oxygen demand in (mg/1) measured on the industrial effluent during the cycle.”

- (c) Industrial consumers will pay an ordinary sewage tariff, calculated on the same basis as business sewage plus an additional amount for the treatment of their industrial effluent
- (d) Where properties are not connected to the sewerage service or can reasonably be connected to the service an availability tariff will be payable. This will be a proportional calculation of the deemed fixed cost.
- (e) That sewerage blockages be effected free of charge at indigent households.
- (f) That sewer blockages at non-indigent households be effected before payment. If the household is unable to pay in advance, the account must be debited with such charges.

7.2 CALCULATION OF MINOR TARIFFS

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

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

The following services shall be considered as subsidised services, and the tariffs levied shall cover 50% or as near as possible to 50% of the annual operating expenses budgeted for the service concerned:

- burials and cemeteries
- rentals for the use of municipal sports facilities

The following services shall be considered as community services, and nominal tariffs shall be levied for their use:

- municipal swimming pool
- municipal museum and art gallery
- disposal of garden refuse at the municipal tip site
- municipal reference library
- municipal lending library
- municipal botanical garden, and all other parks and open spaces.

The following services shall be considered as economic services, and the tariffs levied shall cover 100% or as near as possible to 100% of the budgeted annual operating expenses of the service concerned:

- maintenance of graves and garden of remembrance (cremations)
- housing rentals
- rentals for the use of municipal halls and other premises (subject to the proviso set out below)
- building plan fees
- sales of plastic refuse bags
- sales of refuse bins
- cleaning of stands
- electricity, water, sewerage: new connection fees
- sales of livestock and plants
- photostat copies and fees
- clearance certificates
- removal of garden and other refuse

- town planning applications
- Camp-site tariffs

Council may annually during the budget process determine a different tariff for hall rentals depending on the purpose of the rental or the organization by which it is rented by.

Penalty charges for the submission of dishonoured debit orders and direct deposits. All costs charged to the municipality will be charged to the default consumer.

The following charges and tariffs shall be considered as regulatory or punitive, and shall be determined as appropriate in each annual budget:

- fines for lost or overdue library books
- advertising sign fees
- pound fees
- internal legal fees (75% of magistrates fees)
- electricity, water: disconnection and reconnection fees
- penalty and other charges imposed in terms of the approved policy on credit control and debt collection
- penalty charges for the submission of dishonoured, stale, post-dated or otherwise unacceptable cheques, debit orders and direct deposits.
- fleamarket stands
- traffic pound and storage charges
- traffic escort services
- parking fees

Market-related rentals shall be levied for the lease of municipal properties.

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

(a) Tariff structure:

The unit of measurement as reflected in the separate list of tariffs approved annually will be used to determine regulatory community and subsidised services.

(b) Method of calculation

These tariffs will be adjusted annually by increasing the tariff that applied during the previous financial year by a percentage increase as determined by the majority councillors present at the meeting where the budget is approved.

8. NOTIFICATION OF TARIFFS, FEES AND SERVICE, CHARGES

- (1) The council will give notice of all proposed tariffs considered at the annual budget meeting (where the draft was tabled) 10 working day succeeding the date of such a meeting.
- (2) A notice stating the purport of the council resolution, date on which the new tariffs shall become operational and invitation for objections will be displayed by the municipality at a place installed for that purpose.
- (3) All tariffs approved must be considered at the annual budget meeting.
- (4) A resolution levying rates in a municipality will be promulgated by publishing in the Provincial Gazette.
- (5) Notification of outcome of objections and furnishing of reasons:
Tariffs according work done in terms of S53 of the MPRA:
Prescribed fees will be calculated on the actual cost of the Valuer cost plus 15% administration fee.

9. IMPLEMENTING AND PHASING IN OF THE POLICY

- (1) The principle contained in this policy will be reflected in the various budget proposals submitted to council on an annual basis, service bylaws as promulgated and adjusted by Council from time to time and the tariff by-laws referred to in section 75 of the Act.
- (2) The council may determine conditions applicable to community service of a regulatory nature. These conditions will be reflected in the standing orders of council.

10. SHORT TITLE

This policy is the Tariff Policy of the Theewaterskloof Municipality.

11. ADJUSTMENT OF ACCOUNTS

Where incorrect debits were raised, the accounts under query will be rectified for the current financial year and two preceding years.

12. CHARGING OF INTEREST ON ARREAR ACCOUNTS

Interest to be calculated at PRIME Rate plus 1%, becomes owing and payable on any balance which is outstanding after the expiry date specified in any account. A portion of a month will be deemed to be a full month.

13. SERVICES DEPOSITS

A consumer deposit will be required for every new service agreement. The deposit will be calculated as follow:

- to include the basic fees of sewerage and refuse to be charged on a monthly basis to this account for two (2) months
- in the case of conventional (Read) meters the expected consumption for water and/or electricity for two months
 - (i) Household (20 kl) electricity (500kwh)
 - (ii) Businesses as per comparable business or upon advice from Technical Services
- The deposit to be accepted as a general municipal services deposit and will not be service specific
- Cash and bank guarantees acceptable as service deposits.

14. LEGAL REQUIREMENTS

SECTION I: WATER SERVICES ACT NO. 108 OF 1997

SECTION 10: NORMS AND STANDARDS FOR TARIFFS

A municipality, in its capacity as a water services institution, must apply a tariff for water services which is not substantially different from any norms and standards which the Minister of Water Affairs and Forestry, with the concurrence of the Minister of Finance, has prescribed in terms of the present Act.

SECTION 21: BY-LAW

A municipality, in its capacity as water services authority, must make by-laws which contain conditions for the provision of water services, and which provide for at least the following (inter-alia):

- the standard of the services;
- the technical conditions of supply, including quality standards, units or standards of measurement, the verification of meters, acceptable limits of error and procedures for the arbitration of disputes relating to the measurement of water services provided;
- the determination and structure of tariffs in accordance with Section 10 of the present Act.

If the municipality, in its capacity as water services authority, has imposed conditions under which water services are provided, such conditions must be accessible to consumers and potential consumers.

If the municipality, in its capacity as water services authority, provides water for industrial use, or controls a system through which industrial effluent is disposed of, it must make by-laws providing for at least the following:

- the standards of the service;
- the technical conditions of provision and disposal;
- the determination and structure of tariffs.

SECTION II: LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT NO. 32 OF 2000

SECTION 74: TARIFF POLICY

The council of a municipality must adopt and implement a tariff policy on the levying of fees for the services provided by the municipality itself or by way of service delivery agreements.

Such policy must comply with the provisions of the present Act and any other applicable legislation.

Such tariff policy must reflect at least the following principles:

- that users of municipal services must be treated equitably in the application of the municipality's tariffs;
- that the amount individual users pay for services must generally be in proportion to the use of such services;
- that poor households must have access to at least basic services through tariffs which cover only operating and maintenance costs, special tariffs or lifeline tariffs for low levels of use or consumption of services or for basic levels of services, or any other direct or indirect method of subsidisation of tariffs for poor households;
- that tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges;
- that tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidisation from sources other than the service concerned;
- that provision may be made in appropriate circumstances for a surcharge on the tariff for a service;
- that provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;

- that the economic, efficient and effective use of resources, the recycling of waste, and other appropriate environmental objectives must be encouraged;
- that the extent of subsidisation of tariffs for poor households and other categories of users must be fully disclosed.

The tariff policy may differentiate in respect of services, service standards, service providers and other matters between different categories of users, debtors or geographical areas.

If the policy entails such differentiation, the municipality must ensure that this does not amount to unfair discrimination.

SECTION 73: GENERAL DUTY

The municipality must give effect to the provisions of the Constitution, and in doing so give priority to the basic needs of the local community, promote the development of the local community, and ensure that all members of the local community have access to at least the minimum level of basic municipal services.

The services provided by the municipality must be: equitable and accessible; provided in a manner conducive to the prudent, economic, efficient and effective use of available resources, and the improvement of standards of quality over time; financially sustainable; environmentally sustainable; and regularly reviewed with a view to upgrading, extension and improvement.

SECTION 75: BY-LAWS TO GIVE EFFECT TO POLICY

The council of the municipality must adopt by-laws to give effect to the implementation and enforcement of its tariff policy.

Such by-laws may differentiate in respect of services, service standards, service providers and other matters between different categories of users, debtors or geographical areas, but in a manner which does not amount to unfair discrimination.

Policy Amendments

Final Budget 2016-2017

26 May 2016

Council Resolution: SC22/2016

(1) Funding & Reserve Policy

2. SECTION A: FUNDING POLICY

2.6 FUNDING THE OPERATING BUDGET

2.6.2 GENERAL PRINCIPLE WHEN COMPLYING THE OPERATING BUDGET

Currently read as:

- (h) Employee Related Costs** include contributions to non-current and current employee benefits. It is acknowledged that the non-current benefits' requirements are well above the initial cash capabilities of the municipality, and it is therefore determined that provision for the short term portion of employee benefits, as well as an Operating Surplus calculated at 5% of the prior year balance of the long-term benefits, be included in the operating budget, in order to build sufficient cash for this requirements. The cash portion of the employee benefits must be accounted for in an "Employer Benefits Reserve".

Recommend:

- (h) Employee Related Costs** include contributions to non-current and current employee benefits. It is acknowledged that the non-current benefits' requirements are well above the initial cash capabilities of the municipality, and it is therefore determined that consideration must be given subjects to affordability and budget constrains provision for the short term portion of employee benefits, as well as an Operating Surplus calculated at 5% of the prior year balance of the long-term benefits, be included in the operating budget, in order to build sufficient cash for this requirements. The cash portion of the employee benefits must be accounted for in an "Employer Benefits Reserve".

Currently read as:

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

In order to ensure a sufficient accumulation of cash for the replacement of Property, Plant and Equipment and Intangible Assets, the amount of depreciation on assets funded from own sources, excluding assets funded from grants, public

contributions and external loans must be reflected as a surplus on the cash flow budget.

Recommend:

Delete

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

~~In order to ensure a sufficient accumulation of cash for the replacement of Property, Plant and Equipment and Intangible Assets, the amount of depreciation on assets funded from own sources, excluding assets funded from grants, public contributions and external loans must be reflected as a surplus on the cash flow budget.~~

Currently read as:

j) Contributions to Provisions (non-current and current) do not form part of the cash flow. It is however, necessary to provide for an increase in cash resources in order to comply with the conditions of the provision at the time when it is needed.

It is therefore a requirement that the contribution to current provisions, as well as 20% of the prior year balance of the non-current provision, is budgeted as cash surpluses until the necessary funding level is obtained.

Recommend:

j) i) Contributions to Provisions (non-current and current) do not form part of the cash flow. It is however, necessary to provide for an increase in cash resources in order to comply with the conditions of the provision at the time when it is needed.

It is therefore a requirement that **consideration must be given subjects to the affordability and budget constrains**, the contribution to current provisions, as well as 20% of the prior year balance of the non-current provision, is budgeted as cash surpluses until the necessary funding level is obtained.

2.8

FUNDING COMPLIANCE MEASUREMENT

Currently read as:

2.8.5 SURPLUS/DEFICIT EXCLUDING DEPRICIATION OFFSETS

It is almost certain that the Operating Budget, which includes depreciation charges on assets funded by grants and public contributions, as well as on revalued assets, will result in a Deficit.

As determined elsewhere in this policy *it is not the intention that the users of the assets funded from grants, public contributions and revaluations must be burdened with tariff increases to provide for such depreciation charges.* In order to ensure a **“Balanced”**

Budget but excluding such depreciation charges, the depreciation charges must be offset against the net surplus / deficit.

Should the budget result in a deficit after the offsetting, the budget will be deemed unfunded and must be revised.

Recommend:

Delete

2.8.5 SURPLUS/DEFICIT EXCLUDING DEPRICIATION OFFSETS

It is almost certain that the Operating Budget, which includes depreciation charges on assets funded by grants and public contributions, as well as on revalued assets, will result in a Deficit.

As determined elsewhere in this policy it is not the intention that the users of the assets funded from grants, public contributions and revaluations must be burdened with tariff increases to provide for such depreciation charges. In order to ensure a “**Balanced**” **Budget** but excluding such depreciation charges, the depreciation charges must be offset against the net surplus / deficit.

Should the budget result in a deficit after the offsetting, the budget will be deemed unfunded and must be revised.

Currently read as:

2.8.6 PROPERTY RATES/SERVICE CHARGE REVENUE%INCREASE LESS MACRO INFLATION TARGET

The intention of this indicator is to ensure that tariff increases are in line with macro-economic targets, but also to ensure that revenue increases for the expected growth in the geographic area is realistically calculated.

The formula to be used is as follows:

	DESCRIPTION	PROPERTY RATES	SERVICE CHARGES	TOTAL
A	New Year Revenue Budget	R XX	R XX	R XX
B	Less: Revenue of prior year	R XX	R XX	R XX
C	=Revenue Increase/Decrease	R XX	R XX	R XX
D	% Increase/(Decrease)	C/B %	C/B %	C/B %
E	Less: Upper Limit of Macro Inflation Target	%	%	%
F	=Growth in Excess of Inflation Target	%	%	%
G	Less: Expected Growth %	%	%	%
H	=Increase attributed to Tariff Increase above Macro Inflation Target	%	%	%

In the event that the percentage in (H) above is greater than 0, a proper motivation must accompany the budget at submission, or the budget must be revised.

2.8.7 CASH COLLECTION % RATE

The object of the indicator is to establish whether the **Projected Cash to be Collected** is realistic and complies with section 18 of the M.F.M.A.

The **Collection Rate** for calculating the provision for impairment of receivables must be based on past and present experience. Past Experience refers to the collection rates of the prior years and Present Experience refers to the collection rate of the current financial year as from 1 July, as well as the current financial year as from 1 January.

It is not permissible to project a collection rate higher than the rates currently being obtained, even if the municipality recently approved a debt collection policy or implemented additional debt collection measures. Any improvement in collection rates during the budget year may be appropriated in an Adjustment Budget.

2.8.8 DEBT IMPAIRMENT EXPENSE % OF BILLABLE REVENUE

This indicator provides information whether the **Contribution to the Provision for Impairment of Receivables** is adequate. In theory it should be equal to the difference between 100% and the cash collection rate, but other factors such as past performance might have an influence on it. Any difference, however, must be motivated in the budget report.

2.8.9 CAPITAL PAYMENTS % OF CAPITAL EXPENDITURE

This indicator provides information as to the Timing for Payments on capital projects and utilising allowed payment terms.

2.8.10 BORROWING AS A % OF CAPITAL EXPENDITURE (EXCLUDING GRANTS AND CONTRIBUTIONS)

This indicator provides information as to compliance with the M.F.M.A. in determining borrowing needs. The Accounting Officer must ensure that the Municipality's Debt Management Policy is being complied with.

2.8.11 GRANTS REVENUE AS A % OF GRANTS AVAILABLE

In order to ensure that the budget contains all grants available, this indicator must be calculated. The percentage may never be less than 100% and the recognition of expected unspent grants at the current year-end as revenue in the next financial year must be substantiated in a report.

2.8.12 CONSUMER DEBTORS CHANGE (CURRENT AND NON - CURRENT)

The object of the indicators is to determine whether budgeted reductions in outstanding debtors are realistic.

Non-current Debtors should include debtors where arrangements for payment over an extended period of time were made.

An unacceptable high increase in either current- or non-current debtors' balances should be investigated and acted upon.

2.8.13 REPAIRS AND MAINTANCE EXPENDITURE LEVEL

It is of utmost importance that the municipality's Property Plant and Equipment be maintained properly, in order to ensure sustainable service delivery. The budget should allocate sufficient resources to maintain assets and care should be exercised not to allow a declining maintenance program in order to fund other less important expenditure requirements.

Similarly, if the maintenance requirements become excessive, it could indicate that a capital renewal strategy should be implemented or reviewed.

As a general benchmark the Maintenance Budget should be between 5% and 8% of the asset values.

2.8.14 ASSET RENEWAL/REHABILITATION EXPENDITURE LEVEL

This indicator supports further the indicator for repairs and maintenance.

The Accounting Officer must, as part of the capital budget, indicate whether each project is a new asset or a replacement/renewal asset in order to determine whether the renewal program is sufficient or needs revision.

2.8.15 FINANCIAL PERFORMANCE BUDGET

Although it is not a legal requirement that the financial performance budget should balance, it only makes management sense that it should balance.

A number of line-items influence the net result of the financial performance budget. It includes capital grant revenue, depreciation charges including those where assets were funded from grants and public contributions, unamortised discounts and gains/losses on the disposal of Property Plant and Equipment. These items need to be taken into consideration in order to establish if the operating budget is realistic and credible.

2.8.16 FINANCIAL POSITION BUDGET

This indicator provides an overall view of the **Projected Financial Position** over the periods of the Medium Term Expenditure framework, including movements in inventory and payables.

2.8.17 CASH FLOW BUDGET

A **Positive Cash Flow** is a good indicator of a **Balanced Budget**, as well as the ability of the municipality to meet its future commitments.

The **Cash Flow Budget**, however, does not include those items such as contributions to the provisions described elsewhere in this policy, the effect of depreciation charges etc, and care must be taken not to let a projected positive cash inflow lead to additional

expenditure requests, without taking the requirements of those items into consideration.

Recommend:

- 2.8.6 Change 2.8.5
- 2.8.7 Change 2.8.6
- 2.8.8 Change 2.8.7
- 2.8.9 Change 2.8.8
- 2.8.10 Change 2.8.9
- 2.8.11 Change 2.8.10
- 2.8.12 Change 2.8.11
- 2.8.13 Change 2.8.12
- 2.8.14 Change 2.8.13
- 2.8.15 Change 2.8.14
- 2.8.16 Change 2.8.15
- 2.8.17 Change 2.8.15

(2) Credit Control & Debt Collection Policy

9. Action against non-payment or defaulters

Currently read as:

9.2.2 However, within seven (7) calendar days after each monthly due date for payment of municipal accounts for property rates and/or service charges, the municipal manager shall send out to every defaulting accountholder, that is, every accountholder who as at the date of the notice not paid the monthly account in full or has not made an acceptable arrangement with the municipal manager for partial or late payment, a notice stating that unless full payment is received or an acceptable arrangement made with the municipal manager for partial or late payment, the municipal water and electricity supply of the property to which the account in arrears relates, shall be terminated or restricted seven (7) calendar days after the date of the notice for residential properties and 48 hours for businesses. Disconnections/restrictions will not be affected on Friday to Sunday or any day on / before a Public Holiday.

Recommend:

9.2.2 However, within seven (7) calendar days after each monthly due date for payment of municipal accounts for property rates and/or service charges, the municipal manager shall send out to every defaulting accountholder, that is, every accountholder who as at the date of the notice not paid the monthly account in full or has not made an acceptable arrangement with the municipal manager for partial or late payment, a notice stating that unless full payment is received or an acceptable arrangement made with the municipal manager for partial or late

payment, the municipal water and electricity supply of the property to which the account in arrears relates, shall be terminated or restricted seven (7) calendar days after the date of the notice for residential properties and 48 hours for businesses. Disconnections/restrictions will not be affected on Friday to Sunday or any day on / before a Public Holiday. **It shall be specifically recorded that the water connection for residential consumers shall not be disconnected, instead it will be restricted.**

Currently read as:

9.3.1.3 If a debtor's account is in arrears for more than 30 days, water and electricity will be restricted (or disconnected where appropriate) to the minimum level (where appropriate) as approved by municipality in the budget for the year

Recommend:

9.3.1.3 If a debtor's account is in arrears for more than 30 days, water and electricity will be restricted (or disconnected where appropriate) to the minimum level (where appropriate) as approved by municipality in the budget for the year **It shall be specifically recorded that the water connection for residential consumers shall not be disconnected, instead it will be restricted.**

Currently read as:

9.5 Legal action

- 9.5.1 The issuing of letter of demand to defaulters is the beginning of a legal process and payments for amounts outstanding can only be made to the municipality.
- 9.5.2 It is important that legal action be instituted against defaulters when the credit control section was unsuccessful with the collection process. The legal process (including judgement and execution of firstly moveable and thereafter immoveable assets) will be followed against defaulters who do not respond to letters of demand.
- 9.5.3 In any event, if water and electricity services have been terminated or restricted in the case of a property in respect of which the account is in arrears, and the account holder has not paid such arrears, including the interest raised on such account, or made an acceptable arrangement with the municipal manager for the payment of the account in arrears, including the interest raised on such account, within a period of 28 (twenty eight) calendar days after the date of termination or restriction of the service(s) concerned, the municipal manager shall forthwith institute legal action.

Recommend:

9.5.4 If accounts are handed over for collection to an external Attorney, the debtor will be responsible for all legal costs to the Municipality.

(3) POLICY ON THE WRITING-OFF OF IRRECOVERABLE DEBT

Currently read as:

NOTICE

INTEREST WRITE-OFF INCENTIVE ON SETTLEMENT OF DEBTS

Council has resolved, as a gesture of goodwill, to write-off interest on Arrear Debts, subject to the following conditions:

CONDITIONS:

- Only interest accumulated up to 31 March 2014 will qualify for the incentive.

Recommend:

Delete

- Only interest accumulated up to 31 March 2014 will qualify for the incentive.

(4) Indigent Policy

Chapter 2: Indigent policy

4. Extent of support

Currently read as:

4.6 If a prepaid meter is installed at low-cost housing schemes, no deposit or connection fees for water are payable.

Recommend:

4.6 If a prepaid meter is installed at low-cost housing schemes, no deposit or connection fees for water (and electricity) are payable.

6. Application for support

Currently read as:

6.2 The application form is to contain, inter alia, the following important information

6.2.1 details of the account holder

6.2.2 proof of total household income (income as defined by SARS as well as pension grant)

- 6.2.3 identification documents;
- 6.2.4 certificate from bank may be requested; and
- 6.2.5 number and names of dependants (proof may be requested).

Recommend:

Insert

6.2.6 Uncompleted forms will not be accepted.

(5) Asset Management Policy

Currently read as:

The Chief Financial Officer will establish a system to ensure that each moveable asset bears a unique identification number/ barcode which shall be recorded in the asset register.

The Chief Financial Officer will establish a system to ensure that each moveable asset bears a unique identification number/ barcode, **where possible and practical**, which shall be recorded in the asset register.

(6) Tariff Policy

- **Attached as annexure**

(7) Supply Change Management Policy.

- **Attached as annexure**

