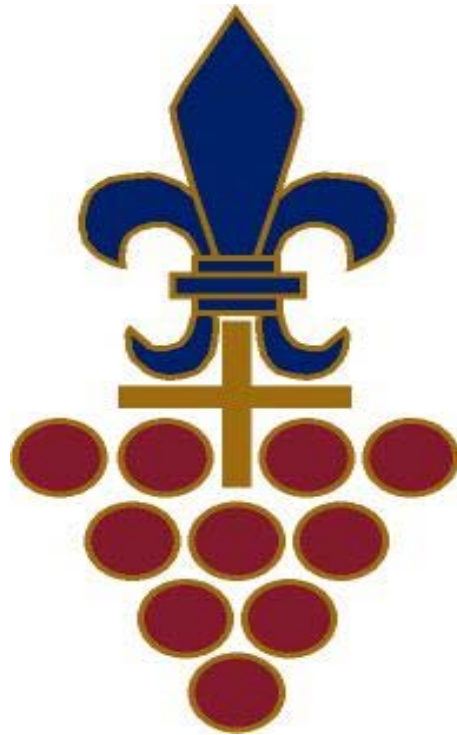


STELLENBOSCH MUNICIPALITY



**WARD ALLOCATION
POLICY**

2020/2021



STELLENBOSCH MUNICIPALITY

WARD ALLOCATION POLICY

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1. INTERPRETATION

1.1. Acronyms

“IDP”	-	Integrated Development Plan
“SDBIP”	-	Service Delivery and Budget Implementation Plan
“EPWP”	-	Expanded Public Works Programme

1.2. Definitions

“**Capital budget**” is expenditure relating to the purchase, upgrade or refurbishment of a Council asset (property, plant and/or equipment);

“**Town / municipality**” means the Greater Stellenbosch also known as WC024, a local municipality established in terms of section 12 of the Local Government Municipal Structures Act (Act 117 of 1998)

“**Municipal Manager**” means the accounting officer of the municipality of Stellenbosch, appointed in terms of section 54A of the Local Government: Municipal Systems Act (Act No. 32 of 2000) being the head of administration and accounting officer in terms of section 55 of the Local Government: Municipal Systems Act (Act No. 32 of 2000);

“**Council**” means the municipal Council of Stellenbosch Municipality;

“**Councillor**” means a member of the Council of the Stellenbosch Municipality;

“**Lead directorate**” is the directorate whose core business encompasses the ward allocation project, which is the dominant user or beneficiary of the outcome of the ward allocation project and which accepts responsibility and ownership of the ward allocation project;

“**Legacy project**” is a project that is executed in a financial year and of which the benefits to the community continues into the future;

“**User Department**” is the department whose core business encompasses the ward allocation project, which is the dominant user or beneficiary of the outcome of the ward allocation project and which accepts responsibility and ownership of the ward allocation project;

“**Operating budget**” refers to expenditure, other than capital, in respect of Council activities and includes repairs and maintenance of Council assets;

“**Ukey**” refers to a unique numerical key consisting of 7 segments describing the allocation of funds. All budget items must be linked to a Ukey.

“Veriment” refers to the administrative process required to request and approve the transfer of funds from one cost centre to another. Apart from re-allocation of funds through the adjustment budget, transfer of funds can only be done between cost centres within a directorate.

“Ward committee” means a committee that has been established for each ward in terms of section 73 of the Local Government: Municipal Structures Act (Act No. 117 of 1998);

“Ward project” a project identified by the ward councillor in line with the identified IDP needs, in consultation with the ward committee and financed by the ward allocation;

2. INTRODUCTION

The Republic of South Africa Constitution, 1996 requires the Municipality to encourage the public participation of community members and community organizations in the matters of local government. The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) (“Structures Act”) provides for the establishment of ward committees as formal mechanisms to give effect to this Constitutional obligation. Ward committees play a vital role in bridging the gap between the Community, the Municipality and its Council and also play an important role in:

- a) Enhancing participatory democracy;
- b) Neighbourhood and ward based planning including the encouragement of communities to take charge of their own livelihoods;
- c) Assisting the Municipality in service delivery improvement;
- d) Assisting in the economic empowerment of communities;
- e) Enhancing local democracy and accountability;
- f) Enhancing social cohesion, nation building and integration of communities across class, race, culture

Along with many other responsibilities the Municipality provide support to the Councillors and Ward Committees through the Ward Allocation policy. The policy intends to establish uniform rules and regulations in the identification, planning and implementation of ward projects. It will further encourage accountability and regulate all administrative processes in the execution phases.

3. POLICY OBJECTIVE

- 3.1. The objective of the Ward Allocations Policy is to create opportunities for Councillors to identify ward projects in line with the identified IDP needs, with the support of their Ward Committees, which would improve the quality of living in all wards. These projects would need to fit into the basket of

services of the relevant User Department and must comply with the following:

- 3.1.1. Local Government's mandate;
 - 3.1.2. Council policies;
 - 3.1.3. Support the pillars and objectives of the IDP;
 - 3.1.4. Directly benefit the community.
- 3.2. Ward project must be:
- 3.2.1. Additional projects identified by Councillors as identified through the IDP community participation processes,
 - 3.2.2. Supported by the ward committees, and
 - 3.2.3. Approved by Council.
- 3.3. Ward Allocation funds must be utilised in the manner contemplated in sections
- 3.3.1. **7(e)** categorising municipalities according to their system of municipal government. B Municipalities include a ward participatory system which allows for matters of local concern to be dealt with by committees established for wards;
 - 3.3.2. **72 (3)** describing the object of a ward committee as being to enhance participatory democracy in local government; and
 - 3.3.3. **74** describing the powers and functions of ward committees
- of the Local Government: Municipal Structures Act (Act No. 117 of 1998).**

4. STRATEGIC INTENT

The Policy shall be governed by the underlying principle of ensuring that ward allocation projects meet the requirements of the Integrated Development Plan including specific reference to the following:

- 4.1. A “**valley of possibility**” that creates an environment conducive to business development and job creation. To facilitate and coordinate support to emerging entrepreneurs by utilizing internal SCM processes and linking SMME's with opportunities in the market. To provide, upgrade and maintain an effective engineering infrastructure to support effective service delivery and to ensure the provision of non-motorised transport routes as a functional mode of transport.
- 4.2. A “**green and sustainable valley**” that ensures the management of human use of the biosphere and its resources, enhancing the integrity of the environment as an imperative for long-term sustainability and incorporates bio-diversity into the environment as an imperative for long-term sustainability. A valley that ensures spatial sustainability and facilitate efficient use of all forms of capital available to the Town including human capacity and ability and information management.

- 4.3. A “**safe valley**” where integrated safety strategies with multi-stakeholder engagements are implemented to focus on institutional, situational and social crime prevention interventions that will improve law enforcement and neighbourhood watches.
- 4.4. A “**valley with dignified living**” inclusive of sustainable human settlements, social infrastructure through the involvement and building of capacity of stakeholders in the planning and management of the areas where they live. This includes access to basic services to households.
- 4.5. A “**valley of good governance and compliance**” that ensures transparency and is corruption-free, establishes an efficient and productive administration to prioritise service delivery and ensures financial prudence, with clean audits by the Auditor-General;

5. POLICY PARAMETERS

- 5.1. The provisions of this policy apply to Ward Councillors, Ward Committees and all Directorates and Departments of the municipality;
- 5.2. This policy applies to all programmes and projects within the jurisdiction of Stellenbosch Municipality that are funded through ward allocations and which are approved by Council in accordance with this policy.

6. REGULATORY CONTEXT

This Policy draws its legal mandate from the following laws and relevant policies, as amended from time to time:

- 6.1. Legislation:
 - 6.1.1. The Constitution of the Republic of South Africa, 1996
 - 6.1.2. Local Government: Municipal Systems Act, (Act No. 32 of 2000);
 - 6.1.3. Local Government: Municipal Finance Management Act, (Act No. 56 of 2003);
 - 6.1.4. The Municipal Budget and Reporting Regulations with specific reference to Circular 82 adopted by Stellenbosch Council on 25 May 2016.
- 6.2. Policies and documents
 - 6.2.1. Stellenbosch Municipality: Integrated Development Plan (IDP);
 - 6.2.2. Stellenbosch Municipality: Asset Management Policy;
 - 6.2.3. Stellenbosch Municipality: Supply Chain Management Policy;
 - 6.2.4. Stellenbosch Municipality: Virement Policy

7. ROLE PLAYERS, ROLES AND RESPONSIBILITIES

The relevant role players include, but are not limited to:

- 7.1. The Ward Councillors and members of Ward Committees;
- 7.2. Manager: Councillor Support;
- 7.3. Council support staff;
- 7.4. Directors;
- 7.5. Budget office;
- 7.6. Technical or functional representatives in User Departments;
- 7.7. Ward Administrators; and
- 7.8. IDP Department

Official / Councillor	Role and responsibility
Manager: Councillor Support	Owner and driver of Ward Allocation Policy. Collations of all ward projects. Submission of ward allocation projects for draft budget. Facilitation of meetings with councillors. Manage ward administrators in this process. Monthly and annual collations of all ward-project progress reporting on all ward projects. Elevate problems to MM.
Councillor and Ward Committee	Project identification, development, submission for draft budget inclusion to Manager Councillor Support. Signing of commitment form. Finalization and submission of project plans to lead departments. Attending meetings with lead departments. Identification of IDP link. Identification of beneficiaries. Attendance, overseeing and reporting (incl. pictures) on projects. Return service provider goods/equipment (if applicable). It is important to note that Ward Committees play a supporting and advisory role to the Ward Councillor.
Ward Administrator	Minute keeping of Ward Committee meetings and provision of said minutes relating to project identification to lead departments. Administrative support for the execution of ward projects (communication and arrangements Administrative and coordinating link between lead department, councillor and community (ie. Transport plans, attendance registers, beneficiary communication, indemnity forms, etc.). Assist with the drawing up of project evaluation reports and submission thereof to lead department. Compilation of photographic portfolio of evidence of completed projects with specific focus on goods and

	<p>services procured.</p> <p>Asset registers and general asset management of furniture, tools and equipment procured.</p>
Speaker after consultation with the Executive Mayor	<p>Identify the annual strategic intent of ward projects.</p> <p>Verify that the identified projects comply with the mandate of local government,</p> <p>Respond in writing to the Ward Councillor if projects are approved.</p> <p>Has the prerogative to refuse funding for projects outside the scope of the policy.</p> <p>Continuously, monitor and evaluate the progress of the Ward projects.</p> <p>Provide advice and support to Ward Councillors where necessary in terms of the Ward Allocation projects.</p> <p>Keep record of all proposals and projects arrange All Wards meetings discussing the projects.</p>
MM	<p>The Municipal Manager as head of the administration is responsible and accountable for tasks and functions as provided for in, but not limited to the Local Government: Municipal Systems Act, No. 32 of 2000, Chapter 8 of the Local Government: Municipal Finance Management Act, No. 56 of 2003, other functions/tasks.</p>
IDP and Public Participation	<p>Identification of needs and priorities in the different wards through a valid public participation process.</p> <p>Provide ward committees and ward councillors with updated lists of community needs and ward priorities.</p> <p>Provide feedback to community on project implementation linked to their needs.</p>
CFO	<p>Submission of recommended projects as part of draft and final budget for council approval.</p> <p>The Finance Directorate with the approval of the Speaker may, depending on the circumstances approve the use of the Ward Allocation for projects outside this framework but within the mandate of the Municipality.</p>
Directors	<p>Ensure implementation ownership of projects at manager level.</p> <p>Recommend projects for inclusion after costing.</p> <p>Authorization of procurement documents.</p> <p>Address elevated problems with lead managers.</p>
User department	<p>Costing of projects.</p> <p>Completion of procurement plans and inclusion of ward projects in implementation planning for the year.</p> <p>Implementation of projects.</p> <p>Procurement of services.</p> <p>Arranging meetings with councillors to guide, and explain process to follow.</p> <p>Communication between procured service provider,</p>

	Ward Administrator and Ward Councillor. Signing off and submission of invoices. Monthly reporting on overall departmental expenditure for ward projects.
SCM	Procurement of goods and services.

8. CRITERIA FOR THE SELECTION OF PROJECTS

Projects that are to be implemented under the Ward Allocations Policy must comply with the following criteria:

- 8.1. Be within Local Government mandate as defined in legislation.
- 8.2. Be aligned with the objectives and pillars of the Integrated Development Plan and with the approved strategic intent identified by the Speaker.
- 8.3. Comply with all the Policies of Council.
- 8.4. Be informed by the ward based needs of the wards and municipal infrastructure needs that have been –
 - 8.4.1. assessed by the Ward Councillor and Manager Councillor Support, and
 - 8.4.2. reported and supported by the ward committee in accordance with the budget and IDP timelines.
- 8.5. Fall within the core business activity of the Lead Directorate and shall form part of the Lead Directorate's SDBIP.
- 8.6. Preferably be legacy projects that will address a need and be of a sufficient scale to have a significant impact in the ward.
- 8.7. **Not** be projects that directly benefit an individual.
- 8.8. **Not** be projects that benefit a private property – including repairs and maintenance of property not owned by Stellenbosch Municipality.
- 8.9. Projects shall, as far as possible, be completed within the financial year in respect of which they are approved but capital funds may be rolled over to the next financial year at the August Adjustment Budget (MFMA Sec 28 (2) (e) where compelling reasons exist for such roll-over. Funds remaining after the successful completion of projects will be deemed savings and re-allocated to existing approved projects requiring additional funding during the adjustment budget in January of each year.
- 8.10. Projects may cross ward boundaries provided that the relevant ward councillors are in agreement on collaborative planning, funding and implementation of such projects.

- 8.11. The lead directorate must technically evaluate and cost all projects in order to ensure that they are technically feasible, cost effective and comply with budgetary priorities before council considers a project for approval.
- 8.12. Labour intensive approaches shall be developed to maximise EPWP opportunities wherever possible for projects in both the capital and operating budget components. Councillors should note the timelines for submission of EPWP projects as part of the National EPWP Business Plan. These requirements entail that EPWP project identification must be completed and submitted to the LED Department by March each year.
- 8.13. In the case of projects undertaken on the **capital budget**, the assets created must:
- 8.13.1. Be on council property that is appropriately zoned and reserved for the lead directorate.
 - 8.13.2. Have a provision for maintenance and operating costs (inclusive of human resources) on the operating budget of the user directorate for subsequent years. These projects must adhere to sections 18 and 19 of the Local Government: Municipal Finance Management Act, (Act no. 56 of 2003) describing the funding sources and requirements for capital projects.
 - 8.13.3. Be placed on the asset register of the user directorate responsible for the facility.
 - 8.13.4. Be adequately insured and secured by the user directorate responsible for the facility.
- 8.14. In the case of projects undertaken on the **operating budget**:
- 8.14.1. Adequate supervisory control shall be provided by the user directorate.
 - 8.14.2. Projects will be undertaken on council property, except in cases where:
 - 8.14.2.1. A ward hosts a function or event at facilities that are not council owned - subject to adequate supervisory control provided by the relevant user directorate, or
 - 8.14.2.2. A ward funds or supports a local government function (for example; additional law enforcement officers) that is not necessarily performed on council property.
 - 8.14.3. All operational projects will comply with the requirements of National Treasury Circular 82 specifying requirements to be adhered to when providing catering as adopted by Stellenbosch council.
 - 8.14.4. Community events aimed at vulnerable groups must contain an educational component that speaks to the strategic intent as identified by the Speaker.

- 8.15. To contribute to maximum impact through meaningful legacy projects within communities, projects must be limited to **two operational and two capital** projects per ward. (Except for wards consisting of mostly rural areas where council does not own property.)

9. OWNERSHIP AND ACCOUNTABILITY

Directors are responsible for ensuring that all ward allocation projects within their respective directorates are completed during the financial year in respect of the projects approved by Council. Capital funds may be rolled over to the next financial year where compelling reasons exist for such roll-over and after approval has been obtained.

Directors must ensure timeous monthly and annual reporting on constraints and/or progress to the Manager Councillor Support for inclusion in Council documents.

10. BASIS FOR ALLOCATING WARD ALLOCATION BUDGET

- 10.1. Council may allocate as part of the municipal annual budgetary process certain funding from the rates accounts towards the Ward Allocations which may be an Operating Budget allocation and/or a Capital Budget allocation. The funding provided for each ward in the municipality must be equal;
- 10.2. Ward allocation funding is approved annually as part of the budgeting process with a percentage distribution between capital and operational funding. All capital projects must be captured on the municipality's capital project identification, planning and prioritization system.

11. POOLING OF FUNDS BETWEEN WARDS

Subject to the clause 8.10 ward allocations may be pooled in order to achieve higher impact and enable legacy projects.

12. PROJECT SELECTION AND IMPLEMENTATION PROCESS

The different stages of selection and implementation are set out hereunder and are subject to the timelines set out in the IDP and Budget Preparation process approved by Council in August of each year. See Ward Allocation SOP for detail and roles and responsibilities. **(ANNEXURE 1) Note that the stages are completed in the preceding financial year to ensure implementation of projects within one financial year.**

ACTION	RESPONSIBLE	TIME LINE
STAGE 1: STRATEGIC INTENT		
Determine and announce strategic intent of all ward projects for the ensuing financial year.	Speaker	July
STAGE 2: INTRODUCTION		
Report submitted at All Wards Meeting containing: 1. Clear strategic intent 2. Timeframes 3. Roles and responsibilities 4. Process 5. Updated ward priorities, ward plans and baseline needs	Manager: Councillor Support supported by 1. Manager IDP 2. Manager Budget Office Representation required from all user departments at meeting.	July
Documentation required for this stage: 1. Minutes of meeting 2. Attendance Register 3. Ward Allocation Policy 4. Updated IDP ward priorities	Manager Councillor Support	July
STAGE 3: WORKSHOP AND CONSULTATION PHASE		
Arrange series of workshops with Ward Councillors and Ward Committees to: 1. Discuss strategic intent, ward priorities, process, timelines and costing of proposed projects 2. Explain the project prioritisation and provide technical information regarding projects. 3. Signing of Commitment Form (ANNEXURE 2)	User Departments through Ward Administrator	July - August
Documentation of meetings containing the following: 1. Minutes 2. Attendance Registers 3. Completed Commitment Forms	Ward Administrator	August
STAGE 4: PROJECT IDENTIFICATION, COSTING AND TECHNICAL REVIEW		
Completed project priority list submitted to user department. (ANNEXURE 3) . This list provides clear indication of projects ward councillors would like to have implemented in order of priority. It will minimize time spent on costing of projects that is lower on the list and that might not be implemented.	Ward Administrator – after decisions taken at ward committee meeting.	September
Costing of projects	User Department	September

Project Plans per ward. 2. Minutes of meetings		
STAGE 6: IMPLEMENTATION		
Monthly reporting on implementation of projects submitted to Manager Council Support	User Department	Monthly starting in July of each financial year.
Collation and monthly reporting on progress to Executive Mayor and Speaker	Manager Council Support	Monthly starting in August of each financial year.
Changes to approved Ward Allocation Projects can be done as part of the adjustment budget following the same processes and approvals as departmental adjustment budget requests. It is important to note that the adjustment budget does not allow for the creation of new projects, but only for the movement of budget between previously approved projects on the existing budget.		

13. DEVIATION FROM POLICY

- 13.1. Deviation from the project selection criteria as listed in section 8 above may be considered by the Municipal Manager on receipt of a written request from the Manager Councillor Support, supported by the User Directorate, detailing the motivation for such a deviation.
- 13.2. The basis of the Municipal Manager's consideration of a deviation shall be whether the deviation would further the Policy Objective as set out in section 3 of the Policy.
- 13.3. The Municipal Manager shall report to Council on the requests received for deviations from the Policy.

14. PROJECT REVIEW

- 14.1. After every financial year there shall be a review of the projects undertaken by the Ward Allocation process. This review will be undertaken by the Manager Councillor Support and reported to the Municipal Manager and Director's Forum. Once supported the reviewed document must be submitted to Council;
- 14.2. The review must cover the following for all the projects undertaken in the municipal area:
 - 14.2.1. Ward number and Ward Councillor name;
 - 14.2.2. List of projects per User Directorate responsible;
 - 14.2.3. Budgeted cost against projects;
 - 14.2.4. Whether the project was completed within the planned time by the User Directorate – if not, reasons must be supplied;
 - 14.2.5. Assessment of project as to whether the original objectives of the project were achieved;
 - 14.2.6. Assessment of projects in terms of quality;
 - 14.2.7. Assessment of the sustainability of the projects in terms of maintenance and operating cost;
 - 14.2.8. Check list for Asset Register and Insurance;

- 14.2.9. Reason for the under spending of allocated funds in order to reflect savings or over-quoting

15. ANNEXURES TO POLICY

ANNEXURE 1: Ward Allocation SOP

ANNEXURE 2: Ward Allocation Commitment Form

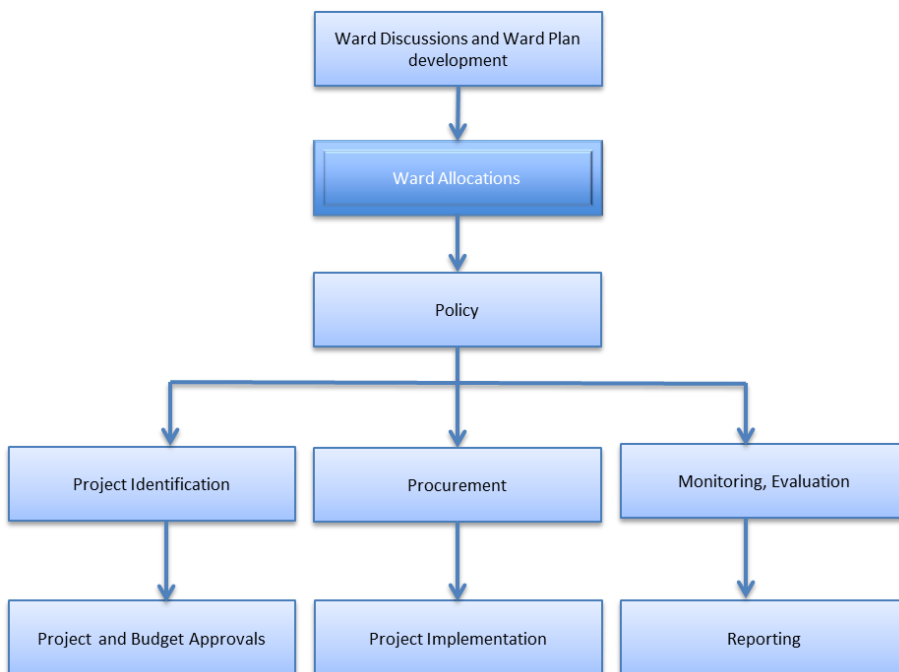
ANNEXURE 3: Ward Allocation Project Plan

ANNEXURE 4: Ward Allocation Project approval budget submission format

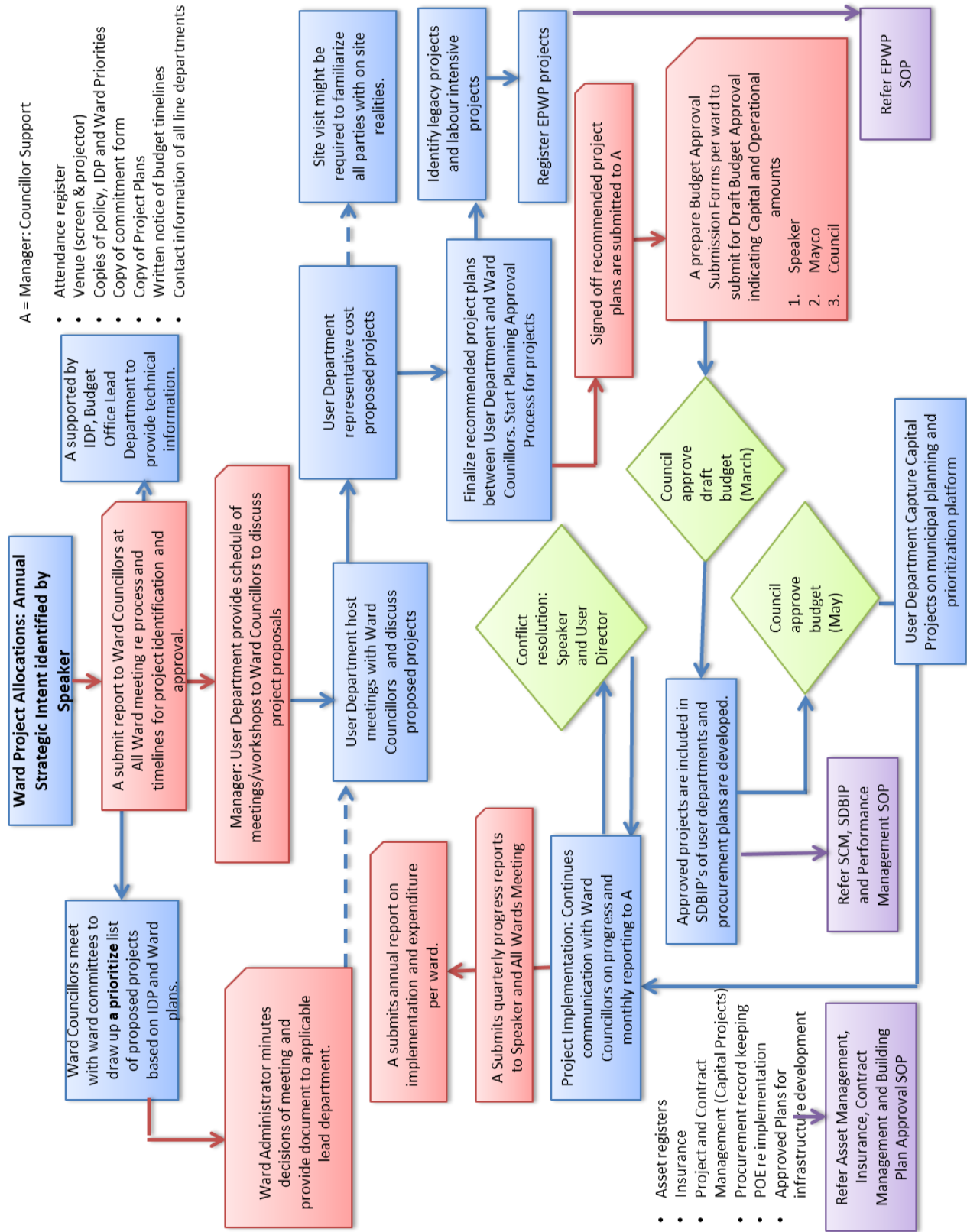
Stellenbosch Municipality
Standard Operating Procedures

SOP #	<input type="text"/>	Version #	<input type="text" value="1.1"/>	Date	<input type="text" value="2018-10-19"/>
Responsible Directorate	<input type="text" value="Strategic and Corporate Services"/>	Responsible Person	<input type="text" value="Manager Councillor Support"/>	Author	<input type="text" value="Manager Community Development"/>
Delegation ref #	<input type="text"/>	Description/ Delegation Name	<input type="text" value="Determine Operational Procedures"/>		
SOP Title	<input type="text" value="Ward Allocation Projects and Funding"/>				
Purpose	<input type="text" value="This SOP explains the process to through which Ward Allocation funds are approved, starting with the identification and costing of projects through to the implementation and reporting on completed ward projects."/>				
Scope	<input type="text" value="Council may allocate as part of the municipal annual budgetary process certain funding from the rates accounts towards the Ward Allocations which may be an Operating Budget allocation and/or a Capital Budget allocation. The objective of the Ward Allocations is to create opportunities for the Councillors to identify ward projects, with the support of their Ward Committees, which would uplift their communities. These projects would need to fit into the basket of services of the relevant User Department."/>				

High Level Process Graph



Standard Operating Procedure Process Flow:



References:

Reference #	Reference Name	Requirements
Act 56 of 2003	Local Government Municipal Finance Management Act	Section 18 and 19: Funding of expenditure and Capital funding. Section 21 (2) a: When preparing a budget the Integrated Development Plan must be taken into account.
Act 32 of 2000	Local Government Municipal Systems Act	Sections 7(e) Ward participatory system which allows for matters of local concern to wards to be dealt with by committees established for wards. Section 72(3) Object of Ward Committees to enhance participatory democracy in local government. Section 74 – Powers and Functions of Ward Committees
National Treasury	Municipal Budget and Reporting Regulations	
Stellenbosch Municipality	Asset Management Policy	Recording and safe keeping of municipal assets. Insurance of municipal assets.
Stellenbosch Municipality	Supply Chain Management Policy	Procurement of goods and services.
Stellenbosch Municipality	EPWP Policy	Registering, management and administration of EPWP projects. Recruitment and selection of beneficiaries.
Stellenbosch Municipality	Integrated Development Plan	Strategic Objectives of Stellenbosch Municipal Services, identification of ward priorities and baseline needs.

Definitions:

Name	Description
Capital budget	is expenditure relating to the purchase, upgrade or refurbishment of a Council asset (property, plant and/or equipment);
Council	means the municipal Council of Stellenbosch Municipality
Councillor	means a ward council member of the Council of the Stellenbosch Municipality
User directorate	is the directorate whose core business encompasses the ward allocation project, which is the dominant user or beneficiary of the outcome of the ward allocation project and which accepts responsibility and ownership of the ward allocation project
Legacy project	is a project that is executed in a financial year and of which the benefits to the community continues into the future
User Department	is the department whose core business encompasses the ward allocation project, which is the dominant user or beneficiary of the outcome of the ward allocation project and which accepts responsibility and ownership of the ward allocation project
Operating budget	refers to expenditure, other than capital, in respect of Council activities and includes repairs and maintenance of Council assets
Ward committee	means a committee that has been established for each ward in terms of section 73 of the Local Government: Municipal Structures Act (Act No. 117 of 1998);
Ward project	a project identified by the ward councillor in consultation with the ward committee and financed by the ward councillor ward allocation
EPWP	Expanded Public Works Programme

Procedure Outline:

Action ref	Procedure Description	Timeframe	Person(s) Responsible	Resources Required	Deliverables	Dependencies	Links to SOP
1.	Stage 1: Strategic Intent Identification and communication	Jul	Speaker		Strategic Intent communicated to Ward Councillors		
2(a)	Stage 2: Report on IDP and budget process and timelines submitted to All Wards meeting.	July	Manager Councillor Support	Information on Budget and IDP Process	All Wards Agenda, minutes and attendance registers.	Reliant on information from Budget and IDP Office. Require attendance of User Department representatives	
2(b)	Stage 3: Ward Committee Meetings	July	Ward Councillor	Stationery	Attendance registers and Minutes of meeting	Availability of committee members and Ward Administrator	
3.	Discussion Workshops between User Departments and Ward Councillors	August	User Department Representative	Functional experience	Minutes of workshops and attendance registers. Annexure 2: Commitment Forms.	Availability of other line departments should projects be across departments. Availability of Ward Committee Meeting minutes.	
4(a)	Stage 4: Costing of projects	September	User Department		Annexure 3: Project prioritization forms. Budget estimations for projects.	Receiving Quotations in time. Detail provided by councilor in draft project plan.	
4(b)	Site visits (if required)	September	User Department	Transport	Detailed sketches		
5(a)	Finalize Project Plans: Ensure appropriate Zoning and Building Plan Approval for CAPEX if required.	September	User Department	OPEX Budget if project require future operational expenditure	Signed Project Plans recommendations	Required approvals received. OPEX	
5(b)	Identify labour intensive projects and register as EPWP projects	September	User Department		EPWP project registered	OPEX to pay stipends	EPWP SOP
5(c)	EPWP Recruitment and Selection Process	April - May	User Department	Approved OPEX	EPWP Employment Contracts	OPEX	EPWP SOP
5(d)	Capture capital projects on municipal identification, planning and prioritization system	September	User Department	Approved CAPEX Access to system	Project register	Approved projects	

6	Submit signed Project Recommendation Plans to Manager: Councillor Support	September	User Department		Signed Ward Allocation Project Plans		
7	Stage 5: Collate recommended Ward Allocation Projects per ward and submit to Executive Mayor	October	Manager: Councillor Support		Ward Allocation Budget Approval Forms for each ward. Annexure 4: Ward Project plans	All User Departments submitting Project Plans on time.	
8	Recommended Ward Allocation Projects included in Draft Budget	Febr	Manager: Budget		Council Agenda	Receipt of all Ward Allocation Project Approval Forms	
9	Approval Draft Budget	March	Council	Funds allocated to Ward Projects	Council Minutes	Council Approval	
10	Assign UKey numbers to all projects	November	Manager: Budget		Detailed departmental budgets		
11	Incorporate projects into departmental SDBIP's	May	Manager: Budget Head: Performance Management		Departmental SDBIP's	Final Council Approval	SDBIP and Performance Management SOP
12	Final Budget Approval	May	Council	Funds allocated to Ward Projects	Approved Budget		
13	Develop Procurement Plans	June	User Departments		Approved Procurement Plans		SCM SOP
14	Stage 6: Project Implementation, including, but not limited to: 1. EPWP management and administration (if applicable) 2. Asset Management and Insurance registration (if applicable) 3. Procurement 4. Meetings with Councillors 5. Contract Management 6. Project Monitoring 7. Monthly progress report submission 8. Record Keeping 9. Dispute resolution	July - June	User Departments User Directors Executive Mayor and Speaker	Approved Orders Staff Capacity Overtime Budgets (OPEX functions) Support from and communication flow between User Departments and Ward Administrators	Orders, Minutes of Meetings, Contract Evaluation Reports, Monthly Progress Reports, EPWP Project Management Reports, Asset and Insurance Registers and, POE's	SCM processes	SCM, Asset Management and Insurance Register SOP Contract Management SOP
15	Combined Ward Allocation Project Implementation Monthly Progress Reports Submission	July - June	Manager Councillor Support		Minutes of Council Meeting	Receipt of Monthly reports from User Departments	

16	Quarterly progress reporting at All Ward Meetings	October, January, April, July	Manager Councillor Support		Quarterly Report	Receipt of Monthly reports from User Departments	
17	Annual Ward Project Implementation Report	June	Manager: Councillor Support	Continues monitoring and evaluation	Council Minutes	Receipt of User Department Monthly Progress Reports	

Competencies and Approvals:

Competency Category	Competency Requirement	Competency Assessment

Health & Safety Considerations:

Name	Description

Applicable Standard Forms/Documents:

Form #	Name	Description
1	Ward Allocation Commitment Form	Confirms commitment of Ward Councillor and responsible User Department regarding implementation of projects aligned with policy requirements.
2	Ward Allocation Project Plan	Provide background information on envisaged projects in order for accurate costing to be done. Completed form serve as recommendation to Council for budget approval per project.
3	Ward Allocation Budget Approval Submission Form	Provide list of recommended projects per ward to Council for approval.
4	Ward Allocation Monthly Report	Monitor, evaluation and reporting on implementation progress along with sustainability and realization of objectives to Council.

Performance Measurement:

KPI	Unit of Measurement	Target/targets
Completed Ward Allocation Project Plans received by Budget Office prior to approval of Draft Budget.	Number of completed Ward Allocation Project Plans received.	2 Capital Budget and 2 Operational Budget projects per ward.
Expenditure on Approved Ward Allocation Projects.	% Expenditure	90%

No	Proposals
1	



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WARD ALLOCATION PROCESS COMMITMENT FORM

202018/202119 Financial Year

CONTACT INFORMATION			
Ward No:		User Department:	
Councillor:		Official Responsible	
Email:		Email:	
Contact Numbers:		Contact Numbers:	
Ward Administrator:		Ward Committee Member	
Email:		Email:	
Contact Numbers:		Cell:	

(To be completed by Ward Councillor)	(To be completed by User Department)	(To be completed by Ward Councillor)	(To be completed by User Department)
PRIORITY RANKING	UKEY / VOTE	IDENTIFIED PROJECT DESCRIPTION (Indicate IDP / Ward Priority / Baseline need linkage)	PROJECT COSTING
Operational Budget			
Capital Budget			
		TOTAL	

This document serves as an agreement between the User Department and the Ward Councillor to commit to costing, planning and implementation of ward allocation projects and the agreed upon timeframes in order to achieve identified outcomes.

 User Department Representative:
 Name:
 Date:

 Ward Councillor:
 Name:
 Date:

I have read and understand the Ward Allocation Policy of Stellenbosch Municipality;

And thus commit as follow:

Nr:	Commitment	Councillor Initial	User Department Initial
1	That I will abide by the prescription of the all policies of Stellenbosch Municipality.		
2	As Ward Councillor, I commit to involve my ward committee members in the written identification of projects all projects will be captured in the minutes of the ward committee meeting and will be supplied to the User Department. The projects will be accompanied by a detailed description of what is envisaged in order to enable the User Department to cost the project accurately.		
3	The projects identified by the ward committee and the Ward Councillor will be prioritised and aligned with the IDP strategic objectives, ward based plans and identified baseline needs.		
4	As Ward Councillor and User Department, we commit to attend all agreed upon meetings and workshop to finalize project plans and ensure that we are prepared for these meetings		
5	We will identify and sign off on all agreed upon ward projects in time for the draft budget approval		
6	The submission for the draft budget will cover the total sum for the ward allocations. No projects will be identified after the approval of the draft budget.		
7	As responsible User Department representative, I commit to cost all identified projects		
8	As Ward Councillor, I understand that projects that have not been approved in the annual budget and included in the SDBIP of the User Department cannot be implemented.		
9	We will utilize the adjustment budget to ensure sufficient funding for approved projects and not identify new projects that are not included in the SDBIP of the User Department.		
10	As Ward Councillor, I commit the active involvement on the day of myself, the ward committee members and ward administrator, should operational funds be earmarked for events.		
11	Should operational funding be utilized for labour intensive projects, I commit to register the project as an EPWP project and abide by the applicable policy. As Ward Councillor, I will not interfere with the recruitment and selection of beneficiaries of the project.		
12	Should capital funding be utilized for the acquisition of moveable assets, all assets will be barcoded and registered on the asset register and insured.		
13	As User Department representative, I will take full responsibility for the procurement processes required for the identified project. I will submit requisitions in time, but cannot take responsibility for the time required by SCM to generate an order.		
14	NO instruction will be given to any service provider without first obtaining a green order slip for said services. Once a service provider has been appointed, changes to the scope of work will not be negotiated with or expected from the service provider.		
15	As User Department representative, I will keep accurate records of all procurements and meetings in order to generate monthly reports.		
16	As Ward Councillor, I will ensure that accurate minutes are kept of ward committee meetings relating to ward projects and that ward administrator will make this freely available to the User Department. I commit the cooperation of the ward administrator with the drawing up of project feedback reports and the taking of photographic evidence.		
17	To protect both the Ward Councillor and User Department representative NO petty cash or direct payments will be allowed as part of ward projects.		
18	All discussions surrounding the ward projects will be followed up with written confirmation of said discussion.		

We agree that ward projects can only be successfully implemented if there is full cooperation between all role-players. Should problems be experienced between the Ward Councillor and the responsible User Department representative, it will be referred to The Speaker and the responsible Director.

By signing this commitment form, I confirm that I have read and understand the content and commit to adhere to all the stipulations.

Signed at _____ on this ____ day of _____ 20_____.

Ward Councillor

User Department Representative



WARD ALLOCATION PROJECT PLAN 20____/20____

(To be completed for submission to the Draft Budget Approval. Complete a separate plan per project.)

FOR COMPLETION BY USER DEPARTMENT REPRESENTATIVE IN CONSULTATION WITH WARD COUNCILLOR					
WARD NUMBER		Valley of Possibility		Linked to the following IDP need/s:	
Operational		Green and Sustainable Valley			
Capital funds		Safe Valley			
Pooling of Funds	Y	N	Valley with Dignified Living		
Pooling with ward:			Valley of Good Governance and Compliance		
Signature of Pooling Ward Councillor/s:					
PROJECT NAME:					
PROJECT OBJECTIVES:					
DESCRIPTION (Please be very specific. What, when, where, how, who. If an operational project and in collaboration with a local organization – specify please.) A site visit might be required for all parties to familiarise themselves with the detail.		What:			
		When:			
		Where:			
		How:			
		Who:			
Is this a labour intensive project?	Y	N	EPWP Registration	Y	N
Confirmed (V Swartz):					
Official responsible for managing EPWP project (contracts and monthly admin):	Name and Surname: Contact Details:			Official Signature:	
If capital project:	Are there operational funds linked to project?		Y	N	UKey:
	Are new assets procured?		Y	N	Location bar code:
Sustainability of Project:	Indicate how sustainability is ensured: Maintenance, ect.				
Confirmation of Ward Committee involvement in identification of project:			Ward Committee Meeting minutes attached:		Y N

SHARING OF RESPONSIBILITY (Add additional lines if needed):									
What	Description			Who					
Procurement (Detailed specifications to be attached for procurement needs.)									
Public Participation (if required)									
Transport Plan									
FOR COMPLETION BY RESPONSIBLE USER DEPARTMENT									
Procurement process to follow (Please attach departmental project plan to indicate timelines for specifications, adjudication and implementation):				Normal		FQ		Bid	
COSTING (Please attach quotations as estimate. Add additional lines if needed):				Is this a single or multi-year project?			S	M	
Type of budget	Description			UKey		Amount			
Capital Expenditure (If capital project)	Year 1					R			
	Year 2					R			
Operational Expenditure (If Operational proj)	Item 1					R			
	Item 2					R			
	Item 3					R			
TOTAL						R			
OBSTACLES IDENTIFIED FOR IMPLEMENTATION									

Recommended:

Ward Councillor

User Department

Director

Manager Councillor Support Budget Office

Date

Date

Date

Date

Date



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ANNEXURE 4

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PROJECT BUDGET APPROVAL SUBMISSION FORM (To be completed by Manager: Council Support)

WARD NO

Councillor Name

Completed Project Plans Received

Yes	No

Capital Budget				
Ukey No	Description	Lead Department	Amount	Pooling with Ward
1				
2				
3				
TOTAL				

Operational Budget				
Ukey No	Description	Lead Department	Amount	Pooling with Ward
1				
2				
3				
TOTAL				

Ward Councillor

Date:

Manager Council Support

Date:

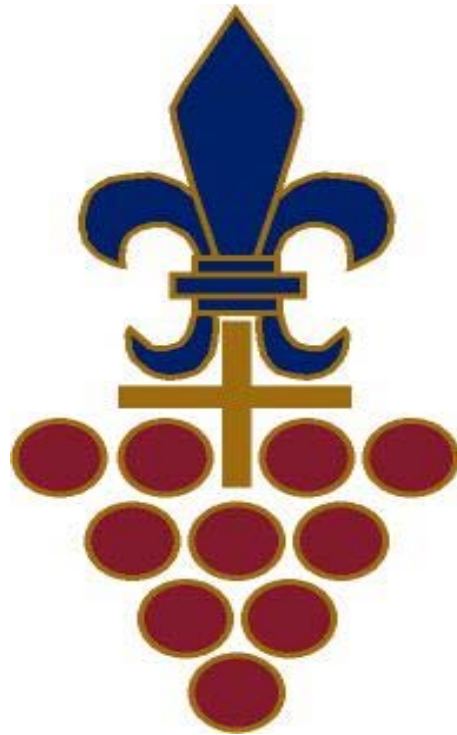
User Director

Date:

Budget Office

Date:

STELLENBOSCH MUNICIPALITY



RATES POLICY

2020/2021



STELLENBOSCH MUNICIPALITY

RATES POLICY

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1. BACKGROUND

In 2007, Stellenbosch Municipality initiated a process to prepare a General Valuation (GV) Roll of all property situated within the geographical boundaries of Stellenbosch Municipality (WC024) in terms of the requirements of the Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004) including any subsequent amendments and consequential regulations (the MPRA) which became effective on 1 July 2009 at Stellenbosch Municipality. This Policy is formulated in terms of Section 3 of the MPRA.

2. LEGISLATIVE CONTEXT

- 2.1 In terms of Section 229 of the Constitution, 1996 (Act 108 of 1996), a municipality may impose rates on property.
- 2.2 In terms of Section 4 (1) (c) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), a municipality has the right to finance the affairs of the municipality by imposing, *inter alia*, rates on property.
- 2.3 In terms of Section 2 (1) of the MPRA a metropolitan or Local municipality may levy a rate on property in its area in accordance with the provisions of the MPRA.
- 2.4 This Policy must be read together with, and is subject to the provisions of the MPRA.
- 2.5 In terms of Section 62 (1) (f) (ii) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (the MFMA), a municipality must have and implement a rates policy as may be prescribed by any applicable national legislation.
- 2.6 In terms of Section 8(1) of the MPRA, the Municipality will, as the primary instrument, levy rates on the use of property, but implemented as per paragraph 5.5 of this Policy.
- 2.7 All citations to applicable Acts as referenced in this Policy shall include all amendments and regulations to such as promulgated.

3. GUIDING PRINCIPLES

- 3.1 The rating of property will be implemented impartially, fairly, equitably and without bias, and these principles also apply to the setting of criteria for exemptions, reductions, and rebates contemplated in Section 15 of the MPRA.
- 3.2 The rating of property will be implemented in a way that:-
 - is developmentally oriented;
 - supports sustainable local government by providing a stable and buoyant revenue source within the legislative control of the Municipality;
 - supports local and socio-economic development;
 - promotes simplicity, uniformity, and certainty in the property rates assessment process;
 - gives due consideration to the need for simple and practical process of billing and collection of property rates;
 - promotes sustainable land management, especially that which reduces the risk from natural disasters;
 - achieves national and local environmental management objectives; and
 - balances the affordability to the public versus the financial sustainability of the Municipality.
- 3.3 Other principles that will steer the processes of this Policy:
 - All ratepayers within a specific category will be treated equally and reasonably.

- The Municipality will, when levying property rates for each financial year, take cognizance of the aggregate burden of rates on property owners in the various categories of property ownership.
- Rates Increases/Decreases will be guided by the budget requirements of the Municipality, and by Section 20 of the MPRA.
- In dealing with the poor/indigent ratepayers the Municipality may provide relief measures through exemptions, reductions or rebates.

3.4 Further determinants that will guide the processes of this Policy:

- The Zoning Scheme of the Municipality determines, via the provisions therein, the zoning and thus the legally binding use of a given property.
- However, the rating of said property is governed by the MPRA which determines a collection of rules that by implication sets the conditions by which the use of a property is categorised. It is therefore possible that even though an owner is using a property within the set rules of the Zoning Scheme, said property would not be rated on the same basis due to the definitions and provisions as applied according to the MPRA and this Policy.
- Moreover, such categorisation instituted according to the MPRA or this Policy does not condone any unlawful use of a property regardless of circumstances.

4. DEFINITIONS

In this Policy, a word or expression derived from a word or expression as defined, has a corresponding meaning unless the context indicates that another meaning is intended.

The following four definitions in the MPRA are merely shown for clarity:

“Exclusion”, in relation to a municipality's rating power, means a restriction of that power.

“Exemption”, in relation to the payment of a rate, means an exemption granted by a municipality.

“Reduction”, in relation to a rate payable on a property, means the lowering of the amount for which the property was valued and the rating of the property at that lower amount.

“Rebate”, in relation to a rate payable on a property, means a discount granted on the amount of the rate payable on the property.

In addition to the definitions contained in the MPRA, the following definitions apply for the purpose of the application of this Rates Policy.

Furthermore, specific terms or phrases used, but not defined in the MPRA are defined herein to elucidate said term or phrase for a specific perspective of the MPRA by the Municipality: -

“the Municipality” means Stellenbosch Municipality (WC024).

“MPRA” refers to the Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004) including any subsequent amendments and consequential regulations.

“Accommodation Establishment” means a property used for the supply of overnight sleeping facilities to transient guests at a fee.

“agricultural activities” means the intensive cultivation of soils for purposes of planting or growing, and gathering of trees or crops in a managed and structured manner; the intensive rearing of livestock or aquaculture. In addition, all the provisions as detailed in the definition of **“Agricultural Property”** in the MPRA persist in this Policy.

“agricultural purposes” refers to the active pursuit by a *bona fide* farmer to derive the principle source of income, which is commercially sustainable, from agricultural activities exclusively on Agricultural Properties.

“bed & breakfast” in relation to *Accommodation Establishment* means an enterprise operated on a property of which the residential character is maintained, where the owner or operator permanently resides in the same dwelling, where normally only breakfast is served and sleeping accommodation to transient guests is limited to no more than 3 guest bedrooms. Provided further, that the enterprise has not been registered as a Guesthouse. This property will be deemed to be a Residential Category.

“bona fide farmer” is a person or legal entity that is a legitimate farmer whose primary income originates from agricultural activities and the business of which must be registered with SARS.

“business and commercial property” means a property that is used for the purpose described as the activity of buying, selling or trade in goods, commodities or services and includes any office or other buildings on the same property, the use of which is incidental to such business. This definition excludes the business of mining and agriculture activities.

“Chief Financial Officer (CFO)” means a person designated in terms of Section 80(2) (a) of the Local government: Municipal Finance Management Act, 2003 (Act 56 of 2003).

“Conservation Area” means:

- a Protected Area as defined in Section 1 of the MPRA and listed in the “Protected Areas Register” as stipulated in Section 10 of the Protected Areas Act defined in the MPRA as the National Environmental Management: Protected Areas Act, 2003 (Act 57 of 2003); nevertheless, specifically those parts of properties as described in Section 17 (1) (e) of the MPRA; or
- a mountain catchment area as described in Section 9 of the *Protected Areas Act* and declared in terms of the Mountain Catchment Areas Act, 1970 (Act 63 of 1970).

“Guesthouse” in relation to *Accommodation Establishment* means an enterprise that has either been registered as a Guesthouse; or an enterprise that is operated on a property of which the residential character is maintained and where the sleeping accommodation to transient guests exceeds 3 but limited to 16 guest bedrooms and/or if any services is offered beyond the limited breakfast only service of a Bed and Breakfast establishment. This property will be deemed to be a Business Category.

“industrial property” means a property that is used for the purpose described as the branch of trade or manufacturing, production assembling or processing of finished or partially finished products from raw materials or fabricated parts, typically via a high-volume production process and on such large scale that capital and labour are significantly necessitated; and includes any office or other buildings on the same property, the use of which is incidental to such business.

“Open Space” means a property, but specifically land that is used as a park, garden, for passive leisure or maintained in its natural state and which is zoned as open space. These properties may either be publicly owned being commonly open to public access; or privately owned and used without financial gain.

“SARS” means the South African Revenue Service.

“ratepayer” means a person or legal entity that is liable in terms of the MPRA for the payment of rates on property levied by the Municipality. The term “Ratepayer” is herein considered to be synonymous with the MPRA definition of the term “owner”.

“residential purposes” in relation to the use of the property means improved property primarily intended for human habitation and inhabited as such; taking cognisance of paragraph 7.9 of this Policy and provided that:

- the following properties are specifically excluded from this definition: hostels, old age homes, guesthouses, and vacant land; and

- to qualify, the predominant use of a property with not more than two dwelling units on said property, must be 80% or more (based upon a percentage of the total area of buildings and structures) for this purpose; or
- to qualify, properties registered in terms of the Sectional Title Act, 1986 (Act 95 of 1986) must solely be used for this purpose; or
- to qualify, properties owned by a share-block company must solely be used for this purpose; or
- to qualify, a block of flats must solely be used for this purpose; or
- to qualify, a dwelling used for this purpose must be situated on property used for or related to educational purposes; or
- to qualify, the predominant use of a retirement scheme or life right scheme must be 60% or more for this purpose.

“**vacant land**” means a property without any buildings or structures, and where no immovable improvements have been erected.

“**valuation roll**” means a valuation roll drawn up in terms of Section 30 of the MPRA or a supplementary valuation roll drawn up in terms of Section 78 of the MPRA.

5. IMPOSITION OF RATES

- 5.1 The Municipality shall as part of the annual budgeting cycle, set for each category a rate, (being a cent amount in the Rand) that will be imposed, in accordance with the MPRA, on the market value of a property, for all rateable properties as recorded in the Municipality’s valuation roll, drawn up in terms of the MPRA. The amount so determined together with any relief measures as described in this Policy shall be the Rates due and payable by the owner of said property.

The levying of rates forms part of the Municipality’s annual budget process as set out in Chapter 4 of the MFMA.

Details of the resolution pertaining to the rate for each of the various property categories are to be published in the *Provincial Gazette* as set out in Section 14 of the MPRA.

- 5.2 The rates charged as a cent amount in the Rand for the residential property as per paragraph 6.1 (a) of this Policy is the base rate and the rate charged to all other categories of properties are reflected as a ratio to the residential rate if so prescribed by Regulations promulgated in accordance with the MPRA.
- 5.3 The Municipality will be guided by the definition of “ratio” in the MPRA and directed by Regulations pertaining to rate ratios as promulgated in terms of Section 19 of the MPRA and as applicable to the prescribed non-residential properties.
- 5.4 For properties used for multiple purposes, the Municipality may apply the category of multiple use. For such properties, the Municipal Valuer will apportion a value to each distinct use and apply the appropriate category for billing at the applicable rate.
- 5.5 For the purposes of determining a property’s category, the Municipality will determine such as per Section 8 (1) of the MPRA. It should be noted that the Municipality considers permitted use to be appropriate on vacant properties and that all other properties would be categorised according to the actual use of said property.

5.6 Building Clause references

Obligations pertaining to Building Clauses as per the development agreements or contracts will be dealt with according to the contract obligations.

Properties that have attached building clause obligations as per the development agreements or contracts will not be considered as being vacant.

5.7 Period for which rates are levied

The Valuation Roll will, according to Section 32(1) of the MPRA, remain valid for a General Valuation cycle of four years.

5.8 Valuation value constraints

- (a) For the purposes of valuing a property, no valuation value shall be less than R1 000 unless the valuer determines that said property's valuation value must be zero.
- (b) For administrative purposes all valuation values exceeding R1 000 will be rounded to the nearest R1 000 interval. For example, for values with an interval less than R1 500 will be rounded to a R1 000 interval whereas values with an interval not less than R1 500 will be rounded to a R2 000 interval.

6. CATEGORIES

6.1 Categories of Property

Property Categories, each of which correlates to a distinct use of a property, have been determined as described below.

The codes that have been associated with each property Category are listed in paragraph 17.1 of this Policy. In addition, paragraph 17.1 identifies the attributes and criteria that determines the basis for application.

The Municipality will apply the following property Categories:

Item	Category (of property)	Purpose/Use
(a)	Residential	Refer Section 1 (<i>Definitions</i>) in the MPRA and the defined term " <i>Residential Purposes</i> " as per paragraph 4 in this Policy.
(b)	Industrial	Refer the definitions as per paragraph 4 in this Policy.
(c)	Business and commercial	Refer the definitions as per paragraph 4 in this Policy.
(d)	Agricultural	Refer Section 1 (<i>Definitions</i>) in the MPRA and the defined term " <i>Agricultural Purposes</i> " as per paragraph 4 in this Policy.
(e)	Mining	Refer Section 1 (<i>Definitions</i>) in the MPRA.
(f)	Public Service Purposes	Refer Section 1 (<i>Definitions</i>) in the MPRA.
(g)	Public Service Infrastructure	Refer Sections 1 and Sub-sections 17(1)(a) and 17(1)(aA) in the MPRA.
(h)	Public Benefit Organisation	Used for a " <i>Specified public benefit activity</i> " as defined in Section 1 in the MPRA.
(i)	Multiple Use	Refer paragraph 7.2 in this Policy.
(j)	Heritage	Refer paragraph 8.9 in this Policy and Section 15(2A)(b) in the MPRA.
(k)	Vacant Residential	Vacant and Permitted use set for a Residential property.
(l)	Vacant Other	Vacant and Permitted use set for a property category other than Residential.

6.2 Categories for Relief Measures

The Municipality will consider relief measures on rates, being Exemptions, Rebates and/or Reductions on properties, according to various criteria as described in this Policy.

The codes (referred to as the Rebate Codes), associated with the specific relief measure, are listed in paragraph 17.2 of this Policy.

7. APPLICATION OF RATING

The Municipality will, in addition to the various criteria referenced above, apply the following criteria when rating a property:

7.1 Vacant Properties

Vacant residential property will be rated as per the Vacant Residential Category.

Vacant property other than residential property will be rated as per the Vacant Other Category.

Normally, Agricultural properties will not be considered as being vacant, however this consideration lapses if the ambit (scope) of either of the terms “*agricultural activities*” or “*bona fide farmer*” as defined in this Policy is not relevant or cannot be applied to said property.

The Category of Vacant properties will be determined according to the property’s permitted use and these properties will not qualify for any relief measures.

7.2 Multiple use Properties

Properties with multiple uses as per Section 9 of the MPRA may be categorised for each distinct use as determined by the Municipality and which category will be applied for billing at the appropriate and applicable rate.

The different uses will be grouped into two or more components. The first component, which will be determined by the largest apportioned area of the property will be the primary component; the other components (sub-components) will be identified by their generalised functional name.

The category of the primary component of such a property will be directed in the first instance by the dominant use of the property, but at the sole discretion of the Municipality.

A multiple use property may only qualify for the valuation exclusion as per paragraph 8.2.1 (i) of this Policy, provided that at least one of the components has been categorised as residential.

7.3 Public Service Purposes Properties

Properties used for Public Service Purposes will be categorised as per paragraph 6.1 (f) of this Policy and will be rated at the applicable rate. The exclusions, exemptions, rebates and reductions relating to the usage of properties as detailed in this Policy and the MPRA, will apply if applicable.

7.4 Public Service Infrastructure properties (PSI)

The Municipality will apply the rate ratio as set out in the MPRA to public service infrastructure. Furthermore, the Municipality will grant 100% exclusion on all such properties.

7.5 Rural Properties

The categorizing and/or qualification of all rural properties will be dealt with at the sole discretion of the Municipality.

7.5.1 Agricultural Use

The Municipality will apply the rate ratio as set out in the MPRA to properties that are used for agricultural purposes by *bona fide* farmers. These properties will however not qualify for any relief measures.

The Municipality deems property with extent less than two hectares not to be agricultural property.

7.5.2 *Alternate Criteria and Use*

- (a) Where a property in a rural area is being used for business, mining, or industrial purposes, such as truck depots, construction yards, restaurants, functioning venue, guesthouses, and/or factories, said property will be valued and rated according to the category for business, mining or industrial properties as applicable. The Municipality may however, consider valuating said property as a Multiple Use Property (refer to paragraph 7.2 of this Policy).
- (b) Properties in rural areas that are primarily used for residential purposes will be valued and rated as residential properties and may thus qualify in terms of the definition of residential property for the applicable relief measures (refer to paragraph 8 of this Policy).
- (c) Owners of a property in rural areas which is not categorised as agricultural, but which in the opinion of the owner should be agricultural, must apply (refer to paragraph 14.1 of this Policy) for a revaluation, submit documentation as required by the CFO and declare in an affidavit, that no contraventions of the criteria for agricultural activities are taking place on the property. The application will be dealt with according to the supplementary valuation process.

7.6 **Municipal Properties**

Municipal-owned properties which are leased in terms of a lease agreement or those properties which are allocated to beneficiaries but not yet transferred, will be rated as per the provisions of this Policy. The exclusions, exemptions, rebates, and reductions relating to the usage of properties as detailed in this Policy and the MPRA, will apply if applicable. The rates of said non-excluded property will be passed on to the lessee or the allocated beneficiary.

All other Municipal-owned properties as described in Section 7 (2) (a) (i) of the MPRA, will be excluded from paying property rates.

7.7 **Special Rating Area (SRA)**

The Municipality may consider the application for a Special Rating Area (SRA) provided that the owners of the predefined demarcated area have approved the budget and the specifics relating to such SRA. The process must adhere to Section 22 of the MPRA and to the Municipality's Special Rating Area Policy and By-Law.

The budget for such SRA will be raised via a pre-determined tariff applied on the municipal valuation of each property. This pre-determined tariff is linked to the annual budget proposal and would therefore be unique to a specific SRA and for a given financial year.

7.8 **Land Reform Beneficiary properties**

The Municipality will apply a category for a Land Reform Beneficiary Property that corresponds to the use of said property. The said category will be applied for billing at the appropriate and applicable rate. However, the Municipality will exclude such properties from rates for a period of 10 years subject to Section 17(1)(g) and phase-in the rates as per Section 21(1)(b) of the MPRA.

7.9 **Adjoining properties**

The Municipality acknowledges that there are residential properties, registered in the name of the same owner which are used basically as if such properties were one property. Consequently, these properties will be regarded as one residential property for the application of relief measures.

Such grouping usually consists of adjoining properties but may include in the case of properties registered in terms of the Sectional Title Act, 1986 (Act 95 of 1986) any units such as a garage

or domestic worker's quarters, in the same sectional title scheme registered in the name of the same owner.

Administratively a link between the adjoining property and its associated parent property must be set so as to facilitate tracking of such pairing.

8. RELIEF MEASURES

8.1 Applying relief measures on Rates

Notwithstanding that the Municipality is obligated as per the MPRA to exclude specific properties or parts thereof from rating, the Municipality will consider applying relief measures on property rates, being Exemptions, Rebates and/or Reductions as described in this Policy.

- (a) The Municipality may grant exemptions, rebates and/or reductions to the categories of properties and/or categories of owners that meet the specified criteria as indicated in subparagraphs of paragraph (7) above or as indicated below.
- (b) The Municipality will exclude specific properties or parts thereof as indicated in subparagraphs of paragraph (7) above or as indicated below.
- (c) The Municipality will not grant relief in respect of payments for rates to any category of owners or properties other than that as provided for in this Policy, nor to owners of properties on an individual basis.
- (d) Any application (when required or as requested) for a relief on rates must be submitted as per paragraph 14.1 of this Policy.

8.2 Residential Property

8.2.1 The Municipality will not levy a rate on the initial portion of the valuation of a residential property being the sum of:

- (i) the first R15 000 exclusion on the basis set out in Section 17 (1) (h) of the MPRA; and
- (ii) on a further R185 000 reduction, provided it does not exceed the remaining valuation in respect of a residential property, or the primary component of a multiple use property, that is categorised for *residential purposes*, as per the definition in paragraph 4 of this Policy. This reduction will only apply if the total valuation of said property does not exceed R 5 000 000. All non-primary components of a multiple use property or the adjoining units of a sectional title scheme as per paragraph 7.9 of this policy, do not qualify.

The above where applicable, will be applied once only per property.

8.3 Senior Citizens and Disabled Persons

Designated owners being registered owners of properties or allocated beneficiaries as per paragraph 7.6 of this Policy who are senior citizens or who are disabled persons may qualify for a rebate according to their gross monthly household income.

To qualify for the rebate referred to above, the designated owner must be a natural person, registered as a South African citizen. If not a South African citizen, the designated owner must be the registered owner of the property within the jurisdiction of the Municipality and must submit proof of his/her permanent residency in South Africa. The property in question must satisfy the residential property requirements as per this Policy and in addition to the above-mentioned, the designated owner must also:

8.3.1 Occupy the property as his/her normal residence; and

- (a) be at least 60 years of age, or in receipt of a disability grant; and

- (b) be in receipt of a gross monthly income from all sources (including financial contributions of all members of the household permanently residing at that property) not exceeding the highest income amount as referenced in the table of paragraph 8.3.4 of this Policy; and
- (c) when being the designated owner of more than one property, a rebate will be granted only on the occupied property; and
- (d) where the designated owner is unable to occupy the property due to no fault of his/her own, the spouse or minor children may satisfy the occupancy requirement; and
- (e) where the occupant of a residential property is a senior citizen or a disabled person and is the usufructuary of the property, he/she may satisfy the occupancy requirement.

8.3.2 Apply as per paragraph 14.1 of this Policy with proof of income, which may include proof of a SARS assessment or any other relevant document as requested.

8.3.3 If the property in question is alienated by the designated owner, then that owner would be liable for the *pro rata* rates, inclusive of the pension rebate. The new owner will be liable for the full *pro rata* portion of the rates excluding any pension rebates.

8.3.4 The percentage rebate granted to different monthly household income levels will be determined according to the schedule below. The income bands and rebates for the effective financial period of this Policy are as follows:

Gross Monthly Household Income				% Rebate
Income bands				
	Up to		8 000	100%
From	8 001	to	10 000	75%
From	10 001	to	12 000	50%
From	12 001	to	15 000	25%

8.4 Conservation Area

The Municipality will exclude those portions of a property within the ambit of a conservative area as defined in this Policy.

The apportioned value of any portion of such property, utilized for any purpose other than that used for such conservation purposes, or developed and used for commercial, business, agricultural or residential purposes will be categorised accordingly and rated at the applicable rate as described in paragraph 7.2 of this Policy.

The Municipality will apply Section 17 (2) of the MPRA upon withdrawal of said property from the conservation agreements inferred in Section 17 (1) (e) of the MPRA.

8.5 Religious Organisations

In terms of Sections 1 and 17 (1) (i) of the MPRA, the Municipality will not levy a rate on a property used primarily as a place of public worship by a religious community, including the official residence which is occupied by the office bearer of that community who officiates at services at that place of worship.

The Municipality will apply Section 17 (5) of the MPRA if as per Section 17 (5) (a) of the MPRA said property is no longer used or has been disposed by the religious community.

8.6 Stellenbosch Special Rebate

The Municipality may, for the organisations not meeting all the public benefit organisations criteria as described in paragraph 8.7 below, nor the criteria for NPO organisations as described in paragraph 8.8 below, consider a rebate which shall be identified as “Stellenbosch Special Rebate” (SSR). The Municipal Council will annually during the budget processes approve this rebates’ discount percentage.

This rebate will only be applicable to said organisations that apply as per paragraph 14.1 of this Policy for such rebate.

8.7 Public Benefit Organizations (PBO)

The Municipality will apply the rate ratio as set out in the MPRA to public benefit organisations.

As per the MPRA the specific public benefit activity listed in Item 1 (Welfare and Humanitarian), Item 2 (Health Care), and Item 4 (Education and Development) of Part I of the Ninth Schedule of the Income Tax Act will be applicable and must be conducted/executed on said property.

All Public Benefit Organisations must annually submit, according to paragraph 14.1 of this Policy proof of their status as per the above criteria.

8.8 Non-Profit Organizations (NPO)

An organisation must be registered as a Non-Profit Organisation (NPO) under the Non-profit Organisations Act, 1997 (Act 71 of 1997) to be considered as a candidate for the relief measures described below.

Organizations listed in paragraph 8.8.1 below that are operated as not-for-gain (declared or registered by law) or organisations that execute activities as per Item 6 (Cultural), item 7 (Conservation, Environment and Animal Welfare) and Item 9 (Sport) of Part 1 of the Ninth Schedule to the Income Tax Act may receive a rebate. All abovementioned organisations being privately controlled must be the owner of said properties.

These rebates are not applicable to any vacant land irrespective of its zoning or intended usage unless stated otherwise in this Policy.

All NPO must annually submit, according to paragraph 14.1 of this Policy proof of their status as per the above criteria.

Abovementioned organisations which have a total revenue/income not exceeding one million Rand per annum, will receive a 100% rebate. On the other hand, those organisations having a revenue/income exceeding one million Rand per annum will receive a rebate percentage of 20%.

8.8.1 Prescribed not-for-gain organisations

(a) *Health and welfare institutions*

Privately owned properties used exclusively as a hospital, clinic, mental hospital, orphanage, non-profit retirement village, old age home or benevolent institution, including workshops used by the members or patients, laundry or cafeteria facilities.

(b) *Charitable institutions*

Properties used solely for the performance of charitable work.

(c) *Agricultural societies*

Property owned by agricultural societies used for the purposes of the society.

(d) *Cemeteries and crematoria*

Privately owned properties used as cemeteries and crematoria.

- (e) *War veterans*
Property registered in the name of a trustee or organisation in terms of the Social Assistance Act, 2004 (Act 13 of 2004), maintained for the welfare of war veterans and their families.
- (f) *Heritage properties*
Open to the public and used as historical monuments, museums, libraries, and art galleries. This provision will apply only until the transition of the new General Valuation to be implemented on 01 July 2021.

8.9 Heritage Properties

The Municipality recognises properties as described in Section 15(2A)(b) of the MPRA and as per paragraph 6.1 (j) of this Policy as Heritage properties which will be rated at the applicable rate.

Owners of heritage properties must annually submit, according to paragraph 14.1 of this Policy proof of their status as per the above criteria.

8.10 Properties affected by Disaster or adverse Economic Conditions

The Municipality may consider additional relief measures as envisaged in Section 15(2)(d) of the MPRA and as approved by Council.

8.11 Exceptional General Valuation Rates Increases: Phasing in

The Municipality may consider a relief measure for owners of property adversely affected by exceptional rates increase of a new General Valuation (GV) cycle. This incentive will only be implemented as from the implementation date of a GV and on proviso that:

- (a) for a property to qualify, the Rates for the first financial year of the GV cycle for the property, as result of the property valuation of a GV cycle, must be at least four (4) times more than that of the rates for said property during the financial year preceding the start of the GV cycle.
- (b) the rates for the financial year preceding the start of the GV cycle must be greater than R1 000 per annum;
- (c) the rebate granted would be phased-out over two financial years;
- (d) the rebate for the first financial year will be 50% and during the second year it will be 25% rebate on the rates applicable for that year;
- (e) this incentive will not be cumulative on any other rebate that may be granted to said owner;
- (f) the most beneficial rebate between this incentive and any other rebate which said owner may receive in each financial year will prevail;
- (g) improvements or errors of valuations to said property that could have influenced the GV valuation will be reviewed during the application approval;
- (h) applications will only be considered until the end of the initial 6 months of a GV cycle; and
- (i) owners of such property must apply as per paragraph 14.1 of this Policy.

9. LIABILITY FOR AND PAYMENT OF RATES

9.1 Liability for and payment of rates

Liability for and payment of rates is governed by criteria in this Policy, by the MPRA, the Municipality's Credit Control and Debt Collection Policy, By-Laws and any other applicable

legislation. Actions as per the applicable By-Laws and/or Policies shall be taken against defaulters.

There are one of two methods of payment that the owner of the property must agree upon, namely (i) paying the rates on a monthly basis or (ii) paying the rates in one amount every annum.

The paying of rates on a monthly basis will be the preferred method unless the owner has selected the annual method of payment via a written request before 31 May preceding a financial year.

- (i) When paying on a monthly basis the amount due shall be paid not later than the date as specified on the monthly accounts. The cycle of such payments will start on the first day of July (the start of a financial year) and extend to the 30th of June the following year.
- (ii) When paying a once-off amount (the full rates for that financial year), then that amount shall be paid in full not later than the date as specified on the account. Please note that additional annual payments may be triggered during a financial year by a supplementary valuation on said property.

Changes to the preferred method of payment must be exercised by the owner before 31 May of a financial year and once set the method of payment will not be changed during a current financial year.

9.2 Rates in arrears for longer than 90 days

When an owner's rates account is in arrears for longer than 90 (ninety) days, then the Municipality may initiate the proceedings as described in Sections 28 or 29 of the MPRA.

A notice to this effect will be forwarded to the tenant, occupier or agent providing the required legal information regarding their payments to the owner, which are to be redirected to the Municipality so as to cover the arrear rates account.

A notice will be forwarded to the owner in question to indicate the legal proceedings and the actions that the Municipality has initiated.

10. QUANTIFICATION OF COSTS TO MUNICIPALITY AND BENEFITS TO COMMUNITY

The cost to the Municipality and benefit to the local community in terms of exemptions, rebates, reductions and exclusions referred to in the MPRA and rates on properties that must be phased-in in terms of the MPRA will be reflected in the Municipality's budget.

11. OBJECTION AND APPEALS

- (a) Any person may lodge an objection to a valuation subject to Section 50 of the MPRA but within the period stated in the notice referred to in Sections 49(1)(a) and 78(5)(b) of the MPRA.
- (b) An appeal to an appeal board against a decision of a municipal valuer in terms of section 51 of the MPRA may be lodged in the prescribed manner subject to Section 54 of the MPRA. The appeal must be lodged (as a guideline), within a period of 30 days nonetheless, as set out in Section 54(2) of the MPRA.
- (c) The administrative actions or processes as described in the MPRA for the handling of objections or appeals will be the basis that the Municipality will follow.

- (d) The lodging of an objection or appeal: -
 - (i) In terms of Section 50 of the MPRA does not defer liability for the payment of rates in terms of this Policy; or
 - (ii) In terms of Section 54 of the MPRA does not defer liability for the payment of rates in terms of this Policy.

12 CLEARANCE CERTIFICATES

All monies collected by the Municipality, specifically in respect of Special Rating Areas and any estimated amounts in terms of Section 118(1A) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) (the Systems Act), or Section 89 of the Insolvency Act, 1936 (Act 24 of 1936), are for the purpose of Section 118 of the Systems Act, deemed to be due and must be paid in order to facilitate the transfer of immovable property:

- (i) All amounts that are due must be paid in full prior to the issuing of any clearance certificate in terms of Section 118, of the Systems Act; and
- (ii) No interest shall be paid by the Municipality to the registered seller in respect of these payments which are deemed to be due.
- (iii) The Municipality will not be responsible for the apportionment of rates and/or services due or paid in respect of any rates clearances and registrations.
- (iv) The Municipality may issue only one clearance certificate for properties deemed to be in an adjoined state as per paragraph 7.9 of this Policy.

13 ADJUSTMENTS OF RATES PRIOR TO SUPPLEMENTARY VALUATION

13.1 If the owner of a property which has been subdivided or consolidated after the last general valuation wishes to sell the consolidated erf, or one or more of the erven which have been subdivided from the parent erf, as the case may be, applies to the Municipality for a clearance certificate in terms of Section 118 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), and if the Municipality has not yet included such valuation of the relevant property(ies) in a supplementary valuation:-

- (a) the Municipal Valuer shall conduct a valuation of the relevant property(ies) for purposes of a supplementary valuation; and
- (b) the valuation shall be submitted to the CFO for approval of the levying of rates on such property(ies) in accordance with such valuation, with effect from the date on which the relevant subdivision or consolidation (as the case may be) was registered in the Deeds Office

13.2 Any valuations performed in terms of paragraph 13 shall be included in the next supplementary valuation process as per the provisions in Sections 78 (1) to (5) of the MPRA.

14. GENERAL

14.1 Applications for Relief Measures

- (a) All applications, required in terms of this Policy for a specific relief measure must be submitted to the Municipality by 30 November of each year, which date precedes the financial year in which the rate is to be levied. If the relief measure applied for is granted, the relief measure will apply for the full financial year. All successful applicants are bound by all the criteria as per paragraph 14.1 of this Policy.
- (b) Any applicant who, during a financial year, for the first time, meets all the criteria other than (a) above, may apply to receive the relief measure initiated from the month following

the approval by the Municipality of said application for the remainder of that financial year, thereafter all the criteria as per paragraph (a) above will apply to applications for subsequent financial years.

- (c) Late applications received after 30 November of a given year may be considered by the Municipality, in which case, if the relief measure applied for is granted, a *pro rata* rebate for the remainder of the next (new) financial year may be applicable.
- (d) Persons who have submitted false information and/or false affidavits will have the relief measure withdrawn with effect from the commencement of the financial year in question.
- (e) All applications for relief measures will require the applicant's municipal accounts to have been paid up to date or the conclusion of a suitable arrangement with the Municipality as provided for in the Municipality's Credit Control and Debt Collection By-Law and Policy.
- (f) The Municipality reserves the right to request current and/or previous audited financial statements or to inspect all properties before or after implementing the applicable rate and to revoke or amend any decision made prior to such investigation or financial review.
- (g) The Municipality reserves the right to recover any rates and/or relief measures from owners of properties after the status of said properties have changed.
- (h) The Municipality reserves the right to request any additional information as may be deemed necessary.

14.2 Regular policy review processes

This Policy will be reviewed on an annual basis to ensure that it complies with the Municipality's strategic objectives and with legislation.

14.3 Language Interpretation

The legal interpretation of the English version of this Policy only shall prevail above all other language translations of this Policy.

14.4 Severance

If any provision of this Policy is struck down as invalid by a court of law, such provision shall be severed from this Policy, and shall not affect the validity of the remaining provisions.

15 BY-LAWS

The principles contained in this Policy will be reflected in the By-Law as promulgated and adjusted by Council from time to time.

16. SHORT TITLE

This Policy is the Rates Policy of the Stellenbosch Municipality.

17. CATEGORY AND REBATE CODES

17.1 Category Codes

The Formulae Codes (Derived from the Categories listed in paragraph 6.1 of this Policy) as listed below will be used in the Valuation Roll and supporting letters or Notices to reflect by association the applicable Category (as indicated in the "Category (of property)" column).

Council shall on an annual basis during the budget approval cycle set the cent amount in the Rand values (being the Category Tariff) for each of the Categories in the table below.

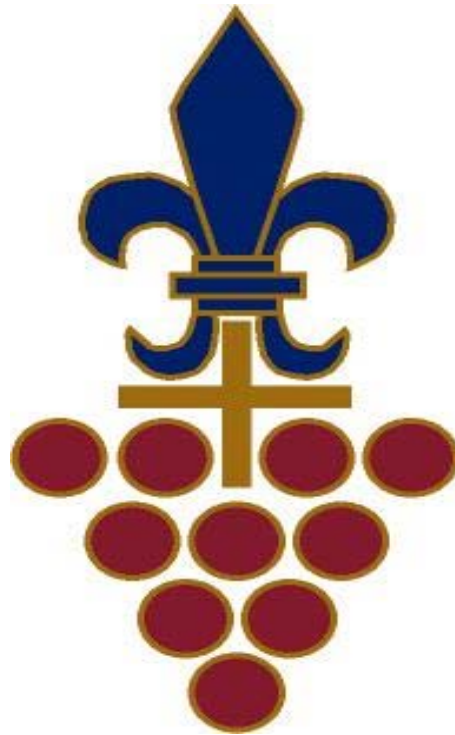
Category (of property)	Category Code	Formulae Code	Supporting references
Residential	RES	RES	MPRA Sections 8(2)(a); 17(1)(h) and the Policy paragraph 8.2.1
	RES	RESA	Adjoining residential; the Policy paragraph 7.6
	RES	RESM	MPRA Section 17(1)(h) i.e. ONLY Policy paragraph 8.2.1 (i)
	RES	RESIF	Informal settlements, 100% exclusion will apply
	RES	RELI1	MPRA Section 17(1)(i) – the official residence; the Policy paragraph 8.5
	RES	MUNRR	Municipal Owned: Rented or Leased property; the Policy paragraph 7.6
	RES	MUNR	Municipal Owned: Section 8(2)(h) and the Policy paragraph 7.6
	RES	LRBR	Land Reform Beneficiary: MPRA Section 17(1)(g); the Policy paragraph 7.8
Industrial	IND	IND	MPRA Section 8(2)(b); Policy Definitions for "industrial"
Business	BUS	BUS	MPRA Section 8(2)(c); Policy Definitions for "business"
	BUS	RELIG	MPRA Section 17(1)(i) – the place of worship; the Policy paragraph 8.5
	BUS	MUNBR	Municipal Owned: Rented or Leased property; the Policy paragraph 7.6
	BUS	MUNB	Municipal Owned: Section 8(2)(h) and the Policy paragraph 7.6
	BUS	POS	Public Open Spaces
	BUS	PROS	Private Open Spaces
Agricultural	AGR	AGR	MPRA Section 8(2)(d); (Not considered to be a vacant property); the Policy paragraph 7.5
	AGR	PROT	Protected Areas: MPRA Section 17(1)(e); the Policy paragraph 8.4
	AGR	MUNAR	Municipal Owned: Rented or Leased property; the Policy paragraph 7.6
	AGR	MUNA	Municipal Owned: MPRA Section 8(2)(h) and the Policy paragraph 7.6
	AGR	LRBA	Land Reform Beneficiary: Section 17(1)(g); the Policy paragraph 7.8
Mining	MIN	MIN	MPRA Section 8(2)(e).
Public Service Purposes	PSP	PSP	MPRA Section 8(2)(f); the Policy paragraph 7.3
Public Service Infrastructure	PSI	PSI	MPRA Sections 8(2)(g); 17(1)(a) and the Policy paragraph 7.4
	PSI	PSIE	MPRA Sections 8(2)(g); 17(1)(aA) and the Policy paragraph 7.4
	PSI	MUNP	MPRA Sections 7(2)(a)(ii) and 8(2)(h); the Policy paragraph 7.6
Public Benefit Organisation	PBO	PBO	MPRA Section 8(2)(h) and the Policy paragraph 8.7
Multiple purposes	<i>Multi tariff</i>	MULTI	MPRA Sections 8(2)(i) and 9 and the Policy paragraph 7.2
Heritage	HER	HER	MPRA Section 15(2A)(b) and the Policy paragraph 7.9
Vacant Residential	VACR	VACR	the Policy paragraph 7.1
Vacant Other	VACO	VACO	NOT agricultural properties; the Policy paragraph 7.1
		VACM	Vacant Municipal properties

17.2 Rebate Codes

The Rebate Codes in the table below serves to indicate the rebate if any that could be applicable to a property.

Rebate Code	Purpose	Supporting references
NONE	No rebate is applicable	
INDP	Indigent and 100% Pension rebate	Rates Policy paragraphs 8.3 and the Indigent Policy
INDIG	Indigent only rebate	Indigent Policy
PENS	100% Pension rebate	Rates Policy paragraph 8.3
PENS1	75% Pension rebate	Rates Policy paragraph 8.3
PENS2	50% Pension rebate	Rates Policy paragraph 8.3
PENS3	25% Pension rebate	Rates Policy paragraph 8.3
NPO	Non-Profit Organisation (100% rebate)	Rates Policy paragraph 8.8
NPO1	Non-Profit Organisation (20% rebate)	Rates Policy paragraph 8.8
SSR	Stellenbosch Special Rebate	Rates Policy paragraph 8.6
EGVI	Exceptional General Valuation Rates Increases	Rates Policy paragraph 8.11

STELLENBOSCH MUNICIPALITY



TARIFF POLICY

2020/2021



STELLENBOSCH MUNICIPALITY

TARIFF POLICY

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PREAMBLE

In accordance with Section 74 of the Local Government Municipal Systems Act, Act 32 of 2000, Stellenbosch Municipal Council must adopt and implement a tariff policy on the levying of tariffs for municipal services which complies with the provisions of the Municipal Systems Act and with any other applicable legislation.

Tariffs represent the charges levied by Council on consumers for the utilization of services provided by the Municipality and rates on properties. Tariffs will be calculated in various ways, dependent upon the nature of the service being provided.

In furtherance of reusable energy, Council may consider tariffs pertinent to the purchase of surplus energy from consumers.

1. OBJECTIVE

The objective of this Tariff Policy is to ensure the following:

- (a) Tariffs must conform to acceptable policy principles;
- (b) Municipal services must be sustainable;
- (c) Tariffs must comply with the applicable legislation; and
- (d) Tariffs should take indigent consumers into consideration.

2. LEGAL FRAMEWORK

The following legislation is applicable for the determination of tariffs for municipal services delivered or for the purchase of surplus energy:

The Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)

Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003)

Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)

Water Services Act, 1997 (Act 108 of 1997)

Electricity Regulation Act, 2006 (Act 4 of 2006)

Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004)

3. TARIFF PRINCIPLES

The following principles will apply in the Stellenbosch Municipal Area of jurisdiction (WC024):

- (a) Users of municipal services are treated equitably in the application of tariffs;
- (b) The amount individual users pay for services are generally in proportion to their use of that service;
- (c) Indigent households have access to basic services through:
 - (i) Special or lifeline tariffs for low levels of use or consumption of services or for basic levels of service; or

- (ii) Any other direct or indirect method of subsidisation of tariffs for poor households.
- (d) Tariffs reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration, replacement costs and interest charges;
- (e) Tariffs are set at levels that facilitate the financial sustainability of the service, taking into account subsidisation from sources other than the service concerned. A service is financially sustainable when it is provided in a manner that would ensure its financing from internal and external sources is sufficient to cover the costs of the initial capital expenditure required, operating the service, maintaining, repairing, and replacing the physical assets used in its provision;
- (f) Provision is made in appropriate circumstances for a surcharge or a rebate on the tariff for a service;
- (g) Provision is made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;
- (h) The economical, efficient, and effective use of resources, the recycling of waste and other appropriate environmental objectives are encouraged;
- (i) The extent of subsidisation of tariffs for poor households and other categories of users are fully disclosed; and
- (j) The safeguarding of the integrity of the electrical distribution network and the continued economic viability for the purchasing of surplus energy from consumers.

It is further stated that tariffs, rates, and the employment of resources, in general, take into account the Council's Integrated Development Plan (IDP) principles and goals.

4. CLASSIFICATION OF SERVICES

Traditionally, municipal services have been classified into five groups based on how they are financed. The five groups are as follows:

(a) Trading services Water and Electricity Services

These services must generate a surplus which will be used to subsidize community services other than economical services.

(b) Economical services Refuse Removal and Sewerage Services

These services' charges must cover the cost of providing the services, i.e. it must at least break even. In the event of the latter not being possible within a period, the shortfall will be financed from the Municipal Property Rates revenue.

(c) Rates Services The revenue from Municipal Property Rates is utilized for Rates related services.

(d) Housing Services Housing Schemes

These services are ring-fenced in the Housing Development Fund and the net operating balance is set off as a contribution to/from the Housing Development Fund.

(e) Sundry Services Various Services

All Services not defined in paragraphs (a) to (d) above.

5. CALCULATION OF TARIFFS FOR MAJOR SERVICES

5.1 Water Tariffs

Although a fairly large proportion of the water needs is supplied from own sources, water is also purchased from external suppliers, such as the City of Cape Town. The increase in water tariffs are largely influenced by the changes in the Consumer Price Index (CPI),

the purchase price of water and the need for financing bulk water infrastructure expansion.

Water is bought at a one-part tariff expressed in Rand per kilolitre. For this reason, it is found that water tariff structures for end-users follow the same trend. In order to manage consumption, an inclining block rate tariff structure is applied in the Stellenbosch Municipal area of jurisdiction.

The first block rate for domestic consumers represents the Lifeline volume in kilolitres (kl) per month (considered to be the lowest sustainable water volume per household), which is supplied at a rate targeted to be below cost. Losses incurred in this tariff category may be recovered by contributions from the higher tariff categories, conforming to the principle of cross-subsidisation.

Tariff structures for water supply are applied in the form of a sliding scale or a flat tariff in the area of jurisdiction of Stellenbosch Municipality. This is reflected in the Tariff Schedule approved by Council.

The specific sliding scale(s) linked to each consumer group or the service charge types and the applicable tariffs, including any specific tariffs that would be applicable when Council adopts water restriction strategies, are reflected in the Water Tariff Schedule as approved by Council.

The following table illustrates the principals for tariff charges applied to various consumers or the specialised water service charge types for water consumption in the Stellenbosch Municipal Area:

(a) Domestic:

Includes residential erven, Sectional Title Units, as well as residential erven managed by legal entities, each being served by an individually metered water connection.

(b) Domestic Cluster:

Refers to a cluster (block of flats) served by a single water connection.

(c) MASO:

A MASO tariff for the affected parties will be applied.

(d) Bulk Users:

A sliding scale tariff will be applied on water consumption for irrigation of sports grounds of schools, irrigation of Council property by sports clubs, as well as irrigation of parks and other grounds or properties serviced by Council's Parks and Recreation Department.

(e) Business, Commercial and Industrial:

A single tariff for all business, commercial and industrial consumers will apply.

(f) All other consumers and Miscellaneous cases:

A single tariff for all other consumers and miscellaneous cases including schools, sportbodies, charity organizations and churches or any other user as determined by the relevant Director, will apply.

(g) Leakages:

Different tariffs may apply to Municipal, Domestic, Business, Commercial or Industrial consumers.

(h) Basic Charge:

A Basic (a fixed monthly) charge will be applied to each domestic consumer, a domestic cluster consumer and all other non-domestic consumers, irrespective whether a gated/non-gated development is supplied via a bulk meter.

The Basic charge will be applied to Indigent Households as per the Indigent Policy of the Municipality.

(i) Availability Fee:

An availability fee is charged on properties not connected to the water network, should it be available. This fee aims to recoup capital and maintenance costs of networks as well as certain fixed administrative costs in respect of such properties.

5.2 Electricity Tariffs

In addition to general cost factors, the following is taken into account when determining a tariff structure for electricity:

- (i) Electricity is primarily supplied by Eskom, and distributed by the Municipality.
- (ii) Minimum standards for distribution are determined nationally and must be adhered to in order to conform to both safety and continuity of supply norms.
- (iii) Due to the fact that a large part of the operating expenditure consists of bulk electricity purchases, tariff structures and levels are very sensitive to any change in the cost of supply by Eskom.
- (iv) Electricity is supplied under a distribution license, granted by the National Electricity Regulator of South Africa (NERSA) for a specific area of jurisdiction. All tariff structures and tariffs must be approved by NERSA prior to application thereof by a distributor on an annual basis.

Electricity is distributed by Stellenbosch Municipality in the areas of Stellenbosch, Johannesdal, Pniel and Franschoek.

Eskom distributes electricity in the areas of Jamestown, Raithby, Kylemore, Klapmuts and the rural areas. In these areas, the distribution is managed, operated and controlled by the applicable service provider.

Export of surplus energy from an approved and certified consumer to the Municipality's distribution network shall be subject to special and specific agreements embracing in broad terms the operational and financial imperatives for a sustainable and economically viable alliance.

In order to manage consumption, inclining block rate tariff structures are applied in the Stellenbosch Municipal areas of distribution, or any part or area incorporated where due course was followed. In these areas, different tariff structures may be implemented for consumers using renewable energy for own use and/or where the export of surplus energy is approved under the proviso of specific conditions, limits on energy export and reimbursement of exported energy.

Additional fees may be levied on consumers for which maximum demand charges are in effect and who have exceeded specific limits.

The specific inclining block rate(s), any other charges linked to the tariff structure and the applicable tariffs are reflected in the Electricity Tariff Schedule as approved by Council.

The following table illustrates the principals for tariff charges applied to various consumers or the service charge types for electricity consumption or export in the Stellenbosch Municipal Area:

(a) Domestic Lifeline (PP):

Domestic Lifeline Tariffs will apply to prepaid Indigent consumers in order to promote the affordability of the service. A fixed monthly charge will not be applied to this category of consumers.

(b) Domestic Regular:

Domestic Regular tariffs will apply, in various service charge types, to other domestic consumers other than Indigent consumers on either conventional or prepaid metering systems. A fixed monthly charge may be applied to this category of consumers.

(c) Commercial Lifeline Low energy rate:

A Commercial Lifeline energy rate tariff will apply in respect of prepaid commercial low consumers. A fixed monthly charge will not be applied to this category of consumers.

(d) Commercial Low energy rate:

Commercial Low energy rate tariffs will apply, in various service charge types, in respect of conventional and prepaid commercial low consumers. A fixed monthly charge will be applied to this category of consumers.

(e) Commercial Regular energy rate:

Commercial Regular energy rate tariffs will apply, in various service charge types, in respect of conventional and prepaid commercial regular consumers. A fixed monthly charge is applied to this category of consumers.

(f) Agricultural energy rate:

Agricultural energy rate tariffs will apply, in various service charge types, in respect of agricultural use. A fixed monthly charge is applied to this category of consumers.

(g) Industrial energy rate:

Industrial energy rate tariffs as well as various types of energy demand tariffs will apply, in various service charge types, in respect of Industrial use. A fixed monthly charge is applied to this category of consumers.

(h) Municipal energy rate:

Municipal energy rate tariffs will apply, in various service charge types, for municipal consumption for street and traffic lights and for municipal buildings. A fixed monthly charge will not be applied to this category of consumers.

(i) Non-profit Organisations (NPO) energy rate:

Non-profit organisation's tariffs will apply, in various service charge types, to Non-profit Organisations in order to promote the affordability of the service for Non-profit Organisations. A monthly fixed charge will not be applied for this category of consumers.

(j) Sport Organisations energy rate:

Sport energy rate tariffs will apply and a Maximum Demand Charge may apply on sports fields as per approved contracts being classified as either Low Consumers or High Consumers. A fixed monthly charge will not be applied to this category of consumers.

(k) Time-of-Use energy rate:

Different fixed monthly tariffs as well as various types of energy demand tariffs will apply during the low demand and the high demand tariff periods (also referred to as the summer and winter periods respectively) in respect of low and medium voltage consumers. For the purpose of these tariffs the low demand period shall be defined as being the summer period and the high demand period as the winter period.

(l) Availability fee:

An availability fee is charged to properties not connected to the electricity network, where it is available. This fee aims to recoup capital and maintenance costs of networks as well as certain fixed administrative costs.

5.3 Refuse (Solid Waste) Removal Tariffs

The specific services rendered, any other charges linked to the service and the applicable tariffs are reflected in the Solid Waste Tariff Schedule as approved by Council.

(a) Residential properties:

Residential refuse (solid waste) will be removed once a week. Households are allowed 3 bags or one “Otto”-type container per week.

Refuse removal tariffs are based on a flat rate per household.

A specific tariff for Indigent consumers in respect of single residential properties will apply as per the approved Solid Waste Tariff Schedule.

(b) Business and industries:

Business and industry refuse (solid waste) are removed by means of “Otto”-type or bulk containers. Each container (size in volume) is accepted as a refuse unit at a specific tariff and number of removals per week.

(c) Availability Fee:

An availability fee is charged to all vacant properties, businesses, flats and developments not permanently using the municipal collection services.

5.4 Sewerage Tariffs

Tariff structures for sewerage are applied uniformly in the area of jurisdiction of Stellenbosch Municipality.

The tariff structures for specific services rendered, any other charges linked to the service and the applicable tariffs are reflected in the Sewerage Tariff Schedule as approved by Council.

(a) Residential properties:

A tariff structure utilizing plot sizes is applied to allocate the sewerage costs to a specific property.

(b) Business and industries:

A tariff structure utilizing plot sizes, as well as floor areas per usage is applied to allocate the sewerage costs to a specific property.

The removal of industrial effluent is charged at a cost as per the applicable tariffs.

(c) Septic Tanks:

The clearance of septic tanks is charged per 5 000 litre or part thereof.

(d) Availability Fee:

An availability fee based upon a tariff structure utilizing plot sizes will apply to all vacant properties.

6. CALCULATION OF OTHER TARIFFS

6.1 Sundry Tariffs

(a) Tariff Structure:

(i) The tariff structure as reflected in the Sundry Tariffs Tariff Schedule as annually approved by Council will be used to determine regulatory community and subsidized services.

(b) Method of calculation:

(i) Existing tariffs will be revised annually, for application during the next financial year, by adjusting the tariff that applied during the current financial year by a percentage (suitable rounding will be applied) to recover increased costs or to compensate for any cost reductions where appropriate.

(ii) New tariffs will be calculated based on the estimated actual cost where appropriate or to recover some costs depending on the type of community service.

(c) Building Clause references:

- (i) Obligations pertaining to Building Clauses as per the development agreements or contracts will be dealt with according to the contract obligations.

6.2 Rates Tariffs

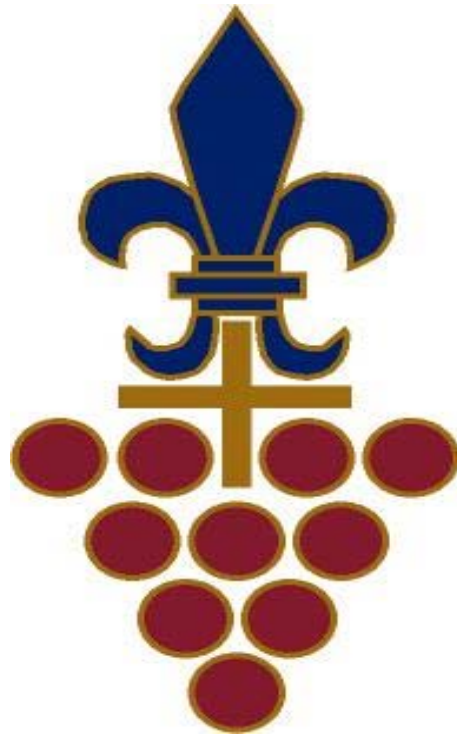
The Stellenbosch Municipality's Rates Policy describes the process for imposing property rates for the various categories of owners and properties.

The tariff structures for the applicable categories, any other charges linked to the service and the applicable provisions for relief measures are reflected in the Property Rates Tariff Schedule and Rates Policy as approved by Council.

7. SHORT TITLE

This policy is the Tariff Policy of the Stellenbosch Municipality.

STELLENBOSCH MUNICIPALITY



INDIGENT POLICY

2020/2021



STELLENBOSCH MUNICIPALITY

INDIGENT POLICY

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PREAMBLE

The Stellenbosch Municipal Council accepts and acknowledges its Constitutional duties and mandate relating to indigent support in terms of Sections 152 and 153 of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) towards the community/consumers within the jurisdiction of Stellenbosch Municipality (WC024).

Council further acknowledges that because of the level of unemployment and consequential poverty in the municipal area, that correlated households are incapable of paying for basic municipal services.

Indigent relief measures are thus a fundamental requirement that is achievable only within sustainable budgets set by Council as well as support and direction via National Government.

Concomitantly, indigent households equally have the responsibility of managing their levels of consumption and that they are responsible for the payment of municipal services that are consumed in excess of the reduced cost or Free Basic Service levels as described in this Policy.

The effective implementation of such a program depends principally on affordability and is supported by the socio-economic analysis of various areas as included in the Council's Integrated Development Planning. The Council's mandate regarding affordability of basic services to poor households is directed by mechanisms in Section 74(2)(c) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) and Section 15 of the Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004).

In order to give effect to the foregoing, the Council of Stellenbosch Municipality has adopted a policy relating to indigence as set out hereinafter.

1. DEFINITIONS

In this Policy, a word or expression derived from a word or expression as defined, has a corresponding meaning unless the context indicates that another meaning is intended. Implicit definitions as defined in various paragraphs of this Policy are set in addition to the explicit definitions as set below:

“the Municipality” means Stellenbosch Municipality (WC024).

“Basic Services” means that level of services delivered by the Municipality at a reduced cost or at no cost to the Indigent consumer and which the Council has considered reasonable and sustainable within budget constraints.

“Child-headed household” means a household where the main caregiver of said household is not older than 18 years of age and is a child as defined in Section 28(3) of the Constitution.

“Constitution” refers to the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)

“Household” means a family unit comprising a head of the family, being a natural person. The family may include blood related or adopted dependents. This is further described in paragraph 5.2 of this Policy.

“Indigent” means the lack of necessities of life such as sufficient water, basic sanitation, refuse removal, environmental health, basic energy, health care, housing, food and clothing.

“Indigent Income Threshold” means the qualifying monthly income as described in paragraph 5.5 and as set in paragraph 5.5(b) of this Policy.

“Valuation Threshold” means that value of municipal valuation as set for residential properties in paragraph 8.2 of the Municipality’s Rates Policy.

2. POLICY OBJECTIVES

The objectives of this Policy are to:

- (a) Provide a framework within which the Municipality can exercise its executive and legislative authority regarding the identification of indigent households and the implementation of financial aid to such.
- (a) ensure the provision of basic services to indigent households within the jurisdiction of the Municipality in a sustainable manner and within the financial and administrative capacity of the Municipality.
- (b) ensure the establishment of procedures and guidelines for the effective subsidisation of basic services charges to such approved indigent households within budgetary and national grant guidelines.

3. POLICY PRINCIPLES

The following guiding principles for the formulation of this Policy, are to:

- (a) ensure that the portion for free basic services allocated as part of the equitable share received annually, be utilised for the benefit of indigent households.
- (b) promote an integrated approach to subsidised basic service delivery.
- (c) optionally use external services and/or references to verify the information provided by the applicants.
- (d) maintain the relief measures to indigent households for as long as such indigent household remains registered on the municipality's indigent data base or register and the municipality continues to receive equitable share for this purpose.
- (e) review the relief measures by random sampling to ensure *bona fide* indigent support.
- (f) engage the community in the development and implementation of this Policy.

4. LEGISLATIVE CONTEXT

4.1 This policy is implemented within the framework of the following legislation:

All citations to applicable Acts as referenced in this Policy shall include all amendments and regulations to such as promulgated.

- (a) The Constitution of the Republic of South Africa, 1996 (Act 108 of 1996), in particular Sections 152 and 153.
- (b) Local Government: Municipal Systems Act, 2000 (Act 32 of 2000).
- (c) Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).
- (d) Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004), in particular Section 15 and/or.
- (e) any other legislation that may be applicable

4.2 This Policy was developed using the following guideline(s):

- (a) National Framework for Municipal Policies.
- (b) National Indigent Policy Assessment tool, 2018 - COGTA

5. QUALIFICATIONS AND SCOPE

The introduction of reduced cost or free basic services will ensure that indigent consumers have access to basic services.

5.1 Subsidy:

Subsidies are granted from external funds, allocated by the National Government as an Equitable Share allocation, to subsidize Indigent households with specified levels of basic services. This is based on a:

- (a) Level of income enabling Indigent households to pay for a basic package of municipal services; and/or

- (b) Municipal property valuation value that sets the level at which indigent support may be granted.
- (c) Subsidy scheme that is promoted through the press and by means of personal referral, but principally via referrals by the credit control and debt recovery section of the Municipality.

5.2 Household:

- (a) The head of the household must be a South African citizen and have permanent residency.
- (b) The head of the household should be:
 - (i) the registered owner or part owner of the property; or
 - (ii) the registered lessee of a Council housing unit; or
 - (iii) the registered lessee of a Government owned housing unit; or
 - (iv) a person, being the head of the household, who is incapable of paying for basic municipal services and who resides in said property/unit.

The head of the child-headed household shall be deemed to meet these criteria.
- (c) To register as an indigent consumer the head of the household must personally complete and sign the registration form.
- (d) Child-headed households will only be approved based on the following criteria:
 - (i) both parents of the household are deceased, or one parent and/or guardian is deceased, and the other is totally alienated from the household;
 - (ii) a minor has assumed the role of caregiver in respect of the other minor(s) in the household;
 - (iii) such minors reside permanently on the property;
 - (iv) such minors, and exclusively only minors occupy the property as their normal residence;
 - (v) such minors are scholars or unemployed and if income is derived, the household earns less than the qualifying income as envisaged by the defined Indigent Income Threshold;
 - (vi) the situation pertaining to the household has been verified by the Municipality; and
 - (vii) the situation pertaining to the household will be reviewed when the caregiver as per (ii) above reaches the age older than 18 years.
- (e) Indigent households living in homes for senior citizens shall be eligible to qualify for assistance and support under this Policy, subject to the following rules and procedures:
 - (i) For the purposes of passing/issuing the free basic electricity units to such indigent household, the onus will be on the unit owner or lessee to apply and submit proof that the electricity connection is in the name of the

Indigent consumer and not in the name of the organization providing the accommodation.

- (ii) In the event of the unit being occupied by a single individual without any dependents as per the definition of a household above, the level of income to qualify shall be equal to or less than 50% (fifty percent) of the defined Indigent Income Threshold per month.

5.3 Basis of Subsidy:

- (a) Only formal or informal housing units utilized for residential purposes will be taken into consideration for the purpose of this subsidy, being the provision of free basic services.
- (b) All informal structures where a prepaid electricity meter has been installed by the Municipality will qualify for this subsidy. In the cases where off-grid electricity is supplied by an authorised service provider appointed in terms of paragraph 5.7.2(b) of this Policy such households will also qualify for a subsidy, which subsidy will be paid directly to the authorised service provider.
- (c) Applications deviating from the above will only be considered after a detailed investigation and evaluation by the Municipality.

5.4 Liability for payment of municipal accounts:

- (a) Subsidies will only be granted to households liable for the payment of municipal service fees.
- (b) Subsidies will only be granted by means of a credit on municipal accounts and free basic electricity vouchers or in the form of subsidy paid directly to the authorised service providers of off-grid electricity as envisaged in paragraph 5.7.2(b) of this Policy. No subsidy will be paid directly to any Indigent consumer or household in the form of cash or any such disbursement.
- (c) Households are liable for the payment of fees, as stated on the monthly account, for any service in any given month that exceeds that service's subsidy.
- (d) Monthly accounts, as well as the instalments arranged in respect of the repayment of debt, must be paid punctually and in full. If required, and after reasonable alternatives have been exhausted, the process to recover debt from indigent consumers will be dealt with in terms of the Credit Control and Debt Collection Policy and procedures of the Municipality.
- (e) Prepaid electricity meters will be installed on all properties of formal households before receiving indigent subsidies to prevent escalation of debt.
- (f) Water management devices may be installed on properties of formal households before receiving indigent subsidies to prevent escalation of debt.

5.5 Qualifying income:

- (a) Gross household income is defined as the earnings of the head of the family, plus any other financial contribution towards the household income by any other dependant or occupant. Government grants as received by dependent minors will be ignored and not be added as a financial contribution towards the household income.

- (b) The maximum qualifying income level defined as the Indigent Income Threshold for a household as described in paragraph 5.2 of this Policy will be equal to or less than R 6 500 per month. Proof must be produced in the form of pay slips, unemployment certificates, income certificates or other acceptable proof of income.
- (c) Should proof of income not be available, income may be declared by means of a sworn statement. Such applications may be verified by means of a full investigation and a socio-economic survey.

5.6 Targeting mechanisms:

The following principles for the granting of free basic services apply:

- (a) Properties in respect of which property tax is levied on a municipal valuation amount will qualify as follows:
 - (i) The municipal valuation of a property being less than or equal to the defined Valuation Threshold will be used as the guiding threshold.
- (b) Indigent subsidies will only be considered by the Municipality upon application on a prescribed form by households which consider themselves as being indigent.

5.7 Basic services :

The Municipality will provide the following basic services at reduced or at no cost to the Indigent consumer:

5.7.1 Formal Households

Free basic services for Formal households will consist of the following:

- (a) 100 kWh electricity per household per month subject to it being supplied via a prepayment metering system as the qualifying criteria for a registered indigent household to be placed on the Lifeline Electricity Tariff. Free electricity units will not be applicable should the Indigent Household choose not to install a pre-paid meter;
- (b) a basic charge for water and a maximum of 6 kl water per household per month;
- (c) a service subsidy not exceeding the cost of one refuse unit in respect of a single residential;
- (d) a service subsidy not exceeding the cost of one sewerage service unit supplied to residential properties with a maximum area of 250m²; and/or
- (e) 50% of the applicable tariff for clearances of septic tanks.

5.7.2 Informal Settlement Households

Free basic services for Informal Settlement Households will consist of the following:

- (a) 100 kWh electricity per household per month; or
- (b) a maintenance and operations subsidy (equivalent in Rand value to 100kWh electricity per household per month) for off-grid solar home systems, operated by a municipal approved service provider or Energy Service Company (ESCO).

(In the case of off-grid electricity subsidies as contemplated above, the Municipality may, subject to a detailed review by the Revenue Section appoint an authorised service provider to provide the maintenance and operations function for a group or groups of indigent recipients of off-grid electricity at a maximum rand equivalence of the value of 100 kWh electricity per household per month.)

- (c) Other services (specifically water, sewerage and refuse removal services) are not billed for.

5.7.3 Indigent households residing in homes for senior citizens

Free basic services for qualifying households residing in homes for senior citizens as per paragraph 5.2(e) of this Policy will consist of 100 kWh electricity per household per month.

5.8 Free bulk services

Free Bulk Services shall be the provision of services (water standpipes, high mast lighting, ablution facilities and refuse removal) to informal settlements.

The cost of the provision of free bulk services is recovered from the Equitable Share Allocation from National Government and processed monthly.

5.9 Other concessions

- (a) Registered indigent consumers limited to the immediate occupants of the household occupying the property excluding any extended family members could qualify for a discount of up to 50% (fifty percent) on the approved fees and tariffs for non-trading services (refer paragraph (d) below) as defined by Council from time to time subject to application to the relevant Director.
- (b) Proof of registration as an indigent consumer must be obtained from the Credit Control Section of Financial Services prior to the application for the discount being made.
- (c) For the purposes of clarity, other categories of consumers (other than registered indigent consumers) such as back yard dwellers, farm workers and lessees of other property earning equal to or below the Indigent Income Threshold per month, may also qualify for the concessions (i.e. a discount of up to 50% (fifty percent) on the approved fees and tariffs, limited to the services envisaged in paragraph (d) below.
- (d) Discounted non-trading Services; refers to:
 - (i) Community hall discounts.
 - (ii) Burial fees in sections of cemeteries without head stones (i.e. crosses or flat stone areas only) and cremations when available. This concession is only applicable for burials on Mondays to Saturdays, excluding Public Holidays. Farm workers must provide written confirmation regarding the burial site from the farm owner.

6. ALLOCATION OF SUBSIDIES

- (a) The subsidy in any given month and service will be an amount not exceeding the amount as reflected in the Council's approved Tariff Schedules for services for Indigent households as per paragraphs 5.7 and 5.9 of this Policy.
- (b) Only one subsidy per service per property may be allocated in any given month.
- (c) Subsidy levels may be adjusted from time to time, depending on the availability of funds.
- (d) Lessees of subsidized housing units already receiving a municipal subsidy for the alleviation of municipal service costs included in rentals will not qualify for an Indigent subsidy. Should the latter subsidy be more advantageous, such a lessee may request that the Indigent subsidy replace the Rental subsidy.

7. APPLICATIONS FOR INDIGENT SUBSIDIES

- (a) Applications (i.e. applications submitted by individuals) will be required by any household which considers themselves to be an indigent household.
- (b) Only applications lodged by means of the prescribed application form will be considered by the Municipality.
- (c) Such households may be visited by employees of the Municipality or approved service providers, where after a written recommendation would be considered.
- (d) The maximum subsidy may be granted to households with no income, even if the corresponding accounts are not paid in full
- (e) Indigent assistance will be applicable for as long as an indigent household remains registered as such on the indigent data base or register and the Municipality continues to receive equitable share for this purpose.
- (f) The Municipality has the right to disclose a list of Indigent households for public inspection, which may include the publication thereof.
- (g) In a case of misrepresentation or any other transgression of the conditions for the provision of subsidies, the subsidy will be withdrawn with immediate effect and not be reconsidered for a period of at least 12 months. Legal actions may be instituted to recover subsidies obtained under false pretences.
- (h) Indigent relief will not apply in respect of property owners with more than one property, whether such property is situated inside or outside the area of jurisdiction of the Municipality.
- (i) Subsidies will not be granted on a pro-rata basis and applications received after the twentieth day of a month will be granted in the following month.
- (j) The onus is on the recipient of indigent subsidy to inform the Municipality immediately of any changes in personal circumstances that may warrant a review of his/her indigent status. For example, the status of any change of employment or to the Gross Household income as per paragraph 5.5 above must be reported to the Municipality.

- (k) The municipality reserves the right to review and/or to conduct home visits on a random basis with the view of assessing whether a household would still qualify for receiving indigent assistance. Upon cancellation of indigent assistance normal credit control procedures will be applicable on arrear accounts of such cancelled applications.

8. PROPERTY TAX REBATES BASED ON MUNICIPAL VALUATION

This Policy only addresses indigent subsidies and any form of rates relief is addressed as provided for in the Rates Policy of the Municipality.

9. INDIGENT REGISTER

- (a) The Municipality shall draw up and maintain a register in respect of properties and households receiving indigent assistance.
- (b) The register will be open for inspection by the public during office hours.
- (c) The Municipality will at regular intervals review the register and apply randomly selected checks as to the status of an application.

10. CONTACT OF RESPONSIBLE OFFICE

The contact details for Indigent enquiries:

E-mail Address: Indigent.office@stellenbosch.gov.za

Telephone Numbers : 021 808 8501
 021 808 8579
 021 808 8597
 021 808 8932

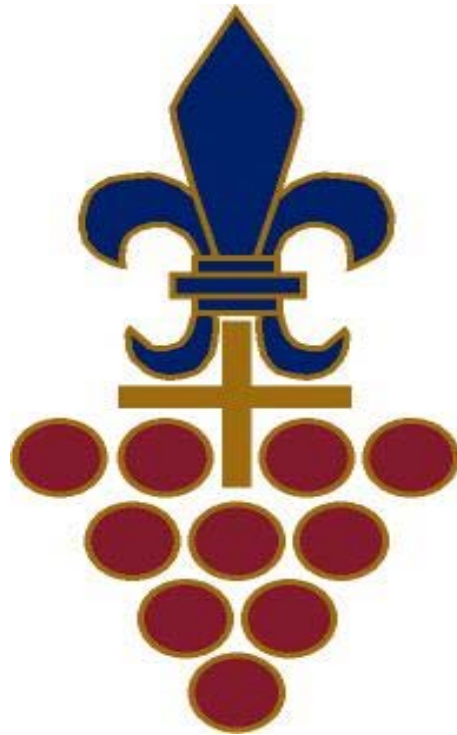
Postal Address: PO Box 17, Stellenbosch, 7601

Any Municipal Office in the jurisdiction of Stellenbosch Municipality

11. SHORT TITLE

This Policy is the Indigent Policy of the Municipality.

STELLENBOSCH MUNICIPALITY



**SPECIAL RATING AREA
POLICY**

2020/2021



STELLENBOSCH MUNICIPALITY

SPECIAL RATING AREA POLICY

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1. DEFINITIONS

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

“**additional rate**” means an additional rate contemplated in sections 19(1)(d) and 22(1)(b) of the Property Rates Act and in section 12(2) of the By-Law;

“**applicant**” means any owner who makes an application for the determination of a special rating area in accordance with provisions of Chapter 1 of the By-Law, or if a management body is established in terms of section 10 of the By-Law, any reference to “**the Applicant**” means the management body;

“**By-Law**” means the Stellenbosch Municipality’s Special Rating Area (SRA) By-Law;

“**CFO**” means the Chief Financial Officer of Stellenbosch Municipality, or his or her nominee;

“**Council**” means Council of Stellenbosch Municipality;

“**implementation plan**” means an Implementation Plan as contemplated in section 6 of the By-Law;

“**majority**” means the majority of property owners as contemplated in section 22 of the Property Rates Act;

“**management body**” means the management body of a special rating area to be establishment in accordance with the provision of section 10 of the By-Law;

“**motivation report**” means a motivation report as contemplated in section 6 of the By-Law;

“the Municipality” means Stellenbosch Municipality (WC024),

“**owner**” has the meaning assigned to it in section 1 of the Property Rates Act;

“**Policy**” means the policy for the determination of special rating areas and will be referred to as this Policy;

“**Property Rates Act**” means the Local Government: Municipal Property Rates Act, 2004 (Act No.6 of 2004);

“**rateable property**” has the meaning assigned to it in section 1 of the Property Rates Act;

“**special rating area**” means a special rating area approved by the Council in accordance with the provisions of section 22 of the Property Rates Act and section 8 of the By-Law.

2. INTRODUCTION

- 2.1 This policy for the establishing of special rating areas must be read together with the Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004) and the Municipality’s Special Rating Area (SRA) By-law, as in force from time to time.
- 2.2 This policy is strictly applicable to Special Rating Areas that have been established in terms of sub-sections 22(1) to 22(4) of the Property Rates Act. Therefore, this policy does not deal or apply to internal municipal service districts as envisaged in section 85 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) and in sub-section 22(5) of the Property Rates Act.
- 2.3 All words and phrases defined in the Property Rates Act and the By-Law have the same meaning in this Policy.
- 2.4 In the event of any conflict between the provisions of the By-Law and the provisions of this Policy, the By-Law prevails.
- 2.5 This Policy needs to be read together with the Municipality’s Rates Policy.

3. AIM OF THE POLICY

This Policy aims to –

- 3.1 Set out Council’s position on special rating areas and the factors that will influence Council’s decision whether or not to institute a particular Special Rating Area.
- 3.2 Provide guidance to members of the local community and to decision-makers within the Municipality in relation to the establishment of special rating areas; and
- 3.3 Strike an appropriate balance between facilitating self-funded community initiatives that aim to improve and/or upgrade neighbourhoods by –
 - (a) making use of Council resources and structures; or
 - (b) making use of a Non-Profit (previously known as a Section 21) company structure (refer paragraph 8.12.5 of this Policy); and to
 - (c) ensure commitment to good, fair and transparent governance by the managing body, by implementing a transparent process when appointing service providers to

improve and/or upgrade the special rating area in the public areas and ensuring that these improved and/or upgraded services are not provided on private properties.

4. POLICY STATEMENT

- 4.1 The special rating area model is aimed at preventing the degeneration of towns and the consequential urban decay, and facilitating their upliftment, economic growth and sustainable development.
- 4.2 The purposes of a special rating area are to –
- (a) enhance and supplement the municipal services provided by Stellenbosch Municipality;
 - (b) facilitate investment in the special rating area;
 - (c) facilitate a cooperative approach between Stellenbosch Municipality and the private sector in the provision of municipal services;
 - (d) halt the degeneration and facilitate the upliftment of distressed business and mixed-use areas; and
 - (e) promote economic growth and sustainable development and in this way, assist the Council in the fulfilment of its objects and developmental duties as set out in its Integrated Development Plan (“IDP”).
- 4.3 Stellenbosch Municipality regards special rating areas as a potential tool for allowing it to fulfil its constitutional and statutory obligations to promote;
- (a) social and economic development; and
 - (b) a safe and healthy environment in a way which balances the guiding principles underlying its Rates Policy.
- 4.4 Special rating areas allow property owners within an explicitly defined geographical area to improve and upgrade their area by means of a property rate in addition to the standard property rate.
- 4.5 Special Rating Areas do not give property owners or the management structures of the Special Ratings Area the right to infringe on any of the constitutional rights as enshrined in the Bill of Rights, Chapter Two of the Constitution of South Africa, 1996 of any juristic or natural person in any way. Specifically, the right to freedom of movement and residence of any juristic or natural person referred to in Section 21 of the Constitution must be guaranteed by the Special Rating Area as a pre-requisite for approval by the municipality.

5. FACTORS CONSIDERED WHEN DETERMINING A SPECIAL RATING AREA

The Council will consider instituting a special rating area where the requirements of Section 22 of the Property Rates Act are complied with, including that –

- 5.1 the purpose of the special rating area is to allow an additional rate to be levied on property in the defined area to raise funds for improving or upgrading the area;
- 5.2 the special rating area will not be used to reinforce existing inequities in the development of the Stellenbosch Municipality's (WCO24) area of jurisdiction;
- 5.3 the determination of the special rating area is consistent with Stellenbosch Municipality's IDP;
- 5.4 residential special rating area refers to an area in which more than 40% (forty percent) of the rates based municipal valuation consists of Residential Property as defined in the Rates policy.
- 5.5 any residential special rating area must comply fully with the provision of the By-Law, save that, with reference to the majority support the applicant must provide written proof to the Council that owners of rateable property within the boundary of the special rating area who own not fewer than 60% (sixty percent) in number of such properties, approve the formation of the special rating area.
- 5.6 the majority of members of the local community who will be liable for paying any additional rate in the special rating area, other than residential special rating areas, have consented to its establishment;
- 5.7 the procedural requirements of Section 22 of the Property Rates Act as well as the By-Law and this Policy are complied with, which include the community consultation requirement as determined by the Municipality's Chief Financial Officer (CFO);
- 5.8 the proposed improvement or upgrade has been clearly and fully defined;
- 5.9 the proposed improvement or upgrade can be clearly and logically linked to a geographical area, the boundaries of which must be clearly determined;
- 5.10 there is evidence that it will be financially viable to use a special rating area to raise funds for the proposed improvement or upgrade;
- 5.11 Stellenbosch Municipality is satisfied with the institutional arrangements proposed in respect of the special rating area; and
- 5.12 Ultimately, the decision whether or not to determine a special rating area rests with the Council in its sole discretion.

6. APPLICABILITY OF STELLENBOSCH MUNICIPALITY'S RATES POLICY AND OTHER POLICIES

- 6.1 When Stellenbosch Municipality grants any rebate to Senior Citizens, Disabled Persons and Non-Profit Organisations in terms of the Rates Policy, or registered indigents in terms of the Indigent Policy, the relevant property owner will be granted a full (100%) rebate in relation to the additional special ratings area rate.

7. PROCESS

This Policy sets out –

- (a) the institutional arrangements for special rating areas (paragraph 8 of this Policy)
- (b) the establishment requirements which must be followed (paragraph 9 of this Policy);
- (c) the information which needs to be submitted to Stellenbosch Municipality in order to motivate a request for determination of a special rating area (paragraph 10 of this Policy);
- (d) the annual requirements which must be followed (paragraph 11 of this Policy);
- (e) the amendments and/or extension of term for a special rating area (paragraph 12 of this Policy);
- (f) the dissolution requirements which must be followed (paragraph 13 of this Policy)
- (g) financial arrangements (refer paragraph 14 of this Policy).

8. INSTITUTIONAL ARRANGEMENTS

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

8.1 Administration by a Non-Profit Company

- 8.1.1. Stellenbosch Municipality will require the ratepayers within the special rating area to establish and participate in an appropriate structure to carry out planning, contracting, financial control and administrative functions within the special rating area.
- 8.1.2. This does not entail ratepayers setting the additional rate, which under law can only be done by Stellenbosch Municipality (paragraph 14 of this Policy).
- 8.1.3. This places funds collected by government in the hands of the private sector, thus the requirements set out in this Policy must be met.

8.1.4. The functions of the Non-Profit Company would include:

- (a) Determining the funding required each year (refer paragraph 14.2 of this Policy);
- (b) Appointing contractors or service providers to effect the improvement/s or upgrade/s;
- (c) Receiving the additional rate collected by Stellenbosch Municipality and expending the funds in accordance with the approved Business Plan.

8.1.5. Structural requirements of the Non-Profit company:

- (a) Before Stellenbosch Municipality will consider allowing ratepayers in a special rating area to carry out administrative and other functions in relation to the area, the Steering Committee must establish a Non-Profit company (company not for gain) as per the Companies Act, Act 71 of 2008 (as amended or replaced) ("the Companies Act") for that purpose. The provisions of the Companies Act must be complied with, particularly those relating to non-profit companies (which effectively replaced Section 21 companies as per the old Companies Act, Act 61 of 1973), subject to the transitional provisions contained therein;
- (b) The founding documentation ("the Memorandum of Incorporation") in relation to the structure established by ratepayers (this is equivalent to the Memorandum and Articles of Association, as per the old Companies Act, Act 61 of 1973), must be as per the prescribed format determined by the CFO;
- (c) The Non-Profit company must be managed under the Companies Act, and also comply with any other legislation as a result of the financial connections to Council; and
- (d) The Non-Profit company must give a written notice by the most effective manner to all the property owners within the special rating area of the intention to hold an Annual General Meeting (AGM) on the date stated in the notice;
- (e) A Special General Meeting ("SGM") must be called within 6 months of the establishment of the Non-Profit Company. The purpose of the SGM is to:
 - (i) Accept new members;
 - (ii) Appoint directors;
 - (iii) Amend the Memorandum of Incorporation if required; and
 - (iv) Approve the following year's Budget and Implementation Plan (refer paragraph 14.2 of this Policy).

9. APPLICATION FOR THE ESTABLISHMENT OF A SPECIAL RATING AREA

- 9.1 The process for establishing special rating areas as set out in Chapter 1 of the By-Law must be followed.
- 9.2 The special rating area application must be submitted by end of September of the financial year preceding the establishment of the special rating area.
- 9.3 Further to section 7.2 of the By-Law the applicant must hold another public meeting within 30 days after submitting the application to confirm that it was lodged and to discuss details with the community.

10. MOTIVATING A SPECIAL RATING AREA

The Motivation Documentation must comprise of the following:

10.1 Business Plan –

The Business Plan must clearly define and indicate all the required improvements or upgrades and must contain -

10.1.1. Introduction;

- (a) an executive summary of the improvement or upgrade proposed for the special rating area as set out in the Implementation Plan;
- (b) An explanation of how the proposed improvement or upgrade is linked to the geographical area of the proposed special rating area;
- (c) An explanation of why the proposed special rating area will not reinforce existing inequities in the development of Stellenbosch Municipality;
- (d) An explanation of how the special rating area, if instituted, will be consistent with Stellenbosch Municipality's IDP as per the Service Departments' Business Plans;
- (e) An explanation of the institutional arrangements proposed in relation to the special rating area.

10.1.2. Vision;

10.1.3. Mission;

10.1.4. Goal;

10.1.5. A diagram clearly indication the boundaries of the proposed special rating area;

10.1.6. Management;

- (a) Administrative policies of the Non-Profit company;
- (b) Proposed management structure:
 - Composition of the management body including allocation of portfolios and;
 - Operational Arrangements

10.1.7. Services;

Service providers must be appointed as per paragraph 3.3(c) and 10.1.1(d) of this Policy.

10.1.8. Financial Impact;

- (a) Provide details regarding the calculation of the cent-in-the-rand and as acted on the municipal valuation value of each property;
- (b) Provide details of criteria to qualify for exemption of additional rate;

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

10.1.10. Proof of the consent of the majority of the members of the local community as per paragraph 5.5 of this Policy, in the proposed special rating area who will be liable for paying the additional rate;

10.1.11. Proof of the notice of the public meeting or meetings contemplated in the By-Law;

10.1.12. Minutes of the public meeting or meetings; and

10.1.13. Compilation date.

10.2 Implementation Plan

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

10.2.1 Milestones;

10.2.2 Tasks per milestone;

10.2.3 Start and finish date per task;

10.2.4 Assign responsibility per goal, milestone & task; and

10.2.5 Performance indicators per milestone.

10.3 Budget Plan

The Budget Plan for the proposed improvements or upgrades must at least address the following:

10.3.1 a budget line item should be set for each milestone or task and grouped in such a way that there is a clear indication how the Implementation Plan is financially structured;

10.3.2 an annual budget per line item commencing on 01 July of the first year and end on 30 June of the last year of the term; and

10.3.3 a budget split for the provision of improvements or upgrades between the different categories of properties.

11. ANNUAL REQUIREMENTS

11.1 Confirm property data base (Register of members in the special rating area);

11.2 Submit an audited financial Statement and Trail Balance as approved/accepted at a SGM called for that purpose and

11.3 Submit an annual budget and an Implementation Plan as approved at the Annual General Meeting (AGM) by 31 January (refer paragraph 14.2 of this Policy).

12. AMENDMENT AND/OR EXTENSION OF TERM

In the event that a special rating area seeks to extend the term over which it will operate or amend the goals as per its Implementation Plan, then the procedures set out in Chapter 3 of the By-Law must be followed and submitted by the end of October.

13. DISSOLUTION

The special rating area may be cancelled by resolution of the Council, subject to the provision of section 16 of the By-Law.

14. FINANCIAL CONTROL

14.1 As stated in the By-Law, the amount of any additional rate levied in a special rating area is determined by the Council. The additional rate as imposed by the Council, is debt owing to Stellenbosch Municipality and is payable and collected in the same manner as other property rates imposed by the Council.

- 14.2 The management structure must recommend the annual budget amount of the additional rate to the Stellenbosch Municipality by 31 January, with appropriate motivation including an Implementation Plan and a Budget Plan for the next financial year, and the Council will consider the recommendation during its budgeting process.
- 14.3 Before Stellenbosch Municipality will pay over any additional rate collected to the management structure, the management structure and Stellenbosch Municipality must have concluded a written finance agreement regulating, amongst other things;
- (a) the mechanisms and manner of payment;
 - (b) how the additional rate is to be held by the management structure;
 - (c) any parameters relating to expenditure; and
 - (d) any obligations on the management structure to take out and maintain appropriate insurance.
- 14.4 The financial year of the Municipality shall be deterministic and shall be applied to the Budget plan and all financial transactions.

15. COMMENCEMENT AND IMPLEMENTATION

- 15.1 Implementation of this Policy will commence on 01 July 2020.
- 15.2 Where Stellenbosch Municipality is legally empowered to do so, requirements set out in this Policy may be imposed as conditions attached to the determination of a special rating area.
- 15.3 This Policy and its implementation will be reviewed annually.

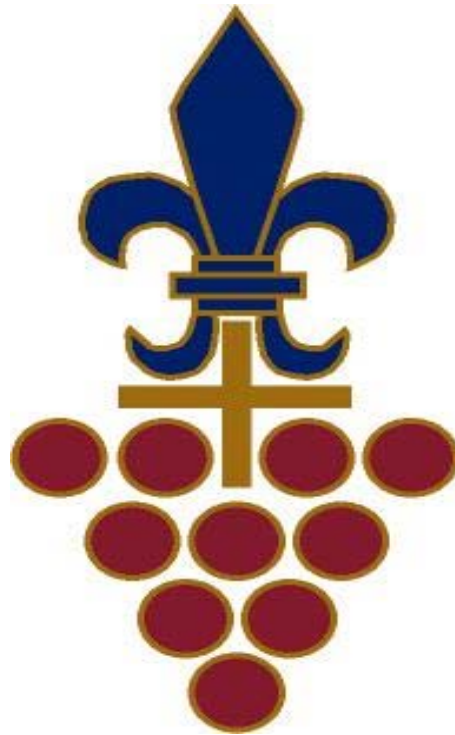
16. COST

Stellenbosch Municipality shall not be liable for any costs incurred by ratepayers within the relevant proposed special rating area in respect of the implementation of the steps set out in this Policy and in the By-Law.

17. SHORT TITLE

This policy is the Special Rating Area Policy of the Stellenbosch Municipality.

STELLENBOSCH MUNICIPALITY



**SPECIAL RATING AREA BY-LAW
POLICY**

2020/2021



STELLENBOSCH MUNICIPALITY

SPECIAL RATING AREA BY-LAW

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To provide for the establishment of special rating areas; to provide for additional rates; and to provide for matters incidental thereto.

BE IT ENACTED by Stellenbosch Municipality as follows:-

CHAPTER 1

ESTABLISHMENT OF SPECIAL RATING AREAS

1. DEFINITIONS

In this By-law words or expressions shall bear the meaning assigned to them and, unless context otherwise indicates.

In addition to the definitions contained in the Property Rates Act, the following definitions apply for the purpose of the application of this By-law.

“additional rate” means an additional rate contemplated in sections 19(1)(d) and 22(1)(b) of the Property Rates Act in section 12(2) of this By-Law;

“applicant” means any owner who makes an application for the determination of a special rating area in accordance with provisions of Chapter 1 of this By-Law, or if a management body is established in terms of section 10 of this By-Law any reference to **“the Applicant”** means the management body;

“CFO” means the Chief Financial Officer of Stellenbosch Municipality, or his or her nominee.

“Council” means Council of Stellenbosch Municipality;

“implementation plan” means an Implementation Plan as contemplated in section 6 of this By-Law;

“limited special rating area” means a limited special rating area approved by the Council in terms of section 9 of this By-Law;

“majority” means the majority of properties represented by the members of the local community in the proposed special rating area who will be liable for paying the additional rate;

“management body” means the management body of a special rating area to be established in accordance with the provision of section 10 of this By-Law;

“motivation report” means a motivation report as contemplated in section 6 of this By-Law;

“owner” has the meaning assigned to it in section 1 of the Property Rates Act;

“**Policy**” means the Policy for the determination of special rating areas named the Special Rating Area Policy of the Stellenbosch Municipality;

“**Property Rates Act**” means the Local Government: Municipal Property Rates Act, 2004 (Act No.6 of 2004);

“**rateable property**” has the meaning assigned to it in section 1 of the Property Rates Act;

“**special rating area**” means a special rating area approved by the Council in accordance with the provisions of section 22 of the Property Rates Act and section 8 of this By-Law.

2. INTERPRETATION

In the event of any conflict with the Afrikaans or isiXhosa texts the English text prevails.

3. DETERMINATION OF SPECIAL RATING AREAS

Stellenbosch Municipality may by resolution of the Council determine special rating areas.

4. APPLICATION

- (1) Any owner located within the area of jurisdiction of Stellenbosch Municipality and who owns property within the proposed special rating area, may lodge an application to the Stellenbosch Municipality for the determination of a special rating area.
- (2) All costs incurred by the applicant in respect of the establishment of a special rating area shall be for his or her own account, provided that after implementation of the implementation plan the management body may reimburse the applicant for some or all of those costs.
- (3) Any application contemplated in subsection (1) above must –
 - (a) be in writing and be in the form as the CFO may determine;
 - (b) be submitted not more than nine months after the date on which the public meeting referred to in section 5 of this By-Law is held, or if a second public meeting is held as provided for in section 6(2) of this By-Law, nine months after the date of the second public meeting;
 - (c) be accompanied by –
 - (i) a motivation report and an implementation plan;
 - (ii) the written consent submitted by the members of the local community in the proposed special rating area who will be liable for paying the additional rate. All

owners of each property in the proposed special rating area must sign the consent form. The majority shall be determined by the number of properties in the proposed special rating area for which duly preformed consent forms were received in relation to the number of properties in the proposed special rating area. Under specific conditions, aimed at a more inclusive approval process, the majority may be set at a higher percentage as determined in the Special Rating Area policy. The format of the consent may be determined by the CFO;

- (iii) payment of such fee as the Council may determine.

5. PUBLIC MEETINGS

- (1) An application for the determination of a special rating area must be preceded by the holding of a public meeting.
- (2) The purpose of the public meeting is to enable the applicant to consult with those owners within the proposed special rating area regarding the proposed boundaries of the area and the proposed improvement or upgrading of the area.
- (3) Prior to the holding of the public meeting, the applicant must –
 - (a) give notice in a manner approved by the CFO in terms of this By-law owners of rateable property, who will be liable for payment of the additional rate, of the applicant's intention to apply for the determination of a special rating area
 - (b) in the notice referred to in subsection (3)(a) above, give notice of a public meeting, which notice must –
 - (i) state the purpose of such meeting; and
 - (ii) contain details of the place, date and time when such meeting is to be held.
- (4) The public meeting must be held not less than seven days and not more than 30 days after the date of the notice.
- (5) The public meeting must be held at such place, date and time as stated in the notice, provided that it must be held at a place which is within the boundaries of the proposed special rating area unless the CFO approves another venue in writing before the public meeting is held.
- (6) The public meeting must be chaired by a suitable qualified and experienced person appointed by the CFO.
- (7) Any interested person must, at the public meeting, be –

- (a) Furnished with all relevant information relating to the proposed special rating area, including the information to be set out in the motivation report and implementation plan; and
- (b) given an opportunity to ask questions, express their views and make representations.

6. MOTIVATION REPORT AND IMPLEMENTATION PLAN

- (1) Any application for the establishment of a special rating area must include a motivation report and an implementation plan covering a period commencing on 1 July of a year and ending on 30 June of the fifth year or covering such lesser period as may be determined by the CFO.
- (2) If the motivation report or the implementation plan are materially amended, as determined by the CFO, after the public meeting referred to in section 5 of this By-Law, the applicant must call a second public meeting for approval of the special rating area as amended.
- (3) The provision of section 5 of this By-Law applies with the necessary changes to the second public meeting.

7. ADVERTISING OF APPLICATION AND OBJECTIONS

- (1) The applicant must within 14 days after the application is lodged in accordance with section 4 of this By-Law, or within such further period which the CFO may approve –
 - (a) Cause a notice of the application to be published in a manner approved by the CFO; and
 - (b) Either before or up to seven days after the date of publication of the notice, give written notice of the application to all owners within the proposed special rating area, who will be liable for payment of the additional rate. Such notice must be served by pre-paid registered post, hand delivery or in any other manner approved of in writing by the CFO.
- (2) Every notice contemplated in terms of subsection (1) above must state that written objections to the determination of a special rating area or the provisions of the motivation report and implementation plan may be lodged with the Stellenbosch Municipality by a date specified in the notice, which shall not be less than 30 days after the date of publication in terms of subsection (1)(a) above, and must state where the documentation specified in subsection (5) below will be available for inspection.
- (3) Any owner of rateable property who will be liable for paying the additional rate may submit written objections to the determination of the special rating area, which objections must be

received by the Stellenbosch Municipality not later than the date stipulated in the notice referred to in subsection (1) above.

- (4) Any objector to the application who owns property within the proposed special rating area may make oral representation to the CFO.
- (5) The application, including the motivation report and the implementation plan, and all objections must be available for inspection at the office of Stellenbosch Municipality and at a venue determined by the CFO within the proposed special rating area, for the period referred to in subsection (2) above.

8. DECISION

- (1) After the provision of sections 4 and 7 of this By-Law have been complied with, the Council must, at a meeting of the Council held within 90 days after the last date for the submission of objections in accordance with section 7(2) of this By-Law, consider the application and –
 - (a) determine a special rating area which must be implemented in accordance with the motivation report and implementation plan;
 - (b) determine a special rating area with such amendments or conditions as the Council considers to be in public interest;
 - (c) determine a special rating area in respect of a limited area in terms of section 9 of this By-Law;
 - (d) refuse the application, in which event the Council must, within 30 days, furnish the applicant with written reasons for not approving the determination of a special rating area;
or
 - (e) refer the application back to the applicant for amendments in such manner as the Council may direct.
- (2) If an application is refused by the Council in accordance with the provisions of subsection (1)(d) above or referred back to the applicant in accordance with the provisions of subsection (1)(e) above, the applicant may, within six months of the Council's decision, re-apply to the Council for the determination of the special rating area, provided that such re-application has been appropriately amended in the light of the reasons for refusal or referral, as the case may be.
- (3) If the motivation report or implementation plan is amended in any material respect at any time before the determination, the Council may require that the amended application be re-advertised in accordance with the provision of section 7 of this By-law, with the necessary changes.

9. DETERMINATION OF A LIMITED SPECIAL RATING AREA

If an application in terms of section 4 of this By-Law is not accompanied by the majority of the members of the local community in the proposed special rating area required by section 4(3)(c) of this By-Law, but the applicant can demonstrate to the satisfaction of the Council, that –

- (a) there are such confirmations from owners of rateable properties in a limited geographical area within the proposed special rating area that would meet the requirements of section 4(3)(c) of this By-Law if they were to be applied to that area; and
- (b) the level of services to be provided will not be reduced and the budget will be reduced accordingly as a result of the provision of those services in the limited area alone, as compared to the provision of those services in the whole of the proposed special rating area,

then the Council may, subject to the other provisions of this By-Law, determine a limited special rating area.

CHAPTER 2

SPECIAL RATING AREAS – STRUCTURES AND FINANCES

10. COMMENCEMENT OF THE IMPLEMENTATION PLAN

Once the Council has approved the establishment of the special rating area, the implementation plan may only be implemented after the management body has been established in accordance with section 11 of this By-Law.

11. ESTABLISHMENT, COMPOSITION, POWERS AND DUTIES OF MANAGEMENT BODY

- (1) The applicant must establish a management body for the purposes of implementing the provisions of the implementation plan.
- (2) The management body must be a company incorporated in accordance with the provisions of a Non-Profit company (company not for gain) as per the Companies Act, Act 71 of 2008 (as amended or replaced).
- (3) Stellenbosch Municipality shall monitor compliance by the management body with the applicable provisions of this By-Law, any guidelines or policies adopted by Stellenbosch Municipality and any agreements entered into with the management body and Stellenbosch Municipality.

- (4) The Council must nominate the relevant ward councillor and one other person, as representatives to attend and participate, but not vote, at the meetings of the management body.
- (5) Within two months after receipt of the first payment of the additional rate, the management body must begin carrying out the objectives of the implementation plan.
- (6) Within two months of the end of each financial year, the management body must provide the CFO with –
 - (a) Its audited financial statements for the immediately preceding year; and
 - (b) an annual report on its progress in carrying out the objectives of the implementation plan in the preceding year to improve and upgrade the special rating area.
- (7) Within two months after the Annual General Meeting, the management body must provide the Finance Portfolio Committee with –
 - (c) Its audited financial statements for the immediately preceding year; and
 - (d) An annual report on its progress in carrying out the objectives of the implementation plan in the preceding year to improve and upgrade the special rating area.

12. FINANCES

- (1) The financial year of the management body must coincide with the financial year of the Stellenbosch Municipality.
- (2) Where a special rating area has been determined, the Council must levy in accordance with the provisions of the Property Rates Act, a property rate in addition to the rates that it already charges on the owners of rateable property in the special rating area for the purposes of realizing the implementation plan. Provided that the Council may in terms of the Property Rates Act, Stellenbosch Rates Policy, Stellenbosch Credit Control and Debt Collection By-Law and the Stellenbosch Credit Control and Debt Collection Policy, exempt the indigent, senior citizens, disabled persons or any other category of owners from the additional rates.
- (3) When determining the additional rate referred to in subsection (2) above, the Council may consider imposing differential additional rates on one or more of the categories set out in section 8 of the Property Rates Act or any category as set out in the Stellenbosch Rates Policy.
- (4) The additional rate due in terms of this By-Law is a debt due to the Council and is payable and must be collected in the same manner as other property rates imposed by the Council.

- (5) The Council may, for the purpose of carrying out the provisions of the implementation plan of special rating area and subject to section 67 of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 200), make payment to the management body of a special rating area.
- (6) The payment contemplated in subsection (5) above is conditional upon the conclusion of a finance agreement to be entered into between the Council and the relevant management body, and such agreement must regulate, among other things –
 - (a) the mechanisms and manner of payment; and
 - (b) terms on which payment to the relevant management body is to be made.
- (7) Subject to the provisions of its memorandum and articles of association, the management body is entitled to raise its own funds through commercial activities, donations or any other lawful means.
- (8) The Council, may determine and impose on the management body an administrative charge.

13. THE ROLE OF THE CFO

In addition to the other responsibilities and obligations of the CFO as set out elsewhere in this By-Law, the CFO must –

- (a) Establish separate ring-fenced budget votes and other record-keeping systems regarding the revenue generated by the additional rate and the improvement and upgrading of the special rating area;
- (b) Monitor compliance with the applicable legislation, including this By-Law and the Policy, by –
 - (i) receiving and considering the audited financial statements and reports regarding the carrying out of duties laid out in the implementation plan;
 - (ii) nominating, if he or she elects to do so, representatives to attend and participate but not vote at meetings of the management body.

CHAPTER 3

AMENDMENT AND EXTENSION OF IMPLEMENTATION PLANS

14. AMENDMENT TO IMPLEMENTATION PLANS

- (1) An implementation plan, including the geographical boundaries of the special rating area, may be amended by the Council on written application by the management body at any time after the formation of the special rating area.
- (2) The council may approve an application for an amendment referred to in subsection (1) above where the Council considers it not likely to materially affect the rights or interests of any owner, provided that the Council may require the management body to cause a notice of the application for such amendments to be published as approved by the CFO.
- (3) The Council may only approve an amendment in terms of subsection (1) above, with the changes required by the context, in accordance with the provisions of Chapter 1 of this By-Law, which the Council considers is likely to –
 - (a) materially affect the rights or interests of any person;
 - (b) affect the approved budget for the special rating area; and
 - (c) change the boundaries of the special rating area.
- (4) The Council may, for good reason, on written application by the management body, exempt the management body from complying with the provisions, or condone any non-compliance with any provisions, of Chapter 1 of this By-Law.

15. EXTENSION OF IMPLEMENTATION PLANS

A management body must, if it elects to extend the term of the implementation plan for a further period, on or before January in the year in which the implementation plan is due to terminate, submit an application to Stellenbosch Municipality for approval of extension of the term of the implementation plan, provided that –

- (a) the extension of the implementation plan may only be approved by the Council in accordance with the provisions of Chapter 1 of this By-Law, with the changes required by the context, and the Council may, for good reason, on written application by the management body, exempt the management body from complying, or condone any non-compliance, with any such provisions;
- (b) the provisions of section 14 of this By-Law shall apply to any amendment of an implementation plan which has been extended in terms of this section.

CHAPTER 4

DISSOLUTION OF A SPECIAL RATING AREA

16. DISSOLUTION

- (1) The Council may terminate the municipality's business relationship (connection and commitment) to a management body of a specific special rating area –
 - (a) Upon written application signed by owners of the majority of properties within the boundaries of the special rating area who are liable for paying the additional rate; or
 - (b) After prior consultation by the CFO with the management body or the community, whereupon for any good cause he or she may cause the necessary steps or processes to terminate the business relationship with the management body.
 - (c) Upon the decision by the CFO to terminate the business relationship to the specific special rating area, notices shall be forwarded to the management body and to all the property owners of the specific special rating area presenting the reasons for the proposed termination and any other pertinent details.
- (2) Upon the approval by Council to terminate the business relationship with the management body the additional rates applicable to said special rating area will no longer be raised and the associated payments to the management body shall cease.

CHAPTER 5

MISCELLANEOUS PROVISIONS

17. REPEAL

The provisions of any By-laws relating to special rating areas by Stellenbosch Municipality are hereby repealed insofar as they relate to matters provided for in this By-law.

18. SHORT TITLE AND EFFECTIVE DATE

- (1) This By-Law is called the Special Rating Area By-Law of Stellenbosch Municipality.

No new special rating area determined in terms of this By-Law may implement its implementation plan prior to 01 July 2020.

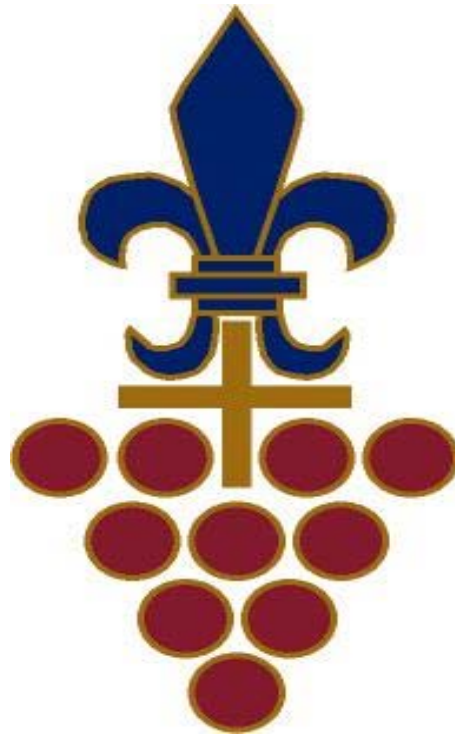
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STELLENBOSCH MUNICIPALITY



**CREDIT CONTROL AND
DEBT COLLECTION POLICY**

2020/2021



STELLENBOSCH MUNICIPALITY

CREDIT CONTROL AND DEBT COLLECTION POLICY

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PREAMBLE

In terms of Section 96 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) a Municipality shall-

- (a) collect all money due and payable to it, subject to the provisions of said Act and any other applicable legislation and By-laws; and
- (b) for this purpose, implement and maintain a credit control and debt collection system which is not in conflict with its Rates and Tariffs policies and which complies with the provisions of said Act.
- (c) In order to give effect to the afore going provisions of said Act, the Council of the Stellenbosch Municipality (WC024), herein after refer to as the Municipality, has adopted a policy relating to credit control and debt collection as set out hereinafter.

1. PRINCIPLES

This Policy supports the following principles:

- (a) Human dignity must be upheld at all times.
- (b) This Policy must be implemented with equity, fairness and consistency.
- (c) Endeavours shall be focused such that data related to owners/debtors/consumers and accounts are correct at all times.
- (d) The implementation of this Policy shall be based on sound business principles, which may include credit worthiness checks and assessments of the credit risks involved.
- (e) New services will only be provided if supported by the relevant service contract(s) and payment of a consumer deposit alternatively, a bank guarantee in a form acceptable to the Municipality's Chief Financial Officer will be considered.
- (f) Interest on overdue accounts will be charged at the South African Reserve Bank's prime interest rate plus one percent, and will be levied on accounts outstanding after the relevant due dates thereof. For the purposes of calculation, a portion of a month will be deemed to constitute a full month.
- (g) Deposits/Bank guarantees will be utilised to proactively mitigate the potential of unnecessary credit risk exposure to Council.
- (h) An administration fee and/or collection fee will be charged on overdue accounts, according to Council's approved tariffs and the By-laws of Stellenbosch Municipality (WC024). Such fees will not apply to the accounts of unemployed registered indigent consumers.
- (i) The rates components on overdue accounts may be processed in terms of Sections 28 and 29 of the Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA) and as described in the Rates Policy of Stellenbosch Municipality.

2. MUNICIPAL ACCOUNTS and ADDITIONAL MECHANISMS

2.1 Notices and Demands

The Owner's/Debtor's/Consumer's attention is drawn to the note on the municipal account, which states that the supply of services will be discontinued/restricted without further notice if the accounts are not settled in full. This serves as a warning to a defaulting owner/debtor/consumer that services will be discontinued/restricted upon defaulting on payments.

Notices, e-mails, cell phone text messages (SMS) or any available informative actions will however be issued to account holders as a first attempt (first notice) after the due date as a means to recover debt and to remind consumers/debtors/owners of their obligation to pay for services.

The aim of such reminders is to urge co-operation to settle accounts without the necessity to employ more drastic steps and to offer the opportunity to make arrangements to pay off such debt where the financial position of a consumer is such that relief is possible as per criteria in the Municipality's Rates or Indigent Policies.

Failure to respond to the aforesaid first notice will result in the disconnection and/or restriction of services and a final demand being issued where applicable.

Failure to respond to a final demand and in the event of arrears not being settled within the period stipulated in the final demand, or an arrangement not being concluded, legal action may be instituted (with the Municipality's rights reserved, notwithstanding the fact that services were disconnected/restricted or not) to recover the full outstanding debt.

In this regard the Municipality may consolidate any separate accounts of a debtor, credit a payment by a debtor against any account of that debtor and implement any of the measures provided for in this policy or the Credit Control and Debt Collection By-law in relation to any arrears of any of the accounts of such a debtor.

In the case of housing rental contracts, the Municipality may consider procedures for eviction or right sizing.

2.2 Additional Mechanisms

2.2.1 Electricity Services:

In the event of an owner/debtor/consumer other than a registered unemployed Indigent consumer regulated by Stellenbosch Municipality's Indigent Policy, failing to pay for electrical services due and payable, and in the event of such consumer having been placed on the disconnection list 3 times within a twelve (12) month period prior to such event, then Stellenbosch Municipality will have the right to install pre-paid electricity meters in a bid to limit credit risk. The Municipality may also consider upward adjustment of the relevant consumer deposit/bank guarantee.

2.2.2 Water Services:

The Stellenbosch Municipality may in the event of an owner/debtor/consumer exhibiting a trend of non-payment of accounts during a twelve (12) month period prior to a non-payment event (i.e. 3 times or more non-payment events) consider the installation of water demand management devices with pre-paid functionality in a bid to limit credit risk. The Municipality may also consider upward adjustment of the relevant consumer deposit/bank guarantee.

2.2.3 Rental Services:

Actions against defaulters are regulated to a degree by the contracts involved.

All contracts must at minimum and where appropriate, include the following criteria/requirements:

- (i) Due date for payments.
- (ii) Applicable procedures upon the defaulting of payments.
- (iii) Handover procedures.
- (iv) Eviction or right sizing actions.

3. ARRANGEMENTS

Should owners/debtors/consumers wish to make arrangements to pay off accounts in arrears, the following guidelines shall apply:

- (a) The main aim of arrangements should be to ensure that current accounts (which may include penalties/interest and/or any admin fees) are at least paid in full, before entering into acceptable arrangements to pay off arrears.
- (b) The Municipality may enter into an arrangement with a tenant or occupier of a property which is linked to an account in arrears, on proviso that:
 - (i) a written affidavit is received which certifies that the registered owner of said property, at which such tenant or occupier resides; is:
 - untraceable;
 - not contactable;
 - of unknown whereabouts; or
 - not co-operating with said tenant or occupier.
 - (ii) such tenant or occupier has substantiated the ability to pay and the right to occupation stating the rental due and the time period of such occupation and providing the last known address of the registered owner;
 - (iii) such tenant or occupier undertakes to advise the registered owner, at the first reasonable opportunity, of the current situation and further agrees to obtain the consent of the registered owner to condone the process as described in this paragraph 3 (b); and
 - (iv) where applicable, such tenant or occupier provides comprehensive details of the non-co-operation of the registered owner.
- (c) Care must be taken to ensure that all reasonable financial and social assistance, as provided for in various Municipality's Policies, is rendered to assist owners/debtors/consumers before drastic action is taken to recover debt e.g. subsidies for Free Basic Services and relief measures on property tax.
- (d) All arrangements must be concluded in writing and the debtor must be provided with a copy thereof. Arrangements will be invalid unless signed by the debtor and one or more delegated representative(s) of the municipality.
- (e) Arrangements must be entered into that are both affordable to the consumer and protect the Municipality's interest by ensuring the most cost-effective debt recovery.
- (f) Arrangements must be final and debtors will not be allowed to re-arrange debt repayments. The Municipality may for a meritorious case, upon presentation of proof of current difficulties, consider delaying the receipt of the arranged instalment. This delay may not exceed 3 months.
- (g) It is of vital importance to ensure that the settlement of current accounts (which may include penalties/interest and/or any admin fees), together with the debt repayment instalment, is seen as the minimum requirement for any agreement.
- (h) Arrangements must be compiled in a format that facilitates legal action, upon breach of contract. Written arrangements must as far as possible be in the form

of agreements in terms of Section 57 of the Magistrate's Courts Act, 1944 (Act 32 of 1944) and as amended by the Jurisdiction of Regional Courts Amendment Act, 2008 (Act 32 of 2008) (hereinafter referred to the Section 57 Agreements).

All debt repayment arrangements will be logged on the financial system to ensure maximum accessibility and to enable the effective administration of such repayments.

- (i) Arrears of Councillors and other Municipal Officials must be settled in full or arrangements to pay off such amounts, by means of salary deductions, may be entered into. This includes the seizure of bonuses or any other additional allowances (this paragraph (i) must be read in conjunction with the relevant sections of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)).

The Stellenbosch Municipality is entitled to recover all arrears more than ninety days by means of salary deductions and proportionally from increases and/or the official's thirteenth cheque/performance bonus. In this regard, all temporary contract workers are also regarded as municipal officials.

- (j) No interest will be levied on outstanding amounts for which arranged agreements have been entered into.
- (k) It is a preferable that a water demand management device and/or a prepaid electricity meter be installed when any arrangement is entered into.
- (l) Arrangements may only be concluded upon submission of the following documentation:
 - (i) Proof of identification;
 - (ii) Proof of Income;
 - (iii) Supporting documentation relating to expenses;
 - (iv) Three-month bank statements and/or payslips; and/or
 - (v) Any other relevant documentation as may be requested by the Credit Control Section.

4. ADJUSTMENT OF DEPOSITS/BANK GUARANTEES

Deposits/Bank guarantees may be increased to cover the additional risk as regulated in terms of the Municipality's By-Laws. Increases in deposits/bank guarantees shall be utilised to cover the additional risk resulting from default payments. The latter deposits will be utilised only after closing of account by debtor or transfer of property. Should the account remain unpaid, such deposit will be utilised for the unpaid portion. Any credits will be refunded to the consumer.

The Stellenbosch Municipality will not pay any interest on any deposits.

5. FURTHER ACTIONS

- (a) Should arrangements not be made, or not be accepted or not be adhered to, services are discontinued or restricted; or pre-paid services are restricted, provided that a fair and equitable procedure, including reasonable notice of the intention to discontinue or limit is followed. Where legislation does not allow for the complete termination of services, the Credit Control Section will determine the appropriate minimum level of service provision, where after, all amounts owing become due and must be paid in full before services are restored to full capacity.
- (b) Should amounts owed not be settled by the final date, i.e. after the date for payment set out in a final demand, such accounts and the relevant Agreements, where applicable, will be handed over to the Municipality's Collection Attorneys for recovery and/or to consider instituting further legal action.
- (c) The Municipality shall at its own discretion in compliance to the measures provided for in the Municipality's By-Laws, be entitled to withhold or limit the supply of services until the total costs, penalties, other fees, tariffs and rates due and owing to the Municipality have been paid in full. This will include the restriction of supply of water or electricity to a debtor who is found guilty by the Municipality or any Court of Law:
 - (i) of fraud or theft of water and electricity,
 - (ii) any another criminal activity relating to the supply or unauthorised consumption of water and electricity, or
 - (iii) if it is evident that fraud, theft or any other criminal activity has occurred relating to such supply or consumption.
- (d) Stellenbosch Municipality may consider an auxiliary levy of up to 50% on the purchase of pre-paid electricity to recover arrear debt.
- (e) Stellenbosch Municipality may consider black-listing consumers in cases where the consumer was handed over to institute legal proceedings.
- (f) The Municipality may attach the rental income in whole or in part from a tenant or occupier of a property which is left unpaid by the owner thereof, provided that Section 115 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) is adhered to.
- (g) Once the Municipality has exhausted all reasonable and practicable debt recovery measures and, in an effort to recover outstanding debt, the Municipal Manager will have sole discretion to approve the litigation process for the disposal of the movable and/or immovable assets of defaulting owners/debtors/consumers by means of a Sale in Execution order.

6. NEW APPLICATIONS FOR SERVICES

- 6.1 No transfer of services from an owner to a tenant (Municipal property excluded) will be allowed. The status quo of contracts signed before 01 July 2011 will be maintained, provided that the tenant does not default on payments.

- 6.2 The owner or his/her proxy applying for a service to be rendered must be positively identified by means of a generally acceptable means of identification as used by financial institutions. A copy of the identification details (such as a copy of the person's ID and proof of residence (for business users)) must be kept for reference purposes.
- 6.3 The payment of a service deposit/bank guarantee will be based on tariffs as determined by the Council.
- 6.4 Adjustments to deposits/bank guarantees will be determined by the debtor's payment record of municipal accounts and consumption levels.
- 6.5 The provision of all services not regulated by acts and by-laws will be subject to the signing and acceptance of the conditions of supply contained in a service contract.
- 6.6 Where the consumer is not the owner of a property, the owner must, on his/her request, regularly be served with a copy of a statement of the amount due.
- 6.7 The Municipality may subscribe to the services of a credit bureau in order to enhance the effectiveness of credit checks.

7. THE RENDERING OF ACCOUNTS

- 7.1 Accounts must be rendered regularly and timeously to all property owners and consumers utilising municipal services.
- 7.2 Accounts must be consumer friendly and must clearly reflect the following minimum information:
- (a) the name, address and contact numbers of Stellenbosch Municipality;
 - (b) the name and postal address of the account holder;
 - (c) details of the property in respect of which the account is issued;
 - (d) the contents of the account will be reflected in at least one of the three official languages of the Western Cape province;
 - (e) the balance brought forward from the previous account, as well as a summary of transactions for the present period;
 - (f) all services for which the account is rendered, as well as amounts billed for such services;
 - (g) the final amount payable;
 - (h) the final date for payment;
 - (i) soft reminders in respect of interest levies and discontinuation of services; and
 - (j) the situation of payment facilities, and modes of payment accepted and office hours for payment.

8. ACCOUNT QUERIES

- 8.1 Consumers have the right to query accounts. In order to ensure the correctness of accounts and the satisfaction of consumers, all queries must be attended to swiftly and effectively.

8.2 Claims of not having received an account do not constitute a valid reason for non-payment of accounts. Queries regarding such non-receipt must be followed up with the Revenue Section in order for same to be addressed. A consumer liable for any services rendered by, or rates due to the Municipality must furnish the Municipality with an address where correspondence can be directed to. Consumers should be encouraged to provide the Municipality with e-mail addresses where accounts could be sent to, rather than traditional postal addresses.

8.3 Duplicate accounts shall be available upon request at a prescribed fee.

8.4 Accounts in Dispute

8.4.1 Should an account in respect of water or electricity consumption be disputed, the concerned consumer must at minimum pay the average amount of the previous 12 (twelve) month's accounts. This shall be applicable only for the month in which the dispute was raised. Subsequent accounts issued in months thereafter (barring any new dispute raised) shall be considered unrelated to the dispute in question.

All other Municipal services or rates disputed will be dealt with at the discretion of the Municipality.

8.4.2 The dispute in question shall be considered to be resolved after all actions have been taken by the Municipality; including but not limited to the following:

- (i) determining the correctness of the account;
- (ii) relevant procedures were taken to adjust the account accordingly; and
- (iii) a written notice or a telephonic confirmation to such effect has been given to the concerned consumer.

8.4.3 In the event that a consumer declaring a dispute does not adhere to paragraph 8.4.1 above the disputed account will be subject to the normal Credit Control and Debt collection procedures.

8.5 Errors or Omissions

8.5.1 The Municipality strives to ensure the accuracy of consumer accounts. The onus of the consumer is however to verify that the services as stipulated on the account statement has been delivered and is correct. Upon detection of any errors or omissions the consumer should raise the dispute and notify the Municipality soonest and preferably in writing.

8.5.2 Accounts will only be rectified as from the date such errors or omissions was brought under the Municipality's attention. The adjustment (if applicable) to the account will be

processed as per paragraph 8.4 above and applied after the date of inspection or confirmation by the specific Services Department.

8.5.3 Upon the sole discretion of Council serious nonconformities of an account may be adjusted as from the start of the current financial year.

9. DUE DATES OF ACCOUNTS

Accounts are payable by the 7th day of each month or the first working day thereafter, should the 7th day fall on a weekend or public holiday.

10. ALLOW SUFFICIENT TIME TO SETTLE ACCOUNTS

In order to allow sufficient time to settle accounts, the account should, where possible, be ready for delivery at least two weeks before the due date.

This necessitates proper scheduling of all processes leading to the issuing of accounts to meet the Municipality's commitment to its consumers.

11. CONSOLIDATION OF ACCOUNTS

In order to reduce cost and to enhance credit control and debt collection measures, separate accounts for services rendered in respect of a property or separate accounts of a debtor will be consolidated as far as possible. This will not be limited to consumer accounts only but may be extended to any other amount payable arising from any liability or obligation due to the Municipality.

12. PAYMENT OF ACCOUNTS – GENERAL

12.1 In order to promote the payment of accounts, payment facilities and hours for payment must be convenient to consumers, but the establishment of such facilities should still be subject to normal business principles and the economy of the provision of such services.

12.2 The following facilities are presently available – with the office hours and modes of payment indicated. Facilities are extended on an on-going basis.

<i>Facility</i>	<i>Hours</i>	<i>Payment methods accepted</i>
Cash offices at Stellenbosch, Kayamandi, Franschoek and Pniel	Office hours: Monday to Friday	Cash, bank guaranteed cheques, debit cards
Cash offices at Klapmuts	Office hours: Wednesdays only	Cash, bank guaranteed cheques, debit cards
Debit orders	Application during office hours	Bank transfers
EasyPay and Pay@: Countrywide outlets of Pick 'n Pay, Shoprite/Checkers, Pep Stores, Ackermans and other stores	Trading hours: 7 days per week	Cash, cheques, credit cards, debit cards
Internet payments	All hours	Bank transfers
Direct bank deposits	Banking hours	Bank transfers

Personnel deductions	Office hours	Direct deductions from earnings
24 hour Utility shops at petrol stations	All hours	Cash, cheques, credit cards, debit cards
Approved Pre-Paid Vending Agents	Trading hours	Cash, cheques

- 12.3 The use of correct account references for electronic payments and/or direct deposits is a requirement to ensure correct allocation of payment and to avoid any penalties and administration costs. It is the responsibility of the consumer making the payment to ensure that the correct reference number is made known to the Municipality.
- 12.4 All payments by means of Electronic Funds Transfer (EFT) or payments via the facilities as approved must be made in time so as to reflect in the Municipality's bank account before close of business on the due date.
- 12.5 Payment prioritisation of payments received will be allocated in the following order:
- (i) Penalties.
 - (ii) Municipal Rates.
 - (iii) Special Rating Area Levies.
 - (iv) Sewerage.
 - (v) Refuse.
 - (vi) Rentals.
 - (vii) Sundries.
 - (viii) Water.
 - (ix) Electricity.

13. DISHONoured PAYMENTS

- 13.1 Receipts issued in respect of dishonoured cheques and ACB deductions must be written back upon receipt of such notices. Interest on arrears must be raised where applicable and administration costs be debited to debtors account. Debtors must be notified and debt recovery actions be instituted where necessary.
- 13.2 Should payments be dishonoured twice, the debtors system must be encoded not to accept cheques or debit order transactions of such a debtor and he/she must be informed thereof in writing.
- 13.3 If payments are dishonoured twice in a financial year, consumer deposits/bank guarantees may be adjusted to mitigate increased financial risk.

14. PENDING LEGAL ACTIONS AGAINST CONSUMERS

Legal actions, such as notices of intended sales in execution, press releases regarding pending insolvency's, etc. may be followed up to evaluate the credit rating of such debtors in order to take steps to minimize the risk of financial loss for the Municipality.

15. INTEREST

- 15.1 Interest will be raised monthly, on a reasonable time after due date, to allow finalization of EFT payments, journal processing, system updates, etc. The latter interest raising will be on all arrear balances of all services (excluding housing services), property rates or arrangements as per paragraph 3 of this Policy, remaining unpaid.
- 15.2 A portion of a month is deemed to be a full month for the purposes of calculation of interest payable.
- 15.3 Interest on outstanding arrear accounts will be calculated and charged at the South African Reserve Bank's prime interest rate plus one percent.

16. GENERAL AND OTHER SERVICES

16.1 Monthly Consumer accounts:

- 16.1.1 Debtor's records must be coded correctly and timeously to ensure the rendering of accurate accounts to consumers.
- 16.1.2 The supply of water and electricity must conform to the conditions of supply set out in the By-Laws for Stellenbosch Municipality, as promulgated in the *Provincial Gazette*.
- 16.1.3 Due to the inclined block tariffs employed for these services, care must be taken to ensure meter readings are taken accurately and at intervals as close as possible to 30 days. Should this not be possible, consumption may be estimated as set out in the Municipality's By-Laws. As a general rule it is accepted that deviations in consumption periods exceeding 10% should be guarded against.

16.2 Sundry Services:

- 16.2.1 Accounts for recovery of cost encountered by the Municipality in respect of sundry services rendered are issued if and when such services are rendered to consumers.
- 16.2.2 As these services are usually not based on formal service contracts, it is essential that it be billed as soon as possible, and the recovery of such debt must receive priority, as the risk of loss to the Municipality is more eminent than in the case of other services.
- 16.2.3 Care should be taken to obtain full and accurate information of such debtors and to obtain prepayment for such services where possible.
- 16.2.4 Actions applied to follow up unpaid accounts will be determined by the nature and extent of the debt and the cost effectiveness of such actions.

17. CONDITIONS RELATING TO RENTAL AND PURCHASING OF MUNICIPAL PROPERTY

- 17.1 Municipal property may only be leased or sold after approval of such transactions and the signing of a rental or purchase agreement. Such approvals may be by way of specific Council resolutions or in the form of delegations.
- 17.2 The conditions for payment of instalments and deposits are regulated by the contents of the rental and purchase agreements and the Municipality explicitly reserves its rights to

discontinue services for non-payment not only limited to the leased property but any other property of the lessee within the jurisdiction of Stellenbosch Municipality (WC024).

- 17.3 Other specific rental and purchase agreements are tailored to the specific nature and requirements of such transactions.
- 17.4 Full details of remedies for defaulting lessees and purchasers and procedures to address such defaults must be contained in the relevant contracts, but must not have the effect of limiting the Municipality in terms of this or any other Policy regulating arrears.
- 17.5 These remedies usually commence with written reminders, leading to the cancellation of the contracts and the institution of further legal action where necessary.
- 17.6 Rental and purchase agreements represent formalised individual contracts that form the basis of all actions by the parties involved. Both parties are bound to such conditions, failing which may lead to the cancellation of such contracts by the parties involved and claims for damages.
- 17.7 Lessees whom may qualify for rental subsidies must be referred to the housing office to apply for such subsidies in an effort to make rentals more affordable.

18. RENTALS IN RESPECT OF MUNICIPAL EMPLOYEES

Apart from the general conditions applicable to general rental the following conditions will also be applied:

- (a) Rent will be based on the principle of market related rentals as required by Municipal Supply Chain Management (SCM) Regulation 40.
- (b) Rent, and optionally rates and service charges, where applicable, may only be paid by means of salary deductions. A specific clause to this effect must form part of the contract.
- (c) The relevant Director, or his/her delegated official, must co-sign rental agreements of employees to ensure that financial conditions are met.

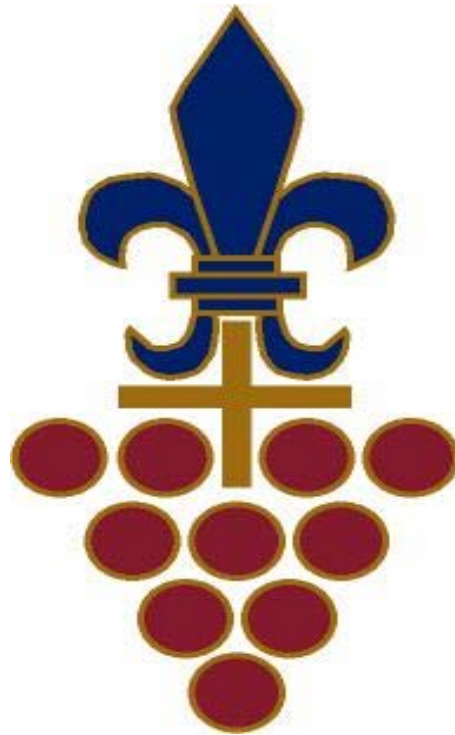
19. INDIGENT CONSUMERS

- 19.1 The Stellenbosch Municipality supports the principle of providing support to indigent consumers by way of providing Free Basic Services in accordance with the provisions of the Municipality's Indigent Policy. All effort must be made to limit the re-occurrence or accumulation of indigent debt of such consumers.

20. SHORT TITLE

This Policy is the Credit Control and Debt Collection Policy of the Stellenbosch Municipality.

STELLENBOSCH MUNICIPALITY



**IRRECOVERABLE DEBT
POLICY**

2020/2021



STELLENBOSCH MUNICIPALITY

IRRECOVERABLE DEBT POLICY

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PREAMBLE

The Stellenbosch Municipal Council accepts and acknowledges its Constitutional duties and mandate towards the community/consumers of Stellenbosch Municipality (WC024).

Council further acknowledges that in order to deliver services in a sustainable manner, that same be managed in terms of Council's Credit Control and Debt Collection Policy having due regard of its limited financial resources and the need to manage cash flows.

Council therefore is aware of its duty to prepare financial statements that gives a true reflection of the financial position for a given period.

1. Requirements before writing-off debt

All applicable actions as contained in the approved Credit Control and Debt Collection Policy of Stellenbosch Municipality must have been executed/implemented before any debt, owed to the Municipality for any reason whatsoever will be considered for writing-off. However, in special cases where the requirements in terms of the Municipality's Credit Control and Debt Collection Policy were impossible/impractical to implement, the administration must motivate such write-off.

2. Bad Debt Recovered

Bad debt recovered after having been written-off will be treated in terms of the Municipality's Accounting Policy.

The approval of Council for the write-off of any debt does not mean that actions to recover the debt will be terminated. Conditionally, further actions may be instituted, depending on the costs involved. Should the debt be recovered, it will accordingly be recorded in the financial records of Council.

3. Thresholds for writing-off of debt

3.1 The writing-off of debt per individual case may be considered as follows:

- (i) Above twenty thousand rand (R20 000) will be effected after Council approval.
- (ii) Amounting to twenty thousand rand (R20 000) and below may be effected after motivation to and approval by the Chief Financial Officer (CFO) or his/her delegate.
- (iii) Amounting to ten thousand rand (R10 000) and below may be effected after motivation to and approval by the Senior Manager: Revenue and Expenditure.
- (iv) Amounting to five thousand rand (R5 000) and below may be effected after motivation to and approval by the Manager Revenue.

3.2 The writing-off of any interest (or part thereof) component of debt, providing that the debt excluding the interest component, is paid in full, may be considered as follows:

- (i) Above one hundred thousand rand (R100 000) will be effected after Council approval.
- (ii) Amounting to one hundred thousand rand (R100 000) and below may be effected after motivation to and approval by the Chief Financial Officer (CFO).
- (iii) Amounting to five thousand rand (R5 000) and below may be effected after motivation to and approval by the Senior Manager Revenue and Expenditure or Manager Revenue.

4. Provision for irrecoverable debt

Provision for bad/irrecoverable debt will be dealt with in terms of the Municipality's Accounting Policy.

5. Rescission of Judgments

Stellenbosch Municipality will consider applications for the consent to rescission of judgments, obtained by the Stellenbosch Municipality for the recovering of debt, provided that the following conditions are applicable:

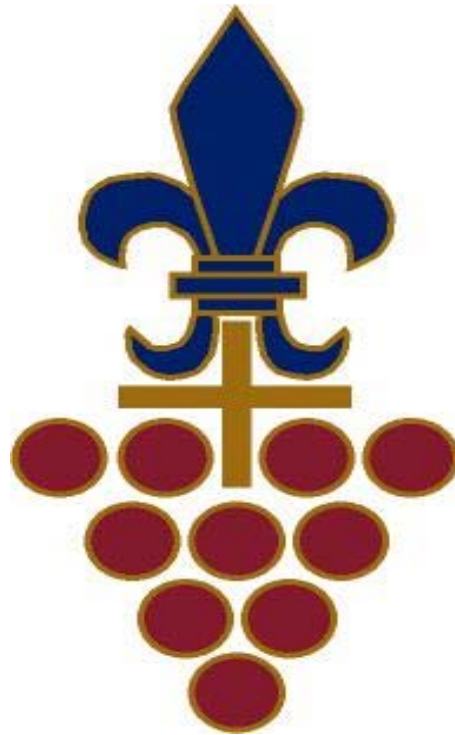
5.1 All outstanding debt accrued on all accounts of the said property have been settled in full, and

5.2 A period of at least five years has lapsed since the date of the applicable judgment, in the case where the Stellenbosch Municipality has written off any debt.

6. Short Title

This Policy is the Irrecoverable Debt Policy of the Stellenbosch Municipality.

STELLENBOSCH MUNICIPALITY



**PETTY CASH
POLICY**

2020/2021



STELLENBOSCH MUNICIPALITY

PETTY CASH POLICY

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1. INTRODUCTION

The accounting officer of a municipality is responsible for the management of the expenditure of the municipality in an effective and controlled manner. Therefore the Stellenbosch Municipality adopts the following petty cash policy.

2. REGULATORY FRAMEWORK

- a) The Municipal Finance Management Act (56 of 2003);
- b) Section 15 of the Municipal Supply Chain Regulations;
- c) Treasury regulations in terms of Section 13(1) of the Act;
- d) MFMA Circular 897 (Cost Containment Measures);
- e) Cost Containment Policy;
- f) Municipal Cost Containment Regulations, 2019; and
- g) Any subsequent MFMA Circulars relevant to Petty Cash or Cost Containment in general that may be issued By National Treasury from time to time.

3. OBJECTIVES

Compliance with the regulatory framework in terms of the relevant legislation is required.

4. RESPONSIBILITY AND ACCOUNTABILITY

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

Accounting Officer (Municipal Manager)-

- (1) The accounting officer of a municipality is responsible for the management of the expenditure of the municipality.
- (2) The accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure—
 - (a) That the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds;
 - (b) That the municipality has and maintains a management, accounting and information system which—

- (i) recognises expenditure when it is incurred;
 - (ii) accounts for creditors of the municipality; and
 - (iii) accounts for payments made by the municipality;
- (c) that the municipality has and maintains a system of internal control in respect of creditors and payments;
- (d) that payments by the municipality are made—
- (i) directly to the person to whom it is due unless agreed otherwise for reasons as may be prescribed; and
 - (ii) either electronically or by way of non-transferable cheques, provided that cash payments and payments by way of cash cheques may be made for exceptional reasons only, and only up to a prescribed limit;

The Municipal Manager delegates authority to the Chief Financial Officer to ensure compliance and adherence to the principles established by this policy.

5. PETTY CASH FRAMEWORK

5.1 General Policy

- a. The use of petty cash floats is strictly confined to individual cash purchases of:
- i) up to a maximum of R500, where the petty cash floats in other departments are used to make purchases,
 - ii) up to a maximum of R2 000, when claimed from the Financial Services Petty Cash Float.

All Petty Cash expenditure must be in compliance with this Policy, the Municipal Cost Containment Regulations 2019, Cost Containment Policy and MFMA Circular 97 (Cost Containment Measures). i) The municipality may not incur catering expenses for meetings that are only attended by persons in the employ of the municipality, unless prior written approval is obtained from the accounting officer.

- ii) Catering expenses may be incurred by the accounting officer for the following, provided they exceed five (5) hours in duration:
- Hosting of meetings
 - Conferences
 - Workshops

- Courses
 - Forums
 - Recruitment interviews
 - Council proceedings
- iii) Expenses may not be incurred on alcoholic beverages.
- iv) The accounting officer must ensure that expenses are not incurred on social events. This provision is not intended to impede the constitutional obligation of the municipality, therefore the following events are excluded:
- Economic development events
 - Cultural festivals
 - Local tourism festivals
 - Youth, aged, disabled and other vulnerable persons development events
 - Civic honours events
 - Staff recognition or achievement awards and functions
 - Town centennial or other significant municipal commemorating events
 - Opening of facilities and buildings
 - Strategic planning sessions
 - Non-recreational team building events
 - Non-recreational staff wellness functions.
- v) Expenditure may not be incurred on corporate branded items like clothing or goods for personal use by officials, other than uniforms, office supplies and tools of trade, unless the costs thereto are recovered from the affected officials or is an integral part of the business model of a specific project or drive.
- vi) The accounting officer must ensure that any sporting events, and expenditure directly related to sporting events such as travel and accommodation cost, sporting gear and sporting regalia are not financed from the budget of the municipality or by suppliers or sponsors. This provision does not apply to sporting events that are held in terms of the municipality's constitutional function.

The accounting officer may incur expenditure not exceeding the limits of this Policy for one transaction usage, to host farewell functions in recognition of officials who retire after serving the municipality for ten or more years or retire due to ill health.

Under no circumstances may Petty Cash be abused for purposes of avoiding Supply Chain Management procedures. It is not acceptable for one receipt or a number of receipts, in respect of the same event, which have been obtained by the same person, to be split over multiple cash purchase claims.

- d. The Directorate making use of Petty Cash for smaller purchases is responsible for ensuring that sufficient budget is available on the relevant votes.
- e. A petty cash float is not to be used for any of the following:
 - i) the cashing of cheques;
 - ii) loans to any person whatsoever;
 - iii) payment of personal remuneration to any employee whatsoever, whether for fees, salaries, wages, travel allowance as part of remuneration, honorarium or other reason; or
 - iv) Purchase of capital items.
 - v) Any item or service that does not fall within the ambit of the Cost Containment Policy and –Regulations.
- f. Examples of permissible Petty Cash Expenditure may include, but is not limited to:
 - i) Toll Fees
 - ii) Parking Fees
 - iii) Postage
 - iv) PDP and Licence fees
 - v) Keys
 - vi) Car Wash
 - vii) Fire Arm Licencing
- g. Should there be any uncertainty, the relevant Director may exercise discretion and approve a requisition for Petty Cash, or in the case of an own Petty Cash Float, approve such expenditure provided that all such approvals remain within the confines of the Cost Containment Policy and –Regulations..

Other cash floats may also be established for the purpose of providing change, for a cash register, or any other purpose approved by the Chief Financial Officer. Use of such floats is restricted to the purpose for which they were established.
- i. The Chief Financial Officer may approve the use of petty cash for specific use, based on practical reasons or cost-benefit reasons. Such an authority will be done on a case by case basis for the purposes of considering merit.
- j. The CFO may determine and approve the maximum amount to be held in any individual petty cash float.

5.2 Purchases through Petty Cash Float – Supply Chain Management Office

- a. Purchases from SCM database suppliers shall be allowed in the following instance, provided that a monthly submission are made to the CFO of all purchases and the respective director confirming the enforcement of rotation of suppliers:
 - i) When the amount of the individual purchase / event is less than R250.00, irrespective of it being an emergency or not.
- b. Purchases from SCM database suppliers are NOT allowed for capital items or fuel.
- c. Petty claims will be dealt with on a first come, first serve basis and it is subject to the monetary limit of the petty cash.

5.3 Establishing and Operating a Petty Cash Float

- a. To establish a new petty cash float or increase an existing advance, a written application is to be made to the Chief Financial Officer by the relevant Department, motivating the need for such petty cash float.
- b. The total value of the advance requested will be an amount which would normally necessitate reimbursement approximately once a fortnight. This level of advances keeps to a minimum the overall cash in the buildings on municipal property and ensures regular inclusion of information regarding expenditure in financial reports and for budget control purposes.
- c. A request for the establishment of an advance will indicate the name and status of senior administrative or clerical staff to be held responsible for the operation of the petty cash float. The staff member's specimen signature must also be submitted by the Department to the Chief Financial Officer, together with the application documentation.
- d. The application will indicate the security arrangement in place to ensure safe custody of funds in the office. The minimal security arrangement that will be acceptable is that the float will be kept in a locked box which will be kept in a locked filing cabinet or safe. If an advance is approved, the Assistant Accountant: Creditors will advise the Department accordingly and request that the responsible staff member collect the advance. This establishing advance will be charged to a "Petty Cash Advances - ...Name/Dept..." in the General Ledger and not against any expenditure votes. A register of advances is thus maintained per Ledger Account for the purpose of accounting for all petty cash floats.

5.4 Security of Petty Cash Floats

- a. The cash on hand and used petty cash vouchers are to be kept in a locked box for which there should be two keys. One key is to be retained by the officer (on their person) normally responsible for the petty cash and the other to be kept in a sealed envelope in the office safe or other secure place, to be used only in an emergency.
- b. The locked petty cash box must be kept in a secure place when not in use and should be removed and returned by the responsible staff member only. At no stage should staff other than the responsible administrative/clerical staff member have access to the storage place of the petty cash box.
- c. Under no circumstance are keys to be left in the lock to the petty cash box, cabinet or safe.
- d. If the responsible officer is either going on leave or is leaving the Municipality's employment, the petty cash float is to be reconciled and signed by the departing- as well as replacement staff members, to indicate their agreement as to its balance. The replacement staff specimen signature must also be submitted to the Chief Financial Officer.

5.5 Completing a Cash Purchase Claim Form

- a. Petty cash stationery is available from the Expenditure Section (Financial Services). The form consists of two parts:
 - (i) Cash Purchase Claim page
 - (ii) Cash Purchase Record page
 - (iii) Receipt for cash advance (Only when appropriate, refer paragraph on Advances).
- b. All details entered on the Cash Purchase Claim appear on the Cash Purchase record page.
- c. The Cash Purchase Claim must be completed as follows:
 - (i) description and cost of the goods/services purchased
 - (ii) purchaser's signature
 - (iii) vote number to be charged
 - (iv) Signature of the Officer in Charge of Petty Cash.

- d. Original receipts or other valid documentation as required must be attached as proof of payment, with the signature of an appropriate financial delegate on this documentation. A financial delegate cannot authorise a cash purchase claim where she or he is the purchaser.

5.6 Sub-Advances to staff members

- a. If it is necessary to make an initial sub-advance to a staff member for various needs, a receipt for cash advance must be completed. The receipt for Cash Advance Form must be completed as follows:
 - (i) description and *estimated* cost of the goods/services purchased
 - (ii) purchaser's signature
 - (iii) vote number to be charged
 - (iv) Signature of the Officer in Charge of Petty Cash.
- b. On completion of the purchase, the recording-, documentation- and authorization requirements will be as stated in the above paragraph: Completing a Cash Purchase Claim Form.

All such sub-advances will be accounted for within 24 hours, by submitting original receipts and other applicable documentation required, attached as proof of payment (with the approval signature on the documentation). Where this cannot be achieved, the buyer will be liable to pay back the advance without any delay or the money will be deducted on his/her next salary irrespective of consent being given or noted. Not more than one advance will be made to any one person at a time.

5.7 Out-of-Pocket Payments

- a. Where a staff member has made purchases from their own funds and now seeks reimbursement from the petty cash, supporting documentation must be provided to substantiate the claim.
- b. The supporting documentation is to be attached to the Claim.
- c. The recording- , documentation- and authorization requirements will be as stated in the above paragraph (**Completing a Cash Purchase Claim Form**).

5.8 Reimbursement of Petty Cash Floats

- a. A petty cash float is operated on the basis that expenditure from the float is periodically reimbursed. Such reimbursement-
 - (i) returns the cash level of the petty cash float to its original level and
 - (ii) Charges the expenditure which has been made, to the correct expenditure vote.
- b. Accordingly, at any point of time, the sum of the cash on hand, i.e. remaining unspent, plus the cash advances for un-finalised purchases, plus the completed cash purchase claim forms, will equal the level of the petty cash advanced to the Department.
- c. Completed Cash Purchase Claim forms, with attached cash register slips, etc., must be taken by the officer in charge of the Petty Cash in a Directorate/Department, to the Assistant Accountant: Accounts Payable for reimbursement, after the Summary Claim Cover Page and attached documentation have been authorised by a financial delegate at least once in 14 days. Reimbursement of claims where supporting documentation is missing will not be entertained.
- d. The prescribed Summary Cash Purchase Claim form as well as other relevant forms attached to it must be completed in full.
- e. The most recently completed Cash Purchase Claim form must record the reconciliation of the petty cash float. The Assistant Accountant: Accounts Payable will refuse reimbursement of claims where this is not supplied.
- f. A petty cash float must never be reimbursed with funds derived from any other source whatsoever.

5.9 Shortages

- a. Any shortages in respect of a petty cash float must be paid in immediately.
- b. Where a petty cash float is stolen the incident must be reported promptly to the Chief Financial Officer in the required format, after which same needs to be reported to the South African Police Services and a case number provided to the Assistant Accountant: Accounts Payable.

5.10 Procedure applicable when a Petty Cash Float is repaid/cancelled

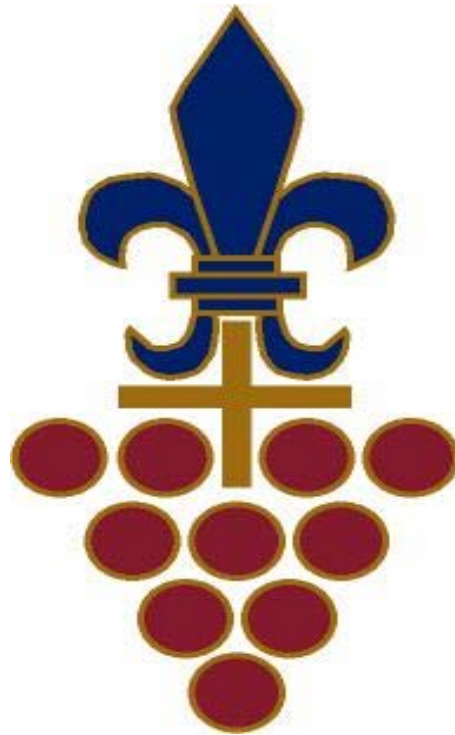
When an advance is no longer required, a statement in a form of a memorandum is to be completed and signed by the Head of the relevant Department and submitted to the Assistant Accountant: Accounts Payable, with the balance of cash on hand and completed and authorized Cash Purchase Claim forms. The most recently completed Cash Purchase Claim form will record the reconciliation of the petty cash float, where after a cheque will be issued to the relevant person to effect completion of the transaction..

The Cashier will issue a receipt to the affected department.

5.11 Financial year-end procedures

Reconciled petty cash registers (cash slips attached), accompanied with the cash balance must be returned to the Senior Accountant: Expenditure a week before the financial year end.

STELLENBOSCH MUNICIPALITY



**TRAVEL AND SUBSISTENCY
POLICY**

2020/2021



STELLENBOSCH MUNICIPALITY

TRAVEL AND SUBSISTENCE POLICY

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1. OBJECTIVE

It is essential that representatives of this municipality from time to time travel in order to establish and maintain links and relationships with other municipalities, government bodies, and other parties, institutions and organizations operating in the sphere of local government. It should also be read together with paragraph 2 of MFMA Circular 82 of 30 March 2016 as well as the Cost Containment Regulations as far as it is applicable to travel and subsistence issues.

This policy sets out the basis for the payment of a subsistence travel allowance, hourly rate when applicable and for the purpose of such official traveling.

2. In the event of any conflict between a provision of this policy and the Cost Containment Policy, the latter policy shall apply. TRAVEL

2.1 *Responsibilities of Representatives who travel on Business of the Municipality*

- a) Every representative who travels on the business of the municipality must comply with this policy in letter and in spirit.
- b) Representatives who travel on the business of the municipality must take note that their actions, conduct and statements must be in the best interest of the municipality, and they must comply with any specific mandates they have been given.

2.2 Air Travel

- a) **The Accounting Officer in respect of all officials or political office bearers and the Executive Mayor in respect of the Accounting Officer only approve the purchase of economy class tickets for air travel.**
- b) All flights by representatives of the municipality shall be in economy class, unless another class of travel is specifically authorized by-
 - (i) the executive committee, with regard to Holders of Public Office and the Municipal Manager, or
 - (ii) The Municipal Manager, with regard to officials and applicants for interviews

2.3 International Travel

- a) International travel for any official or political office bearer can only be approved by the municipal council in a meeting open to the public with a supporting vote of the majority of the members of the municipal council present.
- b) The report to council for approval of international travel must include:
 - (i) A motivation why the international travel is seen as critical and fully setting out the anticipated benefit that the municipality will derive from attending the event, meeting or function;
 - (ii) If international travel to the destination or event was previously undertaken, state what benefits if any derived from the previous attendance;
 - (iii) The full cost of the international travel including travel allowances and visas if applicable to be paid; and
 - (iv) The proposed officials and political office bearers, not exceeding three, to travel and why they have been identified.
- c) The following events will not be considered critical to justify international travel whether the full cost of the travel is paid by another institution or not:
 - (i) Attendance of international sporting events;
 - (ii) Attendance of international social events;
 - (iii) Attendance of international party-political events;
 - (iv) The opening of another country's parliament or any other country's government's celebration events.
- d) The accounting officer or delegated official must ensure that requirements for international travel by officials or political office bearers are not inserted into bid documents, whether it is for inspection of products at source of construction/assembly or for any other reason.

2.4 Car Rental, Travel Costs and rates

- a) Only “A” or “B” category vehicles may be rented, unless it is more cost-effective to hire any other category (for example, when the number of representatives involved could justify the hire of a micro-bus).

- a) Car rental must be approved as part of the travel package before the trip is embarked on. A representative who rents a vehicle whilst traveling on the business of the municipality without having received prior authorization will only be reimbursed for the cost of the vehicle rental if proof of expenditure can be produced and the representative can demonstrate that vehicle rental was reasonably but unexpectedly necessitated by the circumstances.
 - (ii) .

- b) Parking and toll fee – actual cost will be reimbursed via Petty Cash after the submission of proof of expenditure.

- c) If a representative has to utilize his or her personal motor vehicle, he or she will be reimbursed at the tariffs listed below. The distance to which the reimbursement applies, must be the shortest distance via tarred road between the municipality’s offices and the location where the official business is to be transacted.
 - i) Councillors:
Will be reimbursed in terms of the Private Column of Department Transport monthly circulars pertaining to Tariffs for the Use of Motor Transport to a maximum of R4.50 per kilometer.

 - ii) Officials with vehicle/car allowance:
Will be reimbursed at a flat rate of R4.50 per kilometer where motor vehicles are used and R2.00 per kilometer where motor cycles are used. Where it is possible to fly to a destination, but the official prefers to drive with his own vehicle, the lower value between kilometer claim and a flight ticket will be used as basis for reimbursement.

 - iii) Officials who are in receipt of an Essential User Transportation Allowance:
Will be reimbursed according to the official Cost Tables contained in the “Essential User Scheme: Transport Allowance” circulars of the South African Local Government Bargaining Council – Western Cape Division applicable.

- iv) Officials without a car allowance and Members of a Committee: established in terms of applicable legislation, as per the Rate per kilometer fixed by the Minister of Finance under section 8(1) (b) (ii) and (iii) of the Income Tax Act, 1962. . If the total number of kilometers for which such reimbursement is received exceeds 8 000 in any tax year, reimbursement for the excess kilometers over 8 000 must be taxed for PAYE purposes. If the cost of any one trip exceeds that of an air ticket, the lesser amount will be paid.

The number of employees travelling to conferences or meetings on official duty for the same matter is limited to three (3) employees, unless otherwise approved in advance by the relevant Director, or Accounting Officer in the case of Directors travelling.

- d) Similar to the above, the number of employees travelling by air to other centers to attend an official engagement on the same matter is also limited to three (3) employees, unless otherwise approved in advance by the relevant Director or Accounting Officer in the case of Directors travelling.
- e) For the purpose of this policy, domestic travel shall mean travel within South Africa, and international travel shall mean travel to any country other than South Africa.
- f) The Accounting Officer will when appropriate determine an hourly rate for the different committees serving Council.
- g) Notwithstanding the above provisions, all employees must make use of shuttle services if the cost of such services is below the cost of hiring a vehicle.

3. SUBSISTENCE

3.1 Subsistence Allowance

- a) A representative may claim a daily subsistence allowance as provided in this policy with the understanding that all authorized personal expenses are covered by the subsistence allowance. No further expenses, with the exception of certain business expenses (see below), may be claimed.
- b) In line with SARS guidelines on Subsistence Allowances and Advances, A daily subsistence allowance will only be applicable where-

- (i) The representative is obliged to spend at least one night away from his or her usual place of residence on business; R416 per day, or
 - (ii) The representative will be on official business for a period exceeding 12 consecutive hours per day, without having to spend a night away from his or her usual place of residence; R128 per day.
- c) A representative of the municipality must claim his or her subsistence allowance, as provided in this policy before embarking on any official trip, with the exception where such claim reaches the creditors section at least three days before the trip; in which case such claim must be submitted after the event. Such a claim must be accompanied by details of the conference or workshop or emailed/faxed invitation.
- d) No subsistence allowance will be paid, and no representative will be entitled to a subsistence allowance, if the trip or travel is not related to the official business of the municipality. All travel on business of the municipality must be approved as such before a representative is entitled to a subsistence allowance.
- e) For the purpose of a subsistence allowance, a representative shall mean-
- (i) mayor or executive mayor, as the case may be
 - (ii) deputy-mayor
 - (iii) speaker
 - (iv) members of the executive committee or mayoral committee, as the case may be
 - (v) other councillors specifically authorized to represent the municipality on a particular occasion
 - (vi) municipal manager
 - (vii) directors
 - (viii) any other official/representative specifically authorized to represent the municipality on a particular occasion
 - (ix) any official or councilor who is a member of a recognized professional institution and is granted permission to attend meetings and conferences of such institution.
- f) The subsistence allowance of international travel will be the lesser of:
- (i) an amount equivalent to the rates as determined by SARS, at the beginning of 1 July every year.

Or

- (ii) US\$190 per day where the exchange rate of ZAR is more than 5:1 in relation to the currency of the destination country; and
- (iii) US\$100 per day where the exchange rate of ZAR is less than, or equal to 5:1 in relation to the currency of the destination country;

4. ACCOMMODATION

4.1 Accommodation Costs

- a) Overnight accommodation may only be booked where the return trip exceeds 500 kilometres.
- b) Notwithstanding the provision in paragraph 4.1(a) overnight accommodation where the return trip is 500 kilometres or less, may be booked where in the view of the Accounting Officer or delegated official the limitation may be impractical and any of the following instances are present:
 - (i) The road or any other conditions could jeopardise the safety, health and security of officials or political office bearers;
 - (ii) The trips are to be undertaken over a number of consecutive days provided that a return trip is in excess of 200 kilometres;
 - (iii) The starting time of the meeting or event would require the official or councillor to leave his/her place of residence before 05h00 in order to be punctual.
 - (iv) Should the circumstances as stated in paragraph 4.1 (b)(i) – (iii) not be applicable, but an official still prefers to sleep over and not travel every day, the relevant director may approve travelling and accommodation expenses to be paid in the following manner:
 - The cost of one return trip at the applicable rates stated in this policy to be claimed and reimbursed to the official, plus
 - The Daily Allowance referred to in paragraph 3.1 (b) (ii) of this policy for every night the official spends away from the work place to be claimed and paid to the official and
 - Accommodation paid directly to the relevant establishment equal to the monetary value of R4.50 per kilometer, the potential travel claim for every night that officials sleep over instead of travelling. In cases where more than one official was to travel together, the travel claim will be equally divided between the accommodation costs of the respective officials. Any excess accommodation costs must be borne by the official concerned.

- c) Any request for overnight accommodation and/or travel must be motivated on a prescribed form and approved by the municipal manager or delegated official prior to the arrangement for overnight stay or travel.
- d) The actual cost of accommodation will be borne by the municipality, subject to a maximum of 3- to 4-star rating for the accommodation itself in respect of domestic travel. Where such accommodation is available, the rate for a single room will be payable.
- e) If no such accommodation is available, higher rating accommodation can be used subject to the prior approval of the Municipal Manager.
- f) If a representative stays with a relative or friend, no accommodation allowance may be claimed, but the representative may claim a subsistence allowance of R416.00 per day.
- g) The recoverable cost of accommodation for international travel may not exceed US\$350 per day.
- h) The municipality will at all times firstly consider accommodation where the National Treasury has negotiated discounts for rates as per MFMA circular 97. In the absence of such accommodation or failure to secure space, only then will the municipality consider accommodation outside the "NT negotiated accommodation".
- i) Notwithstanding the provisions of 4 (1) (c), the procurement of all accommodation services will be subjected to the municipality's SCM policy and preferential procurement policy. The written approval in terms of paragraph 4.1(c) must be filed with the relevant supply chain documents for the accommodation booking.

5 CONFERENCES, MEETINGS AND STUDY TOURS

- 5.1 Applications for conferences, meetings and conferences, both within or outside South African borders, must be done on the prescribed form. Applications for conferences, study tours and similar events must be accompanied by a motivation that takes the under mentioned aspects into account:
- a) The official's or political office bearer's roles and responsibilities and the anticipated benefits of the conference or event;
 - b) Whether the conference or event addresses relevant concerns of the institution;
 - c) The appropriate number of officials or political office bearers, not exceeding three, attending the conference or event;
 - d) The availability of funds to meet expenses related to the conference or event.

- 5.2 The accounting officer may consider appropriate benchmark costs with other professional bodies or regulatory bodies prior to granting approval for an official to attend a conference or event within and without the borders of South Africa.
- a) Such benchmark costs may not exceed an amount as determined from time to time by the National Treasury through a notice.
 - b) The costs exclude costs related to travel, accommodation and related expenses, but include conference or event registration expenses and any other expenses in relation to the conference or event.
 - c) When considering costs for conferences or events these may not include items such as laptops, tablets or other similar tokens that are built into the price of such conferences or events.
 - d) The accounting officer must grant the approval for officials and in the case of political office bearers and the accounting officer, the mayor for attendance of conferences and events.
- 5.3 The accounting officer must ensure that meetings and planning sessions that entail the use of municipal funds are, as far as may be practically possible, held in-house.
- a) Municipal or provincial office facilities must be unitized for conference, meeting, strategic planning sessions, *inter alia* where an appropriate venue exists within the municipal jurisdiction.
- 5.4 The municipality must, where applicable, take advantage of early registration discounts by granting the required approvals to attend the conference, event or study tour, in advance.

6. TRAVEL AND SUBSISTANCE ALLOWANCES FOR APPLICANTS INVITED FOR INTERVIEWS

- (a) If an invited for an interview has to utilize his or her personal motor vehicle he or she will be reimbursed at the same rates as stipulated in paragraph 2.4 (d) of this policy. The actual cost of air travel will be reimbursed subject to the prior approval of the Municipal Manager or the Director Corporate Services.
- (b) Candidates residing outside the boundaries of Stellenbosch municipality will be reimbursed for reasonable costs of travelling as provided for in this policy. Where the distance to travel and interview circumstances is such that a candidate requires accommodation, suitable accommodation may be pre-authorized by the relevant director and the candidate may be reimbursed.
- (c) If a candidate is made an offer of appointment and declines the offer, no reimbursement of costs will be made.

- (d) Where necessary the User Department in consultation with Human Resources will make suitable travelling and accommodation arrangements and provide budget for the costs.

7. AUTHORISATION

7.1 For purposes of implementing this policy

- a) Only the Municipal Manager may authorize any travel to be undertaken by Directors, but provided the expenses to be incurred are on the approved budget of the relevant department. Claims by other officials to be authorized by directors concerned.
- b) Only the Director Strategic and Corporate Services or the Municipal Manager may authorize payments to be made for persons invited for interviews, but provided that the expenses to be incurred are on the approved budget.
- c) Only the Executive Mayor together with the relevant director may authorize any travel to be undertaken by Holders of Public Office, or the municipal manager, but provided the expenses to be incurred are on the approved budget of the municipality.
- d) Only Directors may authorize any travel to be undertaken by employees in the respective Directorate, but provided the expenses to be incurred are on the approved budget of the municipality.
- e) As far as is practically possible, authorization for the above must be obtained prior to the occasion by any representative who travels on the business of the municipality.

An invitation to attend a workshop, meeting or related event is not an automatic authorization to attend such workshop or event. The required authorization must still be obtained from the municipal manager or executive mayor, executive committee or director as the case may be.

8. COUNCIL DELEGATES

Council delegates or representatives to any conference, workshop or meeting must ensure that they arrive on time and attend until the conclusion of such event. If any representative fails to do so, the executive mayor or executive committee, the municipal manager or director as the case may be, may recover all allowances and disbursements paid to enable such delegate or representative to attend such event, provided that such delegate or representative is afforded

the opportunity to submit reasons for not being able to be present from the commencement to conclusion of such event.

9. COMMITTEES ESTABLISHED AS A RESULT OF PRESCRIBED LEGISLATION

Any committee established as a result of prescriptions in relevant legislation, will for the purposes of application of this policy, qualify for an allowance equal to that paid to Holders of Public Office.

10. AUTHORITY

Any deviation from this policy for whatsoever reason must be authorized by the Municipal Manager and in the case of the Municipal Manager, the Executive Mayor will authorize.

In any instance where a delegate did not attend business as approved in accordance with this policy, any expenditure incurred by the council should be refunded by the representative. All deviations in this regard must be approved by council.

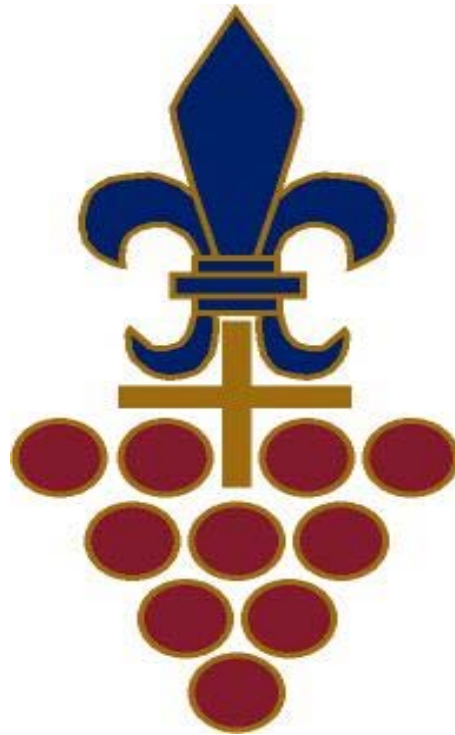
11. TRAVEL AND SUBSISTANCE ALLOWANCE CLAIM FORM

The official Travel and Subsistence Allowance claim form, as prescribed by Chief Financial Officer must be used with regard to Travel and Subsistence Allowance applications. The approved form should reach the creditors office 3 days before the intended day of departure in order for allowances to be paid to the representative timeously.

12. SHORT TITLE

This Policy will be known as the Travel and Subsistence Policy.

STELLENBOSCH MUNICIPALITY



COST CONTAINMENT POLICY

2020/2021



STELLENBOSCH MUNICIPALITY

COST CONTAINMENT POLICY

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1. **DEFINITIONS**

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

“*Consultant*” means a professional person, individual partnership, corporation, or a company appointed to provide technical and specialist advice or to assist with a design and implementation of projects or to assist the municipality to achieve its objectives of local government in terms of section 152 of the Constitution;

“*Cost containment*” means the measures implemented to curtail spending in terms of this policy;

“*Credit Card*” means a card issued by a financial services provider, which creates a revolving account and grants a line of credit to the cardholder;

“*Debit Card*” means a card issued by a financial services provider allowing the cardholder to transfer money electronically from any bank account held by the Municipality when making a purchase;

“*Municipality*” means Stellenbosch Local Municipality;

“*Persons in the employ of the municipality*” means any employee of the municipality whether employed on a permanent or temporary basis and any public office bearer serving on the Council;

“*Procurement Documentation*” means any documentation used for the procurement of consultants, whether it is documentation used for tenders or formal quotations;

2. **PURPOSE**

The purpose of the policy is to regulate spending and to implement cost containment measures at Stellenbosch Local Municipality.

3. **OBJECTIVES OF THE POLICY**

3.1 The objectives of this policy are to:

3.1.1 To ensure that the resources of the municipality are used effectively, efficiently and economically;

3.1.2 To implement cost containment measures.

4. **SCOPE OF THE POLICY**

4.1 This policy will apply to all:

4.1.1 Councillors'; and

4.1.2 Municipal employees.

4.2 In the event of any conflict between a provision of this policy and any other policy of council, the provision of this policy shall apply.

5. **LEGISLATIVE FRAMEWORK**

5.1 This policy must be read in conjunction with the -

5.1.1 The Municipal Finance Management Act,

5.1.2 MFMA Circular 97, published on 31 July 2019;

5.1.3 Municipal Cost Containment Regulations, 2019; and

5.1.4 Travelling and subsistence policy.

6. **POLICY PRINCIPLES**

6.1 This policy will apply to the procurement of the following goods and/or services:

- 6.1.1 Use of consultants
- 6.1.2 Vehicles used for political office-bearers
- 6.1.3 Travel and subsistence
- 6.1.4 Domestic accommodation
- 6.1.5 Credit cards
- 6.1.6 Sponsorships, events and catering
- 6.1.7 Communication
- 6.1.8 Conferences, meetings and study tours
- 6.1.9 Any other related expenditure items

7 **USE OF CONSULTANTS**

7.1 Consultants may only be appointed after an assessment of the needs and requirements has been conducted to support the requirement of the use of consultants.

7.2 The assessment referred to in 7.1 must confirm that the municipality does not have requisite skills or resources in its full time employ to perform the function that the consultant will carry out.

7.3 Procurement documentation for the appointment of consultants must include a clause that remuneration rates will be subject to negotiation and will not exceed the applicable rates stated below:

- 7.3.1 Rates determined in the “Guideline on fees for audits undertaken on behalf of the Auditor-General of South Africa” issued by the South African Institute of Chartered Accountants;
- 7.3.2 Rates set out in the “Guide on Hourly Fee Rates for Consultants” issued by the Department of Public Service and Administration;
- 7.3.3 Rates prescribed by the body regulating the profession of the consultant.

- 7.4 When negotiating cost effective rates for international consultants, the Accounting officer may take into account the relevant international and market determined rates.
- 7.5 When consultants are appointed the following should be included in the Service Level Agreements:
- 7.5.1 Consultants should be appointed on a time and cost basis that has specific start and end dates;
 - 7.5.2 Consultants should be appointed on an output-specific basis, with specified deliverables and the associated remuneration;
 - 7.5.3 Ensure that cost ceilings are included to specify the contract price as well travel and subsistence disbursements and whether the contract price is inclusive or exclusive of travel and subsistence;
 - 7.5.4 A clause ensuring that skills transfer is done by the consultant to the relevant Municipal officials. This requirement must also be specified in Procurement Documentation.
 - 7.5.5 All engagements with consultants should be undertaken in accordance with the municipality's supply chain management policy and Supply Chain Regulations.
- 7.6 The travel and subsistence costs of consultants must be in accordance with the national travel policy issued by the National Department of Transport as updated periodically.
- 7.7 Consultancy reduction plans should be developed to reduce the reliance on consultants.
- 7.8 All contracts with consultants must include a retention fee or a penalty clause for poor performance.
- 7.9 The specifications and performance of the service provider must be used as a monitoring tool for the work that is to be undertaken and performance must be appropriately recorded and monitored.

8. **VEHICLES USED FOR POLITICAL OFFICE-BEARERS**

- 8.1 Should the approved capital budget of the municipality include the purchase of vehicles for official use by political office bearers, the threshold limit for such vehicle purchases may not exceed seven hundred thousand rand (R700 000) or 70% (VAT inclusive) of the total annual remuneration package for the different grades, whichever is greater.
- 8.2 The procurement of vehicles must be undertaken using the national government transversal mechanism unless it can be procured at a lower cost through other procurement mechanisms.
- 8.3 Before deciding on the procurement of a vehicle as contemplated in 8.2, the chief financial officer must provide the council with information relating to the following criteria which must be considered:
- 8.3.1 Status of current vehicles;
 - 8.3.2 Affordability, including options of purchasing vs. renting;
 - 8.3.3 Extent of service delivery backlogs;
 - 8.3.4 Terrain for effective usage of vehicle; and
 - 8.3.5 Any other policy of council.
- 8.4 If the rental option is preferred, the Accounting officer must review the costs incurred on a quarterly basis to ensure that value for money is obtained.
- 8.5 Regardless of their usage, vehicles for official use by public office bearers may only be replaced after completion of 120 000 kilometres.
- 8.6 Notwithstanding 8.5, a municipality may replace vehicles for official use by public office bearers before the completion of 120 000 kilometres only in instances where the vehicle experiences serious mechanical problems and is in a poor condition, and subject to obtaining a detailed mechanical report by the vehicle manufacturer or approved dealer.

TRAVEL, SUBSISTENCE AND ACCOMMODATION**Air Travel**

- 9.1 The Accounting officer in respect of all officials or political office bearers and the Executive mayor in respect of the Accounting officer may only approve the purchase of economy class tickets for air travel.

International Travel

- 9.2 International travel for any official or political office bearer can only be approved by the municipal council in a council meeting open to the public with a supporting vote of the majority of the members of the municipal council present.
- 9.3 The report to council for approval of international travel must include:
- 9.3.1 A motivation why the international travel is seen as critical and fully setting out the anticipated benefit that the municipality will derive from attending the event, meeting or function;
 - 9.3.2 If international travel to the destination or event was previously undertaken, state what benefits if any derived from the previous attendance;
 - 9.3.3 The full cost of the international travel including travel allowances to be paid; and
 - 9.3.4 The proposed officials and political office bearers, not exceeding three, to travel and why they have been identified.
- 9.4 The following events will not be considered critical to justify international travel whether the full cost of the travel is paid by another institution or not:
- 9.4.1 Attendance of international sporting events;
 - 9.4.2 Attendance of international social events;
 - 9.4.3 Attendance of international party-political events;
 - 9.4.4 The opening of another country's parliament or any other country's government's celebration events.

- 9.5 The accounting officer or delegated official must ensure that requirements for international travel by officials or political office bearers are not inserted into bid documents, whether it is for inspection of products at source of construction/assembly or for any other reason.

Domestic Accommodation

- 9.6 Overnight accommodation may only be booked where the return trip exceeds 500 kilometres.
- 9.7 Notwithstanding the provision in paragraph 9.6 overnight accommodation, where the return trip is 500 kilometres or less, may be booked where in the view of the accounting officer or delegated official the limitation may be impractical and any of the following instances are present:
- 9.7.1 The road or any other conditions could jeopardise the safety, health and security of officials or political office bearers;
 - 9.7.2 The trips are to be undertaken over a number of consecutive days provided that a return trip is in excess of 200 kilometres;
 - 9.7.3 The starting time of the meeting or event would require the official or councillor to leave his/her place of residence before 05:00 in order to be punctual; and
 - 9.7.4 Overnight accommodation is cheaper than the travelling expenses payable under council policy on travel and subsistence.
- 9.8 Any request for overnight accommodation in compliance with paragraph 9.6 or 9.7 must be motivated on a prescribed form and approved by the municipal manager or delegated official prior to the arrangement for overnight stay;
- 9.9 The written approval in terms of paragraph 9.8 must be filed with the relevant supply chain documents for the accommodation booking; and
- 9.10 A copy of such written approval in terms of paragraph 9.8 must also accompany the request for travel and subsistence.

10. **CREDIT CARDS**

- 10.1 The accounting officer must ensure that no credit card or debit card linked to a bank account of the municipality is issued to any official or public office-bearer.
- 10.2 Where officials or public office bearers must incur expenditure in relation to approved official municipal activities, such officials and public office bearers may use their personal bank cards or cash, and may request reimbursement from the municipality in accordance with approved policies and processes.

11 **SPONSORSHIPS, EVENTS & CATERING**

- 11.1 The municipality may not incur catering expenses for meetings that are only attended by persons in the employ of the municipality, unless prior written approval is obtained from the accounting officer.
- 11.2 Catering expenses may be incurred by the accounting officer for the following, if they exceed five (5) hours:
- 11.2.1 Hosting of meetings;
 - 11.2.2 Conferences;
 - 11.2.3 Workshops;
 - 11.2.4 Courses;
 - 11.2.5 Forums;
 - 11.2.6 Recruitment interviews; and
 - 11.2.7 Council proceedings
- 11.3 Entertainment allowances of officials may not exceed two thousand rand (R2 000.00) per person per financial year, unless otherwise approved by the accounting officer.
- 11.4 Expenses may not be incurred on alcoholic beverages.

11.5 The regulations require *inter alia* that the accounting officer must ensure that social events are not financed from the municipality's budget however, this provision is not intended to impede on the constitutional obligation of the municipality as particularly set out in section 152, 153, 195(1)(h) and Schedule 4 Part B of the Constitution to promote and cultivate social development, economic development, good human-resource management and local tourism.

□

11.6 Social events exclude the following events linked to the strategic objectives of the municipality:

11.6.1 Economic development events;

11.6.2 Cultural festivals;

11.6.3 Local tourism festivals;

11.6.4 Youth, aged, disable and other vulnerable persons developmental events;

11.6.5 Civic honours events;

11.6.6 Staff recognition or achievement awards and functions;

11.6.7 Town centennial or other significant municipal commemorating events;

11.6.8 Opening of facilities and buildings;

11.6.9 Strategic planning sessions;

11.6.10 Non-recreational team building events; and

11.6.11 Non-recreational staff wellness functions.

11.7 Expenditure may not be incurred on corporate branded items like clothing or goods for personal use of officials, other than uniforms, office supplies and tools of trade, unless the costs thereto are recovered from the affected officials or is an integral part of the business model of a specific project or drive.

11.8 The accounting officer must ensure that any sporting events, and expenditure directly or indirectly related to sporting events such as travel and accommodation cost, sporting gear and sporting regalia are not financed from the budget of the municipality or by any suppliers or sponsors. This provision does not prohibit the municipality to incur

expenditure on municipal sport facilities as per its constitutional function.

- 11.9 The accounting officer or delegated official may incur expenditure not exceeding the limits for petty cash as per the municipal Petty Cash Policy for one transaction usage, to host farewell functions in recognition of officials who retire after serving the municipality for ten or more years or retire on grounds of ill health.

12 **COMMUNICATION**

- 12.1 Stellenbosch Municipality may, if matters are not required to be notified through the media to the local community in terms of section 21 of the Municipal Systems Act or any other applicable legislation, advertise municipal related events on its website instead of advertising in magazines or newspapers.

- 12.2 The accounting officer must ensure that allowances to officials for private calls and data costs are limited to the amounts as determined in Council's Cellular Telephone Policy or any other applicable policy that regulates cellular calls and data cost.

- 12.3 Newspaper and other related publications for the use of officials and political office bearers must be discontinued on expiry of existing contracts; unless, authorised by the accounting officer for officials and by the executive mayor for political office bearers that it is required for professional purposes.

- 12.4 Stellenbosch Municipality may participate in the transversal term contract arranged by the National Treasury for the acquisition of mobile communication services provided that the municipality cannot procure it at cheaper rates.

13 **CONFERENCES, MEETINGS & STUDY TOURS**

- 13.1 Cost containment measures with regards to conferences, meetings and study tours are dealt with in the approved Travel and Subsistence Policy.

14 **OTHER RELATED EXPENDITURE ITEMS**

- 14.1 All commodities, services and products covered by a transversal contract by the National Treasury must be procured through that transversal contract before approaching the market, in order to benefit from savings and lower prices or rates that have already been negotiated.
- 14.2 Municipal resources may not be used to fund elections, campaign activities, including the provision of food, clothing and other inducements as part of, or during the election periods.
- 14.3 Procurement of elaborate and expensive office furniture must be avoided.
- 14.4 If considered a requirement, only the services of the South African Police Service may be used to conduct security threat assessments of political office bearers and key officials. A report must be submitted to the Office of the Speaker.

15 **ENFORCEMENT PROCEDURES**

- 15.1 Failure to implement or comply with this policy may result in any official of the municipality or political office bearer that has authorized or incurred any expenditure contrary to those stipulated herein being held liable for financial misconduct or a financial offence in the case of political office bearers as defined in Chapter 15 of the Act read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014.

16 **DISCLOSURES OF COST CONTAINMENT MEASURES**

- 16.1 Cost containment measures applied by the municipality must be included in the municipal in-year budget report and annual cost savings must be disclosed in the annual report.

16.2 The measures implemented and aggregate amounts saved per quarter, together with the regular reports on reprioritization of cost savings, on the implementation of the cost containment measures must be submitted to the municipal council for review and resolution. The municipal council can refer such reports to an appropriate council committee for further recommendations and actions.

16.3 Such reports must be copied to the National Treasury and relevant provincial treasuries within seven calendar days after the report is submitted to municipal council.

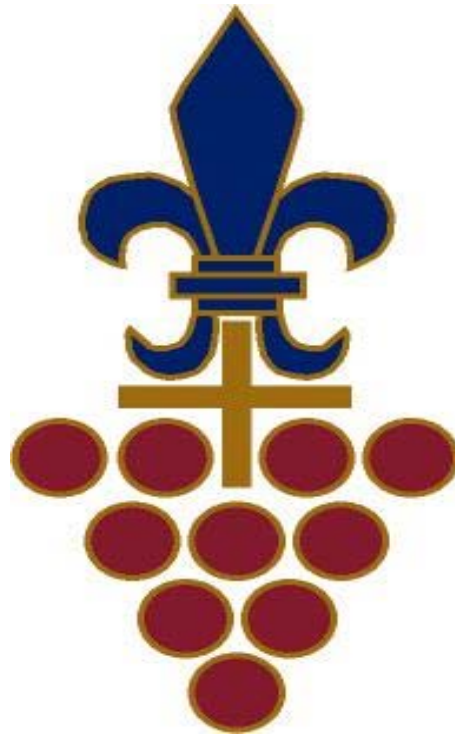
17 **REVIEW PROCESS**

17.1 This policy is a budget related policy and will be reviewed at least annually or when required by way of a council resolution, or when an update is issued by National Treasury.

18 **SHORT TITLE AND IMPLEMENTATION**

19.1 This policy is called the Cost Containment Policy and takes effect on 1 October 2019.

STELLENBOSCH MUNICIPALITY



**ACCOUNTING
POLICY**

2020/2021



STELLENBOSCH MUNICIPALITY

ACCOUNTING POLICY

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1. Basis of Preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives, issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures are rounded to the nearest Rand.

Accounting policies for material transactions, events or conditions not covered by the GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

1.1 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.2 Internal reserves

Capital replacement reserve (CRR)

In order to finance the acquisition of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of the Annual Budget. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR

is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

Self-insurance reserve

The municipality has a Self-insurance reserve to set aside amounts to offset potential losses or claims that cannot be insured externally. The balance of the self-insurance fund is invested in short-term investments. Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

Accumulated surplus

The accumulated surplus/deficit represent the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credited against accumulated surplus when retrospective adjustments are made.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are insignificant to the annual financial statements are set out below:

Sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of financial assets

Accounting Policy 1.9: Financial Instruments, referring to the paragraph on impairment of financial assets, describes the process followed to determine the value with which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments - Recognition and Measurement. The management of the municipality is satisfied that impairment of financial assets recorded during the year is appropriate. Details of the impairment loss calculation are provided in the applicable notes to the annual financial statements.

Useful lives of property, plant and equipment and intangible assets

As described in Accounting Policy 1.6 and 1.7 the municipality depreciates its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful life, which is determined when the assets are brought into use.. The review of useful life and residual values of assets are only reviewed if one of the indicators of potential review is triggered.

Employee benefit obligations

The municipality obtains actuarial valuations of its employee benefit obligations. The employee benefit obligations of the municipality that were identified are post-retirement health benefit obligations and long-service awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the applicable notes to the annual Financial Statements.

Impairment of non-financial assets

The recoverable (service) amounts of cash-generating units and individual assets have been determined based in the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as inflation and interest.

Value in use of non-cash generating assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that the impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

Provisions are raised and management determines an estimate based on the information available. Additional disclosures of these estimates of provisions are included in note 20 - Provisions.

Allowance for slow moving, damaged and obsolete stock

An allowance for inventory to write inventory down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus/deficit.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price. The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows .

Allowance for doubtful debts

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Impairment of statutory receivables

If there is an indication that a statutory receivable, may be impaired, the entity measures and impairment loss. The impairment loss is measured as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

Accounting by principals and agents

The entity makes assessments on whether it is the principal or agent in principal-agent relationships.

1.4 Biological assets that form part of an agricultural activity

The municipality recognises biological assets that form part of an agricultural activity or agricultural produce when and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets that form part of an agricultural activity, is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable, is used to determine fair value.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

The municipality classifies biological assets as consumables which consist of timber in the form of pine trees. All biological assets are held for sale.

Item	Useful life
Trees in a plantation forest	indefinite

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn

rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services; or for
- administrative purposes; or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that is associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Depreciation is calculated at the straight line method over a period of 30 - 99 years

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is, subsequent to initial measurement, carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - buildings	30-99 years
Property - land	indefinite

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 11).

When classification is difficult, the criteria used to distinguish investment property from owner - occupied property and from property held for sale in the ordinary course of operations, are as follows:

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

- (a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- (b) commencement of development with a view to sale, for a transfer from investment property to inventories;
- (c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or
- (d) commencement of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Property, plant and equipment is recognised as an asset when:

- it is probable that the future economic benefits or service potential that are associated with the property, plant and equipment will flow to the municipality; and
- the cost or fair value of the item can be determined reliably.

Measurement

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary cost of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and standby equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Incomplete construction work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready to be used.

Impairment

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable service amount, it is written down immediately to its recoverable service amount and an impairment loss is charged to the statement of financial performance.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Land	indefinite
Machinery and equipment	1-25
Furniture and office equipment	2-24
Transport assets	4-20
Computer equipment	5-23
Community assets	4-30
Other property, plant and equipment	6-99
Capital restoration asset	5-30
Electrical infrastructure	10-50
Water supply infrastructure	10-100
Solid waste infrastructure	10-30
Roads infrastructure	10-100
Information and communication infrastructure	3-15
Waste water network	10-100
Stormwater infrastructure	10-50

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the

expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations. A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably. Intangible assets are initially measured at cost.

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated goodwill, brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is the difference between the net disposal proceeds and the carrying amount and is included in surplus or deficit when the asset is derecognised.

1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Where the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 14 Heritage assets.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

Subsequent to initial measurement classes of heritage assets are carried at cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by a municipality on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an municipality's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying

amount of the financial asset or financial liability. When calculating the effective interest rate, a municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another municipality; or
- a contractual right to:
 - receive cash or another financial asset from another municipality; or
 - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed

or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other receivables from exchange transactions	Financial asset measured at amortised cost
Short term investments	Financial asset measured at amortised cost
Long term receivables	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus, in the case of a financial asset or a liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data..

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the municipality reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

The calculation in respect of the impairment of fines receivable (receivables from non-exchange transactions) is based on an assessment of the past history of fines per category.

Derecognition Financial assets

The municipality derecognises financial assets using trade date accounting. The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on

Revenue from Non-exchange Transactions (Taxes and Transfers).

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Housing rental and instalments

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Any contingent rent is expensed in the period in which they are incurred.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a

non-exchange transaction, and then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs. The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Landfill site

Site restoration and dismantling cost - The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes:

- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located;

- changes in the measurement of an existing decommissioning, restoration and similar liability that result from change in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in discount rate; and
- the obligation the municipality incurs for having used the items during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.13 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows

expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.14 Employee benefits

Employee benefits are all forms of consideration given by a municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- a municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide postemployment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from a municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Accrued leave pay

Liabilities for annual leave are recognised as they accrue to employees. Liability is based on the total accrued leave days owing to employees and is reviewed annually.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which a municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognizes the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement.

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from

the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of

medical services, resulting from both inflation and specific changes in medical costs.

Other long term employee benefits

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

Long term service awards is payable after 10 years of continuous service and after every 5 years thereafter to employees. Additional to this employees shall be entitled to a 14th cheque for continuous employment on their 30th and every 5th year onward. Furthermore a retirement gift is payable on retirement to employees with 10 years or more service. The provision is an estimate of the long service award based on historical staff turnover based on historical staff turnover. No other long service benefits are provided to employees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost; and
- the effect of any curtailments or settlements.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than twelve months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Provision for the rehabilitation of landfill sites

At year end a provision is raised for the rehabilitation of landfill sites. The provision is the net present value of the future cash flows to rehabilitate damaged land at year end.

As the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustments result in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in the accounting policy on impairment of cash-generating assets and/ or impairment of non-cash generating assets.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability are recognised in surplus or deficit as they occur.

Provision for constructive obligations

A constructive obligation to restructure arises only when the municipality:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring

by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingencies

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is a:

- possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality;
- present obligation that arises from past events but is not recognised because: it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 51.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between

knowledgeable, willing parties in an arm's length transaction

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Service charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the billings done during July and August. The billing and invoiced amounts done in July are recognized in total as an accrual as all billing in July pertains to services rendered prior 30 June. An estimate is then made based on August billing pertaining to services rendered up until 30 June. .

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Pre-paid electricity

Revenue from the sale of electricity prepaid units is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measure reliably.

Interest earned

Interest earned on investments is recognised in the statement of financial performance on the time proportionate basis that takes into account the effective yield on the investment.

Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant approved tariff. This includes the issuing of licences and permits.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the

goods sold.

- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income from agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the statement of financial performance in the period in which they become receivable.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

The municipality analyses the taxation laws to determine what the taxable events are for the

various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables. Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting municipality.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind that are significant to the municipality's operations and/or service delivery objectives are recognised as assets and the related revenue when it is probable that the

future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality discloses the nature and type of services in-kind received during the reporting period.

Collection charges and penalties

Collection charges and penalty interest is recognised when:

- it is probable that the economic benefits or service potential associated with the transactions will flow to the municipality; and
- the amount of revenue can be measured reliably; and

to the extent that there has been compliance with the relevant legal requirements (if applicable).

1.18 Value Added Tax

The municipality accounts for Value Added Tax on the cash (payment) basis.

1.19 Statutory receivables Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of the Standard of GRAP on Statutory Receivables) means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the accounting policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the accounting policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the accounting policies listed in the

above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount. Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised. Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the accounting policy on Revenue from exchange transactions or the accounting policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled to levy additional charges in terms of legislation, supporting regulations, by-laws or similar means on overdue or unpaid amounts, these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (taxes and transfers).

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- significant financial difficulty of the receivable, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- it is probable that the receivable will enter sequestration, liquidation or other financial re-organisation.
- a breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- adverse changes in international, national or local economic conditions, such as a

decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable, or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognises the receivable; and
 - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The municipality considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds. Borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 59 and 60 for detail.

1.22 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or

reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

GRAP

Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is

subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Key management as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

Management are those persons responsible for planning, directing and controlling the activities of the municipality including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

Changes in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual

financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

1.26 Budget information

The approved budget is prepared on the accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.28 Going concern assumptions

These audited annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.29 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.

- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

2. New standards and interpretations

2.1 Standards and interpretations not yet effective or relevant

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods but no effective date has been determined by the Minister:

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are

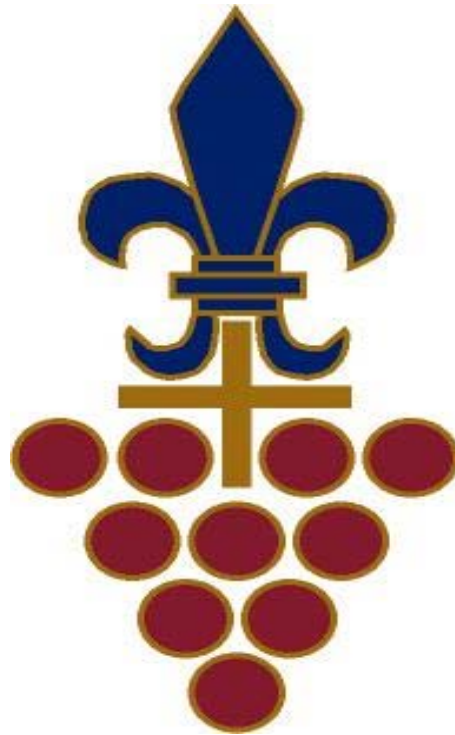
not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

STELLENBOSCH MUNICIPALITY



**CASH MANAGEMENT AND
INVESTMENT POLICY**

2020/2021



STELLENBOSCH MUNICIPALITY

CASH MANAGEMENT AND INVESTMENTS POLICY

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PREAMBLE

Whereas Section 13 of the Local Government: Municipal Finance Management Act, 2003 (No. 56 of 2003) (the Act) determines that a municipality must introduce an appropriate and effective cash management and investment arrangement;

and whereas a bank, in accordance with the provisions of Section 13 of the Act, has to disclose details regarding a municipalities' investments;

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

now therefore the Stellenbosch Municipality adopted the Cash and Investment Management Policy set out in this document.

1. LEGAL FRAMEWORK

- a) Legislation – Local Government: Municipal Finance Management Act 56 of 2003 (As amended).
- b) Treasury regulations in terms of Section 13(1) of the Act (As amended).

In this Policy, the terms “*the Act*” or “*MFMA*” refers to the Local Government: Municipal Finance Management Act, 2003 (No. 56 of 2003).

2. OBJECTIVES

- a) To maximize returns from authorized investments, consistent with the secondary objective of minimizing risk.
- b) To ensure compliance with all legislation governing the investment of funds.
- c) To maintain adequate liquidity to meet cash flow needs.
- d) To undertake the investment of funds not immediately required for operational purposes in a prudent financial manner.
- e) To ensure diversification of permitted investment.

3. CASH MANAGEMENT

3.1 Guiding Principles

It is recognised that from time to time, Council has cash flow surpluses and borrowing requirements due to daily receipts and payments.

Council maintains a daily cash position summary and a yearly cash flow projection is prepared during the annual planning process and is updated monthly. This determines Council’s borrowing requirements and surpluses for investment. Cash invested “outside” the bank account is covered by paragraph 5 of this Policy.

3.2 Bank Accounts

Council operates one primary bank account for its day to day operational activity requirements and two secondary accounts specifically for service charges and revenue derived from fines.

All monies due to Council and due by Council emanating from Council activities must pass through this primary account, therefore secondary accounts are swept daily, and all balances are transferred to the primary bank account.

3.2.1 Revenue Management

Revenue Management Section 64 of the Act clearly states that all moneys received must be promptly deposited in the Municipality's primary and other bank accounts, therefore:

- all revenue received by the Municipality, including revenue received by any collecting agent on its behalf, is recorded at least on a weekly basis.
- all monies collected by the Municipality on behalf of another organ of state must be transferred to that organ of state at least on a weekly basis.

3.2.2 Cheque Management

Cheques are printed in batch format. To prevent the removing of cheques, cheques are delivered in sealed boxes where strict control is exercised over the numerical sequence of cheques on the expenditure system by means of a cheque register.

3.2.3 Delegation/Rights

The incumbents of the following posts are authorized to sign cheques on behalf of Council:

3.2.3.1 Cheques

A-Signatories:	Chief Financial Officer
	SNR Manager: Financial Management Services
	SNR Manager: Revenue and Expenditure
	Manager: Expenditure Management
	Manager: Revenue
	SNR Manager: Supply Chain Management
	Manager: Budget and Costing
	Manager: Financial Statements, Compliance and Reporting
B-Signatories:	Chief Accountant: Consumer Accounts and Valuations
	Senior Accountant: Cash Management and Credit Control
	Chief Accountant: MFMA Reporting and Compliance
	Chief Accountant: Financial Statements and Reconciliations
	Chief Accountant: Asset Management
	Senior Accountant: Creditors and Payroll

Each cheque needs to be signed by at least two A-Signatories, or one A-Signatory and one B-Signatory.

3.2.3.2 Electronic Funds Transfer (EFT)

- A-Signatories: Chief Financial Officer
SNR Manager: Financial Management Services
SNR Manager: Revenue and Expenditure
Manager: Expenditure
Manager: Revenue
SNR Manager: Supply Chain Management
Manager: Budget and Costing
Manager: Financial Statements, Compliance and Reporting
- B-Signatories: Chief Accountant: Consumer Accounts and Valuations
Senior Accountant: Cash Management and Credit Control
Chief Accountant: MFMA Reporting and Compliance
Chief Accountant: Financial Statements and Reconciliations
Chief Accountant: Asset Management
Senior Accountant: Creditors and Payroll

Each electronic payment needs to be authorized by at least two A-Signatories, or one A-Signatory and one B-Signatory.

3.3 Bank Overdraft

- 3.3.1 Council made the decision to not request an overdraft facility with its primary banker. as the general policy is to avoid going into overdraft.

In the instance that short-term debt is incurred based on expected income it must be repaid within the same financial year. (Section 45 of the MFMA)

- 3.3.2 Any overdrawn bank account at any date must be reported without avail to Council supported by reasons therefore.

- 3.3.3 Any short-term facility that requires review must first be approved by the Accounting Officer.

4. CASH MANAGEMENT PROCEDURES

4.1 Internal Controls

The supervisor and/or Accountant do a monthly audit on the cashier floats, manual receipt books and the compilation of daily cash-up and banking documents.

4.2 Issuing of Receipts

The cashier will only issue an official enumerated receipt when a client pays his/her municipal account in full or partially.

4.3 Cancellation of Receipts

An official enumerated receipt will only be cancelled whilst the client is still at the cash office and only for the following reasons;

- a) cashier made an error.
- b) client made an error.

The cashier will re-issue a correct receipt and the cancelled receipt will be signed by the incumbent and the supervisor. In cases where the client wants his money back a prescribed official document must be completed and signed by the Client, Cashier and the Supervisor stating the reason(s) for cancellation.

4.4 Cash Balancing

After the end of each shift, the cashier will count the monies received, and do a daily end of day cashier procedure. The supervisor will then re-count the money to ensure that the cashier's daily takings balances with the supervisor's end-of-day totals. The cashier will do a final end-of-day procedure when he/she balances, and the supervisor will do a receipting end of day shut-down procedure.

4.4.1 Cashier surplus and shortage

If the cashier is short, he/she will then pay the monies in immediately. If there is a surplus the cashier will receipt the surplus on the same day. Management discretion can be used should there be substantial evidence and motivation that it was out of the control of a cashier to avoid a shortage the Manager can exonerate the cashier from paying the shortfall and in such an instance the shortage should be allocated to an expense line item.

4.4.2 Cashier resources

The Cashier will be supplied with the necessary tools and equipment to perform a proper cashier function. (E.g. Ultra violet lights, etc.)

4.5 Deposit Books

Each cashier has an enumerated deposit book, as each pay point has a number. The Senior Clerk: Cashier orders books from the bank when needed.

4.6 Other payment methods

4.6.1 Direct Deposits and ACB

Direct deposits can be made into Municipal bank account via the Internet or by deposit slip via their bank, using the applicable Municipal account number as reference. This information is

extracted and uploaded on a daily basis from the bank and is then credited against the client's accounts. Accounts are also paid by means of a debit order (ACB) payment.

4.6.2 3rd Party

Payments can be made at any EasyPay and Pay@ pay points. This information is extracted and uploaded on a daily basis from EasyPay and Pay@ and credited against the client's accounts.

4.6.3 Cheque Deposit (Only bank guaranteed cheques will be accepted)

The cashier will issue an official enumerated receipt when a client pays his/her Municipal account with a bank guaranteed cheque. Bank guaranteed cheques that are dropped into the cheque deposit box at the Municipal office are taken out of the box on a daily basis, receipted by the cashier and the receipt is posted to client on request.

4.6.4 Mailed Bank Guaranteed Cheques

Bank guaranteed cheques attached to the Municipal account are collected from the post office on a daily basis and is recorded in a register at the Records department. It is then collected by the Supervisor: Cashiers who will write all the bank guaranteed cheques up in a register. The supervisor will hand it to the cashier to be receipted and the receipt details will be entered in the register.

4.6.5 Returned Cheques and Debit Orders

If cheques and debit orders are returned and marked as "Refer to Drawer", the full balance will immediately become payable.

4.6.5.1 The cost that is payable by the consumer must be equal to the prescribed fee that has been approved by Council in all cases where a cheque bears the status of "Refer to Drawer".

4.6.5.2 Bank charges in this regard will be payable by the consumer. In the event of a customer having tendered a "refer to drawer cheque" for the second time, no further cheques will be accepted from him/her, excluding bank guarantee cheques.

4.6.5.3 A cashier must not accept a cheque that was issued by a Consumer in the event the cheque bears the status as a post-dated cheque, altered and/or an unsigned cheque. In the event this occurs and notwithstanding the aforementioned provisions, all bank charges that would arise and be incurred by Stellenbosch Municipality will then be recovered from the said cashier. The cashier will be required to pay back the bank costs as approved by Council within 24 hours for recovery of the said amount.

4.6.6 Private Money

No Municipal employee is allowed to:

- Use Council's cash funds at any stage to be replaced at a later stage.
- Use his/her own money as cashier float.
- Change a Municipal official's cheque for cash.
- Safeguard private money amongst Council's cash (e.g. Cashier drawers, petty cash boxes, safes etc.)

5. INVESTMENTS

5.1 Guiding Principles

Generally, Council will invest surplus funds with deposit taking institutions registered in terms of the Bank's Act, 1990 (Act 94 of 1990) for terms not exceeding one year in anticipation of cash flow expectations. From time to time, with prior Executive Mayoral Committee approval, investments can exceed 1 [one] year and be made at other institutions/instruments as approved in the National Treasury regulations from time to time.

5.2 Permitted Investments

The Account Officer must ensure that only the following investment types are utilized in terms of Section 6 of the Municipal Investment Regulations (No. R. 308) dated 1 April 2005:

- a) Securities issued by national government.
- b) Listed corporate bonds with an investment grade rating from a recognized credit rating agency.
- c) Deposits with banks registered in terms of the Banks Act (Act 45 of 1984).
- d) Deposits with the Public Investment Commissioners.
- e) Deposits with the Corporation for Public Deposits.
- f) Banker's acceptance certificate or negotiable certificates of deposits of registered banks.
- g) Guaranteed endowment policies with the intention of establishing a sinking fund.
- h) Repurchase agreements with registered banks.
- i) Municipal bonds issued by a municipality.
- j) Any other investment type as identified by the Minister of Finance in consultation with the Financial Services Board.

5.3 Diversification

Council will only make investments, as prescribed by Section 6 of the Municipal Investment Regulations, with approved institutions which have a rating as defined per Appendix A. Excluding investments made per Executive Mayoral Committee resolution not more than 50% of available funds will be placed with a single institution. The discretion of management should be used when investing funds into the institution quoting the highest rate versus diversification of investment portfolio. Should the difference between the investment quotes be minimal, a decision can be made to invest in the lower quote for the diversification of investment portfolios.

5.4 Investment Managers

5.4.1 In the event of the appointment of an external Investment Managers

Where the above means a natural person or legal entity that is a portfolio manager registered in terms of the Financial Markets Control Act, 1989 (Act 55 of 1989), and Stock Exchanges Control Act, 1985 (Act 1 of 1985), contracted by a municipality or municipal entity to-

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

The External Investment Manager will be appointed in terms of Supply Chain Management Policy and a service level agreement will govern the functions and responsibility of the service provider. All investments made by the External Investment Manager on behalf of the Council of Stellenbosch Municipality must be made within the ambit of this Policy and with National Treasury's investment regulations.

5.5 Internal Controls Over Investments

5.5.1 Delegations

5.5.1.1 In terms of Section 60(2) of the Local Government: Municipal Systems Act, (Act 32 of 2000) (the MSA), the Council may only delegate to the Municipal Manager (MM) the power to make decisions on investments on behalf of the Municipality.

5.5.1.2 In terms of section 79 of the Act, the Accounting Officer has delegated to the Chief Financial Officer (CFO), in writing, his duty under section 65(2) (h) to manage the Council's available working capital effectively and economically in terms of the prescribed cash management and investment framework.

5.5.2 Obtaining quotations and concluding deals

Request are emailed to all approved institutions the day before, or the morning thereof a cut-off is requested to ensure timeous processing of transactions. Quotes are captured on the decision report rates are compared and chosen in terms of the policy. Writing mandates, signed by the CFO and MM, shall be issued to all investees with whom the Council of Stellenbosch Municipality invests funds setting out the following:

- 5.5.2.1 Authorised dealers: name and particulars of the Council's officials who are authorised to transact investments deals with the investees;
- 5.5.2.2 Authorised signatories: name and particulars of the Council's officials who are authorised to sign written confirmations or any other correspondence in respect of investments transactions.
- 5.5.2.3 A dealing sheet, signed by an authorised dealer, shall be prepared in all instances for each individual investment, detailing the quotations received and the recommended investee. The CFO shall advice the MM to approve the transaction.

A written confirmation of the terms of each investment transaction shall be prepared, and signed off by the CFO and MM.

5.5.3 A monthly investment register should be kept of all investments made. The following information must be recorded:-

- name of institution;
- capital invested;
- date invested;
- interest rate;
- maturation date;
- interest received;
- Investment balance;
- total withdrawal amount;
- total interest earned.

5.5.3.1 The investment register and accounting records must be reconciled on a monthly basis.

6. OWNERSHIP

All investments must be made in the name of the Council of Stellenbosch Municipality.

Written proof of investments made must be obtained from the institution where the investment is made and must be kept on file.

7. DUE CARE

In dealing with financial institutions, the following ethical principles must be observed:

- 7.1 The Chief Financial Officer and all staff in his/her directorate shall not accede to any influence by or interference from Councillors, investment agents, institutions, or any other outsiders;
- 7.2 Under no circumstances may inducements to invest be accepted;
- 7.3 Interest rates quoted by one institution must not be disclosed to another institution; and
- 7.4 The business ethics of any controlling body of which the relevant financial institution is a member must be observed by such institution or body at all times.

8. PERFORMANCE MEASUREMENT

Measuring the effectiveness of Council's treasury activities is achieved through a mixture of subjective measures. The predominant subjective measure is the overall quality of treasury management information. The Chief Financial Officer has primary responsibility for determining this overall quality.

Objective measures include: -

- (a) Adherence to policy.
- (b) Timely receipt of interest income.

9. REPORTING

9.1 Reports

The following reports are produced:

REPORT NAME	FREQUENCY	PREPARED BY	RECIPIENT
Bank Balance report	Daily	Senior Clerk: Electronic Payments	Chief Finance Officer
Investments	Monthly	Chief Accountant: Financial Statements and Reconciliations	Manager: Financial Statements and Reporting

10. ANNUAL REVIEW OF POLICY

This Policy will be reviewed annually or earlier if so required by legislation.

Any changes to this Policy must be adopted by Council and be consistent with the applicable Acts and any National Treasury Regulations.

11. EFFECTIVE DATE

The effective date of this Policy is 1 July 2020 and will be reviewed on an annual basis to ensure that it is in line with the Municipality's strategic objectives and with legislation.

12. SHORT TITLE

This Policy is the Cash Management and Investments Policy of the Stellenbosch Municipality.

LONG-TERM RATINGS - FITCH

AAA - Obligations which have the highest rating assigned by Fitch IBCA on its national rating scale for that country. This rating is automatically assigned to all obligations issued or guaranteed by the sovereign state. Capacity for timely repayment of principal and interest is extremely strong, relative to other obligors in the same country.

AA - Obligations for which capacity for timely repayment of principal and interest is very strong relative to other obligors in the same country. The risk attached to these obligations differs only slightly from the country's highest rated debt.

A - Obligations for which capacity for timely repayment of principal and interest is strong relative to other obligors in the same country. However, adverse changes in business economic or financial conditions are more likely to affect the capacity for timely repayment than for obligations in higher rated categories.

SHORT-TERM RATINGS - FITCH

F1 – Obligations assigned this rating have the highest capacity for timely repayment under Fitch Ratings Ltd national rating scale for that country, relative to other obligations in the same country. This rating is automatically assigned to all obligations issued or guaranteed by the sovereign state. Where issues possess a particularly strong credit feature, a “+” is added to the assigned rating.

F2 – Obligations supported by a strong capacity for timely repayment relative to other obligors in the same country. However, the relative degree of risk is slightly higher than for issues classified as ‘A1’ and capacity for timely repayment may be susceptible to adverse changes in business, economic or financial conditions.

F3 – Obligations supported by an adequate capacity for timely repayment relative to other obligors in the same country. Such capacity is more susceptible to adverse changes in business, economic, or financial conditions than for obligations in higher categories.

LONG-TERM RATINGS – MOODY’S

AAA – Obligations rated “AAA” have the highest rating assigned by Moody’s -Ratings. The capacity of the issuer to pay interest and repay capital is extremely strong, relative to other South African obligors.

AA – Indicates very strong capacity of the issuer to pay interest and repay capital relative to other South African obligors.

A – Indicates strong capacity of the issuer to pay interest and repay capital, relative to other South African obligors, although it is slightly more susceptible to adverse changes in economic conditions and circumstances than debt in categories rated higher.

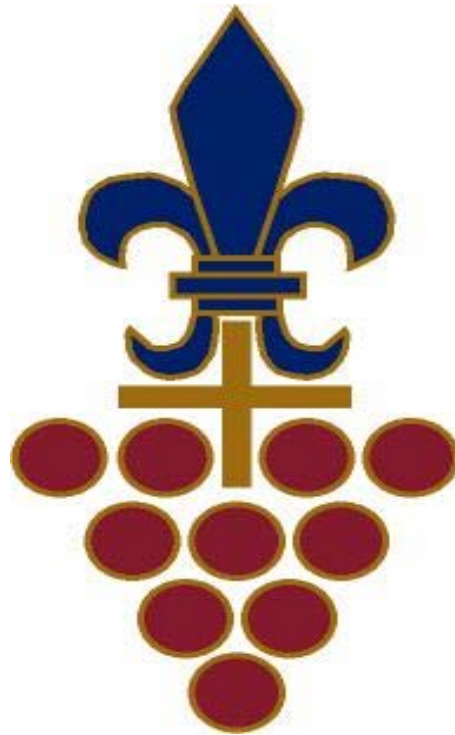
SHORT-TERM RATINGS – MOODY’S

A-1 – Indicates that the degree of safety regarding timely payment is either overwhelming or very strong, relative to other South African obligors. Issues determined to possess overwhelming safety characteristics are denoted with a plus (+) sign designation.

A-2 – Indicates that capacity for timely payment on issues with this designation is strong, relative to other South African obligors.

A-3 – Indicates satisfactory capacity for timely payment, relative to other South African obligors. They are, however, somewhat more vulnerable to the adverse effects of changes in circumstances than obligations carrying the higher designations.

STELLENBOSCH MUNICIPALITY



**SUPPLY CHAIN MANAGEMENT
POLICY**

2020/2021



STELLENBOSCH MUNICIPALITY

SUPPLY CHAIN MANAGEMENT POLICY

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CHAPTER 2

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Definitions

- 1.1. In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, and
- 1.1.1. **“Act”** means the Municipal Finance Management Act, No. 56 of 2003;
- 1.1.2. **“Bid”** means a written offer in a prescribed or stipulated form in response to an invitation by the municipality for the provision of goods, services or construction works through price quotations, advertised competitive bidding process or proposals;
- 1.1.3. **“Bidder”** means any person submitting a competitive bid or a quotation;
- 1.1.4. **“Closing time”** means the time and day specified in the bid documents for the receipt of bids;
- 1.1.5. **“Competitive bidding process”** means a competitive bidding process referred to in paragraph 12(2)(b)(iii) of this Policy;
- 1.1.6. **“Competitive bid”** means a bid in terms of a competitive bidding process;
- 1.1.7. **“Contract”** means the agreement which is concluded when the municipality accepts, in writing, a competitive bid or quotation submitted by a supplier;
- 1.1.8. **“Contract manager”** means an official of the Municipality who is responsible for the planning for the planning and execution of a transaction involving the procurement of goods, services or works;
- 1.1.9. **“Contractor”** means any person or entity whose competitive bid or quotation has been accepted by the municipality;
- 1.1.10. **“Delegated authority”** means any person or committee delegated with authority by the municipality in terms of the provisions of the Municipal Finance Management Act;
- 1.1.11. **“Department”** means a section within a specific directorate in terms of the municipal organigram;
- 1.1.12. **“Electronic format”** means a bid submitted by a bidder via email or made available through a cloud storage services;
- 1.1.13. **“Emergency dispensation”** means emergency as referred to in paragraph 36(1)(a)(i) of this policy under which one or more of the following is in existence that warrants an emergency dispensation;
- (a) The possibility of human injury or death;
 - (b) The prevalence of human suffering or deprivation of rights;
 - (c) The possibility of damage to property, or suffering and death of livestock and animals;
 - (d) The interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the municipality as a whole;
 - (e) The possibility of serious damage occurring to the natural environment;

- (f) The possibility that failure to take necessary action may result in the municipality not being able to render an essential community service;
 - (g) The possibility that the security of the state could be compromised; or
 - (h) The prevailing situation, or imminent danger, should be of such a scale and nature that it could not readily be alleviated by interim measures, in order to allow time for the formal procurement process. Emergency dispensation shall not be granted in respect of circumstances other than those contemplated above.
- 1.1.14. **“Final award”**, in relation to bids or quotations submitted for a contract, means the final decision on which a bid or quote is accepted;
- 1.1.15. **“Formal written price quotation”** means quotations referred to in paragraph 12 (1) (d) of this Policy;
- 1.1.16. **“Green procurement”** means the procurement of environmentally friendly products and services;
- 1.1.17. **“in the service of the state”** means to be –
- (a) A member of –
 - (i) Any municipal council;
 - (ii) Any provincial legislature; or
 - (iii) The National Assembly or the National Council of Provinces;
 - (b) A member of the board of directors of any municipal entity;
 - (c) An official of any municipality or municipal entity;
 - (d) An employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the public Finance Management Act, 1999 (Act No.1 of 1999);
 - (e) A member of the accounting authority of any national or provincial public entity; or
 - (f) An employee of Parliament or a provincial legislature;
- 1.1.18. **“Long term contract”** means a contract with a duration period exceeding one year and does not have the same meaning as contracts of a long term nature referred to in paragraph 22(1)(b)(vi) of this policy;
- 1.1.19. **“Long term nature contract”** means a contract as defined by section 33(1) of the Municipal Finance Management Act imposing financial obligations on the Municipality beyond the first three years covered in the approved annual budget;
- 1.1.20. **“List of accredited prospective providers”** means the list of accredited prospective providers in terms of Central Supplier Database (CSD) of National Treasury;
- 1.1.21. **“Other applicable legislation”** means any other legislation applicable to municipal supply chain management, including but not limited to the following –

- (a) The Preferential Procurement Policy Framework Act;
 - (b) The Broad-Based Black Economic Empowerment Act; ~~and~~
 - (c) The Construction Industry Development Board Act;
 - (d) The Local Government: Municipal Systems Act;
 - (e) The Competition Act; and
 - (f) The Promotion of Administrative Justice Act.
- 1.1.22. **“Policy”** means the Supply Chain Management Policy of Stellenbosch municipality as amended from time to time;
- 1.1.23. **“Parent municipality”** has the meaning assigned to it in section 1 of the Municipal Systems Act;
- 1.1.24. **“Petty Cash”**, means the procurement of goods and services through the supply chain management requisition and order system by means of one verbal and written quotation below a determined amount in relation with the Petty Cash Policy;
- 1.1.25. **“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;
- 1.1.26. **“Sole Supplier:”** 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;
- 1.1.27. **“Strip and quote:”** When the repairs and maintenance on our machines, vehicles are done by one supplier and/or strip-and-quote, for example a municipal vehicle that needs repairs enters the workshop, however to do the repairs, the vehicle has to be send to a supplier that determines what repairs should be done;
- 1.1.28. **“Supplier database”** means the list of accredited prospective providers which the municipality or municipal entity must keep in terms of the Regulation 14 of the Supply Chain Management Regulations;
- 1.1.29. **“Treasury guidelines”** means any guidelines on supply chain management issued by the Minister in terms of section 168 of the Act;
- 1.1.30. **“Trust”** means the agreement 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;
- 1.1.31. **“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;
- 1.1.32. **“The Act”** means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);
- 1.1.33. **“The Regulations”** means the Local Government: Municipal Finance Management Act, 2003, Municipal Supply Chain Management Regulations published by Government Notice 868 of 2005;

- 1.1.34. **“The PPPF Regulations”** means Preferential Procurement Policy Regulations, 2017 Published under Government Notice R32 in Government Gazette 40553 of 20 January 2017; and
- 1.1.35. **“Written or verbal quotations”** means quotations referred to in paragraph 12(1)(b) & (c) of this Policy.

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 Stellenbosch 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;
 - (e) Does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
 - (f) Is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.
- (2) The municipal entity must, in addition to complying with subparagraph (1), apply this Policy, to the extent determined by the parent municipality, in a way that is consistent with the supply chain management policy of the parent municipality.
- (3) This Policy applies when the Stellenbosch 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
 - (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.

- (4) This Policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including –
- (a) Water from the Department of Water Affairs or a public entity, another municipality or a municipal entity; and
 - (b) Electricity from Eskom or another public entity, another municipality or a municipal entity.

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 Stellenbosch Council.
- (2) If the Accounting Officer submits proposed amendments to the Stellenbosch 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.

4. DELEGATION OF SUPPLY CHAIN MANAGEMENT POWERS AND DUTIES

- (1) The Stellenbosch Council hereby delegates all powers and duties to the Accounting Officer, which are necessary to enable the Accounting Officer –
- (a) To discharge the supply chain management responsibilities conferred on Accounting Officers in terms of –
 - (i) Chapter 8 or 10 of the Act; and
 - (ii) This Policy;
 - (b) To maximize administrative and operational efficiency in the implementation of this Policy;
 - (c) To enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this Policy; and

- (d) To comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.
- (2) 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 Stellenbosch Municipality or to a committee, which is not exclusively composed of officials of the Stellenbosch Municipality.
- (4) This paragraph may not be read as permitting an official, to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.

5. SUB-DELEGATIONS

- (1) The Accounting Officer may in terms of section 79 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 R 10 million (VAT included) may not be sub-delegated by the Accounting Officer;
 - (b) Above R 200,000 (VAT included), but not exceeding R 10 million (VAT included), may be sub-delegated but only to –
 - (i) The Bid Adjudication Committee of which the Chief Financial Officer or a senior manager is a member; or
 - (ii) Accounting Officer of the municipality, after due consideration of all facts was done; and
 - (c) Below R 200,000 (VAT included) to be disposed by delegated official according approved delegatory power and functions issued by Accounting Officer.
- (3) The 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 (3) must be submitted –
 - (a) To the Accounting Officer, in the case of an award by –
 - (i) The 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) The Bid Adjudication Committee of which the Chief Financial Officer or a senior manager is not a member.
- (5) Subparagraphs (3) and (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.

6. OVERSIGHT ROLE OF COUNCIL

- (1) The Stellenbosch Council reserves its right to maintain oversight over the implementation of this Policy.
- (2) For the purposes of such oversight the Accounting Officer must –
 - (i) 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
 - (ii) Whenever there are serious and material problems in the implementation of this Policy, immediately submit a report to Council.
- (3) The Accounting Officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the Executive 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 operates under the direct supervision of the Chief Financial Officer or an official to whom this duty has been delegated in terms of section 82 of the Act.

8. TRAINING OF SUPPLY CHAIN MANAGEMENT OFFICIALS

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

CHAPTER 2

SUPPLY CHAIN MANAGEMENT SYSTEM

9. FORMAT OF SUPPLY CHAIN MANAGEMENT SYSTEM

- (1) 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 Stellenbosch 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 Stellenbosch 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;
 - (c) Provide for the compilation of the required specifications to ensure that its needs are met; and
 - (d) To undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.
- (3) Green procurement must be incorporated as far as reasonably possible for all specifications of goods, services and construction works.
- (4) In the development of bid specifications, innovative mechanisms should be explored to render the service or product more resource and energy efficient.

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 Stellenbosch 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) Unless otherwise indicated in the bid documents, the Municipality shall not be liable for any expenses incurred by prospective bidders in the preparation and / or submission of a bid or quotation.

12. RANGE OF PROCUREMENT PROCESSES

- (1) Goods and / or services may only be procured by way of –
- (a) Cash purchases administered by the Expenditure Division up to a transaction value as defined in Council's Petty Cash Policy;
 - (b) Petty cash purchases through one verbal request and or verbal /written quotation for the procurement of goods through the supply chain management requisition and order system of a transaction value between R 0 and R 2,000 (VAT included);
 - (c) Written or verbal quotations for procurement of goods and/or services of a transaction value between R 2,000 and R 10,000 (VAT included);
 - (d) Formal written quotations for procurement of goods and/or services of a transaction value between R 10,000 and R 200,000;
 - (e) Procurements above a transaction value of R 200,000 (VAT included); and
 - (f) The procurement of long-term contracts.
- (2) The Accounting Officer may, in writing-
- (a) Lower, but not increase, the different threshold values specified in subparagraph (1); or
 - (b) Direct that –
 - (i) Written quotations are obtained for any specific procurement of a transaction value lower than R 2,000;
 - (ii) Written price quotations be obtained for any specific procurement of a

- transaction value lower than R 10,000; or
- (iii) A competitive bidding process be followed for any specific procurement of a transaction value higher than R 200,000.

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

13. GENERAL PRECONDITIONS FOR CONSIDERATION OF WRITTEN QUOTATIONS OR BIDS

- (1) A written quotation or bid may not be considered unless the provider who submitted the quotation or bid –
 - (a) Has furnished that provider's –
 - (i) Full name;
 - (ii) Identification number or company or other registration number; and
 - (iii) Tax reference number and VAT registration number, if any;
 - (b) Has authorised the Stellenbosch Municipality to obtain a tax clearance, if applicable 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 sub-paragraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months.

14. LISTS OF ACCREDITED PROSPECTIVE PROVIDERS

- (1) The Accounting Officer must –
 - (a) Keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements through 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 as stated within the database registration forms; 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.

15. PETTY CASH PURCHASES

- (1) The Accounting Officer must establish the conditions for the procurement of goods by means of cash purchases and petty cash purchases referred to in paragraph 12(1)(a) and (b) of this Policy, which must include conditions –
 - (a) determining the terms on which a manager may delegate responsibility for cash purchases and petty cash purchases to an official reporting to the manager;
 - (b) limiting the maximum number of cash purchases and petty cash purchases or the maximum amounts per month for each manager;
 - (c) excluding any types of expenditure from cash purchases and petty cash purchases, where this is considered necessary;
 - (d) requiring a monthly reconciliation report from each manager to the Chief Financial Officer, including –
 - (i) the total amount of cash purchases and petty cash purchases for that month; and
 - (ii) receipts and appropriate documents for each purchase; and
 - (e) any other conditions determined by the Chief Financial Officer.
- (2) Cash purchases will be dealt with in terms of the Petty Cash Policy of Council.
- (3) Petty cash purchases will be dealt with in terms of the Supply Chain Management Policy of Council.

16. WRITTEN OR VERBAL QUOTATIONS

- (1) The conditions for the procurement of goods or services through written or verbal quotations are as follows –
 - Quotations must be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the Stellenbosch Municipality, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria set out in paragraph 13 of this Policy;
 - (b) Where no suitable providers are available from the list of accredited prospective providers, quotations may be obtained from other possible providers;

- (c) To the extent feasible, providers must be requested to submit such quotations in writing;
- (d) If it is not possible to obtain at least three quotations, the reasons must be recorded and reported quarterly to the Accounting Officer or another official designated by the Accounting Officer;
- (e) The Accounting Officer must record the names of the potential providers requested to provide such quotations with their quoted prices; and
- (f) If a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider.

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 Stellenbosch Municipality. Quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria set out in paragraph 13 of this Policy;
 - (b) Where no suitable providers are available from the list of accredited prospective providers, quotations may be obtained from other possible providers not registered on the municipal supplier database;
 - (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;
 - (d) The Accounting Officer must record the names of the potential providers and their written quotations; and
 - (e) For the obtaining of quotations for services, Stellenbosch Municipality will utilize their notice boards.
- (2) A designated official referred to in subparagraph (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) Where no suitable providers are available from the list of accredited prospective providers, quotations may be obtained from other possible providers not registered on the municipal supplier database;

- i. All requirements in excess of R 30,000 (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 Stellenbosch Municipality;
 - ii. The municipality will follow a preferred bidding process in the event that the market did not respond in terms of the sourcing of quotations on the website for seven (7) days and if no responsive bids was received.
- (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 R 30,000 (VAT included) must be awarded based on compliance to specification 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; and
 - (g) Stellenbosch Municipality will maintain a proper record keeping system.

19. COMPETITIVE BIDS

- (1) Goods or services above a transaction value of R 200,000 (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 R 200,000 (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.

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 must be kept in a secure place for reference purposes.

21. BID DOCUMENTATION FOR COMPETITIVE BIDS

- (1) The criteria to which bid documentation for a competitive bidding process must comply, must –
 - (a) Take into account –
 - (i) The general conditions of contract and any special conditions of contract, if specified;
 - (ii) Any Treasury guidelines on bid documentation; and
 - (iii) The requirements of the Construction Industry Development Board, 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 R 10 million (VAT included), require bidders to furnish –
 - (i) If the bidder is required by law to prepare annual financial statements (AFS) for auditing, their audited AFS –
 - (aa) For the past three years; or
 - (bb) Since their establishment if established during the past three years;
 - (ii) A certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;
 - (iii) Particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;
 - (iv) A statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and if so, what

portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic; and

- (e) Stipulate that disputes must be settled by means of mutual consultation, mediation, adjudication (with or without legal representation), or, when unsuccessful, in a South African court of law;
- (f) The period for which bids are to remain valid and binding must be indicated in the bid documents; and
- (g) A provision for the termination of the contract in the case of non- or under-performance and objections and complaints must be included in the bid documentation.

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 a newspaper commonly circulating locally, the website of the Stellenbosch 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 at least include
 - (i) The closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included), or which are of a long term nature, or 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to subparagraph (2) of this policy; and
 - (ii) A statement that bids may only be submitted on the bid documentation provided by the Stellenbosch Municipality
 - (iii) Contact details for further enquiries.
- (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 and must clearly indicate the bid number on the outside of the envelope for which the bid is being submitted.
- (4) Where bids are requested by the Municipality in electronic format, such bids must be supplemented by sealed hard copies.
- (5) The municipality may require bidders to submit section(s) of their bid in electronic format, but only after the bid closing date. If the electronic copy differs from the original hard copy, the original hard copy will be binding.

23. PROCEDURE FOR HANDLING, OPENING AND RECORDING OF COMPETITIVE BIDS AND FORMAL WRITTEN PRICE QUOTATIONS IN EXCESS OF R 30,000

- (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; and
- (b) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price;
- (c) No information, except the provisions in 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; and
 - (iii) Publish the entries in the register and the bid results on the website.
- (e) The bidder shall choose a *domicilium citandi et executandi* in the Republic and unless notice of the change thereof has duly been given in writing, it shall be the address stated in the bid.
- (f) Opening of bid procedures –
 - (i) At the specified closing time on the closing date the applicable bid box shall be closed;
 - (ii) The bid box shall be opened in public as soon as practical after the closing time by at least two officials from the Supply Chain Management Unit and the Security Officer on duty;
 - (iii) It is the responsibility of the bidder to ensure that their bid is placed in the correct bid box. The municipality will not on its own initiative redirect any bid if it is placed in an incorrect bid box before the closing time of submissions.
 - (iv) Immediately after the opening of the bid box all bids shall be opened in public;
 - (v) At the official opening of the bids, the bids shall in all cases be read out in terms of the name of the bidder and, if practical, the amount of the bid;
 - (vi) As soon as a bid or technical proposal has been opened the bid / proposal shall be stamped with the official stamps, and endorsed with the opening officials' signatures;
 - (viii) The name of the bidder, and where possible, the bid sum shall be recorded in a bid opening record kept for that purpose; and The responsible officials who opened the bidding documentation received shall forthwith place their signatures on the bid opening record

(register) and shall ensure that the bid opening record, indicating at least the bid price of each bidder, the BBBEE status level contribution of each bidder and where applicable the local content percentages of the goods offered are made available for public inspection and are published on the municipality's website.

(g) Site Inspections / clarification meeting –

- (i) Site inspections / clarifications meeting, where applicable, will be compulsory.
- (ii) If site inspections / clarification meeting are to be held, full details must be included in the bid notice.

(h) 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 of six (6) months 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 by the SCM Department, 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) If the validity of all bids expired without it being awarded within the bid validity period, 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.
- (vi) All bidders must be notified in writing of the cancellation of a bid.

(i) Samples

- (i) The call for samples should be limited to where samples are called for in the bid documents, samples (marked with the bid and item number as well as the bidder's name and address) shall be delivered separately (to the bid) to the addressee mentioned in the bid documents by no later than the closing time of the bid.
- (ii) Bids may not be included in parcels containing samples.
- (iii) If samples are not submitted as required in the bid documents, then the part of the bid for which no sample is provided shall be declared invalid.
- (iv) Samples shall be supplied by a bidder at his / her own expense and

risk. Stellenbosch Municipality shall not be obliged to pay for such samples or compensate for the loss thereof, unless otherwise specified in the bid documents, and shall reserve the right to return such samples or to dispose of them at its own discretion.

- (v) If a bid is accepted for the supply of goods according to a sample submitted by the bidder, that sample will become the contract sample. All goods/materials supplied shall comply in all respects to that contract sample.

(j) Bid Sum

- (i) A bid will not necessarily be invalidated if the amount in words and the amount in figures do not correspond, in which case the amount in words shall be read out at the bid opening.

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; and
 - (c) Does not lead to a higher price than the bid as submitted.
- (2) Minutes of such negotiations must be kept for record purposes.

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 as issued within the directive and stating the terms of reference of each bid committee –

- (a) A Bid Specifications Committee;
 - (b) A Bid Evaluation Committee; and
 - (c) A Bid Adjudication Committee.
- (2) The Accounting Officer appoints the members and secundus of each committee, taking into account section 117 of the Act; and
- (3) The committee system must be consistent with –
- (a) Paragraph 27, 28 and 29 of this Policy;
 - (b) Any other applicable legislation; and
 - (c) The Accounting Officer may apply the committee system to formal written price quotations.
- (4) Secundus referred to in sub-paragraph (2) represents a specific standing member of that specific committee in the event that the standing member is not available. Secundus has the same powers and duties of the standing member.

27. BID SPECIFICATIONS COMMITTEES

- (1) A Bid Specifications Committee must compile the specifications for each procurement of goods or services by the Stellenbosch 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 the preference points system set out in the Preferential Procurement Regulations 2017;
 - (g) Must be approved by the Accounting Officer prior to publication of the invitation for bids in terms of paragraph 22 of this Policy; and
 - (h) The Accounting Officer may sub-delegate the requirements in sub-paragraph

2(g) above to the Chairperson of the Bid Specifications Committee.

- (3) A Bid Specifications Committee must be composed of one or more officials of the Stellenbosch Municipality preferably the manager responsible for the function involved, and may, when appropriate, include external and / or internal specialist advisors.
- (4) No person, advisor or corporate entity involved with the Bid Specifications 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.
- (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 Stellenbosch Municipality.
- (3) The relevant user department's official shall carry out a preliminary evaluation of all valid bids received and shall submit a bid evaluation report to the Bid Evaluation Committee for consideration.
- (4) Any evaluation of a bid shall consider the bids received and shall note for inclusion in the evaluation report, a bidder –
 - (a) Whose bid does not comply with the provisions of paragraph 38 of this Policy;
 - (b) Whose bid does not comply with the provisions of paragraph 13 of this Policy;
 - (c) Whose bid is not in compliance with the specification;
 - (d) Whose bid is not in compliance with the terms and conditions of the bid documentation;
 - (e) Who is not registered and verified on the municipality's supplier database within seven days of the closing time for bids. In this regard bid documentation shall state that the responsibility for registration and verification rests solely with the bidder;
 - (f) Who, in the case of construction works acquisitions, does not comply with the

requirements of the Construction Industry Development Board Act regarding registration of contractors. Verification of compliance with this requirement shall be by means of Stellenbosch Municipality's Supplier Database;

- (g) Whose tax status are non-compliant and cannot be verified with the South African Revenue Services (SARS) certifying that the taxes of the bidder are in order or that suitable arrangements have been made with SARS; and
 - (h) Who fails to comply with any applicable Bargaining Council agreement.
- (5) Bids shall be evaluated according to the following as applicable –
- (i) Bid price (corrected if applicable and brought to a comparative level where necessary);
 - (ii) The unit rates and prices;
 - (iii) The bidder's ability to fulfil its obligations in terms of the bid documents;
 - (iv) Any qualifications to the bid;
 - (v) The bid ranking obtained in respect of Preferential Procurement as required by Stellenbosch Municipality's Preferential Procurement Policy;
 - (vi) The financial standing of the bidder, including its ability to furnish the required institutional guarantee, where applicable; and
 - (vii) Any other criteria specified in the bid documents.
- (6) The Bid Evaluation Committee shall check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears.
- (7) The evaluation of bids on an equitable basis may be considered during the evaluation process.
- (8) Additional information or clarification of bids may be called for if required.
- (9) Alternative bids may be considered, provided that a bid free of qualifications and strictly in accordance with the bid documents is also submitted. Stellenbosch Municipality shall not be bound to consider alternative bids. The alternative offer is to be submitted with the main offer together with a schedule that compares the specifications of the bid documents with the alternative offer.
- (10) If a bidder requests in writing, after the closing of bids, that his/her bid be withdrawn, then such a request may be considered and reported in the bid evaluation report.
- (11) If, after bids have been brought to a comparative level, two or more scores equal total adjudication points, regulation 11(5) of the Preferential Procurement Regulations of 2017 will apply.
- (12) If two or more bids are equal in all respects after applying regulation 11(5), the Bid Evaluation Committee shall draw lots to decide on the recommendation for award.
- (13) All disclosures of conflict of interest shall be considered by the Bid Evaluation

Committee and if the conflict of interest is of a material nature, this shall be reported to the Bid Adjudication Committee.

- (14) The relevant Director in conjunction with the SCM Unit may, before the bid is considered by the Bid Evaluation Committee, provide a reasonable opportunity to a bidder who made an innocent error and / or omission in their bid document, to correct the innocent error and / or omission, provided that such opportunity will not unduly prejudice any of the other bidders.
- (15) In an event as described in sub-paragraph 14, bidders shall be afforded a minimum of two (2) working days up to a maximum of five (5) working days (on discretion of the relevant Director or the Manager: Supply Chain Management) from time of notification to correct such innocent errors and / or omissions. If no response is received from such bidders at the deadline the bid may be deemed to be non-responsive.

29. BID ADJUDICATION COMMITTEES

- (1) A Bid Adjudication Committee must –
 - (a) Consider the report and recommendations of the Bid Evaluation Committee; and
 - (b) Either –
 - (i) Depending on its delegations, make a final award or a recommendation to the Accounting Officer to make the final award; or
 - (ii) Make another recommendation to the Accounting Officer how to proceed with the relevant procurement.
- (2) A Bid Adjudication Committee must consist of at least four senior managers of the Stellenbosch 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;
 - (b) At least one senior supply chain management practitioner who is an official of the Stellenbosch 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.
 - (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.
- (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 R 50 million (VAT included); or

- (b) The transaction value of a contract to be procured whether for one or more years exceeds R 50 million (VAT included).
- (4) If SITA's comments on the submission and the Stellenbosch Municipality disagree with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National Treasury, the relevant provincial treasury and the Auditor General.

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 has consented to such procurement in writing.
- (2) Subparagraphs (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, Stellenbosch 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 BBBEE 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 Stellenbosch 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;
 - (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 Stellenbosch 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.
 - (5) Contracts entered into by Stellenbosch Municipality under paragraph (4) shall not be deemed to be a deviation from the official procurement processes.
 - (6) The Accounting Officer shall report to Council on a monthly basis all contracts entered into in terms of paragraph (4) above.

33. PROCUREMENT OF GOODS NECESSITATING SPECIAL SAFETY ARRANGEMENTS

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

34. PROUDLY SA CAMPAIGN

- (1) Stellenbosch Municipality supports the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from –
 - (a) Firstly: Suppliers and businesses within the municipality or district;
 - (b) Secondly: Suppliers and businesses within the relevant province; and
 - (c) 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, Construction Industry Development Board guidelines and Council's Cost-Containment Policy in respect of services related to the built environment and construction works 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 R 200,000 (VAT included); or
 - (b) The duration period of the contract exceeds one year.
- (3) In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of –

- (a) All consultancy services provided to an organ of state in the last five years; and
 - (b) Any similar consultancy services provided to an organ of state in the last five years.
- (4) The Accounting Officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the Stellenbosch Municipality.
- (5) Where the estimated value of fees is less than R 200,000 and the duration of the appointment is less than one year, any National Treasury and, where applicable, Construction Industry Development Board guidelines in respect of consulting services are taken into account.

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 (as per definition);
 - (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; 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 (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 (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.
- (3) If the Accounting Officer decides to consider an unsolicited bid that complies with subparagraph (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 (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 Stellenbosch Municipality to the bid may be entered into or signed within 30 days of the submission.

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 Stellenbosch 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 Stellenbosch 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, or trust or its trustees 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 Stellenbosch Municipality or has committed any improper conduct in relation to such system;
 - (ii) Has been convicted for fraud or corruption during the past five years;
 - (iii) Has wilfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
 - (iv) Has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).

- (2) The Accounting Officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of subparagraphs (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) A supply chain management policy must provide for an effective system of disposal management for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to sections 14 and 90 of the Act
- (2) A supply chain management policy must specify the ways in which assets may be disposed of, including –
- (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; and

- (d) Destroying the asset.
- (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, except when the public interest or the plight of the poor demands otherwise;
 - (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) All matters relating to the alienation of movable and immovable assets shall be dealt with in terms of Council's Asset Transfer Policy and the Asset Transfer Regulations, 2008.
- (5) Notwithstanding the provisions of paragraph 3 hereof, the following statutory powers of Stellenbosch Council in respect of the alienation of immovable property, are reserved to be exercised by Council –
- (a) To decide on reasonable grounds that an asset is not needed to provide the minimum level of basic municipal services; and
 - (b) To considered the fair market value of the asset and the economic and community value to be received in exchange for the asset, and
- (6) Notwithstanding sub-paragraph (3)(b) & (g) above, the Accounting Officer must determine the most advantageous way for the disposal or letting of movable capital assets, i.e. written price quotations, competitive bidding, or auction, except when public interest or the plight of the poor demands otherwise.
- (7) The Accounting Officer is hereby authorized to dispose of movable capital assets below a value of R 500,000 (excluding the approval for selling of assets via public auction process) and to make the determinations in terms of Section 14(2)(a) and (b) of the Act, provided that, in respect of capital assets above a value of R 200,000 not being auctioned, the Accounting

Officer shall first consider a recommendation from the Supply Chain Management Bid Adjudication Committee.

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;
 - (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. The retrospective analysis will link to the regulatory reports and submissions on the implementation of the supply chain management policy to the delegated authorities as prescribed in terms of supply chain management regulations and the delegation system of council, as amended from time to time.

PART 4: OTHER MATTERS

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

- (1) No award above R 30,000 (including VAT) 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 Officer 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 (1) be presumed to be in order.

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 Stellenbosch Municipality.

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

- (1) The Accounting Officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R 2,000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including –
 - (a) The name of that person;
 - (b) The capacity in which that person is in the service of the state; and
 - (c) The amount of the award.

46. ETHICAL STANDARDS

- (1) A code of ethical standards as set out in [subparagraph (2) / the "National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management, which also include all other municipal officials not involved in supply chain management system"] is hereby established for municipal officials and other role players in the supply chain management system of the Stellenbosch 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) A municipal official or other role player involved in the implementation of this Policy—
 - (a) Must treat all providers and potential providers equitably;
 - (b) May not use his or her position for private gain or to improperly benefit another person;
 - (c) May not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R 350;
 - (d) Notwithstanding subparagraph (2)(c), must declare to the Accounting Officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
 - (e) Must declare to the Accounting Officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the Stellenbosch Municipality;
 - (f) Must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
 - (g) Must be scrupulous in his or her use of property belonging to Stellenbosch Municipality;
 - (h) Must assist the Accounting Officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and
 - (i) Must report to the Accounting Officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including –
 - (i) Any alleged fraud, corruption, favouritism or unfair conduct;
 - (ii) Any alleged contravention of paragraph 47(1) of this Policy; or
 - (iii) Any alleged breach of this code of ethical standards.
- (3) Declarations in terms of subparagraphs (2)(d) and (e) –
 - (a) Must be recorded in a register, which the Accounting Officer must keep for this purpose; and
 - (b) By the Accounting Officer must be made to the Executive Mayor of the municipality who must ensure that such declarations are recorded in the register.
- (4) The National Treasury's code of conduct and Schedule 2 of the Systems Act must be adhered to by supply chain management practitioners and other role players involved in supply chain management.

- (5) 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 Stellenbosch Municipality envisaged in section 67(1)(h) of the Municipal Systems Act;
 - (b) In the case a role player who is not an employee, through other appropriate means in recognition of the severity of the breach;
 - (c) In all cases, financial misconduct must be dealt with in terms of chapter 15 of the Act; and
 - (d) All cases of non-compliance to this Policy should be reported to the Accounting Officer.

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 Stellenbosch 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 (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.
- (3) Subparagraph (1) does not apply to gifts less than R 350 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 Stellenbosch Municipality and other persons regarding –
 - (i) Any decisions or actions taken in the implementation of the supply chain management system; or
 - (ii) Any matter arising from a contract awarded in the course of the supply chain management system; or
 - (b) To deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
- (2) The Accounting Officer, or another official designated by the Accounting Officer, is responsible for assisting the appointed person to perform his or her functions effectively.
- (3) The person appointed 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.
- (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 a Stellenbosch 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 Stellenbosch Municipality must stipulate
 - (a) A cap on the compensation payable to the service provider; and

- (b) That such compensation must be performance based.

52 CONTRACTS HAVING BUDGETARY IMPLICATIONS BEYOND THREE FINANCIAL YEARS

- (1) Stellenbosch Municipality may not enter into any contract that will impose financial obligations beyond the three years covered in the annual budget for that financial year, unless the requirements of Section 33 of the Act have been fully complied with.

54. INCREASE / EXTENSION IN APPROVED CONTRACT SUM / PERIOD

- (1) Any increase and / or extension in the approved contract sum that may become necessary as a result of exceptional circumstances during the contract period must be approved by the appropriate bid committees prior to implementation.
- (2) Contracts may be expanded or varied by not more than 20% of the original contract value for construction related goods, services and/or infrastructure projects and 15% for all other goods and/or services.
- (3) Any expansion or variation in excess of these thresholds as stated under subparagraph (2) must be dealt with in terms of the provisions of section 116(3) of the Act which will be regarded as an amendment of a contract.
- (4) Where community participation has been a part of the project, the community must be advised of the proposed increase and be invited to provide written comment within a minimum period of seven (7) days.
- (5) Any unapproved increase in the contract sum must be explained in a report to the Accounting Officer, requesting condonation for of such unapproved increase.

55. 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 the notification of the decision.
- (2) Notification of the decision in terms of sub-paragraph 55(1) of this policy 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 award, where a competitive bidding process was followed, shall be formally implemented until a ruling has been made on any appeal/s received. The Municipal Manager may however grant approval for the implementation of bid awards prior to the conclusion of the appeal process in respect of bids which in his / her opinion are deemed as urgent.

- (4) The Appeal Authority will provide the service provider with copies of the Bid Committee minutes applicable to the specific tender on request within the 21 days period, of the service provider to enable him/her to motivate his/her appeal. Should the service provider request other documentation a PAIA application should be submitted.
- (5) 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.

56. NOTIFICATION OF BID DECISIONS

- (1) The successful and unsuccessful bidders shall be notified in writing by the Supply Chain Management once a bid has been accepted.
- (2) The bidders shall, in addition, be advised of the 21 day appeal period in terms of section 62 of the Municipal Systems Act and be notified that no rights will accrue to him / her until the bid is formally accepted in writing.
- (3) Once the 21 day appeal period has lapsed and a decision has been made by the appeal authority, the appellant and the service provider who the tender was initially awarded will be notified in writing of the outcome thereof by the Supply Chain Management.
- (4) Every notification of decision shall be faxed or sent via electronic mail and ordinary mail to the address chosen by the bidder, with a copy of proof of transmission kept for record purposes, or shall be delivered by hand, in which case acknowledgement of receipt must be signed and dated on a copy of such notification to be kept for record purposes.

57. UNSUCCESSFUL BIDDER DEBRIEFING

- (1) The Municipality will offer an unsuccessful bidder debriefing service to unsuccessful bidders upon request.
- (2) During the debriefing unsuccessful bidders will be informed of how their proposal scored against required criteria and obtain comments from the evaluation team on their bid.
- (3) The debriefing should be a positive and constructive experience that explains how bidders can improve future submissions.
- (4) The debriefing is an opportunity for unsuccessful bidders to –
 - (a) Learn more about the procurement and evaluation process in an informal setting;
 - (b) Find out how their proposal scored against the required criteria;
 - (c) Hear the overall comments from the evaluation team on their bid; and
 - (d) Gather information on how future submissions may be improved.
- (5) The debriefing is not part of the Supply Chain complaint or appeal process in terms of paragraph 49 or 55 of this Policy.

- (6) The debriefing is not a legal proceeding and no legal representation is permitted at the debriefing session.
- (7) At the debriefing session the unsuccessful bid is not compared to other bids, nor will information be provided to the unsuccessful bidder about other bids.
- (8) In scheduling a bidder's debriefings session upon the request of the unsuccessful bidder, the municipality must –
 - (a) Confirm the date and time of the debriefing session in writing;
 - (b) Conduct separate debriefings with each unsuccessful bidder;
 - (c) Ensure that proper minutes are kept of each debriefing session; and
 - (d) Retain all correspondence and documentation relevant to the debriefing session as part of the procurement documentation.
- (9) In conducting bidders' debriefings, the municipality may –
 - (a) Provide a general overview of the evaluation process set out in the bid documents;
 - (b) Discuss the strengths and weaknesses of the bidder's submission in relation to the specific evaluation criteria and the bidders evaluated score;
 - (c) Provide suggestions on how the supplier may improve future submissions; and
 - (d) Address specific questions and issues raised by the supplier in relation to their submission.

58. THE SUSPENSION OF SERVICE PROVIDERS FOR POOR PERFORMANCE AND OTHER BREACHES

- (1) Any failure to fulfil the deliverables in line with the contract or service levels constitutes a material breach or poor performance which will result in the termination of the contract and/or sanctions will be imposed in the form of suspension from the database.
- (2) Such sanctions will have variation in the periods of suspension based on the gravity of the breach.
- (3) The municipality must consider imposing following sanctions, subject to sub-clause (2) above:
 - a) 6 months for non-declarations of relative/spouse within the municipality;
 - b) 12 months for misleading information provided to the municipality; and
 - c) 24 months for certain or above a certain threshold value based.
 - d) All the above will be applicable based on the gravity of the poor performance

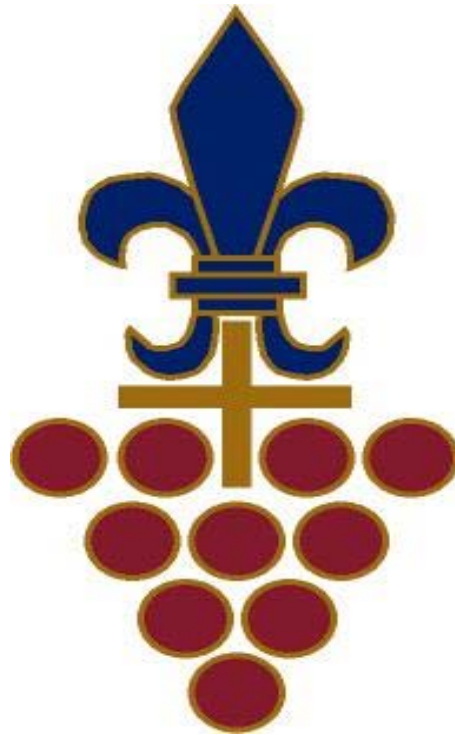
59. CONDONATION OF POLICY CONTRAVENTIONS

- (1) Council may condone a contravention in terms of this Policy, provided that such contravention is also not a contravention of the Act or the Municipal Supply Chain Management Regulations, 2005
- (2) Any expenditure relating to such condonation by Council in terms of this Policy, will not constitute irregular expenditure as contemplated under section 1 of the Act.
- (3) Contraventions of the Act relating to supply chain management or the Municipal Supply Chain Management Regulations, 2005 must be dealt with in terms of section 32 and section 170 of the Act.

60. SHORT TITLE

- (1) This policy is called the Stellenbosch Municipality Supply Chain Management Policy.

STELLENBOSCH MUNICIPALITY



**DEVELOPMENT CHARGES
POLICY**

2020/2021



STELLENBOSCH MUNICIPALITY

DEVELOPMENT CHARGES POLICY

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1. DEFINITIONS

In this policy, unless the context indicates otherwise -

- 1.1 **'applicant'** means a person who makes a land development application;
- 1.2 **'bulk service'** means the capital infrastructure assets associated with that portion of an external engineering service which is intended to ensure provision of municipal infrastructure services for the benefit of multiple users or the community as a whole - the relevant Master Plan shall be used as a guide to identify such bulk services;
- 1.3 **'By-Law'** means the Stellenbosch Municipality: Land Use Planning By-Law published in the Western Cape Provincial Gazette Extraordinary of 20 October 2015;
- 1.4 **'capacity'** means the extent of availability of a municipal infrastructure service, based on the capital infrastructure asset or combination of capital infrastructure assets installed for provision of such municipal infrastructure services;
- 1.5 **'capital infrastructure asset'** means a capital asset which is required for provision of a municipal infrastructure service, limited to immovable assets and insofar as movable assets are concerned, specialised vehicles, used for waste collection and disposal only;
- 1.6 **'developer'** means an applicant for land development whose land development application is approved, in whole or in part, by the Municipality or the Municipal Planning Tribunal or municipal official authorised to determine land development applications;
- 1.7 **'development charge (DC)'** means a charge imposed by the Municipality on a developer in terms of any applicable law referred to in this policy, or a condition of the approval, payment of which will contribute towards the Municipality's expenditure on capital investment in municipal infrastructure services;
- 1.8 **"Engineer"** means an Engineer employed by the "Municipality" or any person appointed by the "Municipality" from time to time and notified as such in writing to the "Developer" to perform the duties envisaged in terms of this Agreement
- 1.9 **'engineering services installation agreement'** means an agreement concluded between the Municipality and a developer, recording their detailed and specific respective rights and obligations regarding the provision and installation of the external engineering services required for an approved land development, and regarding the associated development charge;
- 1.10 **'external engineering service'** means an engineering service situated outside the boundaries of a land area and which is necessary to serve the use and development of the land area, provided that in circumstances where the characteristics of a specific area or the design of the relevant engineering service so requires, such services can be located within the boundaries of a land area;
- 1.11 **'impact zone'** means a geographical zone within which the capital infrastructure assets or system of capital infrastructure assets required to provide bulk services to an approved land development are located (the impact zones are Stellenbosch Town, Dwars River, Franschhoek and Klapmuts);

- 1.12 **‘internal engineering service’** means an engineering service within the boundaries of a land area which is necessary for the use and development of the land area and which is to be owned and operated by the Municipality or service provider;
- 1.13 **‘land development’** means the erection of buildings or structures on land, or the change of use of land, including township establishment, the subdivision or consolidation of land or any deviation from the land use or uses permitted in terms of an applicable land use scheme;
- 1.14 **‘land development application’** means an application for land development submitted with the Municipality or referred to the Municipal Planning Tribunal or other decision-making body for approval, in accordance with applicable national or provincial legislation, including the National Building Regulations and Building Standards Act 103 of 1977 (including any regulations promulgated thereunder), the SPLUMA, the LUPA and the By-Law;
- 1.15 **‘land use’** means the purpose for which land is or may be used lawfully in terms of a land use scheme, existing scheme or in terms of any other authorisation, permit or consent issued by a competent authority, and includes any conditions related to such land use purposes;
- 1.16 **‘link service’** means the capital infrastructure assets associated with that portion of an external engineering service which links an internal engineering service to the applicable bulk service, and which is not shared by multiple users or the community as a whole;
- 1.17 **‘LUPA’** means the Western Cape Land Use Planning Act, 2014, Act. 3 of 2014 (PN 99/2014 of 7 April 2014);
- 1.18 **‘Municipality’** means the Stellenbosch Municipality (WCO24) established in terms of Provincial Notice 489 of 22 September 2000 in terms of the Local Government: Municipal Structures Act, 117 of 1998, and includes all political structures or office bearers and municipal staff members to whom authority has been delegated to take decisions in terms of the Municipality’s delegation system;
- 1.19 **‘municipal infrastructure service’** means any of the following municipal services:
- 1.20.1 potable water;
 - 1.20.2 sewerage and wastewater treatment;
 - 1.20.3 electricity distribution
 - 1.20.4 municipal roads;
 - 1.20.5 street lighting
 - 1.20.6 storm water management;
 - 1.20.7 solid waste disposal;
 - 1.20.8 public transport, including non-motorised transport;
 - 1.20.9 social infrastructure services;
- 1.20 **‘Municipal Planning Tribunal’** means a Municipal Planning Tribunal referred to in Chapter 6 of SPLUMA;
- 1.21 **‘Social Infrastructure services’** means community services provided in terms of the functions which are the responsibility of the Municipality in terms of the Constitution, which includes, but is not limited to:
- 2.2.1 Early Childhood Development Centres;

- 2.2.2 Public Open Spaces, parks, sports fields;
 - 2.2.3 Fire Fighting and Emergency Services;
 - 2.2.4 Local Tourism;
 - 2.2.5 Cemeteries;
 - 2.2.6 Burial of animals;
 - 2.2.7 Noise pollution; and
 - 2.2.8 Municipal health services;
- 1.22 ‘**SPLUMA**’ means the Spatial Planning and Land Use Planning Act, 16 of 2013;
- 1.23 ‘**Systems Act**’ means the Local Government: Municipal Systems Act, 2000, Act 32 of 2000).

2. INTRODUCTION

- 2.1 This policy is applicable to the Development Charges charged for the following services: Water, Sewer, Stormwater, Solid Waste, Roads, Community Facilities and Electricity.
- 2.1
- 2.2 In terms of Section 152 of the Constitution, the objects of local government include the provision of services to communities in a sustainable manner and the promotion of social and economic development.¹ Chapter 8 of the Systems Act provides for the general duty of the Municipality to provide municipal services and the manner in which such services are to be provided.
- 2.3 Social and economic development has a positive impact on the Municipality’s finances as it increases revenue from property rates, fees, service charges and tariffs by expanding the base of ratepayers. However, development associated with this economic growth has an impact on the demand for municipal infrastructure services as well as social infrastructure services such as clinics, schools and other public amenities. Therefore, infrastructure is needed to support sustainable social and economic development in Stellenbosch. Without infrastructure, both public and private sector investment in Stellenbosch will slow down. The cost to the Municipality for providing this infrastructure is high. Funding to cover these costs is obtained from three sources:
- 2.2.1 Grants are provided by national or provincial government and are generally targeted towards social infrastructure, particularly in support of low-income housing development.
 - 2.2.2 Loans are converted into tariffs and are recovered by user fees paid by all consumers to the Municipality.
 - 2.2.3 Development charges are a more targeted and more equitable way of ensuring that the main beneficiaries of infrastructure make an appropriate and fair contribution to that cost, without unduly burdening the Municipality’s ratepayers. Development Charges are the most important form of capital contribution raised by the Municipality to pay for infrastructure.
- 2.4 The general duty of the Municipality to provide municipal services is inter alia provided for in terms of Section 73(2) of the Systems Act, which section provides as follows:

¹ Section 152(1)(b) and (c).

“(2) *Municipal services must—*

- (a) *be equitable and accessible;*
- (b) *be provided in a manner that is conducive to—*
 - (i) *the prudent, economic, efficient and effective use of available resources; and*
 - (ii) *the improvement of standards of quality over time;*
- (c) *be financially sustainable;*
- (d) *be environmentally sustainable; and*
- (e) *be regularly reviewed with a view to upgrading, extension and improvement.”*

2.5 The goal of this policy includes the following:

- 2.2.1 Striving to make Stellenbosch the preferred town for investment and business, where investment inflows and new enterprise translate into jobs and prosperity.
- 2.2.2 Establishing the greenest municipality which will not only make Stellenbosch attractive for visitors and tourists, but will also provide a desirable environment for new businesses and appropriate industries.
- 2.2.3 Ensuring a dignified living for all Stellenbosch citizens, who feel that they own their town, take pride in it and have a sense of self-worth and belonging.
- 2.2.4 Creating a safer Stellenbosch, where civic pride and responsibility supplant crime and destructive behaviour.

3. OBJECTIVES

- 3.1 The objectives of this policy are to provide a sustainable and equitable framework for the financing of capital infrastructure assets and to ensure that:
 - 3.1.1 The Municipality is able to provide capital infrastructure assets in a timely and sufficient manner to support land development;
 - 3.1.2 Development charges complement other sources of capital finance available to the Municipality and are not utilised as a general revenue source;
 - 3.1.3 Development charges are managed in a predictable, fair and transparent manner; and
 - 3.1.4 Unnecessary litigation in the administration of development charges is minimised.

4. PRINCIPLES OF THE POLICY

4.1 Four key principles underlie the system of development charges. These are:

4.1.1 **Equity and Fairness:** Development charges should be reasonable, balanced and practical so as to be equitable to all stakeholders. The key function of a system of development charges is to ensure that those who benefit from new infrastructure investment, or who cause off-site impacts, pay their fair share of the associated costs.

This implies that:

4.1.1.1 The Municipality should recover from applicants a contribution that is as close as possible to be full and actual costs of the capital infrastructure assets that are needed to mitigate the impacts of land development and to provide services to new land developments;

4.1.1.2 Development charges are levied to recover the infrastructure costs incurred or to be incurred due to land development, and are thus not a form of taxation;

4.1.1.3 Costs which should be covered by development charges can be determined both in relation to the value of pre-installed capital infrastructure assets resulting from historical investments, and the provision of new capital infrastructure assets to meet new capacity requirements; and

4.1.1.4 Development charges are not an additional revenue source to be used to deal with historical backlogs in provision of services, such as backlogs that exist in some historically disadvantaged areas.

4.1.2 **Predictability:** Development charges should be a predictable, legally certain and reliable source of revenue to the Municipality for providing external engineering services, and should be clearly and transparently accounted for. In order to promote predictability in municipal finance systems the costs associated with municipal capital infrastructure assets provided expressly to benefit poor households should be established before subsidies are applied in a transparent manner to fund the liability.

4.1.3 **Spatial and Economic Neutrality:** The primary role of a system of development charges is to ensure the timely, sustainable financing of required capital infrastructure assets.

This implies that:

4.1.3.1 Development charges should be determined based on identifiable and measurable costs so as to avoid distortions in the economy and in patterns of spatial development;

4.1.3.2 Development charges should not be used as a spatial planning policy instrument;

4.1.3.3 Costs recovered should be dedicated only to the purpose for which they were raised; and

4.1.3.4 Development charges should be calculated where possible on a sectoral or geographic scale to more accurately approximate costs within a specific impact zone.

4.1.4 **Administrative ease and uniformity:** The determination, calculation and operation of development charges should be administratively simple and transparent.

5. LEGISLATIVE FRAMEWORK

Development Charges are an integral part of the broader legal framework for urban land development and municipal finance. This legal framework has undergone substantial changes at national, provincial and municipal levels with the introduction of the SPLUMA, LUPA and the By-Law.

5.1 Policy context

This policy is consistent with the Final Draft Policy for Municipal Development Charges (Version 10) issued by the National Treasury on 15 December 2015 and which reflects a broadly shared understanding of the role, purpose and legal nature of Development Charges across the country.

5.2 Applicable legislation

The Systems Act

5.2.1 The general power of the Municipality to recover charges is provided for in Section 75A. In terms of Section 75A (2) charges are levied by the Municipality by resolution passed by the Municipal Council with a supporting vote of a majority of its members.

5.2.2 All development charges levied in terms of the general power of the Municipality, as envisaged in terms of Section 75A, will be levied in terms of a Council's Resolution by virtue of which this policy is approved.

5.2.3 When the development charges are determined pursuant to a Council's Resolution envisaged in terms of Section 75A(2), regard must at least be had to the factors provided for in Section 40(3), (4) and (5) of the LUPA read with the changes required by the context. See **Paragraph 5.2.7** below.

LUPA

5.2.4 The LUPA came into force on 1 December 2015 pursuant to Proclamation No 30 of 2015 (Western Cape).

5.2.5 In terms of Section 40(2) the Municipality may, when it approves a land use application subject to conditions, impose reasonable conditions which arise from the approval relating to the provision of engineering services and infrastructure and the cession of land or the payment of money. The

aforementioned type of conditions may require a proportional contribution to municipal public expenditure according to the normal need therefore arising from the approval, as determined by the Municipality.

5.2.6 Municipal public expenditure is provided for in Section 40(4) as follows:

- “40(4) *Municipal public expenditure contemplated in subsection (3) includes, but is not limited to, municipal public expenditure for municipal service infrastructure and amenities relating to—*
- (a) community facilities, including play equipment, street furniture, crèches, clinics, sports fields, indoor sports facilities or community halls;*
 - (b) conservation purposes;*
 - (c) energy conservation;*
 - (d) climate change; or*
 - (e) engineering services.”*

5.2.7 Section 40(5) provides as follows:

- “40(5) *When determining the contribution contemplated in subsections (3) and (4), a municipality must have regard to at least—*
- (a) the municipal service infrastructure and amenities for the land concerned that are needed for the approved land use;*
 - (b) the public expenditure on that infrastructure and those amenities incurred in the past and that facilitates the approved land use;*
 - (c) the public expenditure on that infrastructure and those amenities that may arise from the approved land use;*
 - (d) money in respect of contributions contemplated in subsection paid in the past by the owner of the land concerned; and*
 - (e) money in respect of contributions contemplated in subsection (3) to be paid in the future by the owner of the land concerned.”²*

SPLUMA

5.2.8 In terms of Section 49, an applicant is responsible for the provision and installation of internal engineering services and the Municipality is responsible for the provision of external engineering services.

5.2.9 Section 49(4) and (5) provides as follows:

- “40(4) An applicant may, in agreement with the municipality or service provider, install any external engineering service instead of payment of the applicable development charges, and the fair and

² Section 83(7) of the By-Law contains a similar provision.

reasonable cost of such external services may be set off against development charges payable.

- (5) If external engineering services are installed by an applicant instead of payment of development charges, the provision of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), pertaining to procurement and the appointment of contractors on behalf of the municipality does not apply.”

Stellenbosch Municipality: Land Use Planning By-Law

- 5.2.10 In terms of Section 83(1) of the By-Law, an applicant (as defined in Section 1 of the By-Law) must pay development charges to the Municipality in respect of the provision and installation of external engineering services. The external engineering services for which development charges are payable must be set out in the policy and be reviewed annually by the Municipality. The amount of development charges payable by such applicant must be calculated in accordance with a policy adopted by the Municipality.³
- 5.2.11 The provision of engineering services is prescribed in detail in Chapter 8 of the By-Law. Specific reference is made to Section 66(4) and (5). National Land Transport Act 5 of 2009
- 5.2.12 Although public transport infrastructure is not typically included as one of the engineering services covered by development charges, this act allows the Municipality to raise a user charge from 'land, buildings or other developments that generate the movement of passengers, including land or buildings of which the State is the owner, in its area', provided that this money goes into the Municipality's 'land transport fund'.

6. OBLIGATION TO IMPOSE A DEVELOPMENT CHARGE

- 6.1 When the Municipality approves a land development application (as defined in this policy) which will or may result in intensified land use with an increased demand for such municipal infrastructure services, the Municipality must levy a development charge proportional to the municipal public expenditure according to the normal need arising from such approval. The instances when development charges will be levied will include:
- 6.1.1 When the Municipality approves an application in terms of Section 15(2) of the By-Law and imposes conditions in terms of Section 66 thereof relating to the provision of engineering services and infrastructure and the cession of land or the payment of money;
- 6.1.2 The approval of building plans in terms of the National Building Regulations and Building Standards Act 103 of 1977.

³ See Chapter VIII of the By-Law.

- 6.2 Development Charges will not apply to the following land use applications, which are deemed to have no significant impact on provision of bulk infrastructure, and which has a social and/or economic benefit to the municipality and/or the community:
- 6.2.1 Home early childhood development centres
 - 6.2.2 Community based churches and places of religious worship (it must be clear that such development will not lead to a significant additional service usage that will have an increased demand on municipal services)
 - 6.2.3 House shops up to the lesser of 30% of the floor area of the buildings on the site or 50m² per erf.
 - 6.2.4 Second dwellings – up to a total maximum of five bedrooms per erf will not trigger a Development Charges payment, any bedrooms in excess of five will be charged per bedroom at the usage rate of the “student room” category.
 - 6.2.5 Accommodation establishments (bed and breakfast/guest rooms): up to the first five bedrooms of an existing dwelling – thereafter Development Charges will be charged per bedroom at the usage rate of the “student room” category. The assessment will be based on the total number of bedrooms in the house and not the number of bedrooms operating as guest rooms. Any additional land use that is not integral to the accommodation function – (restaurant, spa, gym, office, and conference centre) must be added as GLA (General Business) and will be additional to the Development Charges calculated per room.
 - 6.2.6 Breaking New Ground (BNG) housing projects implemented by the municipality. These projects are approved by council prior to implementation and such approval should include financial commitments regarding the provision of bulk services for these projects. It is thus not necessary for development charges since the provision of bulk services are to be funded by alternative funding sources.
 - 6.2.7 Development Charges will also not apply to the following land use applications. This is in order to incentivise and support private landowners and/or emerging developers to supply affordable housing units for rental or purchase as government alone cannot keep up with this demand. This incentive will be granted at the discretion of the Director: Infrastructure Services and the Developer must provide proof that the development complies with the following criteria:

The further densification on a residential erf (excluding subdivision) that comply with the following criteria:

- the intention of the development should be to cater for the housing demand in the low and middle income bracket i.e. those who qualify for the Finance Linked Individual Subsidy Programme (FLISP). Currently this means households with a max gross income of R 22 000. The cost of these units may not exceed R 5 000 per month (rental) or R 500 000 (unit purchase price). Proof of sale prices must be submitted.
- the proposed residential development must be located within a “Less formal residential” zoning as per the Zoning Scheme.

- 6.3 A development charge will be determined by the Municipality in terms of and on the basis of the applicable statutory provisions referred to in **Paragraph 5.2** above read with this policy.
- 6.4 A developer must pay to the Municipality the full amount of the applicable development charge prior to the exercise of any rights to use, develop or improve the

land arising from the approval of a land development application, unless in the case of a phased land development –

- 6.4.1 The Municipality authorises phased payments in the land development approval conditions, to take into account the timing of the proposed phases of the land development; and
 - 6.4.2 If agreed to by the Municipality, the developer provides a written guarantee from a registered financial institution, in an amount and subject to terms and conditions agreed in writing by the Municipality.
 - 6.4.3 The Municipality may also consider the payment of the outstanding development charge into an attorneys trust account, in cases where this will enable the completion of infrastructure projects in lieu of Development Charges that are not yet completed at the time that clearance is sought and if such withholding of clearance is deemed to be unfair towards the developer. An example of this is where the municipality has requested the upgrade or installation of a service in-lieu of Development Charges, of which the upgrade was not an original condition of approval, or which is not specifically triggered by the development, but of which the immediate upgrade will be of benefit to the municipality and/or the greater public. The conditions for the utilisation of the funds in this trust account shall be stipulated in a letter of undertaking issued by the trust attorney and as agreed to in writing by the Municipality.
- 6.5 When approving a land development application, the Municipality must stipulate at least the following matters relating to the development charge –
- 6.5.1 The total amount of the development charge,;
 - 6.5.2 The dates/development milestones on which the payment or payments must be made and the amount of such payments;
 - 6.5.3 ;
 - 6.5.4 Whether the Municipality and the developer have agreed that the developer will install any bulk services, as contemplated in **Paragraph 10**; and
 - 6.5.5 Where the developer is to install bulk services instead of the payment of some portion or all of a development charge –
 - 6.5.5.1 The nature and extent of the bulk services to be installed by the developer;
 - 6.5.5.2 The timing of commencement and completion of the bulk services to be installed by the developer;
 - 6.5.5.3 The amount of the developer's fair and reasonable costs of installation, or the process for determining that amount, including the process, after installation, for making any adjustments to an amount specified as determined by the Municipality; and
 - 6.5.5.4 The engineering and other standards to which the installed external engineering services must conform.

- 6.6 The Municipality and a developer may, and in the circumstances provided for in **Paragraph 10** must, conclude an engineering services installation agreement to give detailed effect on the arrangements contemplated in this **Paragraph 6**, provided that an engineering services installation agreement may not permit any intensification of land use beyond that which was approved.
- 6.7 The impact zones with reference to which the Municipality will calculate development charges in respect of civil services, are Stellenbosch Town, Dwars River, Franschoek and Klipmuts.

7. PURPOSE OF DEVELOPMENT CHARGES

- 7.1 Money collected by the Municipality in respect of development charges must be used for purposes of funding or acquiring capital infrastructure assets in a timely and sufficient manner to support current and projected future land development in the area of jurisdiction of the Municipality, and where calculated with reference to a particular impact zone, must be used for capital infrastructures assets in that impact zone.
- 7.2 Development charges are not a general revenue source and money collected in respect of development charges may not be used to fund the operating or maintenance costs incurred by the Municipality in respect of municipal infrastructure services.

8. CALCULATION OF DEVELOPMENT CHARGES

- 8.1 Subject to the provisions of this policy, a development charge shall be calculated with reference to the estimated increased load placed on the external engineering services networks that results from the development in a specific impact zone.
- 8.2 The capital cost of internal engineering services is for the account of the developer.
- 8.3 Subject to **Paragraph 6.3** above and for purposes of calculation of the bulk services component of a development charge, the Municipality must –
 - 8.3.1 Determine a unit cost for each municipal infrastructure service, which unit cost must include all land cost, professional fees, materials, labour and reasonable costs of construction, but must exclude the value of any debts incurred by the Municipality for purposes of funding existing capital infrastructure assets, to the extent that such debt has not been repaid by the Municipality;
 - 8.3.2 Apply a formula, which formula will –
 - 8.7.2.1 Be aimed at determining the impact of the proposed land use on municipal infrastructure services, taking into account current and planned capacity, relative to the impact of the land use occurring at the date of approval of the land development application; and

- 8.7.2.2 Calculate the amount payable by multiplying the unit cost referred to in **Paragraph 8.7.2.1**, by the estimated proportion of the municipal infrastructure services, including current and planned capacity, that will be utilised by the proposed land development.
- 8.4 The basis upon which development charges of the civil services and community services will be determined, as envisaged in **Paragraph 8.7**, will be as recorded in the Development Charge Calculation report revision 6, dated 28 April 2018 by iCE Tygerberg Consulting Engineers,. The aforementioned report does not provide for the calculation of development charges in respect of all components of municipal infrastructure services. Development charges in respect of any component of municipal infrastructure services not provided for, will be determined and calculated in terms of a separate policy, conditions of approval or Council's Resolution/s.
- 8.5 The basis upon which development charges will be determined i.t.o. electricity will be as per NRS 069: Code of practice for the recovery of capital costs for distribution network assets.
- 8.6 The Municipality must adjust the unit cost for each municipal infrastructure service on an annual basis during the budget preparation process referred to in Section 21 of the Local Government: Municipal Finance Management Act 56 of 2003, to take account of inflationary impacts and must publish the adjusted unit costs within two months of approving the municipal budget. The Municipality will use the Contract Price Adjustment Factor as prescribed in the SAICE General Conditions of Contract for Construction Works (as amended) to determine the annual effect of inflation.
- 8.7 The Municipality must re-calculate the unit cost for each municipal infrastructure service at least once every five years or within such longer period as is approved in advance by the Council of the Municipality, to take into account the current and planned capacity for each municipal infrastructure service at the date of re-calculation, and any other relevant factors.
- 8.8 In the event of the Municipality discovering that a gross error has occurred in the determination of the development charges, or if there are justifiable reasons to review the charges, it may, by means of a council resolution, correct such error or review the charges.

9. ACTUAL COSTS

- 9.1 Notwithstanding the provisions of **Paragraph 8.3**, the Municipality may at its own instance or on request by a developer, increase or reduce the amount of the bulk services component of a development charge so as to reflect the actual cost of installation of the required bulk services, where:
- 9.1.1 Exceptional circumstances, as motivated by the developer and if accepted by the Council, justify such an increase or reduction; or
- 9.1.2 a particular land development significantly exceeds the size or impact thresholds set out in the applicable Development Charges tariff tables .

- 9.1.3 the actual usage of a particular land development varies significantly from the usage of the approved Development Charges tariff tables and of which the actual usage is motivated by a professional engineer and can be justified by means of recognised engineering guidelines and/or industry norms and standards.
- 9.1.4 Where a development is situated outside the urban area and was not taken into account during the determination of the Development Charges tariffs, then the Development Charges of that development will be based on its actual impact, as confirmed by a report by a professionally registered engineer appointed by the Developer, and as approved by the Municipality. Examples of such a scenario would be development on farms that supports the primary farming activity, i.e. a cellar on a wine farm. The actual trip generation might be less than what is allowed for in the Development Charges tariff tables and if it can be justified the Development Charges can be based on the actual impact/demand on the bulk infrastructure.
- 9.2 Where the Municipality adjusts the amount of the bulk services component of a development charge on the basis of actual costs in terms of this section
 - 9.2.1 the developer is responsible for the costs of performing the calculation of such adjustment, which must be carried out by a registered professional civil engineer appointed by the developer with appropriate experience and expertise having regard to the nature and extent of the proposed land use; and
 - 9.2.2 the actual cost must include, where applicable and without limitation, land costs, professional fees, materials, labour, the reasonable costs of construction and any tax liabilities: provided that all such costs would otherwise have been borne by the municipality, in the provision and installation of the bulk services concerned.

10. INSTALLATION OF EXTERNAL ENGINEERING SERVICES INSTEAD OF THE PAYMENT OF DEVELOPMENT CHARGES.

- 10.1 The Municipality may agree with a developer that the developer installs all or part of the external engineering services required for an approved land development instead of the payment of the applicable development charge. Such external engineering services must also be a “bulk service”.
- 10.2 Where a developer installs external engineering services to the technical standards required by the Municipality, as reflected in the applicable conditions of approval of the land development application or as agreed with the Municipality in writing, the developer may set off the fair and reasonable cost of such installation, as determined by the Municipality, against the applicable development charges.
- 10.3 Any capital infrastructure assets forming part of an external engineering service installed by a developer instead of payment of any part of a development charge shall, upon installation, become the property of the Municipality, and-

- 10.3.1 the developer shall bear the responsibility of ensuring that ownership or other relevant rights to the affected capital infrastructure assets is or are transferred to the Municipality;
 - 10.3.2 the Municipality must include the applicable capital infrastructure asset gain in its next adjustments budget, in accordance with regulations relating to asset gains, made in terms of the Local Government: Municipal Finance Management Act 56 of 2003.
- 10.4 The Municipality may require that a developer installs external engineering services to accommodate a greater capacity than that which would be required for the proposed land use alone in accordance with any master plan approved by the Municipality, in order to support planned future development in the vicinity of the approved land development. Where the total fair and reasonable cost of installation of such required external engineering services exceeds the development charge payable by the developer, the Municipality may reimburse the developer the amount in excess of the development charge, in accordance with a written agreement, provided that such infrastructure has been provided for in accordance with an approved master planning programme for such service and which has been approved as a capital project in terms of the budget of the Municipality.
- 10.5 If the developer elects to develop outside the municipality's capital expenditure programme that is approved by the municipal council, he or she will have to fund the provision of services to enable such development. There is no obligation on the Municipality to provide services to land simply because an owner wants to develop his/her land and the Municipality is not obligated to re-imburse the Developer for such expense. Section 152 of the Constitution emphasises the fact that the municipality must structure its administration and budgeting and planning processes to give priority to the basic needs of the community.
- 10.6 When a developer installs external engineering services instead of payment of a development charge, he or she must adopt the most cost-effective and efficient approach to meet the Municipality's technical standards. The principles of procuring the most cost –effective and efficient services must be followed. Therefore, the installation of engineering services must be provided at a competitive bidding process. As a minimum, three quotations or tenders should be obtained and evaluated by the Developer's consultant with a recommendation for appointment. Such recommendation must be approved by the Municipality before the appointment of a contractor.

11. NON-PROVISION BY THE MUNICIPALITY.

- 11.1 Where the Municipality has agreed to install the required external engineering services and fails to do so within a period of twelve months from the date for completion stipulated in such agreement, the Municipality must return the development charge paid by the developer, to the developer, with interest charged at the applicable rate for debts owed to the state.
- 11.2 Notwithstanding the provisions of **Paragraph 11.1**, the Municipality and the developer may agree to:

- 11.2.1 an extension of the time period for the installation of the required external engineering services by the Municipality: provided that such extended time period may not exceed twenty-four months and provided further that where the Municipality completes the installation within such extended time period, it has no obligation to return the development charge paid by the developer, to the developer; or
- 11.2.2 an engineering services installation agreement, or revised engineering services installation agreement, in terms of which the developer agrees to install the required external engineering services in whole or in part and, where agreeing to install in part, the time period within which the municipality will install those external engineering services for which it remains responsible: provided that the extended time period for installation by the Municipality may not exceed twenty-four months and provided further that where the Municipality completes its portion of the installation within such extended time period, it has no obligation to return that portion of the development charge paid by the developer which pertains to the external engineering services installed by the Municipality, to the developer.

12. WITHHOLDING CLEARANCES AND APPROVALS.

- 12.1 The Municipality shall be entitled to withhold any consent, clearance or approval in respect of a land development in the event where development charges owed by the developer remain unpaid or the developer fails to install external engineering services in accordance with an engineering services installation agreement entered into with the Municipality.
- 12.2 The Municipality shall not be obliged to allow any internal or link services to be connected to the bulk services of the Municipality until all development charges have been paid by a developer.

13. SUBSIDIES AND EXEMPTIONS

- 13.1 ***The Stellenbosch Municipal Council*** is the approving authority for subsidies and exemptions. Applications must be in writing and addressed to the Director: Infrastructure Services for consideration, before submitting to council for approval.
- 13.2 As stated by the Final Draft of the Policy Framework for Municipal Development Charges being drawn up by National Treasury, the Municipality should seek to
 - 13.2.1 Minimise the number and value of any subsidies or exemptions it provides for the payment of development charges and
 - 13.2.2 Apply any subsidies, exemption or surcharges in an equitable transparent and administratively feasible manner
- 13.3 Developers will be allowed to apply for exemption for developments that comply with the following criteria:

13.3.1 In the case of registered non-profit organisations developing social development projects that is beneficial to the community and where the applicant is able to demonstrate how the proposed development will have a social and/or economic benefit to the municipality. The use of any land or buildings, or any part thereof, shall not be for the private financial benefit of any individual, including as a shareholder in a company or otherwise.

13.4 Before the Municipality grants an individual exemption, it must:

- 13.4.1 calculate the applicable development charge as if it were payable (Infrastructure Services);
 - 13.4.2 ensure that the revenue to be forgone as a result of any exemption approved by the Municipal Council is reflected in the Municipality's budget (Finance);
 - 13.4.3 must provide for budgetary provision for the realisation of the revenue forgone to be made, from another realistically available source of revenue (Finance);
 - 13.4.4 ensure that the monetary value of the exemption, together with the amount of any other payment or payments received by the Municipality towards the capital costs of external engineering services for an approved land development, is at least equal to the development charge calculated in accordance with **Paragraph 13.4.1**.
- 13.5 Any development for which exemption has been granted and is used for any purpose other than the purpose for which it was so granted an exemption, the payment of Development Charges will become applicable.

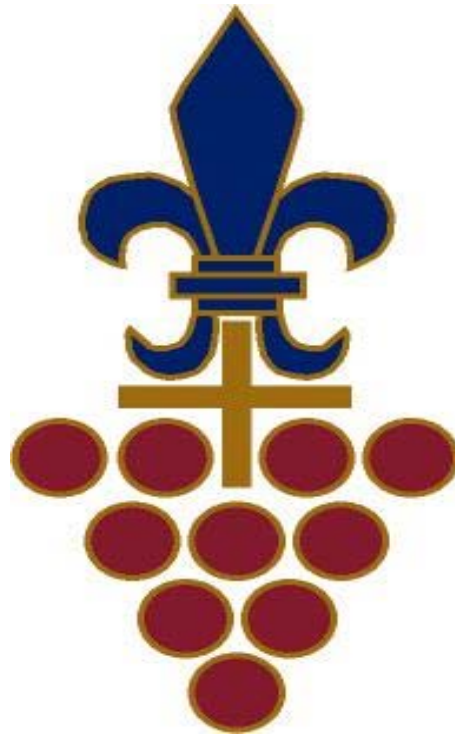
14. OTHER PRINCIPLES TO BE APPLIED

- 14.1 Development Charges will be applied based on the impact on services by the increase in land use rights and/or intensification of land use leading to increased demand, irrespective of the geographical location of the development. For example, the traffic generated by a development located along a provincial road, will ultimately end up on the Municipality's road network that link to the provincial roads. The same applies to the additional stormwater runoff that ends up in downstream municipal networks and river courses, increase in demand and the bulk supply of water, and sewer and solid waste disposal.
- 14.2 Development Charges in rural areas/farms: Development Charges will be determined in terms of **paragraph 9.1.3** for buildings/development related to the primary farming activities and can be classified as an agricultural building/agricultural industry i.e.: cellar and bottling facilities on a wine farm or a fruit packaging and storage facility on a fruit farm. It can be assumed that in most cases, the people already working or residing on the farm will work in these buildings and not place a significant additional demand on the bulk services. The approved Development Charges tariffs will be applicable for any other development on a farm i.e. a farm stall, function venues, tourist accommodation facilities, conference facilities or other business and commercial activities including wine tasting since these land uses attract people from outside and places an additional demand on the bulk infrastructure.
- 14.3 Where a development's Development Charges are utilised to upgrade a specific service in order to create the required capacity, and the Development Charges for that specific service category is not sufficient to cover the cost of the upgrade, the Director: Infrastructure, at his discretion, will determine if Development Charges from the other service categories can be utilized to cover the cost. Factors to be taken into consideration include the status of bulk services in the development area, the practicality and timing to secure alternative sources of funding, etc. Electrical Development Charges may not be used to cross fund civil engineering

infrastructure and vice versa. The Community Facilities Development Charges must be ring fenced and not utilised on civil or electrical infrastructure.

- 14.4 GLA – Gross Leasable Area – where this is not known at the time of the Development Charges calculation being done, it will be deemed to be 15% less than the total bulk i.e. 85% of the total bulk.
- 14.5 Development Charges In lieu of Parking bays: If the development is located in an area where the lack of sufficient on-site parking is currently causing problems for the municipality and or the public, this option will not be considered. Some or all of the following criteria must be met before a Development Charges payment in lieu of parking will be favourably considered:
- If located in the historical CDB core where buildings were approved with limit parking provision
 - When a development is situated within a 500m radius of a public transport hub or facility
 - When a development is situated along a primary functional public transport route – provide that the necessary embayment is provided
 - When a development is situated along a primary NMT route (as defined by the NMT Masterplan) – provide that the necessary facilities is of good state
 - Where public parking garage has been constructed that can cater for shortfall in parking demand.
- 14.6 Provincial Roads – 20% of the value of upgrades on provincial roads have been allowed for in the determination of the Development Charges tariffs and therefore this percentage will be allowed to be offset from Development Charges. The offsetting of Development Charges against the full cost of provincial road upgrades would result in an under-recovery of Development Charges for municipal roads. Exception is upgrades to intersections between municipal and provincial roads, where the full amount can be offset from Development Charges.
- 14.7 The use of Development Charges on non-motorised transport (NMT) facilities will be allowed as a functional and safe non-motorised transport (NMT) and public transport network will reduce the dependence on private motor vehicles and therefore relieve road congestion and free up capacity on the roads and intersections. The non-motorised transport (NMT) master plan will be used as a guideline in determining which non-motorised transport (NMT) items this applies to. A further guiding principle is that the non-motorised transport (NMT) item must be for the benefit of multiple users/developments and/or the community as a whole and not just benefit an individual private development/small cluster of private developments.

STELLENBOSCH MUNICIPALITY



**GRANTS-IN-AID
POLICY**

2020/2021



STELLENBOSCH MUNICIPALITY

GRANT-IN-AID POLICY

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1. DEFINITIONS

“**Appendix A**” means the application for Grant-in-Aid, detailed more fully below, and provided for in clause 5.2.

“**Appendix B**” refers to the memorandum of agreement (MOA), detailed more fully below, and provided for in clause 10.

“**Capacity building**” Capacity building refers to a process which enables human beings to realize their potential, build self-confidence and lead lives of dignity and fulfillment. These Capacity Building programs have to align to the basket of services of the Directorate: Social Development and Early Childhood Development i.e. Early Childhood Development, Youth Development, Substance Abuse, Poverty Alleviation, Vulnerable Groups and Street People.

“**Community Based Organization (CBO)**” are nonprofit groups that work at a local level to improve life for residents. The focus is to build equality across society in all streams – health care, environment, quality of education, access to technology, access to spaces and information.

“**Early Childhood Development (“ECD”) Facility**” means any place, building or premises, including a private residence, maintained or used partly or exclusively, for the reception, protection and temporary or partial care of more than six children that shall be registered, managed and maintained in terms of the Children’s Amendment Act, 41 of 2007.

“**Grant-in-aid**” means a grant-in-aid or allocation, as referred to in Section 12, 17 (3) (j) (iv) of the MFMA, made by the municipality to any organisation or body referred to in Section 67(1) and to be utilised to assist the municipality in fulfilling the Constitutional mandates including social developmental and arts and culture programmes as set out therein.

“**Local Agenda 21**” means the international program, adopted by South Africa to put sustainable development into practice.

“**Memorandum of agreement (MOA)**” means the agreement entered into between the municipality and any organisation or body which receives a Grant-in-Aid in terms of this Policy and **Appendix A**.

“**Non-governmental organisation (NGO)**” means a non-governmental organisation (NGO) that is a legally constituted non-profit organisation that operates independently from any form of government.

“**Non-profit company (NPC)**” means a company whose Memorandum of Incorporation must set out at least one object of the company and each such object must be either a public benefit object or object relating to one or more cultural or social activities, or communal or group interests as required by Item 1(1) of Schedule 1 of the Companies Act, 71 of 2008.

“**Non-profit organisation (NPO)**” means a non-profit organisation registered in terms of Section 13 of the NPO Act, 71 of 1997, established for public purpose and which income and

property thereof is not distributable to its members or office-bearers, except as reasonable compensation for services rendered.

“Stellenbosch Environmental Management Framework (SEMF)” means legal and moral obligations of Stellenbosch Municipality as it relates to the environment, and provides a dynamic vision, goals and objectives, and spatial and strategic directives towards giving effect to such obligations.

2. PURPOSE, AIMS AND OBJECTIVES

- 2.1. This policy aims to provide a framework for Grant-in-Aid to non-governmental organisations (NGOs), community-based organisations (CBOs), non-profit organisations (NPOs) or non-profit companies (NPC) and bodies that are used by government as an agency to serve the poor, marginalised or otherwise vulnerable as envisaged by Sections 12, 17 and 67 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).
- 2.2. The purpose of the Grant-in-Aid Policy is to complement the goals, objectives, programmes and actions of the Stellenbosch Municipality’s Integrated Development Plan (IDP), in order to create a sustainable, credible and caring municipality by empowering and building communities and enhancing growth and sharing through partnerships. Priority ward needs as identified through Council’s IDP MUST be the guiding factor in developing these partnerships.
- 2.3. Grant-in-Aid should not duplicate services already provided for by Council or which falls within the geographical jurisdiction in which Council operates, being WC024.
- 2.4. Grant-in-Aid should improve the opportunity for Council to elicit the support of external organisations to deliver those services to communities which fall within the Council’s area of responsibility in a way that allows the Stellenbosch community and town to create an enabling environment for community development.

3. LEGAL FRAMEWORK

All transfers of funds in terms of this policy shall comply with the: Constitution of the Republic of South Africa, 1996 as amended (Constitution); Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) as amended (MSA); Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA); and any other applicable legislation, regulations and policies that may govern the transfer of municipal funds and that are not in contradiction to the above.

4. RESTRICTIONS

- 4.1. The Policy applies to all transfers of grants made by the Municipality towards support of services for the poor, marginalized or otherwise vulnerable people. Individuals may not apply for Grant-in-Aid and no payment may be made under this policy to individuals. Council may however set aside a specific amount from

which the Municipal Manager, after consultation with the Executive Mayor, may, at his/her discretion, make donations to support individual, meritorious cases in order to assist and/or recognise individual excellence in whichever field. Bursaries to individuals are treated according to the Council's Bursary Policy.

- 4.2. The total expenditure on grants may not exceed 1% of the operational budget of the Municipality.
- 4.3. Grants will only be made for services rendered in the WCO24.
- 4.4. Transfers made to categories A and B
 - 4.4.1. Transfers provided for those listed in Category A below may be made to a maximum of R40 000-00 per organisation or body per annum.
 - 4.4.2. Transfers in Category B may exceed this amount where funding relates to night shelters or addresses specific ward priorities identified and specified in the IDP and upon proper motivation contained in a business plan to address said issue. Consideration for grants larger than R 40 000, 00 requires audited financial statements, schedule of estimated annual costs and a business plan as provided for in 6 below. The decision to grant an amount more than R 40 000,00 is solely at the discretion of council and subject to available funds.
- 4.5. Grant-in-Aid transfers/payments shall be restricted to deserving organisation and bodies serving, especially those working with the poor/aged/youth/disabled/women, as per the eligible categories in 6.2, provided that such organisations or bodies:
 - 4.5.1. Operate as a separate legal entity and are recognised as such by South African legislation;
 - 4.5.2. Are governed by their constitutions, have regular meetings with their membership and subscribe to sound accounting practices; and
 - 4.5.3. Are located and serve communities and individuals who are most in need within the jurisdiction of the Municipality.
- 4.6. No Grant-in-Aid may be made to any political body, rate payers association or for any religious purposes.
- 4.7. No grant will be allocated, under this policy, to organisations or bodies in cases where a member of Council, an official of Stellenbosch Municipality or close relatives of said individuals receive any financial or other gain.
- 4.8. Funds may only be transferred to an organisation or body if provision has been made for the expenditure on the budget or appropriations budget.
- 4.9. An organisation or body is only entitled to one allocation per financial year, but disbursements can be made more often.

5. PUBLIC ADVERTISEMENT

- 5.1. The advertisements must meet the following requirements:
 - 5.1.1. The Municipal Manager must, place a public advert in local newspapers distributed in the Stellenbosch Municipal area, calling for proposals.
 - 5.1.2. This advert must be placed in time to complete all relevant processes prior to the approval of the annual draft budget or any adjustment budget in order to invite public comment on the proposed donations prior to the approval of the final or adjustment budget.
 - 5.1.3. Advertisements should clearly specify the categories for which proposals are called, the closing date for applications, who the proposal should be addressed to, and where and how to obtain the relevant documentation pertaining to such applications/proposals, including the prescribed forms.
 - 5.1.4. Advertisements should also clearly reflect the Municipality's right not to make an award, as well as the fact that awards will not be made to organisations that have received funds in the previous year but have not submitted a final report on the projects or previous expenditure.
 - 5.1.5. The advertisement should also clearly state that final approval is reliant on the approval of the budget and that **no late submissions will be considered.**
- 5.2. Only applications made on the prescribed form, being **Appendix A**, may be considered.
- 5.3. Funds may not be transferred to any organisation or body that has not submitted a proposal in response to a public advertisement and after the attendance of a compulsory briefing session and that have not signed a Memorandum of Agreement with the Municipality.

6. GENERAL GUIDELINES AND CATEGORIES

6.1. General Guidelines

Funding of applications shall proceed on the basis listed below in response to an advertisement issued after the expiry of the relevant period associated with the specific category and after a compulsory workshop explaining the policy, application process and the required documentation has been attended by the applicants. Subject to the MOA provided for in clause 10, all funding is unrequited, provided there is compliance with said MOA. Funding of application in –

- 6.1.1. Category A will be considered on an annual basis ; and

- 6.1.2. Category B shall be considered on a three year basis subject to a monthly review at the discretion of the Municipality which may result in early termination for unsatisfactory and reckless expenditure.
- 6.1.3. Council in 6.1.1 and 6.1.2 reserve the right not to fund an organisation for two periods in succession and to cancel said funding in accordance with the MOA concluded.
- 6.1.4. Funding however will not be considered in the following instances:
 - (i) Where a project or organisation is already receiving funds from Council in terms of Council's functions. Applicants are required to disclose other sources of funding;
 - (ii) Where in Council's opinion, an organisation receives sufficient funds from other sources to sustain its activities or the project applied for. For this purpose, organisations must submit financial statements and a budget for the ensuing financial year;
 - (iii) Where only an individual will benefit;
 - (iv) For political or ratepayers organisations/groupings;
 - (v) Projects outside the boundaries of the Municipality;
 - (vi) Where expenses have already been incurred, and
 - (vii) Where applications were received after the due date and time for submissions.
- 6.1.5. Funding of projects and to organisations shall exclude travel costs, subsistence, accommodation, food or entertainment expenses of any kind, staff salaries, bursaries, payments in lieu of rates or other municipal charges except for where the transport and nutrition is intended for beneficiaries/participants in the projects in question. The Municipality may also exercise their discretion to allow funding to extend to the above costs on a needs basis for the organisation or body clearly motivated for in the application.
- 6.1.6. Subsequent requests from applicants to cover overspending on projects will not be considered.

6.2. Categories Eligible for Grant-in-Aid

The following categories currently apply. Cognisance should be taken that these categories are not exhaustive. Other than the general guidelines and conditions set out above, categories now indicated may require specific criteria applicable to its projects/programmes:

Category A

6.2.1. Health

Projects/programmes include the following but are not limited to:

- (i) Public Health interventions inclusive of TB, STDs and HIV/Aids;
- (ii) Preventable lifestyle diseases e.g. drug/alcohol abuse, tobacco related illnesses; and

- (iii) Promotive and preventative services to infants, children and women.

6.2.2. Environment

Purpose: To stimulate the development of sustainable leisure, aesthetic and environmental projects within the municipal area; to increase the awareness of the environment by promoting “Greening of the City”; to promote swimming skills and water safety.

Projects/programmes include the following but are not limited to:

- (i) Voluntary rescue organisations;
- (ii) Lifesaving clubs and swimming organisations;
- (iii) Environmental groups/organisations; and
- (iv) Organisations promoting community involvement as a means of sustaining leisure, aesthetic or environmental projects.
- (v) Projects which further the Council’s aims and the strategies of SEMF (Strategic Environmental Management Framework) and including but not limited to the sustainable management of:
 - o Riverine corridors;
 - o Biodiversity;
 - o Natural and built environment;
 - o Heritage resources;
 - o Quality urban spaces;
 - o Ecological conservation areas;
 - o Urban agricultural complexes;
 - o Bioregional planning;
 - o Nature area management;
 - o Wetlands;
 - o Local Agenda 21 projects

6.2.3. Solid Waste (Cleansing)

Purpose: Waste Reduction and awareness.

Projects/programmes include the following but are not limited to:

- (i) Waste reduction and awareness;
- (ii) Educational programmes/projects addressing litter and waste handling; and
- (iii) Waste minimisation solutions.

6.2.4. Social Development

Purpose: The promotion of projects/programmes which stimulates the Stellenbosch Municipality’s Integrated Development Plan (IDP) focusing especially on the needs of the most marginalised sectors in the greater Stellenbosch as identified in the ward priorities.

Projects/programmes include the following but are not limited to:

- (i) Poverty alleviation;
- (ii) Urban renewal;
- (iii) Capacity building of communities;

- (iv) Youth development;
- (v) Women and gender development;
- (vi) Early childhood development;
- (vii) Street people programmes;
- (viii) Arts and culture programmes
- (ix) Facilitation of public participation processes; arts and culture programmes
- (x) Development of disabled persons, and
- (xi) Development of elderly people

6.2.5. Sports and Recreation

Purpose: To stimulate the development of sustainable Sport and Recreation infrastructure and programmes within the municipal area especially targeting disadvantaged communities; encourage creativity and self-reliance on the part of grassroots sport and recreation bodies or groups; to increase participation in sport and recreation programmes and activities.

Projects/programmes include the following but are not limited to:

- (i) Local sport and recreation clubs;
- (ii) School sport teams
- (iii) Local sport and recreation councils or associations
- (iv) Informal sport and recreation groups; and
- (v) Community and non-government organisations.

Category B

6.2.6. Night Shelters

Purpose: Provision of shelter for vulnerable individuals living on the street, without homes, in the need of shelter at night. Shelter is provided on a temporary basis and residency should not be provided for on a permanent basis. The Municipality aims to reduce the number of people living on the streets of Stellenbosch and as such the organisation or body's goals should align with this vision. Further the Municipality aims to reduce the socio-economic effects of poverty on the community of Stellenbosch. The organisation or body must therefore present to Council a clear business plan with a comprehensive response to the prevention, reduction, outreach and stabilisation of street people. Organisations or bodies that provide a continuum of services and that collaborate with businesses, government departments and other organisations are preferred. Street people programmes listed in Category A shall fall under this category if provision is made for overnight stay.

Projects/programmes must include the following but are not limited to:

- (i) Provision of basic services (overnight facility, shower, morning and evening meals
- (ii) Provision of social work services inclusive of referrals

- (iii) Family re-integration services
- (iv) Social support
- (v) Community work programme
- (vi) Facility maintenance (Infrastructure and operational equipment)

6.2.7. Projects aligned to the strategic objectives of the municipality as described in the IDP

Purpose: The promotion of projects/programmes which stimulates the Stellenbosch Municipality's Integrated Development Plan (IDP) focusing on the strategic objectives of the Municipality and identified ward priorities. The organisation must therefore present to Council not only a clear business plan detailing how they intend to address the specific issue but how they intend to partner with other organisations to achieve a unified approach to that particular challenge. Organisations or bodies that provide a continuum of services and that collaborate with businesses, government departments and other organisations are preferred.

Projects/programmes include the following strategic objectives but are not limited to:

Those listed in Category A that address specific ward priorities identified and specified in the IDP and upon proper motivation contained in a potential plan to address said issue.

- (i) Valley of Possibility
- (ii) Green and Sustainable Valley
- (iii) Dignified Living
- (iv) Safe Valley
- (v) Good Governance and Compliance

7. APPLICATION PROCEDURE

Applications and proposal for Grant-in-Aid must be on the prescribed form stated in 5.2 above, a copy of which is attached hereto as **Annexure A for Category A and B**. Applications must be accompanied by a covering letter on the letterhead of the organisation or body, signed by the head of the organisation or body and must include the following information. Should an applicant wish to submit a Category B application, but would want to be considered for a Category A application in the event that the Category B application is declined, this must be clearly stated in the covering letter and supporting documents **MUST** be submitted for both types of applications:

- 7.1. The applicant's legal name and a brief description of the applicant organisation's or body's business;
- 7.2. if the applicant claims to be a non-profit organisation, the registration number and the certificate;
- 7.3. the date of establishment, details of the applicant's member founding documents, including constitution and certificates of incorporation;

- 7.4. a contact name, full street address, telephone number and an e-mail address;
- 7.5. if funding is required for a specific project, a brief description of the project what it aims to achieve, as well as the detailed budget for and duration of the project;
- 7.6. a description on how the project aligns with the needs identified in the community through the IDP process and which ward priorities will be addressed through the project;
- 7.7. if the request is for general support, the organisation's or body's overall budget must be included;
- 7.8. references, independent of the applicant and its executive;
- 7.9. most recent audited financial statements (subject to MFMA, section 67(4)) statements; or at least statements signed off by the treasurer and chairperson of the organization in the case of small emerging organizations;
- 7.10. a summary of past achievements;
- 7.11. a declaration by the head of the organization to the satisfaction of the Municipal Manager, that the organisation or body implements effective, efficient and transparent financial management and internal control mechanisms to guard against fraud, theft and financial mismanagement and has in the past complied with requirements for similar transfers of funds; and
- 7.12. notwithstanding the above requirements, the CFO after considering the merits of an application not complying with the minimum application criteria and after consulting the Municipal Manager, may for the purpose of this policy approve a deviation from the norm;
- 7.13. Applications for Category B **must** include a schedule of annual costs for a three year period, business plan and audited financial statements.

8. OBLIGATIONS OF THE APPLICANT

- 8.1. The head of the organisation or body must acknowledge in writing to the Municipal Manager that the money was received in its bank account and that the amount is/will be utilised to the benefit and in accordance with the role of the organisation or body in society. The funds should be used as outlined in the application form.
- 8.2. The organisation or body shall regularly report, if and when required but at least once a year, to the Municipal Manager regarding the activities conducted, the ward within which activities are conducted, as well as the number of people benefiting from the activities.

- 8.3. If funding is required for a specific project, a brief description of the project and what it aims to achieve, as well as the detailed budget for and duration of the project.
- 8.4. The applicant must attend a compulsory workshop on the Grant-in-Aid policy and application procedure prior to submission of the application.
- 8.5. If successful with the application, the applicant must spend funds according to the approved Grant-in-Aid funding request. Should the need change over the funding period, written consent needs to be obtained from the municipality prior to spending the funds on alternative needs. Failure to spend funding on approved projects can result in the applicant being required to return the funding and/or the applicant being excluded from future applications for a period of 5 years.

9. RIGHTS OF THE MUNICIPALITY

- 9.1. The Municipality shall be entitled, from time-to-time, to verify and inspect the existence and activities of the organisation or body. The municipality will therefore have the right to physically visit the premises where the organisation, or the funded project, is based; to peruse the budgets and any progress reports related to the project (in contract).
- 9.2. The Municipality shall manage contracts entered into with organisations or bodies by receiving reports and doing the necessary site visits and inspections to ensure that this policy and contract are being complied with.
- 9.3. The Municipality has the right not to give a Grant-in-Aid to any or all organisations applying for grants. Having been awarded a grant previously does not give an applicant the right to receive a grant again.
- 9.4. The Municipality will run proposed donations through a public participation process before final awards are made.

10. AGREEMENT

Before any funds are transferred to an organisation an agreement (**Annexure B**) must be concluded by the Municipal Manager with the beneficiary to protect the interest of the Municipality.

11. DEVIATION

This policy constitutes the entire framework for Grant-in-Aid and no deviation will be entertained.

12. COMMENCEMENT

This Policy takes effect on the date on which it is adopted by the Council of Stellenbosch Municipality.



APPLICATION FOR GRANT-IN-AID: 2021/22

NOTE: ATTENDANCE OF THE GRANT-IN-AID WORKSHOP IS COMPULSORY

PLEASE COMPLETE THE FOLLOWING			
A	REGISTERED NAME OF ORGANISATION		
B	DATE AND YEAR IN WHICH THE ORGANISATION WAS FOUNDED: (include a brief description of the business or activities of the organization)		
C	ADDRESS OF REGISTERED ORGANISATION		
	PHYSICAL ADDRESS	POSTAL ADDRESS	
	CODE:		CODE:
D	CONTACT DETAILS (Details of the person to contact regarding this GIA application)		
	NAME & SURNAME:		
	POSITION:		
	TEL: ()	FAX: ()	
	MOBILE:	ALTERNATIVE:	
	EMAIL ADDRESS:		

E REGISTRATION:				
	Is the organization a NP/NG Organisation?	YES		NO
	If YES, please provide the Registration Number: (Attach a copy of the registration certificate or proof of other affiliation where applicable)			
F BOARD/COMMITTEE MEMBERS OF THE ORGANISATION: (List ALL Board/Committee Members of the Organisation) Insert a separate page if the space is not enough).				
1	NAME & SURNAME:			
	POSITION:			
	ADDRESS:			
	CONTACT NUMBER:			
2	NAME & SURNAME:			
	POSITION:			
	ADDRESS:			
	CONTACT NUMBER:			
3	NAME & SURNAME:			
	POSITION:			
	ADDRESS:			
	CONTACT NUMBER:			
4	NAME & SURNAME:			
	POSITION:			
	ADDRESS:			
	CONTACT NUMBER:			

5	NAME & SURNAME:	
	POSITION:	
	ADDRESS:	
	CONTACT NUMBER:	
6	NAME & SURNAME:	
	POSITION:	
	ADDRESS:	
	CONTACT NUMBER:	
7	NAME & SURNAME:	
	POSITION:	
	ADDRESS:	
	CONTACT NUMBER:	
8	NAME & SURNAME:	
	POSITION:	
	ADDRESS:	
	CONTACT NUMBER:	
9	NAME & SURNAME:	
	POSITION:	
	ADDRESS:	
	CONTACT NUMBER:	

10	NAME & SURNAME:				
	POSITION:				
	ADDRESS:				
	CONTACT NUMBER:				
G PREVIOUS FUNDING:					
Have you successfully applied and received Stellenbosch Municipal Grant-In-Aid funding previously?					
If yes for which financial year?					
What amount was received?					
Did you submit Financial Reports for the funds received?					
Do you receive any other sources of funding? (If YES please provide details)					
H CATEGORY A:					
For more information refer to the Grant-In-Aid Policy for general guidelines and categories (Please categorize your application by marking the appropriate category with X)					
HEALTH					
ENVIRONMENT					
SOLID WASTE					
SOCIAL DEVELOPMENT					
SPORTS & RECREATION					
CATEGORY B:					
For more information refer to the Grant-In-Aid Policy for general guidelines and categories (Please categorize your application by marking the appropriate category with X)					
NIGHT SHELTER					
OTHER (Please specify)					
I REQUEST FOR FUNDING:					
Is funding required for the ensuing year?		YES		NO	
Is funding required for a specific project? (If YES attach details separately)		YES		NO	
Is funding required for general support? (If YES, attach a copy of the Organisation's Overall Budget)		YES		NO	
Budgeted amount requested					
Duration of project?					

If Category B Application							
Total amount requested for 3 year period							
Annual amounts requested:	Year 1		Year 2		Year 3		
J SERVICE FOCUS							
Ward number/s in which services are delivered:							
Which Ward Priority/ies are addressed through the service: (Please provide details below)							
Which Municipal Strategic Goal/s is linked to the services: (Please mark with a X)							
Valley of Possibility							
Safe Valley							
Dignified Living							
Good Governance and Compliance							
Green and Sustainable Valley							
K THE FOLLOWING MUST BE ATTACHED TO THIS APPLICATION: (Category A and B applications) (Please use this form as a check-list, to ensure that you comply to the specified requirements)							
1	AUDITED FINANCIAL STATEMENTS (A copy of the latest audited financial statements. Should the organization be classified as an emerging organization, the financial statements MUST be dated and signed by the Treasurer and Chairperson and MUST include a monthly income and expense statement for the months that the organization has been in existence or for the last 12 months)						
2	ORGANISATIONAL CONSTITUTION (A signed and dated copy of the Organisation's Constitution, as well as a signed copy of the Minutes of the AGM/Special Meeting , to verify the acceptance of the Constitution.)						
3	PROJECT PROGRAMME/BUSINESS PLAN (A copy of the project/program description and/or a business plan for the ensuing financial year. Please ensure that the following is included in the project/program and or business plan, by using the below mentioned bullet points as a guide).						
	❖ Full details of the proposal/project/business plan including objectives;						
	❖ The number of people who will benefit and how the project/program will contribute or enhance the strategic objectives of Stellenbosch Municipality;						
	❖ The project/program commencement and completion dates;						
	❖ Information on the total costs of the project/program budget;						
	❖ A breakdown of costs and an outline of any contributions by fundraising and / or own contributions;						
	❖ A list of all other sources of funding together with the assessments;						
	❖ A summary of past achievements;						
❖ Reference independent of the applicant and its executive/board or committee members.							
4	SIGNED AND STAMPED CREDITOR CONTROL FORM (An original signed copy of a correctly completed Creditors Control form of the Stellenbosch Municipality)						
5	ACCOUNT ON EXPENDITURE FOR PRECEDING FUNDING (If you have received funding from Stellenbosch Municipality in the preceding financial year, expenditure of the funds received needs to be accounted for with this new application). Please refer to Section M for the format.						
6	PROOF OF REGISTRATION/AFFILIATION (Attach a copy of the organisation's Registration Certificate of Affiliation)						

L REQUIREMENTS CATEGORY B APPLICATIONS (Please note that Category B applications MUST adhere to the following requirements and those listed under section K, except where indicated otherwise.)	
1	AUDITED FINANCIAL STATEMENTS A copy of the latest audited financial statements must be included in the application. Category B applications MUST submit their latest audited financial statements. Statements signed off by the treasurer, chairperson or other delegated party will not be accepted.
2	THREE YEAR BUSINESS PLAN See the requirements for the business plan as listed under section K as guideline. NOTE: Category B applications MUST provide a clear proposal for a period of three years. Each year must be indicated separately and be costed per annum indicating all expenditure against the projected measurable outcomes. Outcomes must be listed to how they will be reported on and measured on a monthly basis.
M FORMAT FOR FEEDBACK REPORT (Please ensure that your feedback of previous funding received, includes the following)	
1	Narrative report on the project including numbers reached, outcomes reached, evaluation of the project indicating successes and failures/lessons learned.
2	Pictures of the project/program.
3	Financial report on expenditure regarding previous donation separate from the annual financial statements. (Attach proof of expenditure).
N THE FOLLOWING SHALL APPLY:	
1	The allocation of Grant-In-Aid will only be considered if the application document has been fully completed and signed and is accompanied by the required and supporting documentation referred to therein.
2	An applicant who has been registered as a non-profit organization in terms of Section 13 of the Non-Profit Organisation Act, 1997, and the necessary proof thereof is submitted together with this application.
3	Applicants must in their submission clearly indicate/specify and motivate what the funds will be utilized for.
4	The Grant-In-Aid must be exclusively utilized for the purpose defined and the successful applicant must submit the necessary undertaking to this effect.
5	Applicants must in their submission satisfy the Council of their ability to execute the project successfully.
6	Organisations who have already received financial or other assistance from the Council during the previous financial year MUST specify same in their application.
7	No funding will be considered for political groupings, churches or ratepayers organisations.
8	No funding will be considered where only an individual will benefit or where a member of Council or an official of Stellenbosch Municipality will receive any financial or other gain.
9	Projects outside the boundaries of the Council will not be considered.
10	Expenditure that will not be funded includes: travel costs (unless it is for the transport of beneficiaries), subsistence, accommodation, food (unless intended for the beneficiaries) or entertainment expenses of any kind, staff salaries including bonuses, bursaries and payments in lieu of rates or other municipal charges.
11	Subsequent requests from the applicants to cover overspending on projects will not be considered.
12	Successful applicants must at all times comply with the provisions of Section 67(1) of the Municipal Finance management Act no. 56 of 2003 which inter alia stipulates that the organization or body has to:-
	❖ Enter into and comply with a Memorandum of Agreement with the Municipality as well as with all reporting financial management and auditing requirements as may be contained in such an agreement. This memorandum of agreement will bind the successful applicant to deliver on what the application speaks to, but also to commit to become involved with municipal programs of the community where it functions. The Memorandum of Agreement will be made available to successful applicants for completion.
	❖ Report monthly on the actual expenditure of the amount allocated to it. Should monthly allocations be made.
13	The Council reserves the right not to give a Grant-In-Aid to any organization applying for grants. Having been awarded a grant previously does not give an applicant the right to receive a grant again.
14	Funding will not be considered where a project or organization is already receiving funds from Council in terms of Council's functions. Applicants are required to disclose other sources of funding, failing which such applicant will be disqualified.
15	Funding will not be considered where in Council's opinion, an organization received sufficient funds from other sources to sustain its activities or the project applied for. For this purpose, organisations must submit financial statements and budget for the ensuing financial year.
16	Organisations having received funding from Stellenbosch Municipality during the previous financial year, are required to attach to any new application, a copy of the financial statements relating to the year in which the funding was received from Council, as required in terms of Section 17 of the Non-profit Organisation Act, 1997 and Section 67(1) of the Municipal Finance Management Act, 2003 (MFMA).
17	Funding will not be considered where expenses have already been incurred on a project by the applicant. (The Council's Grant-In-Aid Policy must be consulted for the sake of completeness).

O DECLARATION OF INTEREST:

The beneficiary declares that the following municipal employees and/or councillors have a vested interest in the business of the beneficiary. However, they do not benefit directly from this donation and were not part of the decision making process in the allocation of the donations:

Name & Surname:

Designation:

Name & Surname:

Designation:

P UNDERTAKING:

I/We hereby verify that the information provided in this application is true and correct and that the conditions applicable to the allocation of a Grant-in-Aid as set out above and in the GIA Policy have been read and is understood and will be complied with.

I/We also declare that the organization implements effective, efficient and transparent financial management and internal control mechanisms to guard against fraud, theft and financial mismanagement and has in the past complied with requirements for similar transfer(s) of funds.

Thus completed and signed at Stellenbosch on this day of _____
20 .

Chairperson/Authorised Representative

Secretary/Duly Authorised Signatory

Q PLEASE TAKE NOTE:

(Completed application forms, together with all the required supporting documentation must be posted to):

The Director: Planning & Economic Development
P O Box 17
Stellenbosch
7599

Or hand delivered to:

The Manager: Community Development
58 Andringa Street
Stellenbosch
7600

The submission of applications closes at 13H00 on the closing date as per the advertisement.

PLEASE NOTE: Neither LATE nor INCOMPLETE applications shall be considered.



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MEMORANDUM OF AGREEMENT

Entered into and between

STELLENBOSCH MUNICIPALITY

(hereafter called the "**MUNICIPALITY**")

Herein represented by **Geraldine Mettler**, in her capacity as **Municipal Manager**, being duly authorised

and

(hereafter called the "**BENEFICIARY**")

Herein represented by _____ in his/her capacity as _____, being duly authorised.

WHEREAS Section 67(1) of the Local Government: Municipal Finance Management Act, Act 56 of 2003 (MFMA) oblige the Accounting Officer of a **MUNICIPALITY** to satisfy himself that, before transferring funds of the **MUNICIPALITY** to an organisation or body outside any sphere of government otherwise than in compliance with a commercial or other business transaction, that such organisation or body:-

- (a) has the capacity and has agreed-
 - (i) to comply with any agreement with the **MUNICIPALITY**;
 - (ii) for the period of the agreement to comply with all reporting, financial management and auditing requirements as may be stipulated in the agreement;
 - (iii) to report at least monthly to the Accounting Officer on actual expenditure against such transfer (should transfers be done on a monthly basis); and

- (b) implements effective, efficient and transparent financial management and internal control systems to guard against fraud, theft and financial mismanagement; and
- (c) has in respect of previous similar transfers complied with all the requirements as set out above; and
- (d) give permission to site visits done by the **MUNICIPALITY**.

WHEREAS the **MUNICIPALITY** has approved a Grants-in-Aid Policy, in terms whereof applications are considered;

WHEREAS the **BENEFICIARY** has applied for a grant-in-aid as per the official grant-in-aid application form; and

WHEREAS the **MUNICIPALITY** has approved such application, subject to certain conditions;

NOW THEREFORE THE PARTIES AGREE AS FOLLOWS:

1. TRANSFER OF FUNDS

1.1 The **MUNICIPALITY** hereby undertakes to transfer an all-inclusive amount of

R..... (.....), being a donation for the period **01 July 20...** to **30 June 20...** to the **BENEFICIARY**.

1.2 Bank Account details: (The following are confirmed through a correctly completed Creditors Control Form.)

Account number	:	_____
Name of financial institution	:	_____
Name of account holder	:	_____
Branch code	:	_____
Type of account	:	_____

1.3 The all-inclusive amount will be transferred in equal amounts on the following dates (if applicable):

2. OBLIGATIONS OF BENEFICIARY

- 2.1 The **BENEFICIARY** must acknowledge in writing to the Municipal Manager that the amount(s) was(were) received in its bank account.
- 2.2 The **BENEFICIARY** hereby certifies that the money will be utilised in accordance with the role of the organisation or society, to the benefit of the community and in accordance with the project(s) / programme(s) as indicated in the application form.
- 2.3 The **BENEFICIARY** undertakes to regularly report on a monthly basis to the Municipal Manager regarding the activities conducted, actual expenditure against such transferred funds, as well as the number of people benefiting from the activities should monthly payments be made. If not, an annual report on the expenditure will be provided.
- 2.4 The **BENEFICIARY** further undertakes to submit an audited financial statement for its financial year to the Municipal Manager by not later than **30 April 20...**

3. SPECIFIC CONDITIONS

3.1 The parties specifically agree on the following:

That the organization will commit to active involvement in any programme run by the municipality in the area of operation of the organization when such a programme is active in the community.

Other conditions:

4. DECLARATION OF INTEREST

The beneficiary declares that the following municipal employees and/or councillors have a vested interest in the business of the beneficiary. However, they do not benefit directly from this donation and were not part of the decision making process in the allocation of the donations: (Name and designation)

5. ACQUISITION OF ASSETS

- 5.1 Should the **BENEFICIARY** wish to acquire any moveable or immovable assets with the money donated in terms of this Agreement, the **BENEFICIARY** hereby undertakes to:-
- 5.1.1 adhere to the principles as per the **MUNICIPALITY'S** Supply Chain Management Policy, and
- 5.1.2 take all reasonable steps to ensure that such assets are maintained and that a system of internal control of such assets is in place.

6. RIGHTS OF THE MUNICIPALITY

- 6.1 The **MUNICIPALITY** shall be entitled, from time to time, to verify the existence and to inspect the activities of the **BENEFICIARY**, having regards for its right to privacy as entrenched in terms of the Constitution of the Republic of South Africa..
- 6.2 The **MUNICIPALITY** shall further be entitled to peruse the budgets and any progress reports related to the project / programme as per this Agreement.

7. FAILURE TO COMPLY

- 7.1 Failure by the **BENEFICIARY** to comply with the obligations as set out in Clause 2 of this Agreement, may lead to the cancellation of this Agreement, in which case the **MUNICIPALITY** may demand that the organisation pays back any unspent funds as per this Agreement. The **MUNICIPALITY** may even, depending on the circumstances leading to the non-compliance by the **BENEFICIARY**, demand that the organisation pays back the full amount paid to the **BENEFICIARY**.

8. INDEMNIFICATION

- 8.1 The **BENEFICIARY** hereby acknowledges that it receives the grant voluntarily and that it shall keep the **MUNICIPALITY** indemnified at all times against any loss, cost, damage, injury or liability suffered by the **MUNICIPALITY** resulting from any action, proceeding or claim made by any person (including themselves) against the **MUNICIPALITY** caused directly or indirectly by the use/spending of the grant.

9. DISPUTE RESOLUTION

9.1 Any dispute arising from this Agreement shall be mediated between the Parties by a mutually agreed upon and suitably skilled mediator. Should the mediator be unsuccessful and the Parties fail to reach agreement, the dispute may be referred by the aggrieved Party to the arbitration of a single arbitrator, to be agreed upon between the Parties, or failing agreement, to be nominated on the application of any Party, by the President for the time being of the South African Association of Arbitrators. The decision of the single arbitrator shall be final and binding on the Parties.

10. NOTICES AND DOMICILIA

10.1 The parties choose as their *domicilia citandi et executandi* their respective addresses as set out in this clause for all purposes arising out of or in connection with the agreement at which addresses all processes and notices arising out of or in connection with this Agreement, its breach or termination, may validly be served upon or delivered to the Parties.

10.2 For purposes of this Agreement the Parties' respective addresses shall be:

10.2.1 The MUNICIPALITY:

Town House
Plein Street
Stellenbosch
7600
Fax: 021 – 808 8025

10.2.2 The BENEFICIARY:

email address: _____

or at such other address of which the Party concerned may notify the other(s) in writing provided that no street address mentioned in this sub-clause shall be changed to a post office box or poste restante.

10.3 Any notice given in terms of this Agreement shall be in writing and shall-

10.3.1 if delivered by hand be deemed to have been duly received by the addressee on the date of delivery;

10.3.2 if posted by prepaid registered post be deemed to have been received by the addressee on the 8th (eighth) day following the date of such posting;

10.3.3 if transmitted by facsimile be deemed to have been received by the addressee on the day following the date of dispatch;

10.4 Notwithstanding anything to the contrary contained or implied in this Agreement, a written notice or communication actually received by one of the Parties from another, including by way of facsimile transmission, shall be adequate written notice or communication to such party.

11. ENTIRE AGREEMENT

This Agreement, including the **Grant-in-Aid policy and application form**, reflects the entire Agreement between the Parties and no variation, amendment or addendum shall be of any force and effect between the Parties unless contained in writing, signed and agreed on by both Parties.

Signed at Stellenbosch on this _____ day of _____ 20....

.....
for the **MUNICIPALITY**

WITNESS: 1.

2.

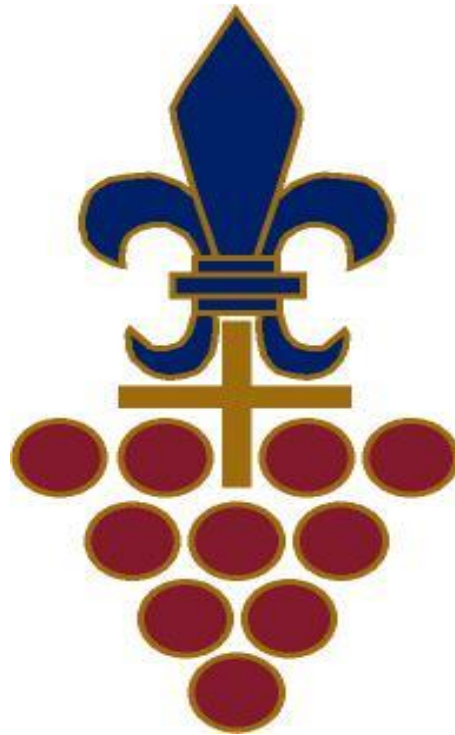
Signed at Stellenbosch on this _____ day of _____ 20....

2.
.....
.....
.....

WITNESS: 1.

..... for the
BENEFICIARY

STELLENBOSCH MUNICIPALITY



VIREMENT POLICY

2020/2021



STELLENBOSCH MUNICIPALITY

VIREMENT POLICY

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1. Preamble

Cognisance taken of the need that may arise to transfer within approved votes due to the change in circumstances and priorities.

2. Definitions

"Approved budget," means an annual budget-

- a) approved by a municipal council, or
- b) includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA;

"Budget transfer" means transfer of funding within a vote subject to limitations.

"Capital budget" means a financial plan catering for large and long-term sums for investment in property, plant and machinery, over a period greater than the period considered under an operating budget.

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

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

"Financial year" means a twelve months period commencing on 1 July and ending on 30 June each year

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

"Municipality"-

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

"Official", means-

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

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

"Operating budget" An operating budget is the annual budget of an activity stated in terms of Budget Classification Code, functional/sub-functional categories and cost accounts. It contains estimates of the total value of resources required for the performance of the operations in terms of revenue and expenditure including reimbursable work or services for others;

"Overspending"-

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

"Virement" refer to the definition of budget transfer

"Vote" means-

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

3. Legislative Framework

Paragraph 4.6 of Circular 51 of the MFMA states that:

“The MFMA and the Municipal Budget and Reporting Regulations seek to move municipalities away from the traditional approach of appropriating/approving budgets by line item. The aim is to give the heads of municipal departments and programmes greater flexibility in managing their budgets. To further facilitate this, each municipality must put in place a council approved virements policy, which should provide clear guidance to managers of when they may shift funds between items, projects, programmes and votes.”

4. Objective of Policy

This policy shall give effect to the requirements and stipulations of the Municipal Finance Management Act and Municipal Budget and Reporting Framework in terms of the Approved budget.

The policy sets out the virement principles and processes which Stellenbosch Municipality will follow during a financial year.

These virements will represent a flexible mechanism to effect budgetary amendments within a municipal financial year.

The policy shall apply to all staff and councillors of the Stellenbosch Municipality that are involved in budget implementation.

5. Virement Clarification

Virement is the process of transferring budgeted funds from one line item number to another, with the recommendation of the relevant Director to the CFO or delegated finance official, to enable the Budget Office to effect the adjustments.

6. Virement Procedure

- a) All virement proposals must be completed on the appropriate documentation and forwarded to the relevant Finance Officer for checking and implementation. (See annexure 1 and 2)

- b) All virements must be signed and supported by the relevant Director of the directorate within which the vote is allocated. (Section 79 MFMA)
- c) Projected cash flows in the SDBIP should be attached to all virement request and be adjusted in line with the virement.
- d) Relevant corroborating documentation must be attached on the virement form to support the transfer.
- e) All documentation must be in order and approved before any expenditure can be committed and incurred.
- f) All virementations must be motivated and need to be approved by the CFO or a delegated official after the Director of the department has recommended said transfer. The latter requires that such application reaches the office of the CFO prior to incurring expenditure.
- g) The turnaround time for processing of virementations are 72 hours, only if the virement request meets all the necessary requirements.
- h) No virementations will be considered if it equates to facilitating fiscal dumping
- i) No virements after the closing of orders as stipulated in the financial protocol and/or formally communicated in line with the financial year-end preparation will be considered unless in an absolute emergency that could reasonably not have been foreseen.

7. Virement Restrictions

- a) Virements are not permitted in relation to the revenue side of the budget.
- b) No virements of funds across votes (directorates) will be accommodated during the year; unless within the adjustments budget.
- c) Virements from the capital budget to the operating budget are not permitted.
- d) Virements will not result in adding 'new' projects to the Capital Budget.

- e) Virements of conditional grant funds to purposes outside of that specified in the relevant conditional grant framework will not be permitted.
- f) The budget savings from the following line items (necessary adjustments) may only be considered and transferred by the CFO:
 - (i) Employee Related Cost
 - (ii) Remuneration of councillors
 - (iii) Depreciation and asset impairment
 - (iv) Finance Charges (Interest on Loan)
 - (v) Municipal Services Consumption (Water, Electricity, Refuse and Sewerage)
 - (vi) Bulk Purchases (Water and Electricity)
 - (vii) Transfers and subsidies paid
- g) An approved virement does not give expenditure authority outside of what is allowed by Council's Supply Chain Management Policy.

8. General Principle

Virements will only be approved if they facilitate and promote sound risk and financial management.

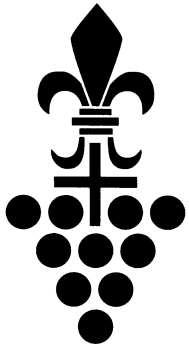
9. Accountability

Accountability to ensure that the virement application forms are completed in accordance with Council's virement policy and are not in conflict with the directorate's strategic objectives manifests with the head of the relevant directorate.

10. Annexures

Annexure 1: Virement Form (Capital and Operating)

Annexure 2: Supporting document to Ward Allocation virement request.



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TYPE	
CAPITAL	
OPERATING	

BUDGET VIREMENTATION FORM

TO: FINANCIAL SERVICES

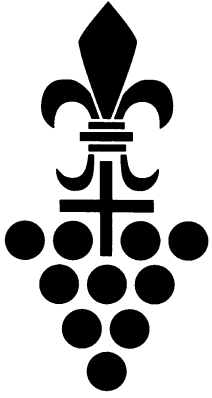
FROM:

DATE:

The following transfers are requested, as per motivation provided.

From Unique Key :	Amount
Unique Key Description:	
To Unique Key :	Amount
Unique Key Description:	

- 1. Why are additional funds requested ?**
- 2. Is it part of the legislative mandate of the municipality?**
Yes/ No
- 3. Which measures will be implemented to ensure expenditure are managed within the approved budget?**
- 4. Where funds would be transferred from?**
- 5. Reasons why funds are not needed from the transferring Unique Key?**



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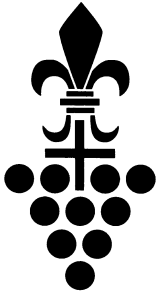
Requested by

Name :

Designation :

Telephone Number :

Supported:



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FOR OFFICAL USE

BUDGET OFFICE

FUNDS AVAILABLE ON UNIQUE KEY : YES NO

CASHFLOW ATTACHED : YES NO

SUPPORTING DOCUMENTS : YES NO N/A

VERIFIED BY : NAME: _____

SIGNATURE: _____

DATE: _____

COMMENTS: _____

APPROVAL

APPROVED BY CHIEF FINANCIAL OFFICER/ : _____
DELEGATED OFFICIAL

DATE : _____

COMMENTS: _____

PROCESSED BY : NAME: _____

SIGNATURE: _____

DATE: _____



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WARD ALLOCATIONS

Supporting document to Virement Request

Ward:

Amount:

Fin Year:

Transferring Ukey:

Job number:

Project Description:

Receiving Ukey:

Job number:

Project Description:

Approved: Project Manager (Transferring)

Name:

Signature:

Approved by the Ward Councillor:

Name:

Signature:

Approved: Project Manager (Receiving)

Name:

Signature:

Approval by the CFO/Manager: Budget Office

Name:

Signature:

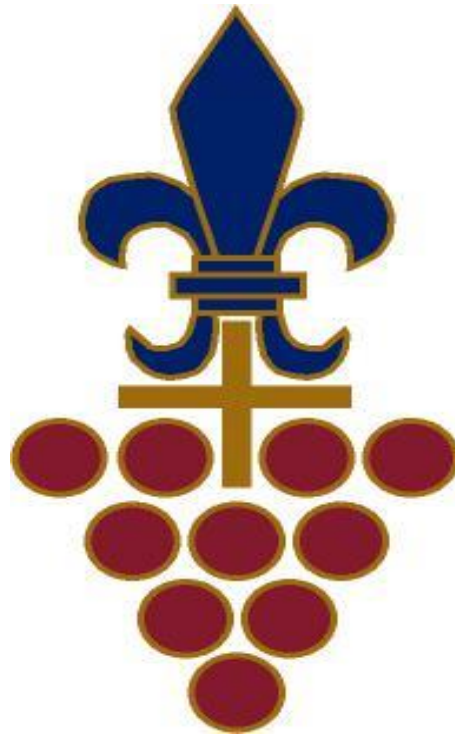
Budget Office Use only

Processed by:

Signature:

Date:

STELLENBOSCH MUNICIPALITY



**ASSET MANAGEMENT
POLICY**

2020/2021



STELLENBOSCH MUNICIPALITY

ASSET MANAGEMENT POLICY

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1. PREAMBLE

- Section 63 of the Municipal Finance Management Act Number 56 of 2003 governs Asset and Liability Management and states the following:

Asset and liability management

63. (1) The accounting officer of a municipality is responsible for the management 10
of—

- (a) the assets of the municipality, including the safeguarding and the maintenance of those assets; and
- (b) the liabilities of the municipality.

(2) The accounting officer must for the purposes of subsection (1) take all reasonable 15
steps to ensure—

- (a) that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality;
- (b) that the municipality's assets and liabilities are valued in accordance with 20
standards of generally recognised accounting practice; and
- (c) that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed.

The Municipal Finance Management Act Number 56 of 2003 will be the legislative framework for the Asset Management Policy whilst Generally Recognised Accounting Practice (GRAP) will be the accounting framework.

- The Municipal Council of Stellenbosch is in terms of the MFMA and GRAP obliged to adopt an Asset Management Policy to regulate the effective management of all council's assets.
- **And whereas** the municipal manager as accounting officer of municipal funds, assets and liabilities is responsible for the effective implementation of the asset management policy which regulates the acquisition, safeguarding, maintenance of all assets and disposal of assets where the assets are no longer used to provide a minimum level of basic service as regulated in terms of section 14 of the MFMA.
- **And whereas** these assets must be protected over their useful life and may be used in the production or supply of goods and services or for administrative purposes in meeting the municipality's operational requirements.
- **Now therefore** the municipal council of the Stellenbosch Municipality adopts this asset management policy:

2. DEFINITIONS

In this Policy, unless the context indicates otherwise

An **asset** means a resource

- a) controlled by Stellenbosch Municipality
- b) as a result of a past event
- c) it is probable that future economic benefits or service potential associated with the assets will flow to the municipality

Property, Plant and Equipment (PPE) refers to tangible, identifiable assets that:

- a) are held for-
 - i. use in the production or supply of goods or services
 - ii. rental, or
 - iii. administrative purposes, and
 - iv. are expected to be used for more than one year.

PPE should be classified according to the following definition groups:

- a) **Infrastructure assets** which are defined as assets that usually display some or all of the following characteristics:
 - i. they are part of a system or network,
 - ii. they are specialised in nature and do not have alternative uses
 - iii. they are immovable, and
 - iv. they may be subject to constraints on disposal
 - v. examples are road networks, sewer systems, water networks etc.
- b) **Community assets** which are defined as assets that contributes to the communities' well-being. Community assets are disclosed in accordance with its nature.
- c) **Heritage assets** which are defined as cultural significant resources.
- d) **Investment Properties** are defined as properties (land or buildings) that are acquired for economic and capital gains or held by Stellenbosch Municipality as finance lease to earn rentals. Examples are office parks and undeveloped land acquired for the purpose of resale in future years.
- e) **Other assets** which are defined as assets utilised in normal operations.
- f) **Intangible assets** which are defined as being assets without physical substance.

g) **Biological assets** are assets acquired for agricultural purposes.

Capitalization of assets means the recording of assets in the Fixed Asset Register with its historical financial cost in accordance with GRAP.

Carrying amount means the amount at which an asset is recognized after deducting any accumulated depreciation and accumulated impairment losses.

Classification of assets means the grouping of assets of a similar nature of functionality in an entities operation that is shown as a single item for the purpose of disclosure in the financial statements.

Cost means the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognized in accordance with specific requirements of other Standards of Generally Recognized Accounting Practices (GRAP).

Contributed assets means items received by the municipality as a donation.

Depreciation means the systematic allocation of the depreciable amount of an asset over its useful life.

Depreciable amount means the cost of an asset, or other amount substituted for the cost less its residual value.

Fair value means the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fixed Asset Register means a register for recording assets in accordance with GRAP

Impairment of an asset

- An impairment loss of cash - generating assets is the amount by which the carrying amount of an asset exceeds its recoverable amount.
- An impairment loss of non - cash generating assets is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

Recoverable amount means the amount that the municipality expects to recover from the future use of an asset, including the residual value on disposal.

Residual value means the estimated amount that Stellenbosch municipality would currently obtain from disposal of the asset, after deducting the estimated cost of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Useful life means the period over which an asset is expected to be available for use by the municipality.

Contributed Assets means items received by the Stellenbosch Municipality in the form of a donation.

3. ACRONYMS

PPE:	Property, Plant and Equipment
AMC Form:	Asset Movement Capture Form
MFMA:	Municipal Finance Management Act
GRAP:	General Accepted Accounting Practice
DIR:	Departmental Inventory Register
SCM:	Supply Chain Management
FAR:	Fixed Asset Register
NARC:	New asset receipt capture form
AT:	Asset transfer form

4. AIM

This policy will lay down broad guidelines for consistent, effective and efficient asset management principles of Stellenbosch Municipality

5. OBJECTIVES

- Specifying Council's practice regarding accounting for assets
- Ensure consistency in accounting treatment.
- To assist officials in understanding their legal and managerial responsibilities with regard to key asset functions such as:
 - safeguarding of assets,
 - maintaining assets,
 - establishing and maintaining a management, accounting and information

system

- that accounts for the assets of the municipality.
- asset valuation principles in accordance with GRAP.
- establishing and maintaining systems of internal controls over assets.
- establishing and maintaining asset registers.
- clarifying responsibilities and accountabilities for the asset management process.

6. STATUTORY AND REGULATORY FRAMEWORK

This policy must comply with all relevant legislative requirements including:

- The Constitution of the Republic of South Africa, 1996
- Municipal Structures Act, 1998
- Municipal Systems Act, 2000
- Division of Revenue Act (enacted annually)
- Municipal Finance Management Act of 2003

Also, this policy must comply with the standards specified by the Accounting Standards Board. The relevant currently recognized accounting standards include:

- GRAP 17 Property, plant or equipment
- GRAP 16 Investment property
- GRAP 100 Non-current Assets held for Sale and Discontinued Operations
- GRAP 31 Intangibles
- GRAP 103 Heritage Assets
- GRAP 101 Agriculture
- GRAP 21 & 26 Impairment

7. RESPONSIBILITIES AND ACCOUNTABILITIES

The purpose of this section is to prescribe the responsibilities of the various functionaries within Stellenbosch Municipality.

7.1 The Accounting Officer (Municipal Manager)

The Accounting Officer (Municipal Manager) or his duly delegated representative is responsible to ensure implementation and compliance with the responsibilities prescribed in section 63 of the MFMA.

- The municipality has and maintains a management, accounting and

- information system that accounts for the assets of the municipality;
- The municipality's assets are valued in accordance with standards of generally recognized accounting practice;
 - The municipality has and maintains a system of internal control of assets, including an asset register; and
 - The senior managers and their teams comply with this policy.
 - In consultation with the asset managers, he approves the temporary or permanent transfer of a movable asset between departments as determined in the "Delegation of Authority to officials of the Stellenbosch Municipality".

7.2 The Chief Financial Officer (Director: Finance)

The Chief Financial Officer is responsible to the Municipal Manager to ensure that the financial investment in the municipality's assets is safeguarded and maintained.

The Chief Financial Officer must take reasonable steps to ensure that:

- i. Appropriate systems of financial management and internal control are established and carried out diligently;
- ii. The financial and other resources of the municipality are utilized effectively, efficiently, economically and transparently;
- iii. Any unauthorized, irregular or fruitless or wasteful expenditure and losses resulting from criminal or negligent conduct are prevented;
- iv. The systems, processes and registers required to substantiate the financial values of the municipality's assets are maintained at standards sufficient to satisfy the requirements of the Auditor-General.
- v. Financial processes are established and maintained to ensure that the municipality's financial resources are optimally utilized through an appropriate asset plan, budgeting, purchasing, maintenance and disposal decisions.
- vi. The managers and asset champions are appropriately advised on the exercise of their powers and duties pertaining to the financial administration of assets;
- vii. The policy and supporting procedures or guidelines are established, maintained and effectively communicated;
- viii. The Chief Financial Officer may delegate or otherwise assign responsibility for performing the functions but he/she will remain accountable for ensuring these activities are performed.

7.3 Asset Managers/ Directors

- a) The manager referred to in Section 56 of the municipal systems act being someone reporting directly to the Municipal Manager and has the functional accountabilities for the physical management of a particular set of assets in order to achieve the municipalities strategic objectives relevant to their directorate.
- b) Directors shall be directly responsible for the physical safeguarding of any fixed asset controlled or used by the directorate in question. In exercising this responsibility, directors shall adhere to the stipulations of this policy as well as any other written directives issued by the municipal manager to the directorate in question, or generally to all directorates, in regard to the control of or safeguarding of the municipality's fixed assets.

Asset managers should:

- i. ensure that employees in their departments adhere to the approved Asset Management Policy;
- ii. ensure that all assets are procured in terms of the SCM Policy;
- iii. ensure that council are properly informed about any contributed (donated) assets and that approval from council is obtained timeously
- iv. ensure that the contributed asset is recorded on the NARC form and communicated with the Asset Management Department.
- v. ensure that employees with delegated authority have been nominated to implement and maintain physical control over assets in their departments. Although authority has been delegated, responsibility remains with the respective Managers of the departments and overall accountability with the Directors of relevant directorates;
- vi. ensure that the termination of service asset verification form for staff, is duly completed and submitted to the Strategic and Corporate Services Directorate;
- vii. ensure that assets are properly maintained in accordance with their respective asset maintenance policy;
- viii. ensure that, where applicable, all their movable assets as reflected on the Fixed Asset Register are barcoded to exercise control;
- ix. ensure that the Asset Management Section is notified via the AT form within 10 working days of any changes in the status of assets under the department's control;
- x. ensure that transfers between departments within directorates are administered internally;
- xi. ensure that a complete asset verification of all inventory and asset

- items is performed annually;
- xii. ensure that all obsolete, damaged and unused assets, supported by relevant asset and condemnation forms, are handed in at the Asset Management Department without delay;
 - xiii. be responsible for maintaining and managing their own DIR;
 - xiv. ensure that all assets are safeguarded against loss/theft and that they are adequately insured; and
 - xv. ensure that location changes are made timeously and location/room information are updated and reported on the relevant form to the Asset Management Section regularly.

7.4 Asset Champions

Asset Champions are senior officials appointed by the Asset Manager in the different Directorates.

The Asset Champion must:

- i. Assist the Asset Manager/ Director in performing his/her functions and duties.
- ii. Ensure that all new assets (purchased or donated) are recorded on the NARC form.
- iii. Ensure that the NARC forms are completed in full and send with copies of the relevant documentation to the asset control department within 7 working days after receipt of the assets.
- iv. Ensures that all their movable assets, where applicable, are barcoded.
- v. Ensure that asset listings are verified and kept up to date in collaboration with the Finance Directorate.
- vi. Assist the Finance Department with the annual verification of movable assets by making sure that the assets, as per asset listing, are at the correct locations, that these locations are accessible when the verification of assets takes place and provides a full report on any missing assets to the Asset Manager.
- vii. Notify the Finance Department when he/she identifies obsolete and redundant assets so that these assets can be moved to the Write-off Store.
- viii. Report all changes affecting asset listing sheets to the Director: Finance and the Finance Department: Asset Management Division

within 7 days of occurrence.

The following require the written recommendation of the Asset Manager and approval of Municipal Manager on the prescribed form:

- a) The temporary or permanent transfer of all movable assets between departments.
- b) The writing off or disposal of obsolete or redundant assets.

7.5 Financial Services Directorate: Asset Management Section

- i. Is the asset registrar of the municipality and shall ensure that a complete, accurate and up to date asset register is maintained that conforms to the GRAP specifications.
- ii. Ensures that physical asset verification is performed annually by all departments to verify the assets on the asset register. The results of this verification must be reported to the Municipal Manager and Council.
- iii. Will perform reconciliations between the asset register and the General Ledger on a monthly basis.
- iv. Ensures adequate bar codes and equipment to exercise the function relating to asset control is available at all times.
- v. Will ensure that all audit queries are resolved in a timely manner.
- vi. Dispose of asset in accordance with the SCM policy
- vii. Handles the administrative functions with regards to the transfers received.

7.6 The responsibility of the Budget and Treasury

- i. Ensure that a clear description is provided with each project and the appropriate funding source is identified.
- ii. Release capital funds only after receiving written authority and a clear and concise description of the item to be purchased.
- iii. Ensure that any changes in the capital budget, with regards to funds transferred or project description changes are communicated to the Asset Management Division.

7.7 The Strategic and Corporate Services Directorate

The Strategic and Corporate Services directorate shall ensure that no monies are paid out to the staff on termination of their service prior to receiving the relevant asset resignation form signed off by the relevant directorate- refer to Termination of

Service Asset Confirmation form.

8. SAFEGUARDING OF ASSETS

Custody and Security

- i. All barcoded assets shall be tracked by physical location through the Fixed Asset Register.
- ii. A physical asset verification process shall be performed every year and all directorates will be verified simultaneously.
- iii. The coordination of the process and verification of the assets will rest with the Asset Management Section and all directorates are responsible to see that the assets under their control are available during the verification process.

Communication

- i. Directorates are responsible to report any stolen or damage property to the Asset Management Section.
- ii. All changes must be accurately recorded on the AT forms and reported to the Asset Management Section within 10 working days.
- iii. Any discrepancies between the Fixed Asset Register and the physical inventory must be reconciled and motivated by the relevant directorates.

9. PROCEDURE WITH REGARD TO CONTRIBUTED ASSETS

Governance

- i. The authority to endorse and approve acceptance of assets contributed to the Stellenbosch Municipality vests with Council as such assets have an impact on future operational costs.
- ii. A report including the fair value/cost price of the contributed asset as well as the financial implications of acceptance of the contributed asset must be submitted to Council, so that acceptance of the asset can be confirmed.

Procedures

- i. Once Council has approved the donation, the departments must:
- ii. Notify the Financial Services Directorate of any assets contributed, by

submitting the Council approved report including the cost/fair value of the contributed asset so that the asset can be recorded and capitalized at the appropriate value.

10. FINANCIAL MANAGEMENT

Pre-Acquisition Planning

Before a capital project is included in the draft municipal budget for approval, the Asset Manager must prove that they have considered:

- The projected acquisition and implementation cost over all the financial years until the project is operational;
- The future operational costs and revenue on the project, including tax and tariff implications;
- The financial sustainability of the project over its economic life span including revenue generation and subsidization requirements;
- The physical and financial stewardship of the asset through all stages in its economic life span including acquisition, installation, maintenance, operations, disposal and rehabilitation; and
- The inclusion of the capital project in the Integrated Development Plans and future budgets.

The Chief Financial Officer is accountable to ensure that the Asset Managers/ Directors receive all reasonable assistance, guidance and explanation to enable them to achieve their planning requirements.

Approval to acquire Property, Plant and Equipment:

Funds can only be invested with a capital project if:

- The funds have been appropriated in the capital budget;
- The project, including the total cost and funding sources, has been approved by the Council;
- The Director: Finance confirms that funding is available for that specific project; The Supply Chain Management prescripts/procedures have been adhered to.
- Any contract that will impose financial obligations more than two years beyond the budget year is appropriately disclosed.

The funding sources of Assets:

Within the municipality's ongoing financial, legislative or administrative capacity, the Chief Financial Officer will establish and maintain the funding strategies that optimize the municipality's ability to achieve its Strategic Objectives as stated in

the Integrated Development Plan.

Four main sources of finance are utilized to acquire Property Plant and Equipment for the municipality, namely:

- The Accumulated Surplus/Deficit (Capital Replacement Reserve)
- The External Financing Fund (EFF).
- Grants, Subsidies and Public
- Contributions. Fair value

The sources of finance that may be utilized to finance assets are utilized in accordance with the provisions of S19 of the Municipal Finance Management Act.

a) Accumulated Surplus/Deficit (The Capital Replacement Reserve)

The Council must annually approve the basis and the amounts for which contributions should be appropriated to the Accumulated Surplus/Deficit in conjunction with the availability of funds and the requirements of the capital program for that financial year.

The funds in the Accumulated Surplus/Deficit are accumulated by: An annual contribution from revenue

The cash backed profit on the sale/disposal of assets

When an amount is advanced to a borrowing service to finance the acquisition of an asset, the money must be transferred to the Accumulated Surplus created for the purpose of acquiring a specific asset and the accumulated funds in the Accumulated Surplus/Deficit must be reduced by the amount of the advance.

The balance of the accumulated funds in the Accumulated Surplus/Deficit will therefore represent the amount that is available to finance assets in future periods. This balance must be cash backed at all times.

The balance in the Accumulated Surplus is transferred to the income statement over the estimated life of assets financed by the Accumulated Surplus/Deficit to offset the depreciation charge included in the income statement relating to fixed assets.

b) The External Financing Fund (EFF)

When loans are obtained from external sources, they must be paid into the EFF. The corresponding cash should be invested until utilized for the purpose of acquiring assets. When the external loan is utilized to finance

assets in a service entity it should be recorded in an “advances” account in the EFF.

Where a loan has a fixed period the installments should be calculated to determine the cash that should be set aside in the EFF. This is done so that there will be sufficient money to repay the loan when it matures as well as any interest charges as they occur.

When the loan is an annuity loan, the cash required to be paid into the EFF should be based on the actual loan repayments. Once the money has been received by the EFF, the cash would be used to repay the loan.

When the EFF is consolidated with the various services, the “advances made” account in the EFF will contra with the “advances received” account in the various service entities.

Loan finance option

A municipality should ensure that a loan satisfies the requirements of legislation on incurring debt. In particular, municipalities should ensure that long-term debt is:

- Incurred only for the purposes of capital expenditure for the purpose of achieving the objectives stated in section 152 of the Constitution (MFMA S46);
- incurred in line with its capital budget (MFMA S19 and S46(2));
- Is incurred only after the anticipated debt repayment schedule has been submitted to council (MFMA S46(3)(b)(i));
- Included in the liabilities register and
- Satisfies the other requirements of sections 19, 46 and 63 of the MFMA, the MSA and the Constitution.

c) Grants, Subsidies and Public Contributions (Capital Receipts)

Unutilized conditional grants are reflected on the Balance Sheet as a Creditor called Creditor (Unspent and Receipts). They represent unspent government grants, subsidies and contributions from the public. This creditor always has to be backed by cash.

The following provisions are set for the creation and utilization of this creditor:

- The cash which backs up the creditor is invested until it is utilized.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If

it is the council's interest it is recognized as interest earned in the income statement.

- Whenever an asset is purchased out of the unutilized conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unutilized Capital Receipts into the income statement as revenue. Thereafter an equal amount is transferred on the statement of changes in equity to a reserve called an Accumulated Surplus/Deficit (Future Depreciation Reserve). This reserve is equal to the remaining depreciable value (book value) of assets purchased out of the Unutilized Capital Receipts. The Future Depreciation Reserve is used to offset depreciation charged on assets purchased out of the Unutilized Capital Receipts to avoid double taxation of the consumers.
- If a profit is made on the sale of assets previously purchased out of Unutilized Capital Receipts the profit on these assets sold is reflected in the notes to the income statement and is then treated in accordance with Council policy.

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

Disposal of assets

- The municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of an asset needed to provide the minimum level of basic municipal services, unless such asset is obsolete or surplus to requirements or beyond a state of good repair or being replaced and provided that the delivery of the minimum level of basic municipal services must not be compromised as a result of the disposal of the asset.
- The decision that a specific asset is not needed to provide the minimum level of basic municipal services, may not be reversed by the municipality after that asset had been sold, transferred or otherwise disposed of.
- The disposal of an item of property, plant or equipment must be fair, equitable, transparent, competitive and cost effective and comply with a prescribed regulatory framework for municipal supply chain management and the Supply Chain Management Policy of the municipality.
- The transfer of assets to another municipality, municipal entity, national department or provincial department is excluded from these provisions, provided such transfer is being done in accordance with a prescribed regulatory framework. Directors shall report in writing to the Director: Finance on 31 May of each financial year on all fixed assets controlled or used by the directorate concerned which such Director wishes to alienate by public auction or public tender. The Director: Finance shall thereafter

consolidate the requests received from the various directorates, and shall promptly report such consolidated information to the council or the Municipal Manager of the municipality, as the case may be, recommending the process of alienation to be adopted.

- Once the fixed assets are alienated, the Director: Finance shall de-recognize the asset from the accounting records and the fixed asset register.

Loss, theft, destruction or impairment of fixed assets

The different directorates shall ensure that any incident of loss, theft, destruction, or material impairment of any fixed asset controlled or used by the directorate in question is promptly reported in writing to the Director: Financial Services, to the internal auditor, and in cases of suspected theft or malicious damage, also to the South African Police Service.

11.ACCOUNTING FOR ASSETS

Capitalization of Assets

Stellenbosch Municipality does not capitalize an asset based on a capitalization cost threshold, but recognizes an asset when it complies with the definition of an asset as stipulated in GRAP 17 and the cost of the asset to the municipality can be measured reliably.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition (GRAP 17.22).

Assets will only be capitalized in the asset register on completion or finalization of the project.

Multi Year projects

Projects to be completed over more than one financial year will be initially disclosed in the asset register and financial statements as “Work in Progress” thereafter only on completion the asset will be capitalized and depreciated.

Assets will be recorded in the asset register continuously on completion thereof and bar-coded with an aluminium label where appropriate for identification.

Only expenses incurred in the enhancement of a fixed asset (in the form of improved or increased services or benefits flowing from the use of such asset) or in the material extension of the useful operating life of a fixed asset shall be capitalized (GRAP 17.19-.20):

- Parts of some items of property, plant and equipment may require

replacement at regular intervals. For example, a road may need resurfacing every few years, a furnace may require relining after a specified number of hours use, or aircraft interiors such as seats and galleys may require replacement several times during the life of the airframe. Items of property, plant and equipment may also be required to make a less frequently recurring replacement, such as replacing the interior walls of a building, or to make a non-recurring replacement. Under the recognition principle in an entity recognizes in the carrying amount of an item property, plant and equipment the cost replacing part of such an item when that cost is incurred if the recognition criteria are met. The carrying amount of those parts that are replaced is derecognized in accordance with the de-recognition provision of this Standard (GRAP 17.19).

- A condition of continuing to operate an item of property, plant and equipment (for example, an aircraft) may be performing regular major inspections for faults regardless of whether parts of the item are replaced. When each major inspection is performed, its cost is recognized in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied. Any remaining carrying amount of the cost of the previous inspection (as distinct from physical parts) is derecognized. This occurs regardless of whether the cost of the previous inspection was identified in the transaction in which the item was acquired or constructed. If necessary, the estimated cost of a future similar inspection may be used as an indication of what the cost of the existing inspection component was when the item was acquired or constructed (GRAP 17.20)

Computer software will be capitalized and classified as intangible assets.

MAINTENANCE

Maintenance Strategy

Each directorate must develop a maintenance strategy that will ensure that the assets of Stellenbosch Municipality are maintained at an adequate operational level or standard by ensuring that all statutory, technical and operational objectives are achieved. This strategy must ensure that tangible assets under the custody and control of the relevant directors are properly maintained and repaired so that their possible maximum useful lives are realised.

Directorates Responsibilities

Each Directorate is responsible for ensuring:

- i. That all tangible assets under their control are maintained in a good

working condition. The directorates must take adequate care that the working environments for the various assets are appropriate and suitable for such types of tangible assets.

- ii. That their assets are not misused or used for personal use or benefit.
- iii. That repair and maintenance costs incurred is reviewed and properly controlled.
- iv. The development of a maintenance program according to their operating budget resources. The program must provide a schedule of the repairs and maintenance to be done. The program must also consist of planned and unplanned repairs and maintenance to be performed.
- v. The following matrix will assist in distinguishing capital expenditure from maintenance expenditure:

CAPITAL EXPENDITURE	MAINTENANCE
<ul style="list-style-type: none"> • Acquiring a new asset 	<ul style="list-style-type: none"> • Restoring an asset so that it can continue to be used for its intended purpose
<ul style="list-style-type: none"> • Replacing an existing asset 	<ul style="list-style-type: none"> • Maintaining an asset so that it can used for the period for which it was initially intended
<ul style="list-style-type: none"> • Enhancing an existing asset so that its use is expanded 	
<ul style="list-style-type: none"> • Further developing an existing asset so that its original useful life is extended 	

When assets are capitalized a distinction should be made on whether the new asset is purchased to replace an existing asset or whether it is a total new asset that is purchased.

Assets held under leases

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

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

INVESTMENT PROPERTY

- An item shall be recognised as investment property if it meets the definition. Investment property is recorded at cost.
- Disclosable value measured at recognition:
 - Initially at acquisition cost plus transaction cost, or nominal value
 - Where acquired at no cost or nominal value, fair value at acquisition is deemed to be cost for disclosure
 - If held under a lease and classified as Investment Property, is the lower of fair value and the present value of the minimum lease payments
- Cost value is determined according to the requirements of the GRAP standard on Investment Property.
- Assets classified as Investment Property shall be re-defined once such assets usage changes

Cost Model

Investment property is, subsequent to initial measurement, carried at cost less accumulated depreciation and any accumulated impairment losses

Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

Item	Useful life
Property – buildings	30-99 years
Property – land	indefinite

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable

Depreciation

- Depreciation will be done in accordance with the GRAP frame work
- The depreciable amount of an item of property, plant or equipment should be allocated on a systematic basis over its useful life.
- Stellenbosch Municipality's depreciation method will be the straight-line method for all assets of the Council unless otherwise agreed to in writing by the Director: Financial Services.
- Depreciation shall be calculated from the day the fixed asset is available for use (commissioning date) (GRAP 17.65).
- If the cost of land includes the cost of site dismantlement, removal and restoration, the portion of the land asset is depreciated over the period of benefits or service potential obtained by incurring those costs. In some cases, the land itself may have a limited useful life, in which case it is depreciated in a manner that reflects the benefits or service potential to be derived from it (GRAP 17.69).

Review of residual value and useful life

- The residual value and useful life of an asset should be reviewed at least at each reporting date (GRAP 17.61).
- If the review indicates that a change has taken place and expectations differ from previous estimates, the changes should be accounted for as a change in the accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.
- The remaining useful life of capital assets should be reviewed annually and, if expectations are significantly different from previous estimates, the depreciation charge for the current and future periods should be adjusted.
- This review should be done by the asset manager in conjunction with the impairment review.
- The review of useful life is a check to see if there is any evidence to suggest that expected life should be changed.
- The Table of Useful Lives is provided in the MFMA Local Government Capital Asset Management Guideline (Refer to Annexure A). These should be used as a guide to the minimum useful lives only because actual asset lives experienced greatly exceed those recommend lives.
- The residual value of an asset may increase to an amount equal to or greater than the asset's carrying amount. If it does, the asset's depreciation charge is zero unless and until its residual value subsequently decreases to an amount below the asset's carrying amount (GRAP 17.64).

Impairment of assets

The accounting treatment relating to impairment losses is outlined as follows in GRAP 17:

- The carrying amount (Book value) of an item or a group of identical items of property, plant and equipment should be reviewed periodically in order to assess whether or not the recoverable amount has declined below the carrying amount.
- Recoverable amount is the higher of a cash – generating asset's net selling price and its value in use.
- When such a decline has occurred, the carrying amount should be reduced to the recoverable amount. The amount of the reduction should be recognized as an expense immediately.
- The recoverable amount of individual assets, or groups of identical assets, is determined separately and the carrying amount reduced to recoverable amount on an individual asset, or group of identical assets, basis.
- However, there may be circumstances when it may not be possible to assess the recoverable amount of an asset on this basis, for example when all of the plant and equipment in a sewerage purification work is used for the same purpose. In such circumstances, the carrying amount of each of the related assets is reduced in proportion to the overall decline in recoverable amount of the smallest grouping of assets for which it is possible to make an assessment of recoverable amount.

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

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

Procedure to identify, budget and account for impairment losses:

- The following needs to be done to ensure that impairment losses that are identified by the above indicators are budgeted for during the operating budget cycle and are accounted for in the next financial year. The following steps will have to be performed during the operating budget cycle:

Financial Services Directorate - Asset Management Section shall issue a memo to all directorates requesting them to identify assets that:

- a) Are in a state of damage at the start of the operating budget cycle;
- b) Are technologically obsolete at the start of the operating budget cycle; This can be facilitated if directorates require that Financial Services Directorate - Asset Management - section to supply them with a Fixed Asset Register printout pertaining to major assets showing the remaining useful lives of assets. The directorates can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout.
- c) Have remained idle for a considerable period either prior to them being put into uses at the start of the operating budget cycle or during their useful life;
- d) Are subject to impairment losses because the subsidies to be received in exchange for assets are less than the carrying amounts. An example of this is Land that is purchased at market value and is to be utilized for subsidized housing developments;
 - The recoverable amounts of these assets need to be calculated by calculating the Net selling Price per asset as defined above.
 - The impairment loss per asset needs to be calculated as the difference between the Net selling price and the book value of the asset.
 - The impairment loss needs to be budgeted for.
 - The following steps will have to be performed regularly during the year to account for impairment losses:

Directorates will identify and inform Financial Services Directorate - Asset Control section of assets that:

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

The impairment loss per asset needs to be calculated as the difference between the Net selling price and the book value of the asset.

The impairment loss needs to be accounted for by identifying the relevant funding source.

Disclosure requirements relating to impairment losses:

All material impairment losses need to be disclosed in the notes to the income statement as a separately disclosed item. They are normally disclosed as part of the note on the amounts that are included in the calculation of the Net Surplus or Deficit for the year.

DISPOSAL AND RETIREMENTS

Governance

Section 14 and 90 of the MFMA governs the disposal of assets. This section provides inter alia:

- The council may not dispose of assets that are utilized to provide minimum level of basic municipal services.
- Assets other than those utilized to provide minimum level of basic service may be disposed of subject to Council approval.
- An item of property, plant or equipment should be eliminated from the Statement of Financial Position, on disposal or when the asset is permanently withdraw from use and no future economic benefits or potential service delivery is expected from its disposal, in accordance with GRAP 100.
- Gains or losses arising from the retirement or disposal of an item of property, plant or equipment should be determined as the difference between the actual or estimated net disposal proceeds and the carrying amount of the asset, and should be recognized as revenue or expense in the Statement of Financial Performance.

Procedures

- a) Any items declared obsolete or damaged will be handed in to the Finance department - Asset Control section for safekeeping.
- b) No items will be received by the Financial Services Directorate, Asset

Management section without a completed AT form and attached condemnation forms, counter signed by Finance Directorate - Asset Management section, describing the status of the item and the reason for writing-off the item.

- c) Directorates must ensure that assets are disposed of in terms of the SCM policy.
- d) It is the responsibility of each directorate to ensure that all such assets to be disposed of are delivered to and received at the Finance Directorate - Asset Management section.
- e) Approval for the disposal of assets is considered by the Municipal Manager only after a recommendation has been obtained from the following persons:
 - i. Vehicles and Plant - The Fleet Manager and applicable Directorate;
 - ii. Computers - Information Technology Manager;
 - iii. Other Items - Directors (Asset Managers) within the different directorates.
- f) After the approval of the Municipal Manager has been obtained, any vehicle written off must be deregistered immediately.
- g) All asset items lost, stolen or damaged must be reported to the Financial Services Directorate – Insurance section as well as Finance Directorate - Asset Management section by completing the AT form.
- h) All asset items lost or stolen also need to be reported to the SAPS by the relevant department.

An item of property, plant and equipment should be eliminated from the balance sheet on disposal or when the asset is permanently withdrawn from use and no future economic benefits or potential service delivery is expected from when it is disposed of.

Gains and losses arising from the retirement or disposal of an item of property, plant and equipment should be determined as the difference between the actual or estimated net disposal proceeds and the carrying amount of the asset, and should be recognized as revenue or expense in the Statement of Financial Performance.

The accounting treatment relating to the profit or loss on the sale of property, plant & equipment is outlined in GRAP 17. The following is a summary of the relevant aspects:

Profits and losses, which are disclosed in total in the financial statements, are *calculated by use of the following formula:* -

<i>Proceeds</i>	Sales value, trade-in value or proceeds received from insurance if the asset was damaged or stolen.
<i>Less: Carrying value</i>	Cost, or if valued, revaluation amount, less accumulated depreciation up to the date of sale or when asset can no longer be used for its intended purpose.
<i>Equals PROFIT or</i>	If proceeds greater than carrying value, or
<i>Equals LOSS</i>	If proceeds less than carrying value.

12. INTERNAL CONTROL OVER ASSETS

- Establishment and Management of the Financial Asset Register:

The Chief Financial Officer will establish and maintain the Asset Register containing key financial data on each item of Property, Plant or Equipment that satisfies the criterion for recognition as per the accounting standards.

Each Asset Manager is responsible to ensure that sufficient controls exist to substantiate the quantity, value, location and condition of all assets in the asset register.

Each Asset Manager must appoint an Asset Champion in each Directorate/Section which will be responsible to ensure that the asset listings are verified and kept up to date in collaboration with the Directorate: Finance Services.

- Contents of the Fixed Asset Register

The fixed asset register shall be maintained in the format determined by the Director: Financial Services, which format shall comply with the requirements of generally recognized accounting practice (GRAP) and any other accounting requirements which may be prescribe Directors under whose control any fixed asset falls shall promptly provide Director: Financial

Services in writing with any information required to compile the fixed asset change which may occur in respect of such information. Contents of the Financial Asset Register:

The details included in the Asset Register will include:

- The depreciation methods used
- The useful live
- Depreciation charge
- The carrying amount
- The accumulated depreciation
- Additions
- Disposals and transfers
- Date of acquisition
- Date of disposal (if relevant)
- Asset description
- Historical cost of the asset
- Asset classification
- Asset ID
- Residual value

Internal Controls over the Financial Asset Registers

- Controls around their asset register should be sufficient to provide an accurate, reliable and up to date account of assets under their control to the standards specified by the Chief Financial Officer and required by the Auditor-General.
- Controls around the asset registers should be sufficient to provide Directors with an accurate, reliable and up to date account of assets under their control to the standards specified by the Director: Finance and required by relevant legislation.

These controls will include the physical management and recording of all acquisition, assignments, transfers, losses and disposals of assigned assets as well as regular asset counts and systems audits to confirm the adequacy of controls.

Identification of fixed assets:

The Municipal Manager shall ensure that the municipality maintains a fixed asset identification system which shall be operated in conjunction with its computerized fixed asset register.

Transfers, Reallocation or Reassignment of Property, Plant or Equipment

- a) An Asset Manager retains management accountability and control for a particular asset until another Asset Manager in writing does accept responsibility for that asset, and the Chief Financial Officer endorses the transfer.
- b) The Asset Manager must advise the Chief Financial Officer on the prescribed form whenever an asset is permanently or temporarily reallocated or reassigned from one location to another.
- c) The form must be completed and signed by both the sender and receiver
- d) The Director: Financial Services will appropriately amend the Asset Register with all approved transfers.
- e) Assets must solely and exclusively be used for the purpose of the
- f) Council's business.

Verification of fixed assets

- a) Financial Services Directorate: Asset Management Section shall at least once during every financial year undertake a comprehensive verification of all fixed assets controlled or used by the directorate concerned.
- b) Finance Directorate: Asset Management Section shall promptly and fully report in writing to the Director: Financial Services in the format determined by the Director: Financial Services, all relevant results of such fixed asset verification, provided that each such asset verification shall be undertaken and completed as closely as possible to the end of each financial year, and that the resultant report shall be submitted to the Director: Financial Services not later than 30 June of the year in question.

Asset listings

- a) The Chief Financial Officer must submit within six months after each financial year, asset listings of capitalised assets to all Asset Managers.
- b) At all times these asset listings should indicate the assets in particular location and should be easily accessible.
- c) When employees get appointed or resign from any specific post the relevant asset listings must be verified and accordingly endorsed by the Asset Champion for the specific workplace.
- d) All changes on asset listing sheets must be reported in writing to the Director: Financial Services within 7 days of when change took place.

13. FINANCIAL DISCLOSURE

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

14. CLASSIFICATION OF ASSETS

Any asset recognized as an asset under this policy will be classified according to categories as per the Fixed Asset Register. All fixed assets should be classified under the following headings in the Asset Register:

Property, plant and equipment:

Other Assets

Other Assets shall be recorded under the following main categories;

- Bins and Containers;
- Emergency Equipment;
- Furniture and Fittings;
- Motor Vehicles;
- Office Equipment;
- Plant and Equipment;
- Specialised Vehicles;
- Watercraft; and
- Other Assets.

Heritage Assets

A Heritage Asset is an asset that has historical, cultural or national importance and needs to be preserved. The following is a list of some typical heritage assets encountered in the municipal environment:

- Archaeological sites;
- Conservation areas;
- Historical buildings or other historical structures (such as war memorials);
- Historical sites (for example, historical battle site or site of a historical settlement);
- Museum exhibits;
- Public statues; and

- Works of art (which will include paintings and sculptures).

Intangibles Assets

- Computer Software
- Databases

Community Assets

Community Assets shall be recorded under the following main categories;

- Recreational Facilities;
- Sporting Facilities; and
- Other Facilities.

Land and Buildings

Land and buildings shall be treated using the cost model.

Land shall be accounted for at cost, and shall not be depreciated. Land on which infrastructure and community assets are located shall be identified as land and buildings and not disclosed together with the infrastructure and community assets. Land not registered in the name of the municipality but controlled by the municipality by virtue of owner-occupied buildings thereon, shall be recognised at cost.

Buildings shall be accounted at cost, less any accumulated depreciation and any accumulated impairment losses.

Investment property

The classification of an investment property is based on management's judgement; the following criteria will be applied to distinguish investment properties from owner-occupied property or property held for resale:

Investment property	PPE	Non-current assets held for sale
the asset generates its own cash flows in the form of rentals (on a commercial basis)	rental income earned is below market value, and the asset is held for service delivery rather than to generate a commercial return	land and other properties held for sale within the next 12 months, if the criteria in GRAP 100 are met
the asset is held for capital appreciation	the asset is held to achieve service delivery objectives rather than to earn rental or for capital appreciation	
investment property that is being redeveloped for continued use as an investment property	property that is being constructed or developed for future use as investment property (until the asset meets the definition of investment property it is accounted for as PPE)	
Land held for an undetermined use	owner occupied-property such as office buildings and residential buildings occupied by staff members (assets used by employees, irrespective of whether or not the employees pay rent at market rates, are owner-occupied)	

The judgement of the Management of Stellenbosch Municipality is that the following classes of Municipal Property will be classified as Investment Property:

- Land held for long-term capital appreciation rather than for short-term sale in

the ordinary course of operations which council intends to sell at a beneficial time in the future.

- Land held for a currently undetermined future use.
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis.
- A building that is currently vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

ANNUAL REVIEW ON THE POLICY

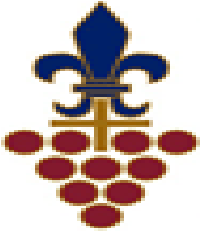
This policy will be reviewed and updated annually or whenever legislative or accounting standards amendments significantly change the requirements pertaining to asset management in general and the administration of property, plant and equipment at a sooner event.

GENERAL

This policy does not overrule the requirement to comply with other policies like supply chain management, tendering or budget policies. The Chief Financial Officer will provide guidance or recommend an amendment to this policy to comply with the essence and understanding of the policies, regulations or legislation being conflicted.

COMMENCEMENT

01 July 2015



STELLENBOSCH MUNICIPALITY

ANNEXURE "A"

ASSET MOVEMENT / WRITE OFF FORM

GENERAL INFORMATION

Type of asset movement to be recorded (indicate with X)

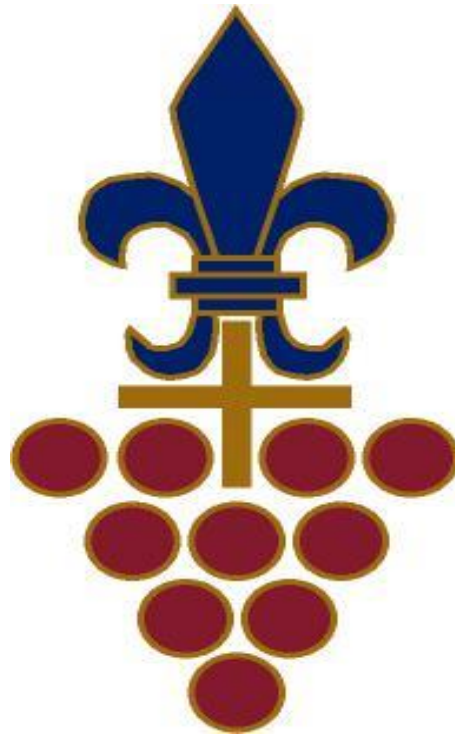
Asset Transfer: Interdepartmental				Asset Obsolete/Damaged/Written-Off		
Asset Transfer: Unused Asset to Stores				Asset Written-Off due to Loss (Burglary/Theft)		
Basic Asset Data				Asset Description		SERIAL NUMBER
Asset Bar Code	Location Bar Code	No. from	Location Bar Code			

AUTHORISATION OF TRANSACTION – LINE MANAGER		
Signature	Name & Surname (Print)	Title

Recipient Confirmation		
Condition of Asset when received	Received By	Date

Remarks:
 Good

STELLENBOSCH MUNICIPALITY



**BUDGET IMPLEMENTATION AND
MONITORING POLICY**

2020/2021



STELLENBOSCH MUNICIPALITY

BUDGET IMPLEMENTATION AND MONITORING

POLICY

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1. PREAMBLE

In the spirit of the Municipal Finance Management Act, (No.56 of 2003) “ to modernize budget and financial management practices by placing local government finances on a sustainable footing in order to maximize the capacity of municipalities to deliver services to all residents customers, users and investors” and,

Whereas chapter 4 of the Municipal Finance Management Act, (No 56 of 2003) determines that a municipality may, except where otherwise provided in the Act, incur expenditure only in terms of an approved budget; and within the limits of the amounts appropriated for the different votes in an approved budget,

In terms of the Budget and Reporting Regulations the municipality has to adopt a policy which includes the following:

1. a policy dealing with the shifting of funds within votes
2. a policy dealing with the introduction of adjustment budgets
3. policies dealing with unforeseen and unavoidable expenditure
4. policies dealing with management and oversight

Therefore the Stellenbosch Municipality revised its Budget Policy to give effect to the Budget and Reporting Regulations as set out in this policy.

2. DEFINITIONS

"Accounting officer" means a person appointed in terms of section 82(l) (a) or (b) of the Municipal Structures Act;

"Allocation", means-

- (a) a municipality's share of the local government's equitable share referred to in section 214(l) (a) of the Constitution;
- (b) an allocation of money to a municipality in terms of section 214(1) (c) of the Constitution;
- (c) an allocation of money to a municipality in terms of a provincial budget; or
- (d) any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction;

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

"Approved budget," means an annual budget-

- (a) approved by a municipal council, or
- (b) includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA;

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

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

- (a) the tariff policy, which the municipality must adopt in terms of section 74 of the Municipal Systems Act;
- (b) the rates policy which the municipality must adopt in terms of legislation regulating municipal property rates; or
- (c) the credit control and debt collection policy, which the municipality must adopt in terms of section 96 of the Municipal Systems Act;

"Budget transfer" means transfer of funding within a function / vote subject to limitations.

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

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

"councillor" means a member of a municipal council;

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

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

"executive mayor" means the councillor elected as the executive mayor of the municipality in terms of section 55 of the Municipal Structures Act;

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

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

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

"fruitless and wasteful expenditure" means expenditure that was made in vain and would have been avoided had reasonable care been exercised;

"irregular expenditure", means-

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA , and which has not been condoned by Council (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (b) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or

(c) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure";

"investment/s", in relation to funds of a municipality, means-

- (a) the placing on deposit of funds of a municipality with a financial institution; or
- (b) the acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds;

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

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

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

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

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

"municipality"-

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

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

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

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

"official", means-

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

"overspending"-

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

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

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

"service delivery and budget implementation plan" means a detailed plan approved by the executive mayor of a municipality in terms of section 53(l)(c)(ii) of the MFMA for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate-

- (a) projections for each month of-
 - (i) revenue to be collected, by source; and
 - (ii) operational and capital expenditure, by vote;
- (b) service delivery targets and performance indicators for each quarter; and
- (c) any other matters that may be prescribed, and includes any revisions of such plan by the executive mayor in terms of section 54(l) (c) of the MFMA;

"unauthorised expenditure", means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the MFMA, and includes-

- (a) overspending of the total amount appropriated in the municipality's approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;
- (c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with the MFMA;

"virement" refer to the definition of budget transfer

"vote" means-

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

3. OBJECTIVES OF POLICY

The objective of the budget policy is to:

- a) Set out the principles which the municipality will follow in preparing each medium term revenue and expenditure framework budget
- b) Outline the responsibilities of the executive mayor, the accounting officer, the chief financial officer and other senior managers in compiling the budget
- c) Establish and maintain procedures to ensure adherence to Stellenbosch Municipality's Integrated Development Plan (IDP) review and budget processes
- d) Give effect to the requirements and stipulations of the Municipal Finance Management Act and Municipal Budget and Reporting Framework in terms of the planning, preparation and approval of the annual and adjustments budgets

The policy shall apply to all staff and councillors of the Stellenbosch Municipality that are involved in budget implementation.

4. BUDGET PREPARATION PROCESS

4.1 Budget Steering Committee

- a) The mayor of a municipality must establish a budget steering committee to provide technical assistance to the mayor in discharging the responsibilities set out in section 53 of the Act.
- b) The steering committee must consist of at least the following persons:
- I. the councilor responsible for financial matters;
 - II. the municipal manager;
 - III. the chief financial officer;
 - IV. the senior managers responsible for at least the three largest votes in the municipality;
 - V. the manager responsible for budgeting;
 - VI. the manager responsible for planning; and
 - VII. any technical experts on infrastructure.

4.2 Roles and responsibilities

4.2.1 Executive Mayor

- a) As provided in Section 21(1) of the MFMA, the Mayor is responsible for:
- I. Co-ordinating the process for preparing the annual budget and for reviewing the Integrated Development Plan (“IDP”) and budget related-policies;
 - II. Tabling in the council a time schedule outlining key deadlines.
- b) In addition, as provided in Section 21(2) of the MFMA, for purposes of preparing the budget, the Mayor is required to:
- I. Take into account the Municipality’s IDP;
 - II. Take all reasonable steps to ensure that the Municipality revises the IDP;
 - III. Take into account the national budget, the provincial budget, the national government’s fiscal and macro-economic policy, the Annual Division of Revenue Act and any agreements reached in the budget forum;

- IV. Consult the relevant district municipality, if applicable, and local municipalities within the district, the provincial treasury, and when requested, the national treasury, and any national organs of state as may be prescribed;
 - V. Provide on request information to the National Treasury and other organs of state and other municipalities affected by the budget.
- c) Pursuant to Section 52 of the MFMA the mayor must:
- I. provide general political guidance over the fiscal and financial affairs of the municipality;
 - II. in providing such general political guidance. may monitor and. to the extent provided in
 - III. the MFMA, oversee the exercise of responsibilities assigned in terms of the MFMA to the accounting officer and the chief financial officer, but may not interfere in the exercise of those responsibilities;
 - IV. must take all reasonable steps to ensure that the municipality performs its constitutional and statutory functions within the limits of the municipality's approved budget;
 - V. must within 30 days of the end of each quarter. submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality; and
 - VI. must exercise the other powers and perform the other duties assigned to the mayor in terms of the MFMA or delegated by the council to the mayor.
- d) As Required by Section 53 of the MFMA, the mayor must:
- I. provide general political guidance over the budget process and the priorities that must guide the preparation of a budget;
 - II. co-ordinate the annual revision of the integrated development plan in terms of section 34 of the Municipal Systems Act and the preparation of the annual budget, and determine how the integrated development plan is to be taken into account or revised for the purposes of the budget; and
 - III. take all reasonable steps to ensure that:
 - a. the municipality approves its annual budget before the start of the budget year;
 - b. the municipality's service delivery and budget implementation plan is approved by the mayor within 28 days after the approval of the budget; and

- c. the annual performance agreements as required in terms of section 57(1)(6) of the Municipal Systems Act, for the municipal manager and all senior managers comply with the MFMA and in particular, the provisions of Section 53(1)(c)(iii) of the MFMA;
- iv. promptly report to the municipal council and the MEC for finance in the province any delay in the tabling of an annual budget, the approval of the service delivery and budget implementation plan or the signing of the annual performance agreements referred to above; and
- v. ensure-
 - a. that the revenue and expenditure projections for each month and the service delivery targets and performance indicators for each quarter, as set out in the service delivery and budget implementation plan, are made public no later than 14 days after the approval of the service delivery and budget implementation plan: and
 - b. that the performance agreements of the municipal manager, senior managers and any other categories of officials as may be prescribed are made public no later than 14 days after the approval of the municipality's service delivery and budget implementation plan. Copies of such performance agreements must be submitted to the council and the MEC for local government in the province.

4.2.2 Accounting Officer

- a. The Accounting Officer shall provide technical and administrative support to the Executive Mayor in the preparation and approval of the annual and adjustment budgets, as well as the consultative process and the furnishing of information.
- b. The Accounting Officer shall ensure that all heads of departments provide the inputs required by the Chief Financial Officer for the purpose of preparing the budget.
- c. The Accounting Officer shall delegate to the Chief Financial Officer all such powers as may be necessary for the Chief Financial Officer to prepare the budgets.

4.2.3 Chief Financial Officer

- a. The Chief Financial Officer shall provide technical and administrative support to the Executive

Mayor in the preparation and approval of the annual and adjustment budgets, as well as the consultative process and the furnishing of information.

- b. The Chief Financial Officer shall be responsible for preparing the budgets, as delegated by the Accounting Officer.
- c. The Chief Financial Officer shall ensure that the annual and adjustments budgets comply with the requirements of the National Treasury, reflect the budget priorities determine by the mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the mayor on the revision of the IDP and the budget-related policies where these are indicated.

4.2.4 Directors directly accountable to the Accounting Officer

- a. Directors shall provide technical and administrative support to the Executive Mayor in the preparation and approval of the annual and adjustment budgets, as well as the consultative process and the furnishing of information.

4.3 Public participation process

- a) Immediately after the draft resolutions of the annual budget is tabled in a municipal council, the Accounting Officer of the municipality must— in accordance with Chapter 4 of the Municipal Systems Act-
 - I. make public the annual budget and the documents referred to in section 17(3); and
 - II. invite the local community to submit representations in connection with the budget; and
 - III. submit the annual budget—(draft budget)
 - IV. in both printed and electronic formats to the National Treasury and the relevant provincial treasury as prescribed by National Treasury ; and
 - V. in either format to any prescribed national or provincial organs of state and to other municipalities affected by the budget.
- b) When the annual budget has been tabled, the municipal council must consider any views of-
 - I. the local community; and
 - II. the National Treasury, the relevant provincial treasury and any provincial or national organs of state or municipalities which made submissions on the budget.

c) The Municipal Manager must also make public any information that the municipal council considers appropriate to facilitate the budget consultation process, including:

- i. Summaries of the annual budget and supporting documents in alternate language predominant in the community; and
- ii. Information relevant to each ward in the municipality
- iii. All the information contemplated in sub-regulation (c) must cover
- iv. The relevant financial and service delivery implications of the annual budget; and
- v. At least the previous year's actual outcome, the current year's forecast outcome, the budget year, and the following two years.

d) When submitting the annual budget to the National Treasury and the relevant provincial treasury, the municipal manager must also submit to National Treasury and the relevant provincial treasury, both in printed and electronic form –

- i. The supporting budget documentation as tabled in the municipal council;
- ii. The draft Service Delivery and Budget Implementation Plan (SDBIP); and
- iii. Any other information as may be required by National Treasury.

e) The Municipal Manager must send copies of the annual budget and supporting documentation as tabled in the municipal council, in both printed and electronic form to:

- i. Any other municipality affected by the annual budget within ten working days of the annual budget being tabled in the municipal council; and
- ii. Any organ of state on receipt of a request from the organ of state.

f) After considering all budget submissions, the council must give the Executive Mayor an opportunity-

- i. to respond to the submissions; and
- ii. if necessary, to revise the budget and table amendments for consideration by the council.

g) Within consideration of the approval of the Annual Budget and thirty (30) days before the start of the budget year the Executive Mayor must table the following documents in the Council in consideration of the annual budget approval

- i. A report summarizing the local community's views on the annual budget;

- II. Any comments on the annual budget received from National Treasury and Provincial Treasury;
- III. Any comments on the annual budget received from any organ of state, including any affected municipality; and
- IV. Any comments on the annual budget received from any other stakeholders.

h) The Municipal Manager must assist the Executive Mayor in the preparation of the documents referred to in sub-regulation (g) and 23 (2) of the Act.

4.4 Approval of the budget

- (a) Council shall consider the medium term revenue and expenditure framework budget (MTREF) for approval not later than 31 May (30 days before the start of the budget year).
- (b) The council resolution must contain budget policies and the performance measures to be adopted.
- (c) The council must consider the full implications, financial or otherwise, of the annual budget and supporting documentation before approving the annual budget.
- (d) When approving the annual budget, the council must consider and adopt separate resolutions dealing with each of the matters contemplated.
- (e) Should the municipality fail to approve the budget before the start of the budget year, the executive mayor must inform the MEC for Finance that the budget has not been approved.
- (f) The budget tabled to Council for approval shall include the following supporting documents:
 - I. draft resolutions approving the budget and levying property rates, other taxes and
 - II. tariffs for the financial year concerned;
 - III. measurable performance objectives for each budget vote, taking into account the
 - IV. municipality's IDP;
 - V. the projected cash flows for the financial year by revenue sources and expenditure
 - VI. votes;
 - VII. any proposed amendments to the IDP;
 - VIII. any proposed amendments to the budget-related policies;
 - IX. particulars of any proposed allocations or grants to other municipalities, municipal
 - X. entities, external mechanisms assisting the municipality in service delivery, other

- XI. organs of state, and organizations such as non- governmental organizations,
- XII. welfare institutions and so on;
- XIII. particulars of the municipality's investments;
- XIV. particulars of any proposed service delivery agreements, including material
- XV. amendments to existing service delivery agreements;
- XVI. the proposed cost to the municipality for the budget year of the salary, allowances
- XVII. and benefits of-

- (i) each political office-bearer of the municipality;
- (ii) councillors of the municipality; and
- (iii) the municipal manager, the chief financial officer, each senior manager of the municipality and any other official of the municipality having a remuneration package greater than or equal to that of a senior manager;

4.5 Service Delivery and Budget Implementation Plan (SDBIP)

a) The Executive Mayor must approve the Service Delivery and Budget Implementation Plan not later than 28 days after the approval of the Budget by Council, and within ten days (10) after the Executive Mayor has approved the Plan it has to be made public.

b) The SDBIP shall include the following components:

- I. Projections for each month of Revenue to be collected, by source, and Operational and capital expenditure, by vote;
- II. Service delivery targets and performance indicators for each quarter;
- III. Monthly projections of revenue to be collected for each source;
- IV. Monthly projections of expenditure (operating and capital) and revenue for each vote;
- V. Quarterly projections of service delivery targets and performance indicators for each vote;
- VI. Information for expenditure and delivery; and
- VII. Detailed capital works plan.

5. BUDGET PRINCIPLES

- a) The municipality shall ensure that revenue projections in the budget are realistic taking into account actual collection levels. The expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each vote in the approved budget.
- b) Stellenbosch Municipality shall prepare a three-year budget (medium term revenue and expenditure framework (MTREF)) which will be reviewed annually and will be approved by Council. The MTREF budget will at all times be within the framework of the Municipal Integrated Development Plan (IDP).
- c) The annual budget will consist of a Capital and Operating Budget which will be discussed below:

5.1 Capital Budgets

- a) The capital budget refers to the allocations made to specific infrastructural projects and the purchase of equipment and other forms of assets having a lifespan of more than one year.

5.1.1 Basis of Calculation

- a) The zero based method is used in preparing the annual capital budget, except in cases where a contractual commitment has been made that would span over more than one financial year.
- b) The annual capital budget shall be based on realistically anticipated revenue (capital loans to be taken up will be deemed to be part of this), which should be equal to the anticipated capital expenditure in order to result in a balanced budget.
- c) The impact of the capital budget on the current and future operating budgets in terms of finance charges to be incurred on external loans, depreciation of fixed assets, maintenance of fixed assets and any other operating expenditure to be incurred resulting directly from the capital expenditure, should be carefully analyzed when the annual capital budget is being compiled.
- d) In addition, the council shall consider the likely impact of such operational expenses- net of any revenues expected to be generated by such item- on future property rates and service tariffs.

5.1.2 Financing

1. Own Financing Sources

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

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

2. Other Finance Sources

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

- a) Grants and subsidies as allocated in the annual Division of Revenue of Act;
- b) Grants and subsidies as allocated by Provincial Government;
- c) External Loans;
- d) Private Contributions;
- e) Contributions from the Capital Development Fund (developer's contributions); and
- f) Any other financing source secured by the local authority.

5.1.3 Implementation

- a) After the budget has been approved, the service delivery and budget implementation plan (SDBIP) should be compiled.
- b) The SDBIP must be tabled to the Mayor within 28 days after aforementioned approval.
- c) Each director has to indicate the intended spending patterns of both their capital and operating budgets. (Cash flows)
- d) These listed cash flows are consolidated into the Service Delivery and Budget Implementation Plan of the organisation.

- e) The SDBIP will be monitored on a monthly basis where actual spending will be compared with the planned spending as indicated by the directors at the beginning of the year.
- f) Each directorate can use their respective vote numbers as indicated on the capital budget

5.2 Operational Budget

The operational budget refers to the funds that would be raised in the delivery of basic services, grants & subsidies and any other municipal services rendered. These funds are in turn used to cover the expenses incurred in the day to day running of the organization.

5.2.1 Basis of Calculation

- a) A zero based approach is used in preparing the annual operating budget.
- b) The annual operating budget shall be based on realistically anticipated revenue.
- c) An income based approach shall be used whereby realistically anticipated income is determined first and the level of operating expenditure would be based on the determined income flows.

5.2.2 Financing

The operating budget shall be financed from the following sources:

- a) Service Charges
 - (i) Electricity Charges
 - (ii) Water Sales
 - (iii) Refuse Removal Fees
 - (iv) Sewerage Fees

Increases in tariffs should be cost reflective.

- b) Property rates

Increases in rates will as far as possible be limited to inflation.

c) Grants & Subsidies

Grants and subsidies shall be based on all the gazetted grants and subsidies plus all other subsidies received by the organization.

d) Interest on Investments

The budget for interest and investment shall be in accordance with the Cash Management and Investment policy of the organization.

e) Rental Fees

Income from rental property will be budgeted for based on the percentage growth rate as determined by Financial Services for a particular budget year.

f) Fines

Income from fines will be budgeted for based on the actual income received in the preceding year (calculated on the basis of actual receipts until end of February of each year, extrapolated over 12 months) and the percentage growth rate as determined by Financial Services for a particular budget year.

g) Other Income

All other income items will be budgeted for based on the actual income received in the preceding year (calculated on the basis of actual receipts until end of February of each year, extrapolated over 12 months) and the percentage growth rate as determined by Financial Services for a particular budget year.

5.2.3 Implementation

- a) After the budget has been approved, the service delivery and budget implementation plan (SDBIP) is compiled.
- b) The SDBIP must be tabled to the Mayor within 28 days after aforementioned approval.

- c) Each director has to indicate the intended spending patterns of both their capital and operating budgets. (Cash flows)
- d) These listed cash flows are consolidated into the Service Delivery and Budget Implementation Plan of the organisation.
- e) The SDBIP will be monitored on a monthly basis where actual spending will be compared with the planned spending as indicated by the directors at the beginning of the year.
- f) Each directorate can use their respective vote numbers as indicated on the capital budget.

5.3 Contents of the Budget

- a) The budget must comply with the provisions of Section 17(1) of the MFMA, and in particular:
 - i. The budget must be in the format prescribed by the regulations;
 - ii. The budget must reflect the realistically expected revenues by major source for the budget year concerned;
 - iii. The expenses reflected in the budget must be divided into the votes of the various departments of the municipality;
 - iv. The budget must also contain:
 - 1. the foregoing information for the two years immediately succeeding the financial year to which the budget relates;
 - 2. the actual revenues and expenses for the previous financial year , and
 - 3. the estimated revenues and expenses for the current year.
- b) The budget must be accompanied by all of the documents referred to in Section 17(3) of the MFMA.
- c) For the purposes of Section 17(3) (k) of the MFMA, the salary, allowances and benefits of each group referred to therein must be stated individually.

5.4 Components of the Budget

- a) The annual budget and adjustments budget shall, as required by Section 17(2) of the MFMA consist of:
- I. the capital component, and
 - II. the operating component.
- b) The operating component shall duly reflect the impact of the capital component on:
- I. Compensation of employees & Remuneration of Councilors
 - II. Bulk Service Expenses
 - III. Depreciation charges;
 - IV. Repairs and maintenance expenses;
 - V. Interest payable on external borrowings; and
 - VI. Other operating expenses.
- c) Before approving the capital budget component of the annual or adjustments budget, the council shall consider the impact of the capital component on the present and future operating budgets of the municipality in relation to the items referred to:
- I. The projected cost covering all financial years until the project is operational;
 - II. The future operational costs and revenue on the project, including municipal tax and tariff implications.
 - III. All capital projects have an effect on future operating budgets. The following cost factors must therefore be considered before approval:
 - 1) Additional personnel cost to staff new facilities once operational;
 - 2) Additional contracted services, such as security, cleaning etc.
 - 3) Additional general expenditure, such as services cost, stationery, telephones, material etc.
 - 4) Additional other capital requirements to operate the facility, such as vehicles, plant and equipment, furniture and office equipment etc.
 - 5) Additional costs to maintain the assets;
 - 6) Additional interest and redemption in the case of borrowings;
 - 7) Additional depreciation charges;
 - 8) Additional revenue generation. The impact of expenditure items must be offset by additional revenue generated to determine the real impact on tariffs.

6. ADJUSTMENTS BUDGETS

- (a) Each adjustments budget shall reflect realistic excess, however nominal, of current revenues over expenses.
- (b) The chief financial officer shall ensure that the adjustments budgets comply with the requirements of the National Treasury, reflect the budget priorities determined by the executive mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the executive mayor on the revision of the IDP and the budget-related policies where these are indicated.
- (c) Council may revise its annual budget by means of an adjustments budget as regulated.
- (d) The Accounting Officer must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent.
- (e) The Accounting Officer shall appropriate additional revenues, which have become available but only to revise or accelerate spending programmes already budgeted for or any areas of critical importance identified by Council in compliance with Item 2 of Section 10.
- (f) The Council shall in such adjustments budget, and within the prescribed framework, confirm unforeseen and unavoidable expenses on the recommendation of the Executive Mayor.
- (g) Only the Executive mayor shall table an adjustment budget. Adjustments budget shall be done once as part of the mid-year budget performance assessment.
- (h) An adjustments budget must contain all of the following:
 - I. an explanation of how the adjustments affect the approved annual budget
 - II. appropriate motivations for material adjustments; and
 - III. an explanation of the impact of any increased spending on the current and future annual budgets.
- (i) Any unappropriated surplus from previous financial years, even if fully cash-backed, may not be used to balance any adjustments budget, but may be appropriated to the municipality's capital replacement reserve.

- (j) Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan and or per National Treasury Regulations.
- (k) Unauthorised expenses may be authorised in an adjustments budget.

6.1 Formats of adjustments budgets

- (a) An adjustment budget and supporting documentation of a municipality must be in the format specified by National Treasury and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.

6.2 Funding of the adjustments budgets

- (a) An adjustments budget of a municipality must be appropriately funded.
- (b) The supporting documentation to accompany an adjustments budget in terms of section 28(5) of the Act must contain an explanation of how the adjustments budget is funded.

6.3 Timeframes for tabling of adjustments budgets

- (a) An adjustments budget referred to in section 28(2)(b), (d) and (f) of the Act may be tabled in the municipal council at any time during the mid-year budget and performance assessment has been tabled in the council, but not later than 28 February of the current year.
- (b) Only one adjustments budget referred to in subregulation (1) may be tabled in the municipal council during a financial year, except when the additional revenues contemplated in section 28(2)(b) of the Act are allocations to a municipality in a national or provincial adjustments budget, in which case subregulation (3) applies.
- (c) If a national or provincial adjustments budget allocates or transfers additional revenues to a municipality, the mayor of the municipality must, at the next available council meeting, but within 60 days of the approval of the relevant national or provincial adjustments budget, table an adjustments budget referred to in section 28(2)(b) of the Act in the municipal council to appropriate these additional revenues.

- (d) An adjustments budget referred to in section 28(2)(c) of the Act must be tabled in the municipal council at the first available opportunity after the unforeseeable and unavoidable expenditure contemplated in that section was incurred within the period set in section 29(3) of the Act.
- (e) An adjustments budget referred to in section 28(2)(e) of the Act may only be tabled after the end of the financial year to which the roll-overs relate, and must be approved by the municipal council by 25 August of the financial year following the financial year to which the roll-overs relate.
- (f) An adjustments budget contemplated in section 28(2)(G) of the Act may only authorise unauthorised expenditure as anticipated by section 32(2)(a)(i) of the Act, and must be –
- (g) dealt with as part of the adjustments budget contemplated in subregulation (1); and
- (h) a special adjustments budget tabled in the municipal council when the mayor tables the annual report in terms of section 127(2) of the Act, which may only deal with unauthorised expenditure from the previous financial year which the council is being requested to authorise in terms of section 32(2)(a)(i) of the Act.

6.4 Submission of tabled adjustments budgets

- (a) The municipal manager must comply with section 28(7) of the Act, read together with section 22(b)(i) of the Act, within ten working days after the mayor has tabled an adjustments budget in the municipal council.
- (b) When submitting the tabled adjustments budget to the National Treasury and the relevant provincial treasury in terms of section 28(7) of the Act, read together with section 22(b)(i) of the Act, the municipal manager must submit in both printed and electronic form
 - i. the supporting documentation referred to in section 28(5) of the Act within ten working days of the adjustments budget being tabled in the municipal council; and
 - ii. any other information as may be required by National Treasury.
- (b) The municipal manager must send copies of an adjustments budget and supporting documentation, in both printed and electronic form to –
 - i. any other municipality affected by that adjustments budget within ten working days of the adjustments budget being tabled in the municipal council; and

- II. any other organ of state on receipt of a request from that organ of state.

6.5 Approval of adjustment budget

- (i) A municipal council must consider the full implications, financial or otherwise, of the adjustments budget and supporting documentation referred to in section (1) (a) before approving the adjustments budget.
- (j) When approving the adjustment budget, a municipal council must consider and adopt separate resolutions dealing with each of the matters listed in item 4 of Schedule B.

6.6 Publications of approved adjustment budget

- (a) Within ten 10 working days after the municipal council has approved an adjustment budget, the municipal manager must in accordance with section 21A of the Municipal Systems Act make public the approved adjustments budget and supporting documentation, as well as the resolutions referred to in section 5 (a).
- (b) When making public an adjustment budget and supporting documentation, the municipal Manager must make public awareness of the adjustment budget, including –
- (c) Summaries of the adjustment budget and supporting documentation in alternate languages predominant in the community;
- (d) Information relevant to each ward in the municipality, if that ward is affected by the adjustments budget; and
- (e) Any consequential amendment of the service delivery and budget implementation plan that is necessitated by the adjustments budget.

6.7 Submission of approved adjustments budget and other documents

- (a) The municipal Manger must comply with section 28(7) of the Act read together with section 24(3) of the Act within ten working days after the municipal council has approved and adjustments budget.

- b) When submitting an adjustments budget to National Treasury and other relevant provincial treasury in terms of section 28(7) of the Act read together with section 24(3) of the Act, the municipal manager must also submit to National Treasury and the relevant provincial treasury, in both printed and electronic form –
 - i. The supporting documentation within ten working days after the municipal council has approved the adjustments budget;
 - ii. The amended service delivery and budget implementation plan, within ten working days after the council has approved the amended plan in terms of the section 54(1)(c) of the Act; and
 - iii. Any other information as may be required by the National Treasury.

- (c) The municipal manager must send copies of an adjustments budget and supporting documentation, in both electronic and printed form to –
 - i. Any other municipality affected by that adjustments budget within ten (10) working days of the adjustments budget being tabled in the municipal council; and
 - ii. Any other organ of state on receipt of a request from that organ of state.

7. BUDGET IMPLEMENTATION

7.1 Monitoring (Section 71 of MFMA)

- (a) The Accounting Officer with the assistance of the Chief Financial Officer and other senior managers is responsible for the implementation of the budget, and must take all reasonable steps to ensure that:
- I. funds are spent in accordance with the budget;
 - II. expenses are reduced if expected revenues are less than projected; and
 - III. revenues and expenses are properly monitored.

7.2 Reporting

7.2.1 Monthly budget statements (Section 71 of the MFMA)

- (b) Accounting Officer with the assistance of the Chief Financial Officer must, not later than ten working days after the end of each calendar month, submit to the Executive Mayor and Provincial and National Treasury a report in the prescribed format on the state of the municipality's budget for such calendar month, as well as on the state of the budget cumulatively for the financial year to date.
- (c) This report must reflect the following:
- i. actual revenues per source, compared with budgeted revenues;
 - ii. actual expenses per vote, compared with budgeted expenses;
 - iii. actual capital expenditure per vote, compared with budgeted expenses;
 - iv. actual borrowings, compared with the borrowings envisaged to fund the capital budget;
 - v. the amount of allocations received, compared with the budgeted amount;
 - vi. actual expenses against allocations, but excluding expenses in respect of the equitable share;
 - vii. explanations of any material variances between the actual revenues and expenses as indicated above and the projected revenues by source and expenses by vote as set out in the service delivery and budget implementation plan;

- viii. the remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and
- ix. projections of the revenues and expenses for the remainder of the financial year, together with an indication of how and where the original projections have been revised.

7.2.2 Quarterly Reports (Section 52 of MFMA)

- (a) The Executive Mayor must submit to Council within thirty days of the end of each quarter a report on the implementation of the budget and the financial state of affairs of the municipality. The report submitted to National and Provincial Treasury must be both in electronic format and in a signed written document.

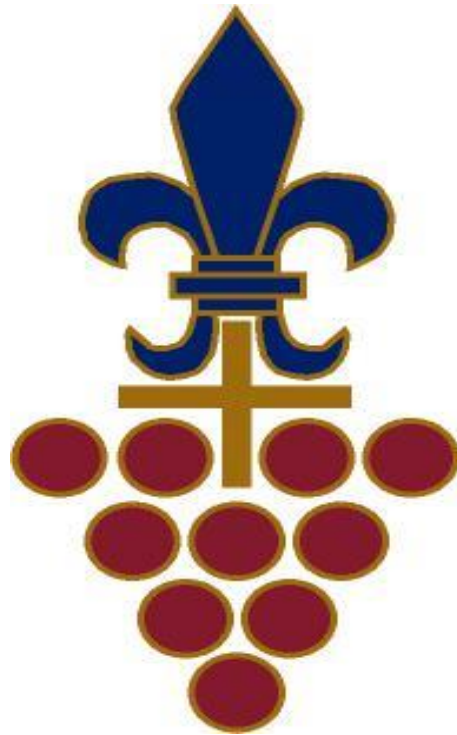
7.2.3 Mid-year budget and performance assessment (Section 72 and 88 of MFMA)

- (a) The Accounting Officer must assess the budgetary performance of the municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the service delivery performance of the municipality as against the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan.
- (b) The Accounting officer must then submit a report on such assessment to the Executive Mayor by 25 January each year and to Council, Provincial Treasury and National Treasury by 31 January each year.
- (c) The Accounting Officer may in such report make recommendations after considering the recommendation of the Chief Financial Officer for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan.

8. REVIEW OF POLICY

- (a) This shall be reviewed on an annual basis to ensure that it is in line with the municipality's strategic objectives, good governance, prudent expenditure management and with relevant legislation.

STELLENBOSCH MUNICIPALITY



**BORROWING, FUNDS AND
RESERVES POLICY**

2020/2021



STELLENBOSCH MUNICIPALITY

BORROWING, FUNDS AND RESERVES POLICY

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1. INTRODUCTION

The documented **Borrowing, Funds and Reserves Policy**, sets out the framework for the prudent use of Borrowing, Funds and Reserves available to the Municipality.

This Policy should be implemented in conjunction with the approved **Liquidity Policy**. The Liquidity Policy sets out the prudent level of cash to be maintained by the Municipality as one of several factors to ensure long term financial sustainability. It is however of equal importance to protect, maintain and extend the infrastructure of the Municipality to ensure the continued provision of services at an acceptable standard.

This policy is implemented to provide guidance on the appropriation of capital funding resources on a sustainable basis in the longer term.

2. BACKGROUND AND APPROACH

With reference to the applicable legislation as referred to in paragraph 3 below. Legislation exists and prescribes the framework of a Borrowing as well as Funds and Reserves Policy and these factors will all be addressed in this Policy.

Although legislation provides guidance as to the broader framework to ensure financial management of resources to ensure the Council meets all of its obligations timeously, it is not prescriptive with regards to quantifying not only the prudent level of Borrowing, Funds and Reserves but more so the optimal level hereof.

Therefore in this Policy cognisance has been taken of the legislative guidelines whilst more prescriptive guidelines are set for the optimal management and monitoring of resources to the Municipality's avail based on sound financial practices.

3. LEGISLATIVE REQUIREMENTS

The legislative framework governing borrowings, funds and reserves are:

- 1.1. Local Government Municipal Finance Management Act, Act 56 of 2003 (MFMA) must be complied with; and

- 1.1.1. MFMA Circular 71 stipulates the following guidelines regarding borrowing:

Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure

(Capital Cost (Interest Paid and Redemption) / Total Operating Expenditure) x100

Criteria: 6% - 8%

Debt (Total Borrowings) / Revenue

(Overdraft + Current Finance Lease Obligation + Non Finance Lease Obligation + Short Term Borrowings + Long Term Borrowings) / Total Operating Revenue

Criteria: Maximum 45%

1.2. Local Government Municipal Budget and Reporting Regulation, Regulation 393, published under Government Gazette 32141, 17 April 2009.

4. FUNDING POLICY

The Local Government Municipal Budget and Reporting Regulation, Regulation 393, published under Government Gazette 32141, 17 April 2009 stipulates:

8. (1) *Each municipality must have a funding and reserves policy which must set out the assumptions and methodology for estimating –*

- (a) *projected billings, collections and all direct revenues;*
- (b) *the provision for revenue that will not be collected;*
- (c) *the funds the municipality can expect to receive from investments;*
- (d) *the dividends the municipality can expect to receive from municipal entities;*
- (e) *the proceeds the municipality can expect to receive from transfer or disposal of assets;*
- (f) *the municipality's borrowing requirements;*
- (g) *the funds to be set aside in reserves.*

In terms of Section 18 and 19 of the MFMA an **annual budget** may only be funded from:

Cash backed accumulated funds from previous years' surpluses not committed for other purposes:

Transfers from the accumulated surplus to fund operating expenditure will only be allowed for specific once-off projects with no recurring operating expenditure resulting thereof.

Borrowed funds, but only for capital projects:

Actual capital expenditure may only be incurred on a capital project if the funding for the project has been appropriated in the Capital Budget, but has also been secured from the financial source that is not committed for another purpose.

Realistically anticipated revenues to be collected:

Realistic anticipated revenue projections must take into account projected revenue for the current year based on actual collection levels in previous financial years.

4.1. OPERATING BUDGET

The Operating Budget should be cash funded. The Operating Budget is funded from the following main sources of revenue:

- a) Property Rates;
- b) Surplus generated from Service Charges;
- c) Government Grants and Subsidies;
- d) Other revenue, fines, interest received etc.;

The following guiding principles apply when compiling the Operating Budget:

- a) Growth parameters must be realistic taking into account the current economic conditions;
- b) Tariff adjustments must be in line with the following approved policies: ***Tariff Policy and Indigent Policy***;
- c) Revenue from Government Grants and Subsidies must be in line with allocations gazette in the Division of Revenue Act and provincial gazettes. Transfers of a conditional nature must be appropriated only as prescribed and should not be used to fund the Operating Budget;
- d) Revenue from public contributions, donations or any other grants may only be included in the Budget if there is acceptable documentation that guarantees the funds and if the transfers are unconditional of nature;

- e) Provision for revenue that will not be collected is made against the expenditure item bad debt and based on actual collection levels for the previous financial year and the reasonably projected annual non-payment rate;
- f) Interest received from actual Long-term and or Short-term Investments are based on the amount reasonably expected to be earned on cash amounts available during the year according to the expected interest rate trends. The actual amount allocated for interest on investments is contributed to the Capital Replacement Reserve;
- g) A detailed salary budget is compiled on an annual basis. All funded positions are budgeted for in total as well as new and/or funded vacant positions. As a guiding principle the salary budget should not constitute more than 35% of annual Operating Expenditure;
- h) Depreciation charges are fully budgeted for according to the Asset Register.
- i) The annual cash flow requirement for the repayment of borrowings must fully be taken into consideration with the setting of tariffs;
- j) Sufficient provision must be made for the maintenance of existing infrastructure based on affordable levels. The maintenance budgets are normally lower than the recommended levels. As a guiding principle repair and maintenance should constitute between 5% and 8% of total operating expenditure and should annually be increased incrementally until the required targets are achieved;
- k) Individual expenditure line items are to be revised each year when compiling the budget to ensure proper control over expenditure.

4.2. CAPITAL BUDGET

The capital budget provides funding for the municipality's capital programme based on the needs and objectives as identified by the community through the Integrated Development Plan and provides for the eradication of infrastructural backlogs, renewal and upgrading of existing infrastructure, new developments and enlargement of bulk infrastructure.

The capital budget is limited by the availability and access to the following main sources of funding:

- a) Accumulated cash backed internal reserves such as the Capital Replacement Reserve;
- b) External borrowings;
- c) Government Grants and Subsidies;
- d) Public Donations and Contributions.

The following guiding principles apply when considering sources of funding for the capital budget:

a) Government Grants and Subsidies:

- a. Only Government Gazetted allocations or transfers as reflected in the Division of Revenue Act or allocations as per Provincial Gazettes may be used to fund projects;
- b. The conditions of the specific grant must be taken into consideration when allocated to a specific project.

b) Public Donations and Contributions:

- a. In the case of public contributions, donations and/or other grants, such capital projects may only be included in the annual budget if the funding has been received by the municipality already.

c) External Borrowing:

- a. The borrowing requirements as contained in the **Borrowing Policy** in paragraph 6 are used as a basis to determine the affordability of external loans over the Medium Term Income and Expenditure Framework. The ratios to be considered to take up additional borrowings are as follows, unless in contravention with any loan covenants:
 - i. Estimated long-term credit rating of BBB and higher;
 - ii. Interest Paid to Total Expenditure not to exceed 5%;
 - iii. Total Long-term Debt to Total Operating Revenue (excluding conditional grants and transfers) not to exceed 35%;
 - iv. Operating Cash Surplus generated before loan repayments are made covers the Total Annual Repayment at least 1 time;
 - v. Percentages of Total Annual Repayment (Capital and Interest) to Operating Expenditure to be less than 10%.

d) Cash backed Reserves

- a. Allocations to capital projects from cash backed internal reserves will be based on the available funding for each ring-fenced reserve according to the conditions of each reserve. With reference to Paragraph 5, **Reserves Policy**.

All capital projects have an effect on future operating budget therefore the following additional cost factors should be considered before approval:

- a) Personnel cost to staff new facilities once operational;
- b) Contracted services, that is, security, cleaning etc.;
- c) General expenditure such as services cost, stationery, telephones, material etc.;
- d) Other capital requirements to the operate facility such as vehicles, plant and equipment, furniture and office equipment etc.;
- e) Costs to maintain the assets;
- f) Interest and redemption in the case of borrowings;
- g) Depreciation charges;
- h) Revenue generation as the additional expenses incurred may be offset by additional revenue generated to determine the real impact on tariffs.

5. RESERVES POLICY

All reserves are “ring fenced” as internal reserves within the accumulated surplus, except for provisions as allowed by the General Recognized Accounting Practices (GRAP):

- a) Housing Development Fund;
- b) Revaluation Reserve

The municipality endeavours to effectively utilise and maintain the **Capital Replacement Reserve** for the funding of capital replacement and renewal for future financial years. This reserve needs to be cash backed. This will provide the Municipality with a more balanced capital funding approach in the longer term thereby reducing the risk of reaching its maximum gearing ability or depleting its free cash.

This Reserve can be generated as follows from the Operating Budget; the following methodology needs to be read in conjunction with the **Liquidity Policy**:

a) **Cash generated from Operating Activities:**

- a. The Municipality has maintained a strong ability to generate surplus operational cash flow which it has used to fund most of its capital spending in the past;

- b. In the past depreciation charges could be considered sufficiently cash backed based on the cash surplus generated prior to capital spending. However going forward should capital spending increase sharply it will result simultaneously with Depreciation charges increasing sharply which may therefore in future not be fully supported by cash;
- c. Depreciation is a method to generate future cash. Therefore it is prudent to annually measure the cash coverage for depreciation charges until it is fully funded from cash through tariff setting;
- d. As at year end it is to be determined whether the Municipality meets its **Minimum Liquidity Criteria** as stipulated in the **Liquidity Policy**, excess cash in addition to this prescribed level is to be calculated and appropriated to the Capital Replacement Reserve and no more than 80% of the balance of the Capital Replacement Reserve as at year end should be allocated to the following year's capital budget unless sufficient recommendations are made to Council to substantiate such a decision.

b) Interest received on the investment made for the Capital Replacement Reserve

6. BORROWING POLICY

It is required that the Municipality comply with the guidelines of Chapter 6 of the MFMA with regards to Debt Disclosure as detailed in Sections 46, 47, 48 and 49. This section should be read in conjunction with point c) under paragraph 4.2. on page 6. External borrowings may only be incurred for approved capital programmes and may under no circumstances be allocated to fund the Operating Budget.

Municipal infrastructure has a long-term economic life and it is appropriate to fund assets of this nature with long term external borrowing. The economic life of assets should be equal to or longer than the tenure of the external borrowing.

The following needs to be taken into consideration when accessing external borrowing:

a) Types of loan financing

- a. Annuity Loans enable the Municipality to provide for the redemption of loans on an amortising basis which is generally the most cost effective method of financing often referred to as vanilla funding;

- b. Bullet Redemption Loans are attractive as interest on the loan is serviced with the capital redemption only taking place at the end of the tenure of the loan. However, this method is more costly as interest is paid on the full debt throughout the term as the Capital does not reduce. This type of loan also requires an annual contribution to a sinking fund, which in essence then mimics the traits of an annuity loan although at a higher cost. The use of such structure warrants a detailed motivation based on the benefits to the implementation of the capital project;
- c. Sculpted Repayment Loans offer a combination of the above two types, as loans are sculpted according to the potential cash flows to be generated from the capital project in future. For example the following can be included in a sculpted loan:
 - i. A capital grace period in the first years of the development of the capital project;
 - ii. An incremental annual increase in the repayment in relation to the projected growth in revenue from the project.

b) Interest Rate Risk Management

- a. The impact of interest and capital redemption payments on both the current and forecasted property rates and service charges through tariffs taking into consideration the current and future capacity of the consumer to pay therefore;
- b. Likely movement in interest rates for variable rate borrowings. There are benefits to be yielded from borrowing on a variable rate if rates are projected to decrease in future, however it is prudent for the Municipality to enter into fixed interest rate loans to accurately budget for expenses incurred.

c) Tenure of Borrowing

- a. The tenure of external borrowings should where possible match the economic useful life of the asset.

d) Security

- a. Unless sufficient motivation is provided and other than for the provision of a sinking fund for the redemption of a bullet loan, the provision of any security

against external borrowings, should be specifically motivated by the CFO for approval.

e) Loan Covenants

- a. The Municipality is to maintain a Loan Covenants Register detailing the covenants entered into with each active loan agreement until date of maturity thereof;
- b. Compliance with all loan covenants are to be monitored and reported on semi-annually to ensure that the Municipality does not breach any covenants;
- c. Should a default be triggered based on non-compliance with loan covenants, the Municipality is to alert Council and send the related Financial Institutions a written commitment to address the matter within a reasonable timeframe.

f) Level of gearing

- a. As stipulated in point c) under paragraph 4.2. on page 6, gearing is not only limited by the level of debt against the Total Operating Income (excluding conditional grants) but also limited by other operational factors including compliance with the stipulations of the approved **Liquidity Policy**.

7. CORPORATE GOVERNANCE (OVERSIGHT)

Compliance with the various stipulations as documented in this Borrowing, Funds and Reserves Policy need to be monitored by the Chief Financial Officer and reported on to the Municipal Manager on a monthly basis and to the Finance/Audit Committee on a quarterly basis.

Where compliance has been breached the Chief Financial Officer must present an action plan to correct the non-compliance. The Finance Committee must monitor the successful implementation of the corrective action plans and report progress to Council.

8. TRANSITIONAL ARRANGEMENT

Upon adoption of this policy by the Council, the Municipal Manager in conjunction with the Chief Financial Officer must determine the current performance levels of the Municipality against this Policy and present a plan of action towards achieving and maintaining the stipulation as set out in this policy thereby utilising a more blended funding mix for capital infrastructure investment.

The Council must approve an appropriate timeframe within which the Municipality must achieve the approved stipulations as set out in this Policy. The period between the date of the policy adoption by Council and the target date for compliance shall be known as the Transitional Period.

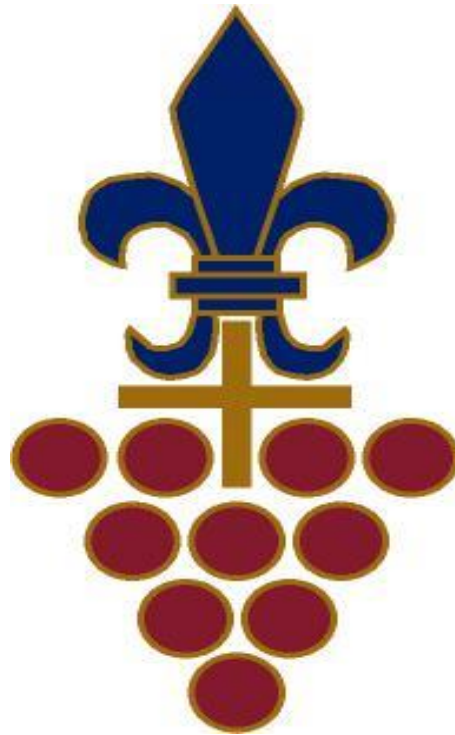
The Finance Committee must report progress during the approved Transitional Period to the Council.

9. POLICY MANAGEMENT

The Borrowing, Funds and Reserves Policy forms part of the Municipality's overall financial objectives and therefore forms part of approved Budget Policies. The policy must be reviewed at least annually during the budget revision and presented to Council for approval.

The Policy is effective from the date it is approved by Council.

STELLENBOSCH MUNICIPALITY



**FINANCING OF EXTERNAL
BODIES PERFORMING MUNICIPAL
FUNCTIONS POLICY**

2020/2021



STELLENBOSCH MUNICIPALITY

FINANCING OF EXTERNAL BODIES PERFORMING MUNICIPAL FUNCTIONS POLICY

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1. DEFINITIONS

1.1 In this policy unless the context indicates otherwise:

- 1.1.1 **“Accounting Officer”** means the Municipal Manager as referred to in section 60 of the Local Government: Municipal Finance Management Act, 56 of 2003 (“MFMA”);
- 1.1.2 **“Approved Budget”** means the Municipality’s annual budget approved by the Council in terms of section 24 of the MFMA and include an adjustment budget in terms of Section 28 of the MFMA;
- 1.1.3 **“Community”** means the residents within the Stellenbosch WCO24 area;
- 1.1.4 **“Constitution”** means the Constitution of the Republic of South Africa, 1996;
- 1.1.5 **“Director”** means a person appointed in terms of section 56 of the Systems Act who is directly accountable to the Municipal Manager;
- 1.1.6 **“Executive Mayor”** means the councillor elected as the Executive Mayor in terms of section 55 of the Local Government: Municipal Structures Act, 32 of 2000 (“the Structures Act”);
- 1.1.7 **“Chief Financial Officer”** or "CFO" means an official as envisaged in section 80(2)(a) of the Local Government: Municipal Finance Management Act, 56 of 2003 (“MFMA”);
- 1.1.8 **“Grant”** means a grant or allocation, as referred to in section 17(3)(j(ii) and 17(3)(j(iv) of the MFMA, made by the Municipality to any organisation or body referred to in section 67(1) and to be utilised to assist the Municipality in fulfilling its constitutional mandates including local tourism, municipal health services and such other municipal functions contemplated in Part B of Schedules 4 and 5 of the Constitution;
- 1.1.9 **“Grant Committee”** means the Committee established in terms of clause 7 of this policy;
- 1.1.10 **“official”** means an employee in the service of the Municipality;
- 1.1.11 **“organisation or body”** means those organisations or bodies outside any sphere of government making application for Grants in terms of this Policy, Which include associations, non-profit organisations or companies or trusts;
- 1.1.12 **“the Systems Act”** means the Local Government: Municipal Structures Act, 32 of 2000;
- 1.1.13 **“the Structures Act”** means the Local Government: Municipal Structures Act, 117 of 1998;
- 1.1.14 **“the MFMA”** means the Local Government: Municipal Finance Management Act, 56 of 2003;
- 1.1.15 **“the Municipality”** means the Stellenbosch Municipality and reference to Council has a similar meaning;

- 1.1.16 **“the Policy”** means the Financing of External Organisation/Bodies Performing Municipal Function Policy as set out in this document.
- 1.1.17 **"service delivery agreement"** or "MOA" means the agreement entered into between the Municipality and any organisation or body which received a Grant in terms of this Policy.

1. PURPOSE, AIMS AND OBJECTIVES

- 1.1 The purpose of this Policy is to provide a framework for financial assistance by Stellenbosch Municipality (“the Municipality”) to external organisations / bodies performing local government functions to the extent as set out in section 155(6)(a) and (7) of the Constitution as listed in Part B of Schedule 4 and 5.
- 1.2 The purpose of this Policy is to ensure the efficient performance of the municipal function entrusted to that external organisation/body in a manner which gives effect to the goals and objectives of the Municipality’s Integrated Development Plan ("IDP") by establishing partnerships between the municipality and the organisations and bodies performing the functions on behalf of the Municipality.
- 1.3 The Municipality will favour grants for achievement of outcomes aligned to the IDP. The objective of the funding of external bodies performing municipal functions is primarily to ensure the achievement of agreed outcomes to improve the health and well-being of the citizens and not to cover administrative costs and salaries.

2. LEGAL FRAMEWORK

- 2.1 In terms of section 156 of the Constitution, the Municipality has executive authority in respect of and the right to administer –
- 2.1.1 the local government matters listed in Part B of Schedule 4 and 5; and
- 2.1.2 any other matters assigned to it by national and provincial legislation.
- 2.2 Section 16(2) of the MFMA provides that the Mayor of the Municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year. Section 17(3)(j)(ii) and 17(3)(j)(iv) provides that when an annual budget is tabled in terms of section 16(2) it must include particulars of any proposed allocation or grants by the municipality to any municipal entities and other external mechanism assisting the municipality in the exercise of its functions or power and any organisation or bodies referred to in section 67(1).
- 2.3 Immediately after the tabling of the annual budget the accounting officer must make public the annual budget and invite the local community to submit representations in connection with the budget before the budget is approved by Council in terms of section 24 of the MFMA.
- 2.4 Section 67 of the MFMA provides that the Municipality implement and sustain proper and effective controls and procedures when transferring funds of the

- Municipality to an organisation or body outside any sphere of government.
- 2.5 Section 67(1) provides that the accounting officer must be satisfied that the organisation or body has the capacity and agreed to comply with any agreement with the Municipality including all reporting, financial management and auditing requirements as may be stipulated in the agreement, to report at least monthly to the accounting officer on actual expenditure against such transfer and to submit audited financial statements for its financial year to the accounting officer promptly. The organization must implement effective, efficient and transparent financial management and internal control systems to guard against fraud, theft and financial mismanagement and has the obligation to prove in terms of previous similar transfers that it has complied with all the requirements. The accounting officer must through contractual and other appropriate mechanism enforce compliance with this policy.
- 2.6 All transfer of funds in terms of this Policy shall comply with the Constitution, the Systems Act, the Structures Act, the MFMA and any other applicable legislation, regulations and policies that may govern the transfer of municipal funds and that are not in contradiction to the aforementioned legislation.

3. PUBLIC ADVERTISEMENT AND APPLICATION PROCEDURE

- 3.1 Applications for funding of external bodies performing municipal functions shall be considered where organisations or bodies have responded to advertisements published in the local newspapers distributed in the Stellenbosch Municipal Area calling upon organisations or bodies to submit proposals in the prescribed form, as set out 4.3 below, to perform a specific municipal function for a period up to 3 years. Such advertisements may be published quarterly by the accounting officer.
- 3.2 Advertisements should clearly specify the categories for which requests are called, the closing date for applications, who they should be addressed to, and where and how to obtain the relevant documentation pertaining to such applications, including the prescribed forms. Only applications made on the prescribed form (see Annexure A) may be considered.
- 3.3 The organisation/body must submit a detailed business plan with its application, confirming the envisaged outcomes their past achievements in the field and their commitment to performing that particular municipal function effectively and in line with Council's goals as set out in the IDP. Applications must be accompanied by a covering letter on the organisation/body letterhead, signed by the head of the organisation/body and must include the following information:
- 3.3.1 the organisation/body's legal name and a brief description of the organisation/body's business;
 - 3.3.2 the organisation/body's registration number, if any;
 - 3.3.3 the date of establishment, details of the organisation/body's members, founding documents, including constitution and certificates of incorporation;
 - 3.3.4 the contact name of the person signing the application, full street address, telephone number and email address of the organisation;
 - 3.3.5 if funding is required for a specific project, a brief description of the project and what it aims to achieve, as well as the detailed budget

- for and the duration of the project together with a written confirmation by the relevant municipal Director that the project is part of the IDP projects or programs;
- 3.3.6 references, independent of the organisation/body and the head of the organisation/body;
 - 3.3.7 most recent audited financial statements not older than 24 months;
 - 3.3.8 a summary of its past achievements; and
 - 3.3.9 a declaration by the head of the organisation/body to the satisfaction of the Municipal Manager that the organisation/body implements effective, efficient and transparent financial management and internal control mechanism to guard against fraud, theft and financial mismanagement and has in the past complied with requirements for similar transfers of funds.
- 3.4 Individuals will not be considered or appointed as an organisation/body to provide a municipal function as contemplated in this Policy.
 - 3.5 Organisations or bodies whose directors, managers, major shareholders or trustees are in service of the state will not be considered or appointed as an organisation/body to provide a municipal function as contemplated in this Policy.
 - 3.6 The appointment of a particular organisation/body to perform a municipal function for a period of three (3) years does not guarantee financial support by the Municipality, which will be determined annually when the municipal budget is approved by the Municipal Council.
 - 3.7 No late applications received, in response to an advertisement as contemplated in clause 3.1 and 3.2 above will be considered and processed by the Grant Committee.

4. OBLIGATIONS OF THE ORGANISATION/BODY

- 4.1 The head of the organisation/body must acknowledge in writing to the Municipal Manager that the money allocated was received in its bank account and that the money will be utilised in accordance with the completed and signed MOA, the submitted application and this Policy within 30 days of transfer of funds / payment, failing which no future grants may be considered.
- 4.2 The organisation / body shall submit monthly reports on actual expenditure against such transfer, the ward within which activities are conducted as well as the number of people benefiting from the activity to the Municipal Manager.
- 4.3 The relevant municipal Director must co-sign each monthly report to confirm monthly management and oversight of the activities.

5. RIGHTS OF THE MUNICIPALITY, CONTROL AND MONITORING

- 5.1 The relevant municipal Director shall be entitled, at any reasonable time from time to time, to verify and inspect the existence and activities of the organisation/body. The relevant municipal Director or his delegate has the right to physically visit the premises where the organisation/body or funded project is based, to peruse the budgets and any progress report related to the project.

- 5.2 The relevant municipal Director shall manage the service delivery agreement entered into between the Municipality and the organisation / body by inter alia receiving and considering monthly reports, inspecting financial records including audited financial statement.
- 5.3 If the organisation / body fails to comply with the terms and conditions of its service delivery agreement with the Municipality, the accounting officer may in consultation with the relevant municipal Director terminate the agreement with reasonable notice or grant the organization / body an opportunity to rectify the breach within an agreed period of not more than 90 days, failing which the accounting officer may terminate the agreement with reasonable notice.
- 5.4 The Municipality has the right not to give a Grant to any or all organisations/bodies applying for such Grants or to give proportional or partial grants to give. Having been awarded a Grant previously does not give an organisation/body the right to receive a Grant again.
- 5.5 The relevant municipal Director shall ensure that those organisations or bodies, who have received Grants in terms of this Policy:-
- 5.5.1 comply with all the provisions of the completed and signed MOA;
 - 5.5.2 comply with all reporting, financial management and auditing requirements as stipulated in the MOA;
 - 5.5.3 report at least monthly to the Municipality on actual expenditure against such transfer;
 - 5.5.4 promptly, or no longer than 4 months after the end of their financial year, submit their audited financial statements; and
 - 5.5.5 utilise the grant funding strictly in accordance with the approved business plan and approved budget.
- 5.6 The requirements in paragraphs 5.5.1 to 5.5.4 above shall not apply to organisations where the transfer does not exceed R200 000,00 (two hundred thousand rand), provided the Accounting Officer takes all reasonable steps to ensure that the targeted beneficiaries, as identified by the organisation or body in its application, receive the benefit of such grants and it certifies that compliance by that organisation or body with 5.5.1 to 5.5.4 above is uneconomical or unreasonable.

6. GRANT COMMITTEE

- 6.1 A Grant Committee consisting of at least the Municipal Manager, the Chief Financial Officer and one director of the Municipality, as well as any other official whom the Municipal Manager may include, shall evaluate all applications received in response to the local advertisement.
- 6.2 The Grant Committee will have the power to make recommendations to Council for final appointments and financial allocations.
- 6.3 The Grant Committee must submit a report on its decisions to the Council for final approval.
- 6.4 The Grant Committee shall, in terms of the Systems Act, establish a programme for community consultation and information dissemination regarding the appointment of any organisation/body and the availability of the service delivery agreement for perusal will be communicated to the local community through the media prior to any service delivery agreement being entered into between the Municipality and the organisation or body.

- 6.5 No payments in terms of the allocation will be made to any organisation / body until a service delivery agreement in the form approved by the accounting officer has been signed by the respective parties.
- 6.6 No payment can be made to an organisation/body until it has submitted its audited financial statements as contemplated in this Policy and a statement certified by its auditor that it has fully complied with its agreement with the Municipality.
- 6.7 Payments may be allocated as a once off amount or in tranches as determined by the CFO in consultation with the relevant municipal Director.

7. Funding acknowledgement of the Municipality

Successful applicants will be required to acknowledge the Municipality as the provider of Grant funding in their funding record as well as any public record in respect of Grants received in order to confirm that these transfers of funds are also part of the Municipality's endeavours to meet its strategic objectives and to assist it in carrying out its constitutional powers and functions.

8. COMMENCEMENT

This Policy called the **FINANCING OF EXTERNAL BODIES PERFORMING MUNICIPAL FUNCTIONS POLICY** takes effect on the date on which it is adopted by the Council.



STELLENBOSCH

STELLENBOSCH . PNIEL . FRANSCHHOEK

Municipality • Umasipala • Munisipaliteit

APPLICATION : FUNDING OF EXTERNAL BODIES PERFORMING A MUNICIPAL FUNCTION

NOTE: ONLY APPLICATIONS ON THIS PRESCRIBED FORM WILL BE CONSIDERED

PLEASE COMPLETE THE FOLLOWING:

A	<p>Registered name of organisation:</p> <p>.....</p>		
B	<p>Date and year in which the organisation was founded or incorporated (include brief description of business or activities of organisation):</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>		
C	<p>Address:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <p>(i) Street</p> <p>.....</p> <p>.....</p> <p>.....</p> </td> <td style="width: 50%; vertical-align: top;"> <p>(ii) Postal</p> <p>.....</p> <p>.....</p> <p>.....</p> </td> </tr> </table> <p>Contact details:</p> <p>Name and Surname:</p> <p>Title/Position held:</p> <p>Tel: E-mail:</p>	<p>(i) Street</p> <p>.....</p> <p>.....</p> <p>.....</p>	<p>(ii) Postal</p> <p>.....</p> <p>.....</p> <p>.....</p>
<p>(i) Street</p> <p>.....</p> <p>.....</p> <p>.....</p>	<p>(ii) Postal</p> <p>.....</p> <p>.....</p> <p>.....</p>		
D	<p>List <u>ALL</u> the directors / board / committee members / shareholders / trustees of the organization (use additional pages if necessary):</p> <p>Name and Surname:</p> <p>Position:</p> <p>Contact Address and tel. no:</p> <p>Name and Surname:</p>		

Contact Address and tel. no:

Name and Surname:

Position:

Contact Address and tel. no:

Name and Surname:

Position:

Contact Address and tel. no:

Name and Surname:

Position:

Contact Address and tel. no:

Name and Surname:

Position:

Contact Address and tel. no:

D Indicate in which ward the organisation is active:

Ward: _____

Is the organisation a non-profit company? Yes No

If yes, provide company registration number: _____ -

Is the organisation a non-profit organisation as contemplated in section 13 of the Non-Profit Organisation Act, 1997? Yes No

If yes, provide registration number: _____ -

Is the organisation a public benefit organisation as contemplated in terms of the Income Tax Act, 1962? Yes No

If yes, provide registration number: _____ -

Is funding required for a specific project? Yes No

If yes, attach details separately.

Budget amount of projects:

Duration of project:

Is funding required for general support? Yes No

If yes, attach a copy of the organisation's overall budget and business plan.

<p>E</p>	<p>Category:</p> <p>Please categorise your application (mark with x):</p> <p>Tourism Destination Marketing & Visitors Information</p> <p>Tourism Development</p> <p>Animal Welfare</p> <p>Note: For more detail, see attached Funding of External Bodies Performing a Municipal Function Policy.(general guidelines and categories)</p> <p>Please indicate the specific type of project/programme, as per the Funding of External Bodies Performing a Municipal Function Policy</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>
<p>F</p>	<p>The following <u>MUST</u> accompany this application:</p> <ol style="list-style-type: none"> 1. A copy of the latest, audited financial statements. 2. A copy of the Organisation’s Constitution or Memorandum of Incorporation as well as the resolutions/minutes adopting the Constitution or Memorandum of Incorporation. 3. A copy of a project/programme description and/or a business plan for the ensuing financial year. Including the following: <ul style="list-style-type: none"> • Full details of the proposal or project including its objectives, the number of people who will benefit and how the project will contribute or enhance the strategic objectives of Stellenbosch Municipality. • Commencement and completion dates of the project. • Information on the total cost of the project budget, including a breakdown of costs and an outline of any contribution by fundraising and/or own contribution. • A list of all other sources of funding together with the assessments. • A summary of past achievements. • References independent of the applicant and its executive. 4. An original copy of a correctly completed creditors control form of Stellenbosch Municipality. 5. If the Organisation received funding from Stellenbosch Municipality in the preceding financial year, you need to account for the expenditure of the funding received with your new application. 6. If the Organisation received funding from other bodies, please identify and list the amounts received;

	<p>7. If the Organisation is a non-profit company as defined in the section 1 of the Companies Act, 2008, a certificate/letter issued by the Companies and Intellectual Property Commission (CIPC) confirming registration must be attached;</p> <p>8. If the Organisation has been registered as a “non-profit” organisation in terms of the Non-Profit Organisation Act, 1997, a certificate/letter issued by the Department of Social Development confirming registration as a non-profit organisation must be attached;</p> <p>9. If the Organisation has been registered as a “Public Benefit Organisation” in terms of the Income Tax Act, 1962, a certificate/letter issued by SARS confirming the Organisation's tax exemption status must be attached; and</p> <p>10. Valid Tax Clearance Certificate issued by SARS.</p>
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G	<p>The following shall apply:</p> <ol style="list-style-type: none"> 1. The allocation of funds will only be considered if the application document has been fully completed and signed and is accompanied by the required and supporting documentation referred to therein. Applicants must in their submission clearly indicate / specify and motivate what the funding will be utilised for. 2. The funding must be exclusively utilised for the purpose defined and the successful applicant must submit the necessary undertaking to this effect. 3. Applicants must in their submission satisfy the Council of their ability to execute the project successfully. 4. Organisations who have already received financial or other assistance from the Council during the previous financial year <u>must</u> specify same in their application. 5. No funding will be considered for political groupings, church/sectarian bodies or ratepayers organisations. 6. No funding will be considered where only an individual will benefit or where a member of Council or an official of Stellenbosch Municipality will receive any financial or other gain. 7. Projects outside the boundaries of the Council will not be considered. 8. Subsequent requests from applicants to cover overspending on projects will not be considered. 9. Council will not pay any funds to anyone who has already procured against the perception that they will receive any municipal funds. 10. Successful applicants must at all times comply with the provisions of Section 67(1) of the Municipal Finance Management Act No. 56 of 2003 which <i>inter alia</i> stipulates that the organisation or body has to:- <ul style="list-style-type: none"> • Enter into and comply with a Memorandum of Agreement with the Municipality as well as with all reporting, financial management and auditing requirements as may be contained in such agreement. This memorandum of agreement will bind the successful applicant to deliver on what the application speaks to, but also to commit to become involved with municipal programmes of the community where it functions. The Memorandum of Agreement will be made available to successful applicants for completion. • Report monthly on the actual expenditure of the amount allocated.
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11. The Council reserves the right not to give funding to any or all organisations applying.
12. Having been awarded funding previously does not give an applicant the right to receive a grant/funding again.
13. Funding will not be considered where a project or organisation is already receiving funds from Council in terms of Council's functions. Applicants are required to disclose other sources of funding, failing which such applicant will be disqualified.
14. Funding will not be considered where in Council's opinion, an organisation received sufficient funds from other sources to sustain its activities or the project applied for. For this purpose, organisations must submit financial statements and budget for the ensuing financial year.
15. Organisations having received funding from Stellenbosch Municipality during the previous financial year, are required to attached to any new application, a copy of the financial statements relating to the year in which the funding was received from Council, as required in terms of section 67(1) of the Municipal Finance Management Act, 2003 (MFMA).

(The Funding of External Bodies Performing a Municipal Function Policy must be consulted for the sake of completeness)

H Undertaking:

I/We hereby verify that the information provided in this application is true and correct and that the conditions applicable to the allocation of funds as set out above have been read, understood and will be complied with.

I/We also declare that the organisation implements effective, efficient and transparent financial management and internal control mechanisms to guard against fraud, theft and financial mismanagement and has in the past complied with requirements for similar transfer(s) of funds.

This completed and signed at Stellenbosch on this.....day of.....20....

Chairperson / Authorised Representative

Secretary / Duly Authorised Signatory

I Please take note:

(i) That completed application forms together with all the required documentation must be delivered to:

**Director: Planning and Economic Development
P O Box 17
Stellenbosch
7599**

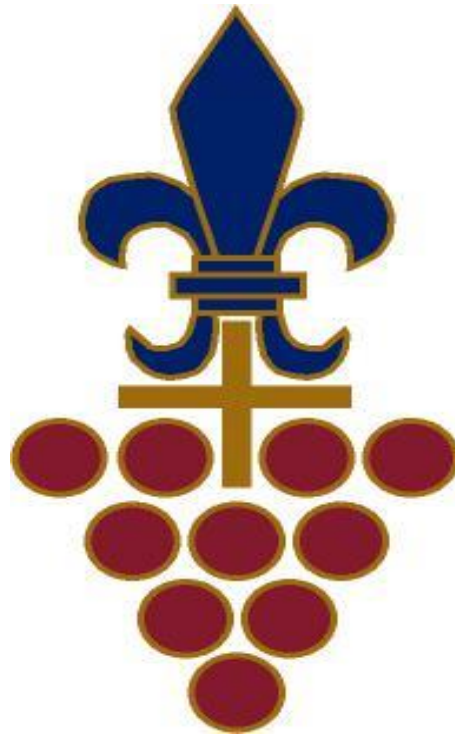
Or delivered to:

**58 Andringa Street
Stellenbosch
7600**

(ii) That the closing date for the submission of applications is: at
.....

(iii) That **neither late nor incomplete applications** shall be considered.

STELLENBOSCH MUNICIPALITY



LIQUIDITY POLICY

2020/2021



STELLENBOSCH MUNICIPALITY

LIQUIDITY POLICY

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1. INTRODUCTION

The documented Liquidity Policy sets out the minimum risk management measures that Stellenbosch Municipality has to implement and adhere to in order to ensure that its current and future liquidity position is managed in a prudent manner.

Liquidity is the amount of cash and / or “near cash” (which refers to assets or security that can easily and quickly be converted to cash), available to be utilized to meet obligations and / or pay commitments. The marketability or ability to buy or sell an asset without incurring unacceptable large losses thus determines the liquidity of an asset or defines it as near cash.

This Policy is implemented to provide guidance on the minimum liquidity level that Stellenbosch Municipality has to maintain in order to comply with required legislative and / or National Treasury directives and within the overall financial management objectives as approved/reviewed by the Council from time to time.

2. BACKGROUND AND APPROACH

Various policies and procedures exist that direct the way in which the business of Stellenbosch Municipality is or should be conducted in a prudent manner. Generally these policies and procedures flow from the prescription made in Legislation i.e. the Municipal Finance Management Act (“MFMA”) and/or directives issued by a national department such as National Treasury.

Guidelines provided by National Treasury indicate that an acceptable level of cash resources needs to be available for working capital requirements (see below).

It is for this reason that the need to have an official Liquidity Policy was identified.

3. LEGISLATIVE REQUIREMENTS

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

Cash/Cost Coverage Ratio (Excluding Unspent Conditional Grants) is calculated as:

$$\frac{((\text{Cash and Cash Equivalents} - \text{Unspent Conditional Grants} - \text{Overdraft}) + \text{Short Term Investment})}{\text{Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)}}$$

Criteria: 1 – 3 times

Current Ratio Current Assets / Current Liabilities

Criteria: 1.5 - 2:1

The above guidelines are noted but the proposed policy is more conservative to ensure that the municipality secures its strong financial position thereby providing comfort to investors.

4. LIQUIDITY POLICY

This policy provides guidance on the determination of the minimum liquidity requirement and the calculation of the liquidity available of Stellenbosch Municipality from time to time (see **Annexure 1**).

Notwithstanding the requirements as reflected in this policy, Stellenbosch Municipality should ensure that its Current Assets (excluding debtors older than 90 days) cover all of its Current Liabilities at least two times.

The policy encapsulates certain key aspects and considerations which have been outlined below:

4.1. KEY COMPONENTS OF MINIMUM LIQUIDITY REQUIRED:

The following constitutes the key elements to take into consideration when determining the liquidity requirement of Stellenbosch Municipality:

4.1.1. To comply with statutory requirements it is proposed that the following funds, reserves and provisions be fully covered by unencumbered cash and investments:

4.1.1.1. All earmarked or conditional grant transfers from spheres of Government or from Public Contributions made to Stellenbosch Municipality that have not yet been utilized;

4.1.1.2. All commitments resulting from the legally entrenched rights and benefits employees have, with specific reference to the Council's short term commitment to staff retirement benefits and medical fund claims payable;

4.1.1.3. All funds not yet been utilized in relation to agency services provided on behalf of Provincial or National Government should also be treated as earmarked funds;

4.1.1.4. All reserves stated by Stellenbosch Municipality on its Statement of Financial Position that have been established for the purposes of making provisions for a defined purpose.

- 4.1.2. Cognisance also needs to be taken of the external loan commitments and the servicing of capital and interest on these loans. Therefore provision should be made that Stellenbosch Municipality can meet its external loan/financial commitments together with the normal operational expenditure, as well as its liabilities to staff.
- 4.1.3. All investments ceded as security against long term loans need to be excluded from total cash and investment balances for calculation of the minimum liquidity level required.
- 4.1.4. In addition, a level of cash available for normal operational expenditure needs to be held in cash to ensure that, notwithstanding fluctuations in the monthly income levels of Stellenbosch Municipality, Stellenbosch Municipality will be in a position to meet its financial requirements. In this respect, the average monthly operational expenditure needs to be used as a guide of the minimum buffer required. One month's operational expenditure excluding debt impairments, depreciation and other non-cash expenses should be available for liquidity cover.
- 4.1.5. The "golden rule" should be to ensure that Stellenbosch Local Municipality will have adequate liquid assets (those that can be made into cash within 24 hours, weekly or monthly as the requirement might be) to meet its short term financial commitments.

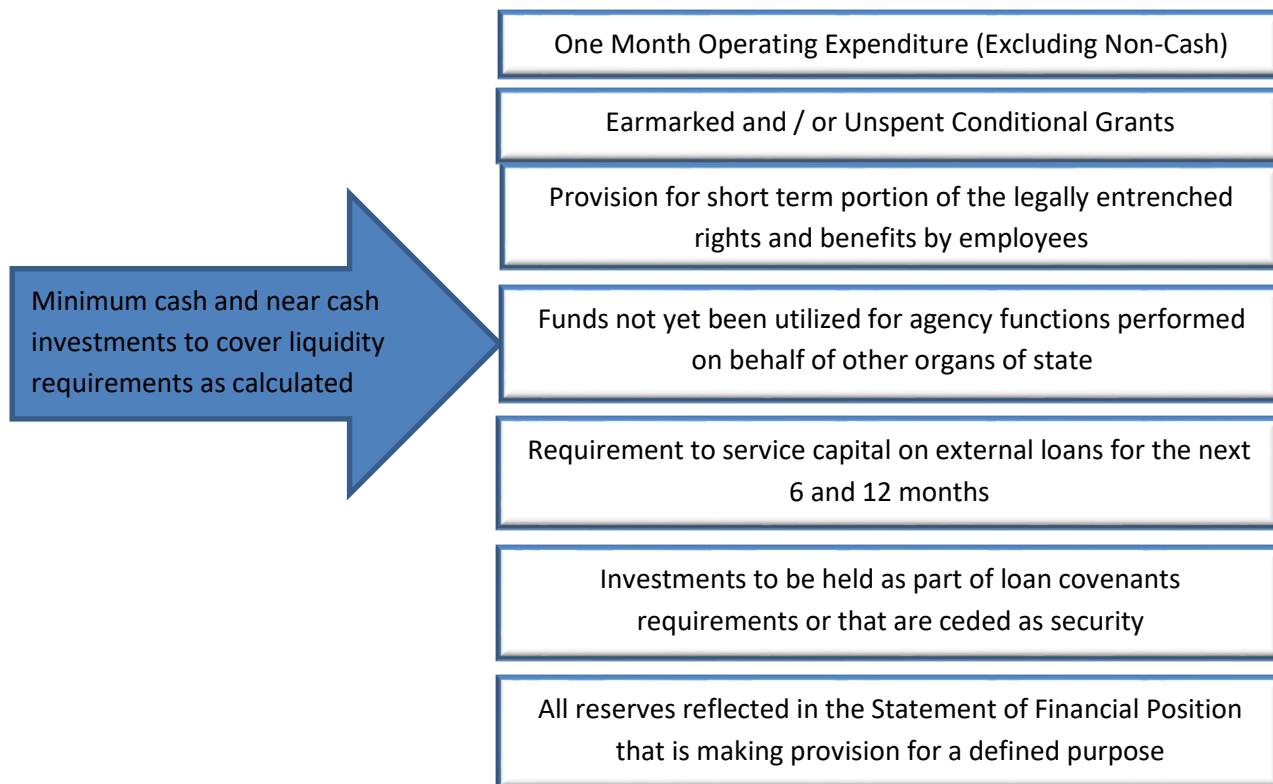
4.2. CALCULATION OF AVAILABLE LIQUIDITY

The amount of liquidity available should be determined from time-to-time. The following, should be regarded as cash and or near cash in calculating the available liquidity:

- 4.2.1. *All cash held in a bank account or invested with a money market fund;*
- 4.2.2. *95% of the value of all NCD's or other tradable instruments issued by a bank that are not already ceded;*
- 4.2.3. *90% of the market value of all listed bonds on the JSE in which Stellenbosch Municipality is allowed to invest in;*
- 4.2.4. *Consumer debtors aged current to 60 days;*
- 4.2.5. *Amount of unspent conditional grants and public contributions excluded from own funds held in bank accounts;*
- 4.2.6. *Funds provided to Council for expenditure on activities executed on behalf of other spheres of Government (Provincial and / or National) as part of an agency function, excluded from own funds held in bank accounts;*
- 4.2.7. *Funds ring-fenced for cash backed reserves that are excluded from own funds held in bank accounts;*
- 4.2.8. *Cash amounts that need to be held by Council resulting from loan covenants' that are part of the conditions of loans extended, but not ceded outright to lenders;*

4.2.9. *The undrawn portion of unconditional bank overdraft facility or liquidity facility available to Stellenbosch Municipality.*

The aforementioned in paragraphs 4.1. and 4.2. can schematically be reflected as follows:



4.3. IMPLEMENTATION AND MONITORING OF COMPLIANCE WITH LIQUIDITY POLICY:

Once the policy is approved, the CFO is to be tasked to ensure that the required cash has to be maintained to continue meeting the requirements as set out in this policy.

Firstly, the minimum required liquidity level should be calculated based on audited annual financial statements. This level of liquidity required needs to be specifically budgeted for and on a quarterly basis be reported to the Finance Committee and / or other Committees as might be stipulated by Council as well as to Council.

Notwithstanding National Treasury's three months operational expenditure guideline and the one month operational expenditure buffer proposed as a minimum by the liquidity policy, it is recommended that Council set a target of one month's operational expenditure liquidity buffer to be achieved at the end of the transitional period (reference paragraph 6).

The cash provisions made to repay external loan commitments, if specifically earmarked, should also be added to this minimum working capital liquidity, to prevent fluctuations in the working capital reserve that could put the minimum level of liquidity levels under pressure.

5. CORPORATE GOVERNANCE (OVERSIGHT)

Compliance with this policy will be monitored by the Chief Financial Officer. The Chief Financial Officer must present the liquidity compliance reports to the Finance Committee and the Audit Committee of the municipality.

Where compliance has been breached the Chief Financial Officer must present an action plan to correct the non-compliance. The Finance Committee must monitor the successful implementation of the corrective action plans and report progress to Council.

6. POLICY MANAGEMENT

The Liquidity Policy forms part of Stellenbosch Municipality overall financial objectives and therefore forms part of approved Budget Policies. The policy must be reviewed at least annually during the budget revision and presented to Council for approval.

The policy is effective from the date it is approved by Council.

ANNEXURE 1

Liquidity Requirement as per Liquidity Policy

Financial Year End: _____

Liquidity Requirement Calculation [as stipulated in Paragraph 4.1.]

All earmarked and/or conditional grants received but not yet utilised	
Value of legally entrenched short term rights and benefits of employees related to Medical benefits & Retirement benefits	
Funds held for agency services not yet performed	
Reserve funds reflected in Statement of Financial Position that are assumed to be held in cash	
Capital redemption and interest payments on external loans not reflected as part of normal operational expenditure	
Onemonth operational expenditure excluding non-cash items	
Commitments resulting from contracts concluded as part of Capex Programme, not reflected in operational budget	
TOTAL LIQUIDITY REQUIREMENT	

Actual available liquidity held [reference paragraph 4.2.]

Bank Balance at e.g.:	
- ABSA, FNB, Standard Bank, Nedbank, Investec, Money Market	
Bank balance sub total	
95% of all other term investments with Banks	
90% of Market value of all Bonds on the JSE that are held	
Consumer debtors (current – 60 days)	
Other reserves held in cash not reflected in bank balances mentioned above for e.g.:	
- Unspent conditional grants	
- Payments received for agency functions not yet performed	
- The cash value of reserves held	
- Cash deposits held as part of loan covenants or ceded	
- Undrawn bank overdraft facility or committed liquidity lines available	

TOTAL LIQUIDITY AVAILABLE

LIQUIDITY SURPLUS (SHORT FALL)

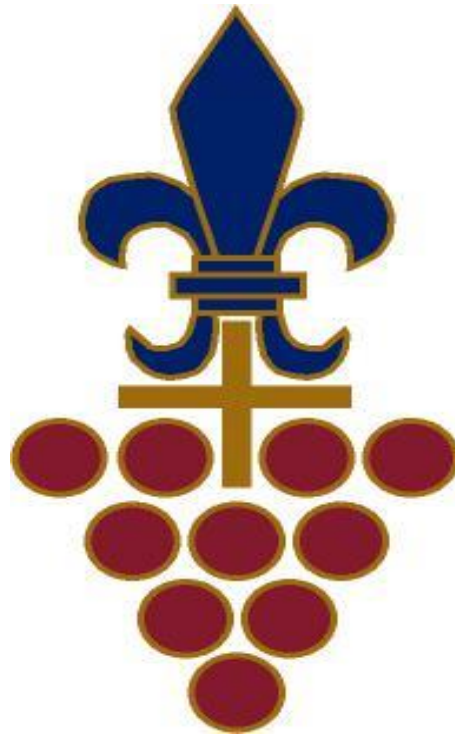
SURPLUS TO BE APPROPRIATED TO CAPITAL REPLACEMENT RESERVE

(See Borrowing, Funds and Reserves Policy)

Liquidity ratio:

Current Asset/Current Liabilities

STELLENBOSCH MUNICIPALITY



**SCM POLICY STANDARD FOR
INFRASTRUCTURE PROCUREMENT
AND DELIVERY MANAGEMENT (SIPDM)**

2020/2021



STELLENBOSCH MUNICIPALITY

SCM POLICY FOR INFRASTRUCTURE PROCUREMENT AND DELIVERY MANAGEMENT

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1. SCOPE

This policy establishes the Stellenbosch Municipality's policy for infrastructure delivery management in accordance with the provisions of the regulatory frameworks for procurement and supply chain management. It includes the procurement for a new facility to be occupied and used as a functional entity but excludes:

- a) the storage of goods and equipment following their delivery to Stellenbosch Municipality' which are stored and issued to contractors or to employees;
- b) the disposal or letting of land;
- c) the conclusion of any form of land availability agreement;
- d) the leasing or rental of moveable assets; and
- e) public private partnerships.

2. TERMS, DEFINITIONS AND ABBREVIATIONS

2.1 Terms and definitions

For the purposes of this document, the definitions and terms given in the standard and the following apply:

agent: person or organization that is not an employee of Stellenbosch Municipality that acts on the Stellenbosch Municipality's behalf in the application of this document

authorized person: the accounting officer, the accounting authority or the appropriately delegated authority to award, cancel, amend, extend or transfer a contract or order

conflict of interest: any situation in which:

- a) someone in a position of trust has competing professional or personal interests which make it difficult for him to fulfil his duties impartially,
- b) an individual or organization is in a position to exploit a professional or official capacity in some way for his personal or for corporate benefit, or
- c) incompatibility or contradictory interests exist between an employee and the organization which employs that employee

contract manager: person responsible for administering a package on behalf of the employer and performing duties relating to the overall management of such contract from the implementer's point of view

family member: a person's spouse, whether in a marriage or in a customary union according to indigenous law, domestic partner in a civil union, or child, parent, brother, sister, whether such a relationship results from birth, marriage or adoption

framework agreement: an agreement between an organ of state and one or more contractors, the purpose of which is to establish the terms governing orders to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged

gate: a control point at the end of a process where a decision is required before proceeding to the next process or activity

gateway review: an independent review of the available information at a gate upon which a decision to proceed or not to the next process is based

gratification: an inducement to perform an improper act

infrastructure delivery: the combination of all planning, technical, administrative and managerial actions associated with the construction, supply, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure

infrastructure procurement: the procurement of goods or services including any combination thereof associated with the acquisition, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure

maintenance: the combination of all technical and associated administrative actions during an item's service life to retain it in a state in which it can satisfactorily perform its required function

operation: combination of all technical, administrative and managerial actions, other than maintenance actions, that results in the item being in use

order: an instruction to provide goods, services or any combination thereof under a framework agreement

organ of state: an organ of state as defined in section 239 of the Constitution of the Republic of South Africa

procurement document: documentation used to initiate or conclude (or both) a contract or the issuing of an order

principal: a natural person who is a partner in a partnership, a sole proprietor, a director a company established in terms of the Companies Act of 2008 (Act No. 71 of 2008) or a member of a close corporation registered in terms of the Close Corporation Act, 1984, (Act No. 69 of 1984)

standard: the latest edition of the Standard for Infrastructure Procurement and Delivery Management as published by National Treasury

working day: any day of a week on which is not a Sunday, Saturday or public holiday

2.2 Abbreviations

For the purposes of this document, the following abbreviations apply

CIDB: Construction Industry Development Board

SARS: South African Revenue Services

3. GENERAL REQUIREMENTS

- 3.1** Infrastructure procurement and delivery management shall be undertaken in accordance with the all applicable legislation and the relevant requirements of the latest edition if the National Treasury Standard for Infrastructure Procurement and Delivery Management.
- 3.2** No departures shall be made from the provisions of the National Treasury Standard for Infrastructure Procurement and Delivery Management without the approval of the National Treasury.

No departure shall be made from the provisions of this policy without the approval of the Accounting Officer.

4. CONTROL FRAMEWORK FOR INFRASTRUCTURE DELIVERY MANAGEMENT

4.1 Assignment of responsibilities for approving or accepting end of stage deliverables

The responsibilities for approving or accepting end of stage deliverables shall be as stated in Table 1.

4.2 Gateway reviews

4.2.1 Gateway reviews for major capital projects above a threshold

- 4.2.1.1** Head: SCM shall appoint a gateway review team in accordance with the provisions of clause 4.1.13.1.2 of the standard to undertake gateway reviews for major capital projects.

Table 1: Responsibilities for approving or accepting end of stage deliverables in the control framework for the management of infrastructure delivery

Stage		Person assigned the responsibility for approving or accepting end of stage deliverables
No	Name	
0	Project initiation	Directors who uses Council Approved Budget (initiation report).
1	Infrastructure planning	<i>Council</i> approves the infrastructure plan
2	Strategic resourcing	<i>Accounting Officer</i> approves the delivery and / or procurement strategy via the Demand Management Plan
3	Pre-feasibility	<i>Relevant Director</i> accepts the pre-feasibility report
	Preparation and briefing	<i>Relevant Director</i> accepts the strategic brief
4	Feasibility	<i>Relevant Director. Reviewteam >R50 million</i> accepts the feasibility report
	Concept and viability	<i>Relevant Director. Reviewteam >R50 million</i> accepts the concept report
5	Design development	<i>Relevant Manager. Review team > R50 million</i> accepts the design development report
6	Design documentation	6A Production information <i>Relevant Manager</i> accepts the parts of the production information which are identified when the design development report is accepted as requiring acceptance
		6B Manufacture, fabrication and construction information The consultant accepts the manufacture, fabrication and construction information
7	Works	The contract manager certifies completion of the works or the delivery of goods and associated services
8	Handover	The owner or end user accepts liability for the works. Review team > R50 million
9	Package completion	The contract manager or supervising agent certifies the defects certificate in accordance with the provisions of the contract The contract manager certifies final completion in accordance with the provisions of the contract <i>Accounting Officer</i> accepts the close out report

End-of-stage deliverables are:

Stage		End-of-stage deliverable	
No	Name		
0	Project initiation	An initiation report which outlines the high-level business case together with the estimated project cost and proposed schedule for a single project or a group of projects having a similar high-level scope	
1	Infrastructure planning	An infrastructure plan which identifies and prioritizes projects and packages against a forecasted budget over a period of at least five years	
2	Strategic resourcing	A delivery and/or procurement strategy which, for a portfolio of projects, identifies the delivery strategy in respect of each project or package and, where needs are met through own procurement system, a procurement strategy	
3	Prefeasibility	A prefeasibility report which determines whether or not it is worthwhile to proceed to the feasibility stage	
	Preparation and briefing	A strategic brief which defines project objectives, needs, acceptance criteria and client priorities and aspirations, and which sets out the basis for the development of the concept report for one or more packages	
4	Feasibility	A feasibility report which presents sufficient information to determine whether or not the project should be implemented	
	Concept and viability	A concept report which establishes the detailed brief, scope, scale, form and control budget, and sets out the integrated concept for one or more packages	
5	Design development	A design development report which develops in detail the approved concept to finalize the design and definition criteria, sets out the integrated developed design, and contains the cost plan and schedule for one or more packages	
6	Design documentation	6A Production information	Production information which provides the detailing, performance definition, specification, sizing and positioning of all systems and components enabling either construction (where the constructor is able to build directly from the information prepared) or the production of manufacturing and installation information for construction
		6B Manufacture, fabrication and construction information	Manufacture, fabrication and construction information produced by or on behalf of the constructor, based on the production information provided for a package which enables manufacture, fabrication or construction to take place
7	Works	Completed works which are capable of being occupied or used	
8	Handover	Works which have been taken over by the user or owner complete with record information	
9	Package completion	Works with notified defects corrected, final account settled and the close out report issued	

5. CONTROL FRAMEWORK FOR INFRASTRUCTURE PROCUREMENT

- 5.1** The responsibilities for taking the key actions associated with the formation and conclusion of contracts including framework agreements above the quotation threshold shall be as stated in Table 2.
- 5.2** The responsibilities for taking the key actions associated with the quotation procedure and the negotiation procedure where the value of the contract is less than the threshold set for the quotation procedure shall be as follows:

- a) BSC shall grant approval for the issuing of the procurement documents, based on the contents of a documentation review report developed in accordance with the provisions of the standard;
- b) the authorized person may award the contract if satisfied with the recommendations contained in the evaluation report prepared in accordance with the provisions of the standard.

5.3 The responsibilities for taking the key actions associated with the issuing of an order in terms of a framework agreement shall be as stated in Table 3.

6. INFRASTRUCTURE DELIVERY MANAGEMENT REQUIREMENTS

6.1 Institutional arrangements

6.1.1 Committee system for procurement

6.1.1.1 General

6.1.1.1.1 A committee system comprising the documentation committee, evaluation committee and tender committee shall be applied to all procurement procedures where the estimated value of the procurement exceeds the financial threshold for quotations and to the putting in place of framework agreements.

6.1.1.1.2 The evaluation committee shall, where competition for the issuing of an order amongst framework contractors takes place and the value of the order exceeds the financial threshold for quotations, evaluate the quotations received.

6.1.1.1.3 The persons appoint in writing as technical advisors and subject matter experts may attend any committee meeting. Such advisers and experts shall not participate in the decisions making proceedings of such meetings.

6.1.1.1.4 No person who is a political officer bearer, a public office bearer, a political advisor or a person appointed in terms of section 12A of the Public Service Act of 1994 or who has a conflict of interest shall be appointed to a procurement documentation, evaluation or tender committee.

6.1.1.1.5 Committee decisions shall as far as possible be based on the consensus principle i.e. the general agreement characterized by the lack of sustained opposition to substantial issues. Committees shall record their decisions in writing. Such decisions shall be kept in a secured environment for a period of not less than five years after the completion or cancellation of the contract unless otherwise determined in terms of the National Archives and Record Services Act of 1996.

6.1.1.1.6 Committees may make decisions at meetings or, subject to the committee chairperson's approval, on the basis of responses to documents circulated to committee members provided that not less than sixty percent of the members are present or respond to the request for responses. Where the committee chairperson is absent from the meeting, the members of the committee who are present shall elect a chairperson from one of them to preside at the meeting.

Table 2: Procurement activities and gates associated with the formation and conclusion of contracts above the quotation threshold

Activity		Sub-Activity (see Table 3 of the standard)		Key action	Person assigned responsibility to perform key action
1*	Establish what is to be procured	1.3 PG1	Obtain permission to start with the procurement process	Make a decision to proceed / not to proceed with the procurement based on the broad scope of work and the financial estimates.	Relevant Director
2*	Decide on procurement strategy	2.5 PG2	Obtain approval for procurement strategies that are to be adopted including specific approvals to approach a confined market or the use of the negotiation procedure	Confirm selection of strategies so that tender offers can be solicited	Relevant Director
3	Solicit tender offers	3.2 PG3	Obtain approval for procurement documents	Grant approval for the issuing of the procurement documents	BSC
		3.3 PG4	Confirm that budgets are in place	Confirm that finance is available for the procurement to take place	CFO
4	Evaluate tender offers	4.2 PG5	Obtain authorization to proceed with next phase of tender process in the qualified, proposal or competitive negotiations procedure	Review evaluation report, ratify recommendations and authorize progression to the next stage of the tender process	BEC
		4.7 PG6	Confirm recommendations contained in the tender evaluation report	Review recommendations of the evaluation committee and refer back to evaluation committee for reconsideration or make recommendation for award	BAC / Accounting Officer > R10 million
5	Award contract	5.3 PG7	Award contract	Formally accept the tender offer in writing and issue the contractor with a signed copy of the contract	Delegated Authority via delegation 5 (Relevant Director, Contract and Compliance Manager and SCM Manager)
		5.5 GF1	Upload data in financial management and payment system	Verify data and upload contractor's particulars and data associated with the contract or order	Database Administrator

* Applies only to goods and services not addressed in a procurement strategy developed during stage 2 (strategic resourcing) of the control framework for infrastructure delivery management

Table 2 (concluded)

Activity		Sub-Activity		Key action	Person assigned responsibility to perform key action
6	Administer contracts and confirm compliance with requirements	6.4 PG8A	Obtain approval to waive penalties or low performance damages.	Approve waiver of penalties or low performance damages	<i>Relevant Director</i>
		6.5 PG8B	Obtain approval to notify and refer a dispute to an adjudicator	Grant permission for the referral of a dispute to an adjudicator or for final settlement to an arbitrator or court of law	<i>Relevant Director</i>
		6.6 PG8C	Obtain approval to increase the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at the award of a contract or the issuing of an order up to a specified percentage	Approve amount of time and cost overruns up to the threshold	<i>0-5%: Relevant Director 5-20%: BAC >20%: Accounting Officer</i>
		6.7 PG8D	Obtain approval to exceed the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at award of a contract or the issuing of an order by more than 20% and 30%, respectively	Approve amount of time and cost overruns above a the threshold	<i>Accounting Officer</i>
		6.8 PG8E	Obtain approval to cancel or terminate a contract	Approve amount	<i>Relevant Director</i>
		6.9 PG8F	Obtain approval to amend a contract	Approve proposed amendment to contract	<i>Accounting Officer</i>

Table 3: Procurement activities and gates associated with the issuing of an order above the quotation threshold in terms of a framework agreement

Activity		Key action	Person assigned responsibility to perform key action
1 FG1	Confirm justifiable reasons for selecting a framework contractor where there is more than one framework agreement covering the same scope of work	Confirm reasons submitted for not requiring competition amongst framework contractors or instruct that quotations be invited	<i>Relevant Director</i>
3 FG2	Obtain approval for procurement documents	Grant approval for the issuing of the procurement documents	<i>BSC</i>
4 FG3	Confirm that budgets are in place	Confirm that finance is available so that the order may be issued	<i>CFO</i>
6 FG4	Authorize the issuing of the order	If applicable, review evaluation report and confirm or reject recommendations. Formally accept the offer in writing and issue the contractor with a signed copy of the order	<i>Head: SCM</i>

6.1.1.2 Procurement documentation committee

6.1.1.2.1 The relevant Director shall appoint in writing on a procurement by procurement basis:

- a) the persons to review the procurement documents and to develop a procurement documentation review report in accordance with clause 4.2.2.1 of the standard; and

Clause 4.2.2.1: The approval of procurement documents at Procurement Gate 3 or Framework Agreement Gate 2 shall be based on the contents of a procurement documentation review report. Where the procurement relates to the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure, such a report shall be prepared by one or more persons who participated in the review and who are registered as:

- a professional architect or professional senior architectural technologist in terms of the Architectural Profession Act or a professional landscape architect or a professional landscape technologist in terms of the Landscape Architectural Profession;
- a professional engineer or professional engineering technologist in terms of the Engineering Profession Act; or
- a professional quantity surveyor in terms of the Quantity Surveying Professions Act.

- b) the members of the procurement documentation committee.

6.1.1.2.2 The procurement documentation committee shall comprise one or more persons. The chairperson shall be an employee of Stellenbosch Municipality with requisite skills. Other members shall, where relevant, include a representative of the end user or the institution requiring infrastructure delivery.

6.1.1.2.3 No member of, or technical adviser or subject matter expert who participates in the work of the any of the procurement committees or a family member or associate of such a member, may tender for any work associated with the tender which is considered by these committees.

6.1.1.3 Evaluation committee

6.1.1.3.1 The Accounting Officer shall appoint on a procurement by procurement basis in writing:

- a) the persons to prepare the evaluation and, where applicable, the quality evaluations, in accordance with clauses 4.2.3.2 and 4.2.3.4 of the standard, respectively; and

Clauses 4.2.3.2: The evaluation report shall be prepared by one or more persons who are conversant with the nature and subject matter of the procurement documents or the framework contract, and who are registered as:

- a professional architect or professional senior architectural technologist in terms of the Architectural Profession Act;

- a professional engineer or professional engineering technologist in terms of the Engineering Profession Act;
- a professional landscape architect or a professional landscape technologist in terms of the Landscape Architectural Profession;
- a professional project manager or a professional construction manager in terms of the Project and Construction Management Professions Act; or
- a professional quantity surveyor in terms of the Quantity Surveying Profession Act.

Clause: 4.2.3.4 Submissions shall be evaluated strictly in accordance with the provisions of the procurement documents (see Annex C of SANS 10845-3 and Annex C of SANS 10845-4, as relevant). Where quality is evaluated, at least three persons who satisfy the requirements of 4.2.3.2 shall undertake such evaluation. Quality shall be scored in terms of the prompts for judgement, with fixed scores assigned to each prompt, either individually and averaged or collectively, as appropriate.

- b) the members of the evaluation committee.

6.1.1.3.2 The evaluation committee shall comprise not less than three people. The chairperson shall be an employee of Stellenbosch Municipality with requisite skills. Other members shall, where relevant, include a representative of the end user or the institution requiring infrastructure delivery.

6.1.1.3.3 The evaluation committee shall review the evaluation reports prepared in accordance with sub clause 4.2.3 of the standard and as a minimum verify the following in respect of the recommended tenderer:

- a) the capability and capacity of a tenderer to perform the contract;
- b) the tenderer's tax compliance status;
- c) the Compulsory Declaration has been completed; and
- d) the tenderer is not listed in the National Treasury's Register for Tender Defaulters or the List of Restricted Suppliers.

6.1.1.3.4 No tender submitted by a member of, or technical adviser or subject matter expert who participates in the work of the procurement documentation committee or a family member or associate of such a member, may be considered by the evaluation committee.

6.1.1.3.5 The chairperson of the evaluation committee shall promptly notify the of any respondent or tenderer who is disqualified for having engaged in fraudulent or corrupt practices during the tender process.

6.1.1.4 Tender committee

6.1.1.4.1 The tender committee shall comprise the same persons as the BAC.

6.1.1.4.2 No member of the evaluation committee may serve on the tender committee. A member of an evaluation committee may, however, participate in the deliberations of a tender committee as a technical advisor or a subject matter expert.

6.1.1.4.3 The tender committee shall:

- a) consider the report and recommendations of the evaluation committee and:
 - verify that the procurement process which was followed complies with the provisions of this document;
 - confirm that the report is complete and addresses all considerations necessary to make a recommendation;
 - confirm the validity and reasonableness of reasons provided for the elimination of tenderers; and
 - consider commercial risks and identify any risks that have been overlooked or fall outside of the scope of the report which warrant investigation prior to taking a final decision; and
- b) refer the report back to the evaluation committee for their reconsideration or make a recommendation to the authorized person on the award of a tender, with or without conditions, together with reasons for such recommendation.

6.1.1.4.4 The tender committee shall consider proposals regarding the cancellation, amendment, extension or transfer of contracts that have been awarded and make a recommendation to the accounting officer on the course of action which should be taken.

6.1.1.4.5 The tender committee shall consider the merits of an unsolicited offer and make a recommendation to the accounting officer.

6.1.1.4.6 The tender committee shall report to the accounting officer any recommendation made to award a contract to a tenderer other than the tenderer recommended by the evaluation committee, giving reasons for making such a recommendation.

6.1.1.4.7 The tender committee shall not make a recommendation for an award of a contract or order if the recommended tenderer or framework contractor has:

- a) made a misrepresentation or submitted false documents in competing for the contract or order; or
- b) been convicted of a corrupt or fraudulent act in competing for any contract during the past five years.

6.1.1.4.8 The tender committee may on justifiable grounds and after following due process, disregard the submission of any tenderer if that tenderer or any of its directors, members or trustees or partners has abused the delivery management system or has committed fraud, corruption or any other improper

conduct in relation to such system. The [National Treasury or the name of provincial treasury, as applicable] shall be informed where such tenderers are disregarded.

6.1.2 Actions of an authorized person relating to the award of a contract or an order

6.1.2.1 Award of a contract

The authorized person shall, if the value of the contract inclusive of VAT, is within his or her delegation, consider the report(s) and recommendations of the tender committee, or in the case of the awards for contracts below the quotation threshold, the recommendation of the BAC , and either:

- a) award the contract after confirming that the report is complete and addresses all considerations necessary to make a recommendation and budgetary provisions are in place; or
- b) decide not to proceed or to start afresh with the process.

6.1.2.2 Issuing of an order

The authorized person shall, if the value of an order issued in terms of a framework contract, is within his or her delegation, consider the recommendation of the evaluation committee or the Head:SCM, as relevant, and authorize the issuing of an order in accordance with the provisions of clause 4.25 of the standard.

6.1.3 Conduct of those engaged in infrastructure delivery

6.1.3.1 General requirements

6.1.3.1.1 All personnel and agents of Stellenbosch Municipality shall comply with the requirements of the CIDB Code of Conduct for all Parties engaged in Construction Procurement. They shall:

- a) behave equitably, honestly and transparently;
- b) discharge duties and obligations timeously and with integrity;
- c) comply with all applicable legislation and associated regulations;
- d) satisfy all relevant requirements established in procurement documents;
- e) avoid conflicts of interest; and
- f) not maliciously or recklessly injure or attempt to injure the reputation of another party.

6.1.3.1.2 All personnel and agents engaged in Stellenbosch Municipality's infrastructure delivery management system shall:

- a) not perform any duties to unlawfully gain any form of compensation, payment or gratification from any person for themselves or a family member or an associate;
- b) perform their duties efficiently, effectively and with integrity and may not use their position for private gain or to improperly benefit another person;
- c) strive to be familiar with and abide by all statutory and other instructions applicable to their duties;
- d) furnish information in the course of their duties that is complete, true and fair and not intended to mislead;
- e) ensure that resources are administered responsibly;
- f) be fair and impartial in the performance of their functions;
- g) at no time afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual;
- h) not abuse the power vested in them;
- i) not place themselves under any financial or other obligation to external individuals or firms that might seek to influence them in the performance of their duties;
- j) assist Stellenbosch Municipality in combating corruption and fraud within the infrastructure procurement and delivery management system;
- k) not disclose information obtained in connection with a project except when necessary to carry out assigned duties;
- l) not make false or misleading entries in reports or accounting systems; and
- m) keep matters of a confidential nature in their possession confidential unless legislation, the performance of duty or the provision of the law require otherwise.

6.1.3.1.3 An employee or agent may not amend or tamper with any submission, tender or contract in any manner whatsoever.

6.1.3.2 Conflicts of interest

6.1.3.2.1 The employees and agents of Stellenbosch Municipality who are connected in any way to procurement and delivery management activities which are subject to this policy, shall:

- a) disclose in writing to the employee of the Stellenbosch Municipality to whom they report, or to the person responsible for managing their contract, if they have, or a family member or associate has, any conflicts of interest; and

- b) not participate in any activities that might lead to the disclosure of Stellenbosch Municipality proprietary information.

6.1.3.2.2 The employees and agents of Stellenbosch Municipality shall declare and address any perceived or known conflict of interest, indicating the nature of such conflict to whoever is responsible for overseeing the procurement process at the start of any deliberations relating to a procurement process or as soon as they become aware of such conflict, and abstain from any decisions where such conflict exists or recuse themselves from the procurement process, as appropriate.

6.1.3.2.3 Agents who prepare a part of a procurement document may in exceptional circumstances, where it is in Stellenbosch Municipality's interest to do so, submit a tender for work associated with such documents provided that:

- a) Stellenbosch Municipality states in the tender data that such an agent is a potential tenderer;
- b) all the information which was made available to, and the advice provided by that agent which is relevant to the tender, is equally made available to all potential tenderers upon request, if not already included in the scope of work; and
- c) the procurement documentation committee is satisfied that the procurement document is objective and unbiased having regard to the role and recommendations of that agent.

6.1.3.3 Evaluation of submissions received from respondents and tenderers

6.1.3.3.1 The confidentiality of the outcome of the processes associated with the calling for expressions of interest, quotations or tenders shall be preserved. Those engaged in the evaluation process shall:

- a) not have any conflict between their duties as an employee or an agent and their private interest;
- b) may not be influenced by a gift or consideration (including acceptance of hospitality) to show favour or disfavour to any person;
- c) deal with respondents and tenderers in an equitable and even-handed manner at all times; and
- d) not use any confidential information obtained for personal gain and may not discuss with, or disclose to outsiders, prices which have been quoted or charged to Stellenbosch Municipality.

6.1.3.3.2 The evaluation process shall be free of conflicts of interest and any perception of bias. Any connections between the employees and agents of Stellenbosch Municipality and a tenderer or respondent shall be disclosed and recorded in the tender evaluation report.

6.1.3.3.3 Stellenbosch Municipality personnel and their agents shall immediately withdraw from participating in any manner whatsoever in a procurement process in which they, or any close family member, partner or associate, has any private or business interest.

6.1.3.4 Non-disclosure agreements

Confidentiality agreements in the form of non-disclosure agreements shall, where appropriate, be entered into with agents and potential contractors to protect Stellenbosch Municipality's confidential information and interests.

6.1.3.5 Gratifications, hospitality and gifts

6.1.3.5.1 The employees and agents of Stellenbosch Municipality shall not, directly or indirectly, accept or agree or offer to accept any gratification from any other person including a commission, whether for the benefit of themselves or for the benefit of another person, as an inducement to improperly influence in any way a procurement process, procedure or decision.

6.1.3.5.2 The employees and agents of Stellenbosch Municipality as well as their family members or associates shall not receive any of the following from any tenderer, respondent or contractor or any potential contractor:

- a) money, loans, equity, personal favours, benefits or services;
- b) overseas trips; or
- c) any gifts or hospitality irrespective of value from tenderers or respondents prior to the conclusion of the processes associated with a call for an expression of interest or a tender.

6.1.3.5.3 The employees and agents of Stellenbosch Municipality shall not purchase any items at artificially low prices from any tenderer, respondent or contractor or any potential contractor at artificially low prices which are not available to the public.

6.1.3.5.4 All employees and agents of Stellenbosch Municipality may for the purpose of fostering inter-personal business relations accept the following:

- a) meals and entertainment, but excluding the cost of transport and accommodation;
- b) promotional material of small intrinsic value such as pens, paper-knives, diaries, calendars, etc;
- c) incidental business hospitality such as business lunches or dinners, which the employee is prepared to reciprocate;
- d) complimentary tickets to sports meetings and other public events, but excluding the cost of transport and accommodation, provided that such tickets are not of a recurrent nature; and
- e) gifts in kind other than those listed in a) to d) which have an intrinsic value not more than R350 unless they have declared them to the [designated person].

6.1.3.5.5 Under no circumstances shall gifts be accepted from prospective contractors during the evaluation of calls for expressions of interest, quotations or tenders that could be perceived as undue and improper influence of such processes.

6.1.3.5.6 Employees and agents of Stellenbosch Municipality shall without delay report to the accounting officer any incidences of a respondent, tenderer or contractor who directly or indirectly offers a gratification to them or any other person to improperly influence in any way a procurement process, procedure or decision.

6.1.3.6 Reporting of breaches

Employees and agents of Stellenbosch Municipality shall promptly report to the [accounting officer / accounting authority or chief financial officer or appropriately delegated authority] any alleged improper conduct which they may become aware of, including any alleged fraud or corruption.

6.1.4 Measures to prevent abuse of the infrastructure delivery system

The accounting officer shall investigate all allegations of corruption, improper conduct or failure to comply with the requirements of this policy against an employee or an agent, a contractor or other role player and, where justified:

- a) take steps against an employee or role player and inform the relevant treasury of those steps;
- b) report to the South African Police Service any conduct that may constitute a criminal offence;
- c) lodge complaints with the Construction Industry Development Board or any other relevant statutory council where a breach of such council's code of conduct or rules of conduct are considered to have been breached;
- d) cancel a contract if:
 - it comes to light that the contractor has made a misrepresentation, submitted falsified documents or has been convicted of a corrupt or fraudulent act in competing for a particular contract or during the execution of that contract; or
 - an employee or other role player committed any corrupt or fraudulent act during the tender process or during the execution of that contract.

6.1.5 Involvement of employees of departments in tenders

Any submissions made by a respondent or tenderer who declares in the Compulsory Declaration that a principal is an employee of a national or provincial department and does not have the written permission of the executive of that department as required in terms of Section 30(1) of the Public Service Act of 1994 shall be rejected.

6.1.6 Collusive tendering

Any submissions made by a respondent or tenderer who fails to declare in the Compulsory Declaration that the tendering entity:

- a) is not associated, linked or involved with any other tendering entity submitting tender offers; or

- b) has not engaged in any prohibited restrictive horizontal practices including consultation, communication, agreement, or arrangement with any competing or potential tendering entity regarding prices, geographical areas in which goods and services will be rendered, approaches to determining prices or pricing parameters, intentions to submit a tender or not, the content of the submission (specification, timing, conditions of contract etc.) or intention to not win a tender shall be rejected.

6.1.7 Placing of contractors under restrictions

6.1.7.1 If any tenderer which has submitted a tender offer or a contractor which has concluded a contract has, as relevant:

- a) withdrawn such tender or quotation after the advertised closing date and time for the receipt of submissions;
- b) after having been notified of the acceptance of his tender, failed or refused to commence the contract;
- c) had their contract terminated for reasons within their control without reasonable cause;
- d) offered, promised or given a bribe in relation to the obtaining or the execution of such contract;
- e) acted in a fraudulent, collusive or anti-competitive or improper manner or in bad faith towards
- f) Stellenbosch Municipality; or
- g) made any incorrect statement in any affidavit or declaration with regard to a preference claimed and is unable to prove to the satisfaction of Stellenbosch Municipality that the statement was made in good faith or reasonable steps were taken to confirm the correctness of the statements,

a [designated person] shall prepare a report on the matter and make a recommendation to the [accounting officer or accounting authority] for placing the contractor or any of its principals under restrictions from doing business with the Stellenbosch Municipality.

6.1.7.2 The Accounting Officer may, as appropriate, upon the receipt of a recommendation made in terms of 6.1.7.1 and after notifying the contractor of such intention in writing and giving written reasons for such action, suspend a contractor or any principal of that contractor from submitting a tender offer to Stellenbosch Municipality for a period of time.

6.1.7.3 The Head: SCM shall:

- a) record the names of those placed under restrictions in an internal register which shall be accessible to employees and agents of Stellenbosch Municipality who are engaged in procurement processes; and
- b) notify the relevant treasury and , if relevant, the Construction Industry Development Board, of such decision and provide them with the details associated therewith.

6.1.8 Complaints

- 6.1.8.1** All complaints regarding the Stellenbosch Municipality's infrastructure delivery management system shall be addressed to the Accounting Officer. Such complaints shall be in writing.
- 6.1.8.2** The Head: SCM shall investigate all complaints regarding the infrastructure procurement and delivery management system and report on actions taken to the Accounting Officer who will decide on what action to take.

6.2 Acquisition management

6.2.1 Unsolicited proposal

- 6.2.1.1** The Stellenbosch Municipality is not obliged to consider unsolicited offers received outside a normal procurement process but may consider such an offer only if:
- a) the goods, services or any combination thereof that is offered is a demonstrably or proven unique innovative concept;
 - b) proof of ownership of design, manufacturing, intellectual property, copyright or any other proprietary right of ownership or entitlement is vested in the person who made the offer;
 - c) the offer presents a value proposition which demonstrates a clear, measurable and foreseeable benefit for Stellenbosch Municipality;
 - d) the offer is in writing and clearly sets out the proposed cost;
 - e) the person who made the offer is the sole provider of the goods or service; and
 - f) the Accounting Officer finds the reasons for not going through a normal tender processes to be sound.
- 6.2.1.2** The Accounting Officer may only accept an unsolicited offer and enter into a contract after considering the recommendations of the tender committee if:
- a) the offer relates to known institutional requirements that cannot, within reasonable and practical limits, be acquired through a competitive or competitive negotiation procedure as provided for in SANS 10845-1;
 - b) the goods, service or any combination thereof is used for or relates to a matter that falls within the Stellenbosch Municipality's mandate or functions; and
 - c) the person who made the offer satisfies all other requirements which are conditional upon the award of a contract.

6.2.2 Tax compliance

- 6.2.2.1** No contract may be awarded or order issued unless a tenderer or contractor is in possession of an original valid Tax Clearance Certificate issued by SARS provided that the tenderer is not domiciled in the Republic of South Africa and the SARS has confirmed that such a tenderer is not required to prove their tax compliance status.
- 6.2.2.2** In the case of a partnership, each partner shall comply with the requirements of 6.2.2.1.
- 6.2.2.3** No payment shall be made to a contractor who does not satisfy the requirements of 6.2.2.2. An employee of Stellenbosch Municipality shall upon detecting that a tenderer or contractor is not tax compliant, immediately notify such person of such status.
- 6.2.2.4** Notwithstanding the requirements of 6.2.2.1 and 6.2.2.3 the following shall apply, unless a person who is not tax compliant indicates to [designated person] that it intends challenging its tax compliance status with SARS,
- a) a contract may be awarded to a non-compliant tenderer if such a tenderer is able to remedy its tax compliance status within a period not exceeding 10 working days after being duly notified of its non-compliant status;
 - b) an order may be awarded to a non-compliant contractor if such a contractor is able to remedy its tax compliance status within a period not exceeding 10 working days after being duly notified of its non-compliant status;
 - c) a non-compliant contractor shall be issued with a first warning that payments in future amounts due in terms of the contract may be withheld, before the authorizing of any payment due to such contractor;
 - d) before authorizing a further payment due to a non-compliant contractor who has failed to remedy its tax compliance status after receiving a first warning, a second and final warning shall be issued to such contractor;
 - e) no payments may be released for any amounts due in terms of the contract due to a non-compliant contractor if, after a period of 30 calendar days have lapsed since the second warning was issued, the non-compliant contractor has failed to remedy its tax compliance status.
- 6.2.2.5** The Stellenbosch Municipality may cancel a contract with a non-compliant contractor if such a contractor fails to remedy its tax compliance status after a period of 30 calendar days have lapsed since the second warning was issued in terms of 6.2.2.4e).

6.2.3 Declarations of interest

Tenders and respondents making submissions in response to an invitation to submit a tender or a call for an expression of interest, respectively shall declare in the Compulsory Declaration whether or not any of the principals:

- a) are an employee of the Stellenbosch Municipality or in the employ of the state;
or

- b) have a family member or a business relation with a person who is in the employ of the state.

6.2.4 Invitations to submit expressions of interest or tender offers

- 6.2.4.1** All invitations to submit tenders where the estimated value of the contract exceeds R500 000 including VAT, except where a confined tender process is followed, and expressions of interest shall be advertised on the Stellenbosch Municipality's website and on the National Treasury eTender Publication Portal. Advertisements shall be placed by Head: SCM.
- 6.2.4.2** Advertisements relating to construction works which are subject to the Construction Industry Development Regulations issued in terms of the Construction Industry Development Act of 2000 shall in addition to the requirements of 6.2.4.1 be advertised on the CIDB website. Advertisements shall be placed by the Head: SCM.
- 6.2.4.3** Where deemed appropriate by Head: SCM an invitation to tender and a call for an expression of interest shall be advertised in suitable local and national newspapers as directed by such person. Advertisements shall be placed by Head: SCM.
- 6.2.4.4** Invitations to submit expressions of interest or tender offers shall be issued not less than 22 working days before the closing date for tenders and at least 10 working days before any compulsory clarification meeting. Procurement documents shall be made available not less than 28 days before the closing time for submissions.

6.2.5 Publication of submissions received and the award of contracts

- 6.2.5.1** The Head: SCM shall publish within 10 working days of the closure of any advertised call for an expression of interest or an invitation to tender where the estimated value of the contract exceeds R500 000 including VAT on the institution's website, the names of all tenderers that made submissions to that advertisement, and if practical or applicable, the total of the prices and the preferences claimed. Such information shall remain on the website for at least 30 days.
- 6.2.5.2** The Head: SCM shall publish within 7 working days of the next month after the award of a contract the following on the Stellenbosch Municipality's website
 - a) the contract number;
 - b) contract title;
 - c) brief description of the goods, services or works;
 - d) the total of the prices, if practical;
 - e) the names of successful tenderers and their B-BBEE status level of contribution;
 - f) duration of the contract; and
 - g) brand names, if applicable.
- 6.2.5.3** The Head: SCM shall submit within 7 working days working days of the next month after the award of a contract the information required by National Treasury on the

National Treasury eTender Publication Portal regarding the successful and unsuccessful tenders. Submissions shall be made by Head: SCM.

6.2.5.4 The award of contracts relating to construction works which are subject to the Construction Industry Development Regulations issued in terms of the Construction Industry Development Act of 2000 shall in addition to the requirements of 6.2.5.3 be notified on the CIDB website. The notification shall be made by placed by Head: SCM.

6.2.5.5 The award of the contract shall in addition to the requirements of 6.2.4.1 to 6.2.4.3 also be published in the Government Tender Bulletin.

6.2.6 Disposal committee

6.2.6.1 The Accounting Officer shall appoint on a disposal by disposal basis in writing the members of the disposal committee to decide on how best to undertake disposals in accordance with the provisions of clause 10 of the standard.

6.2.6.2 The disposal panel shall comprise not less than three people. The chairperson shall be an employee of Stellenbosch Municipality.

6.2.6.3 The disposal committee shall make recommendations to Accounting Officer who shall approve the recommendations, refer the disposal strategy back to the disposal committee for their reconsideration, decide not to proceed or to start afresh with the process.

6.3 Reporting of infrastructure delivery management information

The Accounting Office shall submit any reports required in terms of the standard to the relevant treasury.

7. INFRASTRUCTURE PROCUREMENT

7.1 Procurement documents

The standard forms of contract that may be used are as per table 10 of the standard.

7.2 Payment of contractors

The Stellenbosch Municipality shall settle all accounts in accordance with the terms of the contract.

7.3 Approval to utilize specific procurement procedures

7.3.1 Prior approval shall be obtained for the following procurement procedures from the following persons, unless such a procedure is already provided for in the approved procurement strategy:

- a) The Accounting Officer shall authorize the use of the negotiated procedure above the thresholds provided in the standard.
- b) [designated person / committee] shall authorize the approaching of a confined market except where a rapid response is required in the presence of, or the imminent risk of, an extreme or emergency situation arising from the conditions set out in the standard and which can be dealt with or the risks relating thereto arrested within 48 hours; and
- c) the proposal procedure using the two-envelope system, the proposal procedure using the two-stage system or the competitive negotiations procedure³⁶

7.3.2 The person authorized to pursue a negotiated procedure in an emergency is the Accounting Officer.

7.4 Receipt and safeguarding of submissions

7.4.1 A dedicated and clearly marked tender box shall be made available to receive all submissions made.

7.4.2 The tender box shall be fitted with two locks and the keys kept separately by two senior SCM officials. Such personnel shall be present when the box is opened on the stipulated closing date for submissions.

7.5 Opening of submissions

7.5.1 Submissions shall be opened by an opening panel comprising two people nominated by [designated persons] who have declared their interest or confirmed that they have no interest in the submissions that are to be opened.

7.5.2 The opening panel shall open the tender box at the stipulated closing time and:

- a) sort through the submissions and return those submissions to the box that are not yet due to be opened including those whose closing date has been extended;
- b) return submissions unopened (opened by Head: SCM if no return data on the envelope) and suitably annotated where:
 - submissions are received late, unless otherwise permitted in terms of the submission data;
 - submissions were submitted by a method other than the stated method,
 - submissions were withdrawn in accordance with the procedures contained in SANS 10845-3
- c) record in the register submissions that were returned unopened;
- d) open submissions if received in sealed envelopes and annotated with the required particulars and read out the name of and record in the register the name of the tenderer or respondent and, if relevant, the total of prices including VAT where this is possible;
- e) record in the register the name of any submissions that is returned with the reasons for doing so;
- f) record the names of the tenderer's representatives that attend the public opening;
- g) sign the entries into the register; and
- h) stamp each returnable document in each tender submission.

7.5.3 Each member of the opening panel shall initial the front cover of the submission and all pages that are stamped in accordance with the requirements of 7.7.3h).

7.5.4 Respondents and tenderers whose submissions are to be returned shall be afforded the opportunity to collect their submissions.

7.5.5 Submissions shall be safeguarded from the time of receipt until the conclusion of the procurement process.

7.6 Use of another organ of state's framework agreement

The Stellenbosch Municipality may make use of another organ of state's framework contract which has been put in place by means of a competitive tender process and there are demonstrable benefits for doing so. The accounting officer shall make the necessary application to that organ of state to do so.

7.7 Use of a framework agreement by another organ of state

7.7.1 An organ of state may request in writing to make use of one or more of Stellenbosch Municipality's framework contracts. Such a request signed by the accounting officer or accounting authority of that organ of state, shall:

- a) outline the scope and anticipated quantum of work associated with the work that is required;
- b) provide a motivation for the use of the framework agreement; and
- c) detail the benefit for the state to be derived from making use of the framework agreement.

7.7.2 The Accounting Officer may approve a request made in terms of 7.9.1 to make use of the Stellenbosch Municipality's framework contract, conditionally or unconditionally, if:

- a) the framework agreement was put in place following a competitive tender process;
- b) confirmation is obtained that the framework contract is suitable for the intended use and the required goods, services and works fall within the scope of such contract;
- c) the framework contractor agrees in writing to accept an order from that organ of state; and
- d) the organ of state undertakes to pay the contractor in accordance with the terms and conditions of the agreement; and
- e) the term of the framework agreement does not expire before the issuing of the required orders.

7.8 Insurances

7.8.7 Contractors shall be required to take out all insurances required in terms of the contract.

7.8.8 The insurance cover in engineering and construction contracts for loss of or damage to property (except the works, Plant and Materials and Equipment) and liability for bodily injury to or death of a person (not an employee of the Contractor) caused by activity in connection with a contract shall in general not be less than the value stated in Table 4, unless otherwise directed by [designated person].

7.8.9 Lateral earth support insurance in addition to such insurance shall be take out on a case by case basis.

Table 4: Minimum insurance cover

Type of insurance	Value
Engineering and construction contracts - loss of or damage to property (except the works, Plant and Materials and Equipment) and liability for bodily injury to or death of a person (not an employee of the Contractor) caused by activity in connection with a contract	Not less than R20 million
Professional services and service contracts - death of or bodily injury to employees of the Contractor arising out of and in the course of their employment in connection with a contract or damage to property	Not less than R10 million
Professional indemnity insurance	geotechnical, civil and structural engineering: R5,0 million electrical, mechanical and engineering: R3,0 million architectural: R5,0 million other:R3,0 million

- 7.8.10 The insurance cover in professional services and service contracts for damage to property or death of or bodily injury to employees of the Contractor arising out of and in the course of their employment in connection with a contract shall not be less than the value stated in Table 4 for any one event unless otherwise directed by the Accounting Officer.
- 7.8.11 SASRIA Special Risk Insurance in respect of riot and associated risk of damage to the works, Plant and Materials shall be taken out on all engineering and construction works.
- 7.8.12 Professional service appointments shall as a general rule be subject to proof of current professional indemnity insurance being submitted by the contractor in an amount not less than the value stated in Table 4 in respect of each claim, without limit to the number of claims, unless otherwise directed by the Accounting Officer in relation to the nature of the service that they provide.
- 7.8.13 Stellenbosch Municipality shall take out professional indemnity insurance cover where it is deemed necessary to have such insurance at a level higher than the levels of insurance commonly carried by contractors.
- 7.8.14 Where payment is to be made in multiple currencies, either the contractor or Stellenbosch Municipality should be required to take out forward cover. Alternatively, the prices for the imported content should be fixed as soon as possible after the starting date for the contract

7.9 Written reasons for actions taken

7.9.7 Written reasons for actions taken shall be provided by the Accounting Officer.

7.9.8 The written reasons for actions taken shall be as brief as possible and shall as far as is possible, and where relevant, be framed around the clauses in the:

- a) ISO 10845-3, Construction procurement - Part 3: Standard conditions of tender, and, giving rise to the reason why a respondent was not short listed, prequalified or admitted to a data base; or
- b) ISO 10845-4, Construction procurement - Part 4: Standard conditions for the calling for expressions of interest; as to why a tenderer was not considered for the award of a contract or not awarded a contract.

7.9.9 Requests for written reasons for actions taken need to be brief and to the point and may not divulge information which is not in the public interest or any information which is considered to prejudice the legitimate commercial interests of others or might prejudice fair competition between tenderers.

7.10 Request for access to information

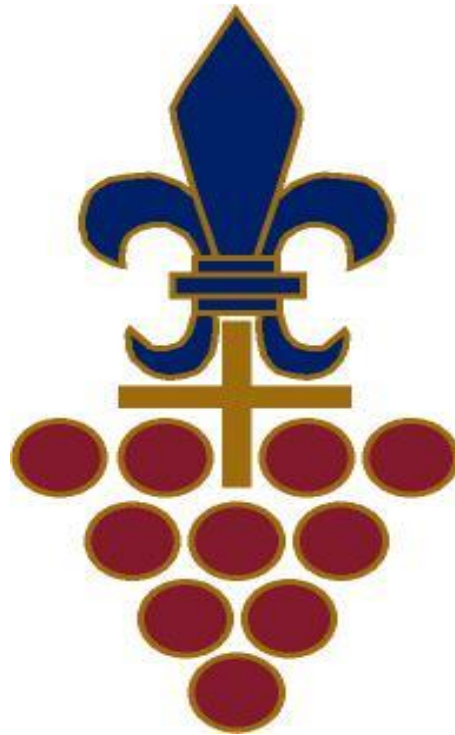
7.10.1 Should an application be received in terms of Promotion of Access to Information Act of 2000 (Act 2 of 2000), the “requestor” should be referred to the Stellenbosch Municipality’s Information Manual which establishes the procedures to be followed and the criteria that have to be met for the “requester” to request access to records in the possession or under the control of Stellenbosch Municipality’s.

7.10.2 Access to technical and commercial information such as a comprehensive programme which links resources and prices to such programme should be refused as such information provides the order and timing of operations, provisions for time risk allowances and statements as to how the contractor plans to do the work which identifies principal equipment and other resources which he plans to use. Access to a bill of quantities and rates should be provided in terms of the Act

CONCLUSION

The Stellenbosch Municipality to ensure that there is *institutional capacity* to drive the Standard for Infrastructure and Delivery Management (SIPDM) to conduct operational day-to-day activities. The Stellenbosch municipality will follow a phased in approach in terms of the required stages pertaining to the general compliance. The phased in approach will be accordance and as per the available resources and capacity.

STELLENBOSCH MUNICIPALITY



**INVENTORY MANAGEMENT
POLICY**

2020/2021



STELLENBOSCH MUNICIPALITY

INVENTORY MANAGEMENT POLICY

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1. DEFINITIONS

1.1 In this Policy, unless the context indicates otherwise, the following definitions are applied:

- “Accounting Officer”** means the Municipal Manager for the Municipality as contemplated in section 60 of the Local Government: Municipal Finance Management Act, 56 of 2003
- “CFO”** means the Chief Financial Officer designated in terms of section 80(2) (a) of the Local Government: Municipal Finance Management Act, 56 of 2003
- “Cost”** shall comprise costs of purchase, costs conversion and other costs incurred in bringing the inventories to their present location and condition
- “Delegated authority”** means the official who is given the authority for relevant functions in terms of the municipality’s written delegations;
- “Good received note”** means a document which is used to acknowledge the receipt of goods in good condition and correct quantities
- “Inventories”** are assets:
In the form of material or supplies to be consumed in the production process,
In the form of materials or supplies to be consumed or distributed in the rendering of services
Held for sale or distribution in the ordinary course of operations,
or
In the process of production for sale or distribution
- “Municipality”** shall mean the Stellenbosch Municipality;
- “Net Realisable”** Is the estimated selling price in the ordinary course of operations less the estimated costs of completion and estimated costs necessary to make the sale exchange or distribution.

<i>“Obsolete inventory”</i>	means items that have expired, are redundant or damaged;
<i>“Re-order level”</i>	means the level of inventory at which inventory is re-ordered;
<i>“Requisition form”</i>	means a written request to supply specified inventory;
<i>“Store”</i>	means a place where inventory is stored and reserved for future use, or a source from which supplies may be drawn;
<i>“Inventory Controller”</i>	means an official responsible for the requisition, receipt, issue, recording, safeguarding of inventory and cost-effective and efficient management of inventory.
<i>“Stock Issue Register”</i>	means a document which is used to authorize the removal or issue of stock items from stores.

2. OBJECTIVE OF THE POLICY

- 2.1 The policy aims to achieve the following objectives which are to:-
- a) Provide guidelines that employees of the Municipality must follow in the management and control of inventory, including safeguarding and disposal of inventory.
 - b) Procure inventory in line with the established procurement principles contained in the Municipality's Supply Chain Management Policy.
 - c) Eliminate any potential misuse of inventory and possible theft.

3. SCOPE

- 3.1 This policy applies to Stellenbosch Municipality's inventory received by the Inventory Controller and issued to users.
- 3.2 This policy specifically excludes:
- a) Pharmaceutical inventory, livestock and face value forms; and
 - b) Equipment and other assets not defined as inventory;

4. LEGAL FRAMEWORK

- 4.1 In terms of the MFMA, the Accounting Officer for a municipality must:
- a) Be responsible for the effective, efficient, economical and transparent use of the resources of the municipality as per section 62 (1)(a);
 - b) Take all reasonable steps to prevent unauthorised, irregular and fruitless and wasteful expenditure and other losses as per section 62(1)(d);
 - c) Be responsible for the management, including the safeguarding and the maintenance of the assets, and for the management of the liabilities, of the municipality as per section 63 (1)(a) and (b).

4.2 In terms of GRAP 12:

- 4.2.1 Inventories shall be recognized as an asset if, and only if,
- a) it is probable that future economic benefits or service potential associated with the item will flow to the entity ,and
 - b) the cost of the inventories can be measured reliably.

4.3 MEASUREMENT AT RECOGNITION

- 4.3.1 Inventories that qualify for recognition as assets shall initially be measured at cost,

4.3.2 Where inventories are acquired at no cost, or for nominal consideration, their costs shall be their fair value as at the date of acquisition.

4.4 MEASUREMENT AFTER RECOGNITION

4.4.1 Inventories shall be measured at the lower of cost and net realization value, except where paragraph .18 of GRAP 12 applies.

4.4.2 Inventories shall be measured at the lower of cost and current replacement cost where they are held for:

- a) distribution at no charge or for a nominal charge ,or
- b) consumption in the production process of goods to be distributed at no charge or for a nominal charge.

4.5 RECOGNITION AS AN EXPENSE

4.5.1 When inventories are sold, exchanged or distributed, the carrying amount of those inventories shall be recognized as an expense in the period in which the related revenue is recognized. If there is no related revenue, the expense is recognized when the goods are distributed, or related service is rendered. The amount of any write-down of inventories to net realizable value and all losses of inventories shall be recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any writes –down of inventories arising from an increase in net realizable value, shall be recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

4.5.2 Some inventories may be allocated to other assets accounts, for example, inventory used as a component of self-constructed property, plant or equipment. Inventories allocated to other assets in this way are recognized as an expense during the useful life of that asset.

5. INVENTORY PROCEDURES

5.1 The procedures for inventory must be followed to ensure that:

- a) Inventory is safeguarded at all times;
- b) There are accurate records of quantities on hand at all times;
- c) Optimum inventory levels are maintained to meet the needs of users;
- d) Only authorised issues of inventory are made to users; and
- e) Items placed in store are secured and only used for the purpose for which they were purchased.

5.2 APPOINTMENT OF RESPONSIBLE OFFICIALS

- 5.2.1 The CFO must appoint, in writing, officials to perform the duties of an Inventory Controller in terms of this Policy.
- 5.2.2 Adequate segregation of duties between the requisition, receipt, recording, storage and safekeeping of inventory and the management and control thereof must be maintained to avoid the potential occurrence of errors and fraud.

5.3 ORDERING OF INVENTORY

Standard Supply Chain Management procedures as per approved Supply Chain Management policy are to be implemented.

5.4 RECEIPT OF INVENTORY

All inventory must be received by the completion of a goods received note and processed on the financial management system.

5.5 STORAGE OF INVENTORY

- 5.5.1 Inventory must be stored in a secured, exclusive use area, under lock and key, furthermore the inventory must be insured in terms of the Risk Management Policy of the municipality.
- 5.5.2 The area must be used exclusively for the storage of inventory, with limited authorised access only.
- 5.5.3 Inventory must be positioned to facilitate efficient handling and checking.
- 5.5.4 All items must be stored separately, with proper segregation.
- 5.5.5 Inventory must be clearly labeled for easy identification. Inventory tag/bin cards or inventory labels may be used to identify each item and to aid in the physical verification of the items.
- 5.5.6 Where practically possible, all items of the same type and reference must be stored together as per the description on the inventory records.
- 5.5.7 Items with limited shelf life must be rotated on a first in first out basis, in accordance with paragraph .35 of GRAP, to reduce the occurrence of expired or obsolete stocks.
- 5.5.8 Due diligence and care must be exercised to prevent damage of, or deterioration of inventory.

5.5.9 Due regard must be given to any safety standards which may apply to the storage of certain inventories.

5.5.10 Steps must be taken to ensure safe custody of items, including precautions against loss or theft.

5.5.11 The Inventory Controller or Delegated Official responsible for the custody and care of inventory must ensure that in his/her absence such items, where applicable, are securely stored.

5.5.12 The responsibility for the custody of the storeroom keys must be allocated by the delegated authority to an official who is accountable for its use.

5.5.13 No unauthorised persons/officials shall obtain entry to premises, buildings or containers where inventory is kept, unless accompanied by the responsible official.

5.5.14 Whenever a change in the Inventory Controller occurs, an inventory count must be conducted.

5.5.15 An independent official shall be nominated in writing by the delegated authority to assist the official handing and taking over with the checking of the inventory and any discrepancies.

5.5.16 Should the above not be complied with, the official taking over shall be liable for any discrepancies.

5.5.17 A handing-over certificate as prescribed by the CFO, must be completed by the handing and taking over officials and a copy retained for record purposes.

5.5.18 The following fire protection precautions must be adhered to:

- a) Inventories of an inflammable or dangerous nature shall be stored and handled in such a manner that persons or property are not endangered and in compliance with the requirements of any local authority;
- b) The area must be clearly signposted; and
- c) Fire extinguishing equipment must be placed in the area where inventories are held and must be serviced regularly.

5.6 ISSUE OF INVENTORY

5.6.1 Only the Inventory Controller is authorised to issue inventory from the storeroom.

- 5.6.2 Inventory must only be issued in terms of the approved requisition form of the Municipality.
- 5.6.3 All requisition forms must be ruled off immediately below the last item to prevent items being added once the requisition is authorised by the responsibility manager.
- 5.6.4 The Inventory Controller must prepare the Stock Issue Register once stock items to be issued have been picked up from the shelves
- 5.6.5 The official receiving the inventory must acknowledge the receipt of stock items requested, by signing the Stock Issue Register prepared by the Inventory Controller.
- 5.6.6 Inventories must be issued and used for official purposes only.

5.7 OBSOLETE INVENTORY

- 5.7.1 The preparatory work for the disposal of obsolete inventory must be undertaken by the Inventory Controller and verified by the Assets Accountant.
- 5.7.2 The Accounting Officer or delegated authority must convene a Disposal Committee for the disposal of obsolete inventory.
- 5.7.3 The Disposal Committee should consist of at least three officials, one of whom must act as the chairperson.
- 5.7.4 The delegated authority may approve the write-off of inventory, if satisfied that: -
 - a) The inventory has expired and is redundant;
 - b) The inventory is of a specialised nature and has become outdated due to the introduction of upgraded and more effective products;
 - c) The inventory cannot be used for the purpose for which it was originally intended; or
 - d) The inventory has been damaged and is rendered useless.
- 5.7.5 All disposed of items must be updated in the inventory records/register/database for the purposes of proper management and control.

5.8 INVENTORY COUNT

- 5.8.1 Items may be subject to an inventory count on a quarterly basis.
- 5.8.2 Where the quantity of inventory is too large for the count to be completed on a single occasion, inventory counts may be carried out on a rotational basis with a full inventory count at the end of each financial year.

- 5.8.3 All approved Municipal procedures and processes must be complied with during the inventory count.
- 5.8.4 The Inventory Controller must submit a report to the CFO after investigating any discrepancies between the inventory records/register/database, bin/tag cards or inventory labels and the physical inventory.
- 5.8.5 The CFO must submit a report with the findings to the Accounting Officer, in order to have the matter reported to the Council of the Municipality for the write-off of any inventories losses, or the write –up of surpluses.
- 5.8.6 The appropriate disciplinary action must be instituted when applicable.
- 5.8.7 The inventory record, register, database or system must be updated accordingly.

6. INVENTORY RECORDS

- 6.1. An inventory record/register/database must be maintained for all inventory items, either manually and / or electronically.
- 6.2 All relevant information must be included for the proper management and control of all inventory items. It is recommended that details include but are not limited to:
 - a) Order number/date;
 - b) Item description;
 - c) Quantity and value of stock on hand;
 - d) Quantity and value of stock received;
 - e) Quantity and value of stock issued;
 - f) Re-order level;
 - g) Optimum inventory level;
 - h) Quantity and value of obsolete stock; and
 - i) Opening/closing balance.
- 6.3 An inventory register/database must be printed monthly and the hard copy filed in a chronological order to maintain a proper audit trail.

7. REPORTING

- 7.1 A report must be submitted at least quarterly to the Chief Financial Officer and/or the Assets Manager detailing the following:
 - a) Any inventory shortages or surpluses and the reasons for such;

- b) Any inventory deficits proposed to be written-off; and
 - c) Any obsolete inventory items.
- 7.2 Inventories purchased during the financial year must be disclosed at cost or net realizable value in the disclosure notes of the Financial Statements of the Municipality.
- 7.3 In terms of GRAP the financial statements shall disclose:
- a) the accounting policies adopted in measuring inventories, including the cost formula used,
 - b) the total carrying amount of inventories and the carrying amount in classifications appropriate to the entity,
 - c) the carrying amount of inventories carried at fair value less costs to sell,
 - d) the amount of inventories recognized as an expense during the period,
 - e) the amount of any write-down of inventories recognized as an expense in the period in accordance with paragraph .43,
 - f) the amount of any reversal of any write-down that is recognized as a reduction in the amount of inventories recognized as an expense in the period in accordance with paragraph .43,
 - g) the circumstances or events that led to the reversal of a write-down of inventories in accordance with paragraph .43, and
 - h) the carrying amount of inventories pledged as security for liabilities.

8. CLASSIFICATION OF INVENTORY

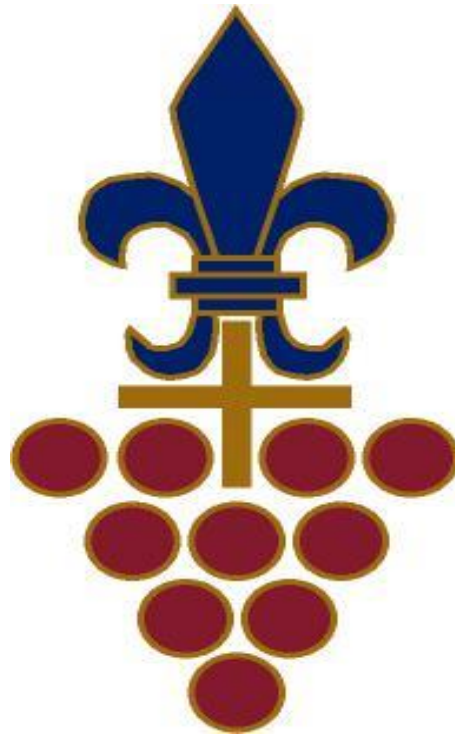
As per National Treasury Standard Chart of Accounts, inventory shall be classified as follows:

Inventory Categories	Consumable Categories
Ammunition & Security Supplies	Consumable Supplies (level 4)
Clothing Material & Accessories	Agricultural Supplies (level 5)
Farming & Gardening Supplies	Gifts & Awards
Fuel, Oil & Gas	Fuel Supplies
Crockery & Linen	Media Collections
Learning & Teaching Support Material	Building & Construction
Assets for Distribution	Contraceptives
Materials & Supplies	First Aid Kit
Medical Supplies	Laboratories
Medicines	Security Accessories
Military Stores	Bags & Accessories
Laboratory Chemicals & Supplies	Stationary

9. POLICY ADOPTION

This policy has been reviewed and approved by the Council of Stellenbosch Municipality and is applicable with effect from 1 July 2019.

STELLENBOSCH MUNICIPALITY



**PREFERENTIAL PROCUREMENT
POLICY**

2020/2021



STELLENBOSCH MUNICIPALITY PREFERENTIAL PROCUREMENT POLICY

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1. PREAMBLE

- 1.1 The Constitution of the Republic of South Africa, 1996 in section 217 requires an organ of state to contract for goods or services in accordance with a procurement system which is fair, equitable, transparent, competitive and cost effective and to grant preferences within a framework prescribed by National Legislation.
- 1.2 A National Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)- [PPPFA] was promulgated in response to the Constitutional provision and allow for an organ of state to develop a preferential procurement policy and to implement such policy within the PPPFA framework.

From the preamble from the Constitution:

*We therefore, through our freely elected representatives, adopt this Constitution as **the supreme law of the Republic** so as to*

- *Heal the divisions of the past and establish a society based on democratic values, social justice and fundamental human rights;*
- ***Lay the foundations for a democratic and open society in which government is based on the will of the people and every citizen is equally protected by law;***
- ***Improve the quality of life of all citizens and free the potential of each person; and***
- *Build a united and democratic South Africa able to take its rightful place as a sovereign state in the family of nations.*

From Chapter 7 of the Constitution:

152. Objects of local government

1. The objects of local government are -

- a. *to provide democratic and accountable government for local communities;*
- b. *to ensure the provision of services to communities in a sustainable manner;*
- c. *to promote social and economic development;*
- d. *to promote a safe and healthy environment; and*
- e. *to encourage the involvement of communities and community organisations in the matters of local government.*

2. A municipality must strive, within its financial and administrative capacity, to achieve the objects set out in subsection (1).

153. Developmental duties of municipalities

A municipality must

- a. *structure and manage its administration, and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community; and*
- b. *participate in national and provincial development programmes.*

2. FOREWORD

The policy of Stellenbosch Municipality – in respect of Preferential Procurement is that:

- 2.1 State expenditure is recognised as an instrument of government policy to achieve economic, socio-economic and development objectives.
- 2.2 Procurement can be applied as an instrument of secondary redistribution to alter primary income distribution and as a means to address historic imbalances by means of creating employment and business opportunities for historically disadvantaged groups in the South African society.
- 2.3 Preferential Procurement is recognised as a valid instrument for such social reform.
- 2.4 It is recognised that preferential procurement cannot be applied without cost and that such cost should be subject to the Municipal Budget and the prioritisation processes applicable to all Municipal expenditure.
- 2.5 Ultimately, preferential procurement could go some way to providing a springboard to encourage redistribution and reducing economic concentration, which in turn would foster competition and promote effective and appropriate resource allocation.
- 2.6 The Stellenbosch Municipality Preferential Procurement Policy will be reviewed regularly.
- 2.7 This Policy marks the beginning of a long term path the Stellenbosch Municipality intends to walk with the citizens of Stellenbosch and that this Policy represents the first phase of implementation. With the increase in maturity of the Stellenbosch Municipality as well as its suppliers, it is further accepted that this Policy will also mature to the extent that visible socio- and economic benefits can be experienced by all citizens living in Stellenbosch.

3. PURPOSE AND OBJECTIVES

The broad purpose of the Preferential Procurement Policy is to:

- 3.1 Validate Stellenbosch Municipality's commitment to Preferential Procurement.
- 3.2 Ensure effective and efficient application of resources.
- 3.3 Promote accountability, transparency and fairness.
- 3.4 Create opportunities for local small, medium and micro enterprises.

- 3.5 Enhance quality of services.
- 3.6 Stimulate socio-economic development.
- 3.7 Eliminate and counter corruption.
- 3.8 Contribute towards reduction of unemployment, especially within the Stellenbosch Municipal Area.
- 3.9 Broadening the tax base within the Stellenbosch Municipal Area.
- 3.10 Encourage linkages between small and large enterprises.
- 3.11 Promote skills transfer and training of the historically disadvantaged.
- 3.12 Protect local industry against unfair competition.

4. LEGISLATIVE FRAMEWORK

Constitution, 1996 (Act 108 of 1996)

- 4.1 Section 217(1) of the Constitution, 1996 (Act 108 of 1996) provides that when contracting for goods and services, organs of state must do so in accordance with a system that is fair, equitable, transparent, competitive and cost effective.
- 4.2 Section 217(2) and (3) of the Constitution allows organs of state to grant preferences when procuring for goods and services within a Framework prescribed by National legislation.

Local Government Municipal Finance Management Act, 2003 (Act 56 of 2003) – [MFMA] and related SCM Treasury Regulations, 2005 [SCM TR]

- 4.3 The MFMA aims to regulate financial management and Supply Chain Management [SCM] of local government to ensure that all revenue, expenditure, assets and liabilities are managed efficiently and effectively.
- 4.4 Sections 110 – 119 of the MFMA deals with SCM requirements and must be read together with the SCM TR's 1 – 52 issued in terms of section 168 of the MFMA through GG 27636 effective from 30 May 2005. Both these sets of prescripts supports the application of the PPPFA.

Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000) – [PPPFA]

- 4.5 The PPPFA, 2000 took effect on 3 February 2000. The main thrust of the PPPFA, 2000 is that an organ of state must determine its preferential procurement policy and implement such within the preferential procurement framework, the latter which is commonly called the '80/20 or 90/10 principle'.
- 4.6 The National Treasury, in consultation with the Department of Trade and Industry, reviewed the Regulations issued in terms of the PPPFA, in 2001, and issued new Regulations that become effective on 01 April 2017

5. PRINCIPLES

- 5.1. The principles that underpin this policy are as follows:
- 5.1.1 Sound commercial principles will underlie all transactions. There will be no compromise on quality, service delivery or any other commercial aspects related to the delivery of business objectives.
- 5.1.2 All preferential procurement processes will be transparent and subjected to audit in accordance with sound business principles and practices.
- 5.1.3 Stellenbosch Municipality will only conduct business with service providers that comply with legal requirements (registered with SARS; municipal taxes are not in arrears for more than three months; not on the restricted suppliers or tender defaulters lists; suppliers not deemed as in the service of the State, etc.)
- 5.2. The Policy is founded upon the following core principles:

5.2.1. Value for money

Price alone is often not a reliable indicator and will not necessarily obtain the best value for money by accepting the lowest price offer that meets mandatory requirements. Best value for money means the best available outcome when all relevant costs and benefits over the procurement cycle are considered.

5.2.2. Open and effective competition

All procurement laws, policies, practices and procedures must be readily accessible to all parties involved in the procurement process. The procurement process must be open and transparent and reasons must be provided for decisions in terms of current legislation.

5.2.3. Ethics and fair dealing

All procurement officials must comply with the municipal ethical standards to promote mutual trust and respect and an environment where business can be conducted in a fair and reasonable manner. The following is regarded as an acceptable ethical behaviour:

- Open, honest and co-operative business relations.
- Confidentiality of commercial information.
- Avoidance of conflict of interest or a perception of bias.
- Disclosure of conflict of interest as soon as they arise.
- Fair dealing and impartiality in the conduct of tender evaluations.
- Avoidance of combative or collusive practices.

5.2.4. Accountability and reporting

Procurement officials and other officials involved in SCM must be answerable for their decisions and actions to the public.

5.2.5. Equity

Stellenbosch Municipality will at all times strive to enhance the development of SMME's and B-BBEE enterprises' to allow them to contribute meaningfully in the economy of the Stellenbosch Municipal Area.

6. POLICY STATEMENTS

6.1 Application

6.1.1. This Policy will apply to all active industry sectors in the Stellenbosch Municipal Area. It is accepted that through the population of reliable data, trends will be evident which will continuously require a review of the Policy to ensure its relevance of all active industry sectors.

6.1.2. This Policy must be read with the Stellenbosch Municipality's SCM Policy

6.1.3. Construction tenders will also have to adhere to the requirements of the CIDBA.

6.2 Targeting

6.2.1. Targeting will be regarded as a specific goal identified by Stellenbosch Municipality and will be reflected in Part 7 to this Policy.

6.2.2. These targets will be determined prior to the invitation of tenders and reflected as special conditions.

6.3 Payment cycles

6.3.1. The payment of invoices is dependent on timely invoicing, approval of invoices and on the payment administration. Responsible officials must process approved invoices within 30 days of receiving the invoice, unless otherwise provided for in the contract.

6.3.2. Reasons for not approving an invoice must be communicated to the tenderer prior to the lapsing of the said 30 days.

6.3.3. Officials must endeavour to, where feasible, process invoices of SMME's within 7-15 days in order to promote their cash flow position.

7. PREFERENCE TARGETS IDENTIFIED

7.1 Considering all the data available this Policy for the 2019/20 financial years will strive to achieve the following targets linked to its identified opportunities listed in paragraph 7.1 above:

POLICY OBJECTIVE	TARGET
Improve the local economic market	➤ Make 10% appointments to local businesses through Formal Quotations for appointments below R200,000
Improve the local economic market	➤ Obtain 30% quotations from local businesses for appointments below R30,000
Employment of local semi-& unskilled workers	➤ Identify 10% of SCM tenders that are labour intensive to include specific conditions of a practical content of local semi-& unskilled workers from LED database / Indigent list.

Methodology to achieve targets in the short term is to include specific conditions in the SCM documents for Formal Quotations and Bids similar to the following two examples:

Example No 1:

“SPECIFIC CONDITIONS: TOTAL MAINTENANCE OF PARKS AND P.O.S WITH MANUAL MACHINES AS WELL AS ALL FLOWERBEDS AND YOUNG TREES IN THE MUNICIPAL AREA:

The intention of the municipality is to promote development of all enterprises. Suitably qualified contractors will be expected to spend at least **80%** of the value of the work on local people to ensure that local economic development is promoted. For this purpose the municipal area is divided into 5 smaller areas. For each area the service provider will be required to appoint a supervisor, and a team of at least **6** people.”

Monitoring will be based on the following methods by the End user dept.

1. Local Municipal accounts / Affidavits with ID numbers certified
2. Training and skills development certificates issued

Example No 2:

TENDER DATA: SPECIAL CONDITIONS RELEVANT TO PROJECT.

The following Conditions shall be adopted as per the Municipal PPPFA Policy

SPECIAL CONDITIONS OF TENDER		
	Comply Y/N	Ref in proposal
A. CONDITIONS APPLICABLE TO THE PROMOTION OF MUNICIPAL LOCAL AND SOCIO-ECONOMIC DEVELOPMENT		
The full portion budgeted for unskilled labour will be executed by unskilled, unemployed labourers who are beneficiaries of this project. The service provider must provide evidence of the identity and addresses of these labourers within 14 days after award of the contract. Minimum prescribed wages must be paid. In the event that this condition cannot be adhered to the contractor must obtain prior approval from the Municipality.		
All materials procured for this project MUST be sourced from local suppliers In the event that this condition cannot be adhered to the contractor must obtain prior approval from the Municipality.		
Use a local EME sub-contractor in for all manual labour in regards to excavations, filling and compaction of cable trenches, pole holes road crossings etc. Suppliers must submit sub-contracting agreement with the tender proposal, together with an indication of the payment arrangements. In the event that this condition cannot be adhered to the contractor must obtain prior approval from the Municipality.		
Suppliers must submit sub-contracting agreement with the tender proposal, together with an indication of the payment arrangements		
B. CONDITIONS APPLICABLE AFTER CLOSING OF TENDER BUT BEFORE A SELECTED SERVICE PROVIDER IS ANNOUNCED		
Any additional information upon request must be submitted in writing within 48 hours of receipt.		
C. CONDITIONS APPLICABLE AFTER AWARDING OF THE TENDER		
The service provider must provide the Municipality with a completed list of local labourers to be used, within 14 days after final award of the tender for approval by the Municipality.		
The aforesaid list must be updated and submitted together with the service providers progress report and invoice, inclusive of the following details: a) Salary / wages spent on local employees versus total wages / salary budget at site b) Number of local employees employed versus per total workforce at site c) Payments made to the subcontractor and his performance		

<p>Any amendments prior approval from the Municipality. The service provider must provide local labourers with basic on-the-job training and provide them with a reference letter after completion of their services.</p>		
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8. IMPLEMENTATION

- 8.1 This Policy is effective from 1 July 2019.
- 8.2 It is the responsibility of the Office of the CFO and various Line Department Managers to bring the content of this Policy to the attention of all parties concerned.
- 8.3 This Policy marks the beginning of a long term path the Stellenbosch Municipality intends to walk with the citizens of Stellenbosch and that this Policy represents the first phase of implementation. With the increase in maturity of the Stellenbosch Municipality as well as its suppliers, it is further accepted that this Policy will also mature to the extent that visible socio- and economic benefits can be experienced by all citizens living in Stellenbosch.
- 8.4 In order to achieve the above, the following immediate implementation steps are required:

By 30 September 2019:

- a. Increased capacity in the SCM Unit.
- b. Identification and appointment of a PPPFA Champion.

9. DEFINITIONS

The words in this policy shall bear a meaning as prescribed and/or ascribed by applicable legislation, and in the event of a conflict, the meaning attached thereto by National Legislation shall prevail.

- 9.1 “**Act**” means the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);
- 9.2 “**Black people**” as defined in the Broad-Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003), is a generic term which means Africans, Coloured and Indians.
- 9.3 “**B-BBEE**” means broad-based black economic empowerment defined as the economic empowerment of all black people including women, workers, youth, people with

disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include, but are not limited to:

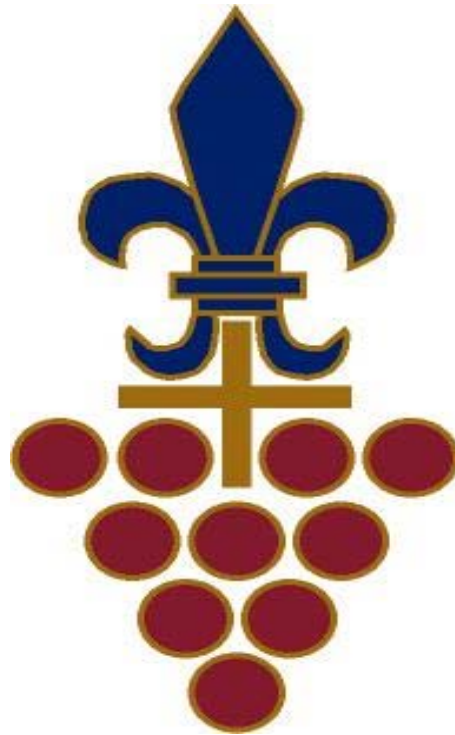
- Increasing the number of black people that manage, own and control enterprises and productive assets;
- Facilitating ownership and management of enterprises and productive assets by communities, workers cooperatives and other collective enterprises;
- Human resource and skills development;
- Achieving equitable representation in all occupational categories and levels in the workforce;
- Preferential procurement; and
- Investment in enterprises that are owned or managed by black people.

- 9.4 “**B-BBEE status level of contributor**” means the B-BBEE status received by a measured entity based on its overall performance using the relevant scorecard contained in the Codes of Good Practice on Black Economic Empowerment, issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act.
- 9.5 “**Broad-Based Black Economic Empowerment Act**” means the Broad-Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003);
- 9.6 “**Collusion**” means an intentional and unlawful agreement by two or more companies/firms which is intended or calculated to misrepresent facts or defraud with the sole purpose of influencing the procurement process thereby prejudicing the interests of the service provider;
- 9.7 “**Companies and Shares**” shall be read so as to include Close Corporations and members interests mutatis mutandis;
- 9.8 “**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;
- 9.9 “**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;
- 9.10 “**Contract**” means the agreement that results from the acceptance of a tender by an organ of state;
- 9.11 “**CFO**” means Chief Financial Officer

- 9.12 “**Disability**” means, in respect of a person, a permanent impairment of a physical, intellectual, or sensory function, which results in restricted, or lack of, ability to perform an activity in the manner, or within the range, considered normal for a human being;
- 9.13 “**Executive Management Committee**” shall mean a committee comprising the Agency’s Heads of Divisions and any other Manager so invited.
- 9.14 “**Firm price**” is the price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the change, imposition, or abolition of customs or excise duty and any other duty, ‘levy, or tax, which, in terms of a law or regulation, is binding on the contractor and demonstrably has an influence on the price of any supplies, or the rendering costs of any service, for the execution of the contract;
- 9.15 “**Individual**” an individual shall mean a natural person;
- 9.16 “**Indigent**” any person who appears on the Municipality’s indigent register as of 1 July of the year under consideration;
- 9.17 “**Local Labour**” means South African residents who permanently resides in the Stellenbosch Municipal area;
- 9.18 “**Local Business**” means an enterprise which has its sole office or head office located within the Stellenbosch Municipal area;
- 9.19 “**Local Content**” means local manufacturing as contemplated in PPPFA Regulations 2011, Regulation 1;
- 9.20 “**Local economic development**” means local and socio-economic development as contemplated in section 152 of the Constitution, 1998;
- 9.21 “**Management**” in relation to an enterprise or business, means an activity inclusive of control and performed on a daily basis, by any person who is a principal executive officer of the company, by whatever name that person may be designated, and whether or not that person is a director;
- 9.22 “**Non-firm prices**” means all prices other than “firm” prices;
- 9.23 “**Person**” includes reference to a juristic person;
- 9.24 “**Rand value**” means the total estimated value of a contract in Rand denomination which is calculated at the time of tender invitations and includes all applicable taxes and excise duties;

- 9.25 “**Sub-Contracting**” means the primary contractor’s assigning or leasing or making out work to, or employing another person to support such primary contractor in the execution of part of a project in terms of the contract;
- 9.26 “**Nominated Sub-contractor**” means contractors accredited on the Municipal database for construction related work as contemplated in the CIDBA.
- 9.27 “**Tender**” means a written offer or bid in a prescribed or stipulated form in response to an invitation by an organ of state for the provision of services or goods;
- 9.28 “**Tender format/strategy**” means the special conditions describing the tender strategy approach in order to achieve identified targets.
- 9.29 “**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
- 9.30 “**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.

STELLENBOSCH MUNICIPALITY



MFMA Circular No.98

**MUNICIPAL BUDGET CIRCULAR FOR
THE 2020/2021 MTREF –
6 DECEMBER 2019**



Municipal Budget Circular for the 2020/21 MTREF

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1. Introduction

The purpose of the annual budget circular is to guide municipalities with their compilation of the 2020/21 Medium Term Revenue and Expenditure Framework (MTREF). This circular is linked to the Municipal Budget and Reporting Regulations (MBRR); and strives to support the budget preparation processes of municipalities so that the minimum requirements of the MBRR promulgated in 2009 are achieved.

In 2010, the National Treasury introduced the local government budget and financial reform agenda. Since then several projects to further this agenda have been introduced. The recent implementation of the municipal Standard Chart of Accounts (*mSCOA*) and the accompanying “game changers” signals a smarter way forward to strengthening local government finances.

Among the objectives of this budget circular is to demonstrate how municipalities should undertake the annual budget preparation in accordance with the budget and financial reform agenda and the associated “game changers”.

Municipalities are reminded to refer to the previous annual budget circulars for guidance on budget preparation issues that are not covered in this circular.

2. The South African economy and inflation targets

In the 2019 Medium Term Budget Policy Statement (MTBPS) tabled by the Minister of Finance on 30 October 2019, he stated that, he is tabling the 2019 MTBPS in a difficult global and domestic environment. The global growth forecast for 2019 is the lowest since the 2008 financial crisis, weighed down by mounting trade tensions and political uncertainty. Economic activity in two engines of the world economy, namely China and India, is also slowing this year. Policy makers have taken a number of steps to support growth, but there is a risk that these measures will create new vulnerabilities, as interest rates in advanced economies decline. About a quarter of government bonds in these countries have negative yields.

In South Africa, economic growth has continued to stagnate and weaknesses in the world economy are likely to amplify our own challenges. The discussion paper termed the Economic transformation, inclusive growth, and competitiveness released by the National Treasury has proposed a number of economic reforms that might boost GDP growth over the medium and longer term, and support increased investment and job creation. These measures have been broadly agreed on within government. The next step is to implement the reforms urgently. Nevertheless, the economy has continued to weaken with the economic growth projected to grow at 1.2 per cent in the 2020/21 financial year, while long term estimates have fallen prompting government to review its outer year’s estimates.

In addition to low growth, South Africa’s biggest economic risk is Eskom. Ongoing problems with the utility’s operations continue to disrupt the supply of electricity to households and businesses. Government has allocated significant resources to assist Eskom. With the immediate financial restraints lifted, the focus must be on operational problems and restructuring Eskom into three separate entities. Doing so will mark the beginning of a transition to a competitive, transparent and financially viable electricity sector.

South Africa’s public finances deteriorated over the past decade; a trend that accelerated in recent years as low growth led to large revenue shortfalls. For 10 years, the country has run large budget deficits. This has put us deeply in debt, to the point where interest payments have begun crowding out social and economic spending programmes. This cannot be sustained.

Government proposed a range of expenditure reductions to restore the public finances to a sustainable position, some of which are likely to be painful. We owe it to future generations to ensure that we are good stewards of our country's resources and that they do not have to pay for faults in our decision-making.

The following macro-economic forecasts must be considered when preparing the 2020/21 MTREF municipal budgets.

Table 1: Macroeconomic performance and projections, 2018 - 2022

Fiscal year	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Estimate	Forecast		
CPI Inflation	4.7%	4.3%	4.9%	4.8%	4.8%

Source: Medium Term Budget Policy Statement 2019.

Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.

3. Key focus areas for the 2020/21 budget process

3.1 Division of Revenue outlook

Municipal governments face multiple pressures over the period ahead with local government expected to expand access to free basic service to poor households, while ensuring that those who can afford to pay for services do so.

The 2020 MTEF includes large reductions in planned transfers to municipalities. The implication of these reductions is that municipalities will be required to reprioritise projects. Larger reductions in grants are mainly affecting urban municipalities which have the capacity to offset the effects of these cuts from their own revenue investments.

A notable revision is that of the Public Transport Network Grant (PTNG) which has funded 13 cities over the past decade, yet only six have launched operations. In the 2020 MTEF, the grant will be allocated only to 10 cities and these cities will be required to reduce their costs and to demonstrate their effectiveness to receive PTNG funding.

3.2 Local government conditional grants and additional allocations

The proposed division of revenue is still biased towards prioritising funding services for poor communities. Allocations to local government subsidise the cost of delivering free basic services to the less fortunate and the poorest of the poor households, and the infrastructure needed to deliver those services, as well as the maintenance of the infrastructure to ensure the sustainable delivery of these services.

The 2019 Medium Term Budget Policy Statement (MTBPS) projects transfers for local government for the 2020 MTREF at R397 billion, of which 62.2 per cent comprise unconditional allocations while the remainder is conditional grant funding. The allocations for local government over the medium term represent 8.6 per cent of non-interest expenditure and a slight decrease from the 8.9 per cent realised in the 2018 budget.

The equitable share and the allocation of the general fuel levy to local government constitutes unconditional funding. Municipalities are reminded that this funding allocation is formula driven and designed to fund the provision of free basic services to disadvantaged communities. Conditional grant funding must be utilised for the intended purpose within the timeframes, as specified in the annual Division of Revenue Bill. Monies not spent must be returned to the fiscus and requests for roll-overs will only be considered in extenuating circumstances.

The annual Division of Revenue Bill will be published in February 2020 after the budget speech by the Minister of Finance. The grant allocations will be specified in this Bill and municipalities must reconcile their budgets to the numbers published therein.

Municipalities are advised to use the indicative numbers presented in the 2019 Division of Revenue Act to compile their 2020/21 MTREF. In terms of the outer year allocations (2021/22 financial year), it is proposed that municipalities conservatively limit funding allocations to the indicative numbers as proposed in the 2019 Division of Revenue Act for 2021/22. The DoRA is available at <http://www.treasury.gov.za/documents/national%20budget/2019/default.aspx>

3.3 Changes to the structure of local government allocations

The local government equitable share formula has been updated to account for projected household growth, inflation and estimated increases in bulk water and electricity costs over the MTEF period.

Large urban municipalities continue to underinvest in infrastructure, primarily because of poor programme and project preparation practices, leading to long delays, higher costs and breakdowns in service delivery. While public and private capital funding is available, these weaknesses translate into low levels of effective demand from the municipalities.

To address these problems, from 2020/21 government will introduce dedicated grant funding for large urban municipalities. Eligible municipalities will receive co-financing on a declining basis over three years. Financing will be conditional on establishing a municipal project preparation fund and an infrastructure delivery management system, and achieving targets for programmes and projects under preparation. Funding for this new facility will be reprioritised from existing allocations to municipalities.

Government is also working with municipalities to increase their revenue raising potential. The Municipal Fiscal Powers and Functions Amendment Bill, which will be tabled shortly, will standardise the regulation of development charges. Development charges are the mechanism by which municipalities recover the capital costs of connecting new developments to infrastructure for water, roads, electricity and other services. Currently, these charges are frequently below cost, so municipalities effectively subsidise the provision of infrastructure to businesses and other developments, reducing their ability to subsidise infrastructure directly for lower-income residents.

The change could increase municipal revenues for capital spending by an estimated R20 billion a year. Several efforts are also under way to improve the effectiveness of transfers to rural municipalities. The possibility of using municipal infrastructure grant funds to buy waste management vehicles, which must be purchased through a contract facilitated by the National Treasury to minimise costs, is being investigated to expand services in rural areas. Funds may be reprioritised between water and sanitation grants to accelerate the completion of regional bulk water schemes.

The Department of Energy will complete an electrification master plan to guide the future allocation of funds between the Eskom, municipal, and non-grid components of the Integrated National Electrification Programme. The Department of Transport will establish a national database for all road traffic and condition data to inform the prioritisation and monitoring of road maintenance across all roads.

3.4 Addressing unfunded budgets in local government

A revised strategy to address municipal financial performance failures has been endorsed by the Budget Council and Budget Forum (the respective intergovernmental forums for provincial and local government finances). This strategy is based on an analysis of performance failures in governance, financial management, institutional capabilities and service delivery. As part of this strategy, municipalities must ensure that their budgets are adequately funded.

The number of councils adopting unfunded budgets, where realistically anticipated revenue is insufficient to cover planned spending sustainably, increased from 74 in 2016/17 to 126 in 2019/20. The National Treasury, alongside provincial treasuries, has provided extensive advice and support to ensure that municipalities plan affordable expenditure and collect all the revenue owed to them. All municipalities are able to table a funded budget. This is easier for transfer-dependent municipalities as they have more predictable revenue and can plan their spending accordingly.

The 126 municipalities with unfunded budgets were required to table special adjustments budgets to align their spending plans with projected revenues and ensure they have plans in place to pay their creditors (including Eskom and the water boards). Those municipalities that did not table funded adjustments budgets by 15 November 2019 had their December 2019 tranche of the local government equitable share withheld as the MFMA requires that a municipality must table a funded budget.

Municipalities who are finding it difficult to table funded and sustainable budgets should contact National or their respective provincial treasury for assistance to reprioritise their budgets.

3.5 Municipal Standard Chart of Accounts (*mSCOA*)

3.2.1 Release of Version 6.4 of the Chart

On an annual basis, the *mSCOA* chart is reviewed to address implementation challenges and correct chart related errors. Towards this end, Version 6.4 is released with this circular (see Annexure A). Version 6.4 of the chart will be effective from 2020/21 and must be used to compile the 2020/21 MTREF and is available on the link below:

<http://mfma.treasury.gov.za/RegulationsandGazettes/MunicipalRegulationsOnAStandardChartOfAccountsFinal/Pages/default.aspx>

3.2.2 Budgeting, transacting and reporting in an *mSCOA* environment

The *mSCOA* Regulations¹ prescribes the uniform recording and classification of municipal budget and financial information at a transaction level. All municipalities and municipal entities had to comply with the Regulations by 01 July 2017.

This standard classification framework enforces the link between planning (IDP) and the budget through the project segment and enables annual reporting and performance management linked to strategic service delivery objectives.

By now, all municipalities should:

- Have acquired, upgraded and maintain the hardware, software and licences required to be and remain *mSCOA* compliant;

¹ The Minister of Finance promulgated the Municipal Regulations on a Standard Chart of Accounts in government gazette Notice No. 37577 on 22 April 2014.

- Budget, transact and report on all six (6) legislated *m*SCOA segments and directly on the core financial system and submit the required data strings directly from this system to the Local Government Portal;
- Lock down the budget adopted by Council on the core municipal financial system before submitting the budget (ORGB) data string to the local government portal;
- Closed the core financial system at month-end as required in terms of the MFMA before submitting the monthly data string to the local government portal; and
- Generate regulated Schedules (A, B, C) directly from the core municipal financial systems.

If your municipality has not achieved the above level of implementation as yet, then the implementation of *m*SCOA in your municipality should be accelerated. Towards this end:

- A road map must be provided to the National and respective provincial treasury to indicate how the municipality will become *m*SCOA compliant;
- The municipality's *m*SCOA Project Steering Committee (chaired by the Accounting Officer) must meet at least monthly (if not more often) to track the progress against the road map and take corrective action where required;
- The National Treasury (in the case of non-delegated municipalities) and respective provincial treasury (in the case of delegated municipalities) should be invited to the *m*SCOA Project Steering Committee meeting; and
- Progress against the road map should be presented at the Mid-Year Budget and Performance and Budget Benchmark engagements.

3.2.3 Changing of the Core Financial System

Municipalities are reminded to follow the required due diligence processes in terms of MFMA Circulars No. 80 and 93 and *m*SCOA Circulars No. 5 and 6 when they procure a core financial system.

In addition, if a municipality enters into a contract with a system vendor for the maintenance of the procured system that will impose financial obligations on the municipality beyond the three years covered in the MTREF budget, then the provisions of Section 33 of the MFMA should be adhered to.

Service level agreements (SLA) with system vendors must also be managed properly. Penalties, including the termination of the SLA in cases of persistent non-compliance, should be imposed if the agreed upon milestones are not met by the system vendor. Likewise, if a system vendor has delivered on the services agreed upon in the SLA, then the municipality should pay all money owing to the system vendor within 30 days of receiving the relevant invoice or statement, as per the requirements of Section 65(2)(e) of the MFMA.

The National Treasury will conduct independent audits on all municipal core financial systems in 2020 to determine to what extent these systems comply with the functionality requirements and 15 business processes required in terms of *m*SCOA. These results will also inform the new transversal tender for the procurement of municipal financial and internal control systems in 2021. Until these audits have been concluded and the results have been released, municipalities should exercise caution when changing their financial system to avoid purchasing a system that do not comply with the necessary *m*SCOA functionality requirements.

Municipalities are advised to use their internal audit function to ensure that the correct process was followed. Internal audit must ensure that the municipality has complied with the requirements of MFMA Circulars No. 80 and 93, *m*SCOA Circulars No. 5 and 6 and Section 33 of the MFMA when they procure a core financial system and/or enter into an SLA with a

system vendor. The reports on these matters of internal audit must be tabled to the audit committee and at municipal council for consideration.

3.2.4 Submission of Borrowing Monitoring and Investment Monitoring Data Strings

Chapter 3 of the *mSCOA* Regulations provides that the Minister of Finance may determine minimum business processes and system requirements through issuing a gazette. MFMA Circular No. 80 provided guidance on these requirements for all categories of municipality (A, B and C). The Request for Proposal (RFP) issued on 4 March 2016 for the appointment of service providers for an integrated financial management and internal control system for local government (RT25-2016 published in Tender Bulletin No. 2906), provided further guidance on the requirements applicable to a specific category of municipality.

It should be noted that National Treasury will expand the requirements applicable to categories B and C municipalities in 2020 to include business processes and system functionality relating to investment, borrowing or performance management. The expanded requirements will provide the basis for the new transversal contract for the appointment of service providers for an integrated financial management and internal control system for local government that might be issued in 2021, as well as the minimum business and system requirements that will be gazetted at a future date, as envisaged in the Regulation.

In the interim, categories B and C municipalities that have not procured investment, borrowing or performance management modules, will have to prepare and submit their quarterly Investment Monitoring and Borrowing Monitoring data strings to the Local Government Portal manually.

3.2.5 Cash Flow Reconciliation

The cash flow information presented on Table A7 of Budget Schedule A and Table B7 of Adjustments Budget Schedule B did not reconcile to the corresponding data strings for the past two financial years. One of the contributing factors to this was that there were errors in the linkages in the segment item: asset and liabilities on the Local Government Database. National Treasury has now corrected these linkages in the segment item: asset and liabilities.

It was further noticed that a number of municipalities do not use the movement accounts correctly in the *mSCOA* chart which distorts the figures reported in the cash flow tables. Guidance on the use of movement accounts is provided in **Annexure A**.

4. The revenue budget

Similar to the rest of government, municipalities face a difficult fiscal environment. Even as demand for services rises, weak economic growth has put stress on consumers' ability to pay for services, while transfers from national government are growing more slowly than in the past. Some municipalities have managed these challenges well, but others have fallen into financial distress and face liquidity problems. These include municipalities that are unable to meet their payment obligations to Eskom, water boards and other creditors. There is a need for municipalities to focus on collecting revenues owed to them, and eliminate wasteful and non-core spending. Municipal budgets will be scrutinised to ensure that municipalities adequately provide to service their debt obligations. Municipalities must ensure that expenditure is limited to the maximum revenue collected and not spend on money that they do not have.

Municipalities are reminded that the local government equitable share allocation is mainly to fund the costs of free basic services and to subsidise the administrative costs of the smaller and more rural municipalities. The increasing unemployment and growth in the number of

persons per household means that the revenue foregone in respect of free basic services will likely increase and it will become even more difficult to collect revenue. The household budget will be under pressure and trade-offs will be applied as it may be unaffordable to pay all household expenses with regularity.

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. The Consumer Price Index (CPI) inflation is forecasted to be within the upper limit of the 3 to 6 per cent target band; therefore, municipalities are required to **justify all increases in excess of the projected inflation target for 2020/21** in their budget narratives, and pay careful attention to the differential incidence of tariff increases across all consumer groups. In addition, municipalities should include a detail of their revenue growth assumptions for the different service charges in the budget narrative.

4.1 Maximising the revenue generation of the municipal revenue base

Reference is made to MFMA Circular No. 93, item 3.1. The emphasis is on municipalities to comply with Section 18 of the MFMA and ensure that they fund their 2020/21 MTREF budgets from realistically anticipated revenues to be collected. Municipalities are cautioned against assuming collection rates that are unrealistic and unattainable as this has been identified as a fundamental reason for municipalities not attaining their desired collection rates.

It is therefore essential that municipalities pay attention to reconciling the valuation roll data to that of the billing system to ensure that revenue anticipated from property rates are accurate. Municipalities are encouraged to undertake this exercise as a routine practice. The list of exceptions derived from this reconciliation will provide an indication of where the municipality may be compromising its revenue generation in respect of property rates. A further test would be to reconcile this with the deeds office registry. In accordance with the MFMA Circular No. 93, municipalities are once more requested to submit the required information to the National Treasury by no later than 7 February 2020.

The above information must be submitted on a CD or USB to the National Treasury, for attention:

For couriered documents
Ms Linda Kruger
National Treasury
40 Church Square
Pretoria, 0002

For posted documents
Ms Linda Kruger
National Treasury
Private Bag X115
Pretoria, 0001

4.2 Setting cost reflective tariffs

Cost reflective tariff setting is a requirement of Section 74(2) of the Municipal Systems Act, 2000 (Act No.32 of 2000) which states that tariffs must “*reflect the costs reasonably associated with rendering the service*”. This is meant to assist municipalities to generate sufficient revenue to fully recover their costs, deliver services to customers sustainably and invest in infrastructure that promotes local economic development.

The starting point for sound tariff setting is a credible budget. A credible budget is one that ensures the funding of all approved items and is anchored in sound, timely and reliable information on expenditure and service delivery (FFC, 2011). Credible budgets are critical for local government to fulfil its mandate to sustainably provide services. **If the budget is not credible then tariffs will not result in financial sustainability even if they are set using a sound methodology.**

A credible expenditure budget reflects the costs necessary to provide a service efficiently and effectively:

- An *effective* budget is one that is adequate to deliver a service of the necessary quality on a sustainable basis.
- An *efficient* budget is one that delivers services at the lowest possible cost.

In many cases, municipal budgets have costs that are bloated in some areas (high governance and administration costs are one commonly cited example) but inadequate in other areas (inadequate allowance for maintenance is an example). This means that a budget may be both ineffective and inefficient. Before embarking on the tariff setting process, a municipality must assess its budget to determine its efficiency and effectiveness. Ideally, a budget should be zero-based, at least periodically. This would typically require an assessment of what infrastructure is in place and what is needed to operate and maintain this infrastructure.

There are several tools and methodologies to support municipalities in setting tariffs. The common observation is that these tools and methodologies are not aligned. This creates confusion on the approach to be applied. Research has further identified that many municipalities set tariffs through an incremental method and not a scientific method. As a result, many municipalities do not recover the cost of providing that service.

Against this background an exercise was undertaken to bring certainty when setting tariffs. A tool and guide has been developed by National Treasury for this purpose and caters for all categories of municipalities. It also assists those municipalities that lack credible data which is the corner stone for setting a proper tariff. The emphasis is on setting tariffs for the four trading services namely water, sanitation, electricity and solid waste. The methodology follows an approach to tariff setting consistent with existing methodologies developed by SALGA, the NERSA Cost of Supply Framework for electricity, and the DWS Norms and Standards for water services.

The National Treasury Municipal Costing Guide is available on the link below on the National Treasury website.

<http://mfma.treasury.gov.za/Guidelines/Documents/Forms/AllItems.aspx?RootFolder=%2fGuidelines%2fDocuments%2fMunicipal%20Costing%20Guide&FolderCTID=0x0120004720FD2D0551AE409361D6CB3E122A08>

Setting cost reflective tariffs is the start to improved budgeting and financial sustainability.

How will reducing Non-Revenue Water and Non-Revenue Electricity bring down the tariffs required?

Many municipalities have very high levels of Non-Revenue Water (NRW), and some also have high levels of Non-Revenue Electricity (NRE). NRW and NRE can be broken down into 'technical' and 'non-technical' losses*.

Technical losses are related to physical losses out of the system. In the case of water, this is

due to pipe bursts and leakages or due to overflows on storage tanks. In the case of electricity, these are due to resistive losses and other similar effects. The cost of real losses sits in the bulk portion of the bulk purchases cost or if a municipality is performing the bulk water function internally, a portion of the costs associated with bulk water treatment and supply. If a municipality reduces its real losses, it will lose less water and electricity from the system and the cost of purchasing water and electricity or treating bulk water will be reduced.

Non-technical losses refer to losses due to theft or to metering inaccuracies. In these cases, there is no physical loss of water or electricity: someone is using the water or electricity and simply not paying for it. Reducing non-technical losses will have no effect on the cost of supplying a service but it will have an effect on the volumes sold. Since the tariff is calculated as the revenue required divided by the volume sold, increasing the volume sold will reduce the tariff required.

Reducing technical losses will thus reduce the tariffs required because the cost of supplying the service will be reduced. Reducing non-technical losses will reduce the tariffs required because the volumes sold will be increased.

Note that the International Water Association (IWA) uses the term 'real losses' and not technical losses, and 'apparent losses' in place of 'non-technical losses'.

4.3 Bulk electricity tariffs

Final electricity bulk price increases for 2020/21 are uncertain at this stage. Although the National Energy Regulator of South Africa (NERSA) has approved a Multi-Year Price Determination (MYPD) for the period from 1 April 2019 to 31 March 2022, Eskom has submitted an urgent application to the courts to revise the bulk tariffs allowed under the MYPD. In their most recent MYPD decision, NERSA allowed for tariff increases of 9.41 per cent in 2019/20, 8.1 per cent in 2020/21 and 5.22 per cent in 2021/22 (for national financial years). However, Eskom disagrees with the way NERSA accounted for the R23 billion per year in fiscal support from government in determining Eskom's allowable revenue for this MYPD period. Eskom has requested that the court to allow revised tariff increases of between 16.6 and 16.72 per cent in 2020/21 and 2021/22. The application has been made on an urgent basis, and a decision could be handed down as soon as early in February 2020.

The difference between municipal and national financial years means that in 2020/21, bulk tariff increases for municipalities will be slightly lower than the figures cited above for increases applicable in the national financial year. NERSA has not yet published guidance on the exact tariffs for the 2020/21 municipal financial year. National Treasury's advice to municipalities is to prepare scenarios for electricity bulk price increases in 2020/21 of between about 7 per cent and 15 per cent (to account for the difference in financial years and the potential outcomes of the court case).

Municipalities should also note that if a court decision is made in February 2020 to allow a higher bulk electricity tariff increase, the decision is likely to be too late for National Treasury to make any changes to the equitable share allocations which will be tabled in the Division of Revenue Bill on 19 February 2020.

4.4 Levying of surcharges

Municipal Surcharges are regulated through the Municipal Fiscal Powers and Functions Act (MFPFA) and Local Government Municipal Systems Act (MSA). Section 8 of the MFPFA gives power to the Minister of Finance to prescribe compulsory national norms and standards for imposing "municipal surcharges". Municipal surcharges are defined as: "a charge in excess of the municipal base tariff that a municipality may impose on fees for a municipal service provided by or on behalf of a municipality, in terms of section 229(1)(a) of the Constitution;"

Section 75A of MSA empowers municipalities to “levy and recover fees, charges or tariffs in respect of any function or service of the municipality”. Municipalities must also adopt and implement a tariff policy on the levying of fees for municipal services in terms of section 74 of the Systems Act. The tariff policy should then guide the exercise of power given under section 75A. In section 74(2)(f) the Act provides that the tariff policy must reflect at least the following principles:

“provision may be made in appropriate circumstances for a surcharge on the tariff for a service;”.

Furthermore, Section 9 of the MFPFA requires a municipality to comply with processes in section 75A (2), (3) and (4) of the Systems Act in levying a surcharge.

In terms of the process, the Minister of Finance determines the norms and standards that municipalities must comply with in the exercise of their powers in terms of section 75A of the Systems Act. Approval for surcharges is done by the municipality in terms of section 75A of the Systems Act but subject to the norms and standards prescribed by the Minister of Finance in terms of the MFPFA.

The Minister of Finance has not yet prescribed the norms and standards (the power to prescribe is discretionary). The absence of norms and standards does not prevent municipalities from including surcharges in their tariffs as the power to impose a surcharge is given in the Municipal Systems Act. However, if a municipality decide to levy a surcharge, an approval is done by the municipal council in terms of section 75A of the Municipal Systems Act which gives power to municipalities to levy and recover fees, charges or tariffs in respect of any function or service of the municipality.

A surcharge is normally treated as part of the tariff. When a municipality determines a base tariff, it can include a surcharge (added as a separate variable). The municipal base tariff and a surcharge (if applicable) collectively becomes the tariff for a municipal service (such as electricity). The collective tariff must be approved by the municipal council and published for public comments in terms of section 75A of the Municipal Systems Act (MSA). It must also be subjected to the prescribed budget processes in terms of the MFMA.

In the case of electricity, NERSA only approves the base tariff. However, the final tariff that is published for public comments in terms of MSA and MFMA should include the surcharge if the municipality opted to levy it and is approved by the municipal council.

5. Funding choices and Budgeting issues

The Circular clearly outlines that, as a result of the economic landscape and weak tariff setting, municipalities are under pressure to generate revenue. The ability of customers to pay for services is declining and this means that less revenue will be collected. Therefore, municipalities must consider the following when compiling their 2020/21 MTREF budgets:

- improving the effectiveness of revenue management processes and procedures;
- paying special attention to cost containment measures by, amongst other things, controlling unnecessary spending on nice-to-have items and non-essential activities as per the Cost Containment Regulations that was issued on 07 June 2019;
- ensuring value for money through the procurement process;
- the affordability of providing free basic services to all households; and
- curbing consumption of water and electricity by the indigents to ensure that they do not exceed their allocation.

Accounting officers are reminded of their responsibility in terms of section 62(1)(a) of the MFMA to use the resources of the municipality effectively, efficiently and economically. Failure to do this will result in the accounting officer committing an act of financial misconduct which will trigger the application of chapter 15 of the MFMA read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings promulgated on 30 May 2014.

5.1 Employee related costs

The *Salary and Wage Collective Agreement* for the period 01 July 2018 to 30 June 2021 is still in operation, therefore municipalities need to budget for their employee related costs in line with the multi-year wage agreement, and also ensure the agreement is correctly implemented and applied as per clauses of the agreement.

5.2 Remuneration of councilors

Municipalities are advised to budget for the actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January by the Department of Cooperative Governance. Any overpayment to councilors contrary to the upper limits as published by the Minister of Cooperative Governance and Traditional Affairs will be irregular expenditure in terms of section 167 of the MFMA and must be recovered from the councillor(s) concerned.

5.3 Budgeting for water under inventory

GRAP 12, paragraph .07 defines inventory as follows:

“Inventories are assets:

- (a) in the form of materials or supplies to be consumed in the production process,*
- (b) in the form of materials or supplies to be consumed or distributed in the rendering of services,*
- (c) held for sale or distribution in the ordinary course of operations, or*
- (d) in the process of production for sale or distribution.”*

In terms of this definition water should be treated as inventory and should be budgeted and accounted for accordingly. Annexure B to MFMA Circular No. 70 (Municipal Budget Circular for the 2014/15 MTREF) included guidance on the treatment of non-revenue water and electricity. To date the National Treasury has allowed municipalities to either budget for bulk purchasing of water as a direct expense in the Statement of Financial Performance as an interim measure or to account for water under inventory.

Municipalities were cautioned in MFMA Circular No. 93 for the 2019/20 MTREF that the A1 Schedule for the 2020/21 MTREF will be amended in line with the prescripts of GRAP 12. The draft amendments to the A1 Schedule to cater for water under inventory in line with GRAP 12 is attached to the budget circular as **Annexure B**. The amendments are circulated for comments and will be implemented with effect from the 2021/22 MTREF.

In terms of the mSCOA definition **“Inventory consumed water”** water stock should be treated as follows:

Water stock must be accounted for as inventory. This will include water purchased and not yet sold at reporting date insofar as it is stored (controlled) in reservoirs and pipes at year end. Water stock also includes any water purification costs incurred for non-purchased water. Pre-purified, non-purchased water should not be capitalised as part of inventory. The cost of water purchased and not yet sold at reporting comprises the purchase price, import duties, and other taxes (other than those subsequently recoverable by the municipalities from the taxing

authorities, such as VAT) and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Importantly, trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Substantial changes to the A1 schedule were required to accommodate this approach to account for water under inventory.

5.4 Budgeting for debt impairment in mSCOA

Municipalities are incorrectly using the line item for bad debts written-off under the Item Expenditure segment when budgeting for debt impairment. It should be highlighted that bad debts written-off is not the same as debt impairment. Debt impairment is the provision that the municipality makes for non-payment while bad debt written-off is the irrecoverable debts written off during the financial year as approved by Council per type of service. Therefore, municipalities are advised to use impairment loss under the Item Gains and Losses segment for debt impairment. This provides a breakdown for the different categories that can be impaired, for example, trade and other receivables from exchange transactions: water.

6. Conditional Grant Transfers to Municipalities

6.1 Non-compliance of in year monitoring

In terms of Section 74(1) of the Municipal Finance Management Act, 2003 (Act No. 56. of 2003) (MFMA), municipalities must submit to the transferring officers, National and Provincial treasuries documents and monthly grant reports as may be prescribed or required. Furthermore, section 12(2) of the Division of Revenue Act, 2019 (Act No. 16 of 2019) (DoRA) states that the municipality, as part of the report required in terms of section 71 of the MFMA, report on the matters referred to in subsection (4) and submit a copy of that report to the relevant provincial treasury, the National Treasury and the relevant Transferring Officer.

There are municipalities that have not been complying with the reporting requirements as stipulated above. Municipalities are reminded that non-submission of monthly reports translates to non-compliance with the MFMA and DoRA. The National Treasury and Transferring Officer will be implementing stringent measures to municipalities that do not comply with the prescripts. This includes, but is not limited to, the stopping and reallocation of conditional grants funding away from municipalities that are non-compliant. Municipalities are encouraged to comply with the reporting requirements in order to avoid withholding or stopping of an allocation. Reporting for conditional grants will also be extended in future to include the information from National Transferring Officers in the mSCOA format.

In terms of performance reporting on conditional grants, municipalities and Transferring Officers are urged to pay particular attention to the contents of money spent against conditional grants. Government is not realizing full value for money against the substantial investments it makes through grants. While financial reporting has become a routine matter on reporting, output/outcome based reporting has become important and it requires attention by all stakeholders. Workshops must be initiated across all government institutions to ensure value for money on conditional grants.

6.2 Stopping and reallocation in terms of the Division of Revenue Act

National Treasury as part of its in-year monitoring on conditional grants has through the Minister of Finance approved requests from the transferring officers to publish a gazette on stopping and reallocations between grants early in the beginning of the year, 2019/20. The gazette addresses shifting of allocations from underperforming local municipalities to their respective district municipalities, correction of errors against allocations made during the main budget and the conversion of allocations between schedules.

Integrated National Electrification Programme

The Department of Energy (DoE) is stopping and re-allocating funds from the Masilonyana Local Municipality (LM) to Lejweleputswa District Municipality (DM) under the Integrated National Electrification Programme (INEP 5B). The Masilonyana LM and the Lejweleputswa DM have entered into a Memorandum of Understanding wherein it was agreed that the district municipality will implement the electrification project on behalf of the local municipality with the assistance of the Municipal Infrastructure Support Agent (MISA) to verify the work done.

Conversion of allocations

According to Section 21(2)(a) of the 2019 DoRA, National Treasury may, after consultation with the relevant transferring officer, receiving officer and provincial treasury, convert any portion of an allocation listed in Part B of Schedule 5 to one listed in Part B of Schedule 6 if it is satisfied that the conversion shall prevent under-expenditure or improve the level of service delivery in respect of the allocation in question or convert any portion of an allocation listed in Part B of Schedule 6 to one listed in Part B of Schedule 5.

Neighbourhood Development Partnership Grant

The Neighbourhood Development Partnership Programme within the National Treasury is converting funds under the Neighbourhood Development Partnership Grant (NDPG) due to anticipated underspending. The 2019/20 NDPG 5B allocations for West Rand DM and Emfuleni LM will be converted from Part B of Schedule 5 to Part B of Schedule 6.

The Municipal Emergency Housing Grant

An amount of R149.1 million is allocated to Eastern Cape and KwaZulu-Natal municipalities after the Department of Human Settlements (DHS) declared a disaster in municipalities in these provinces. The allocation is done through the Municipal Emergency Housing Grant (MEHG) for the emergency relief to fund the temporary shelters following various disaster incidents namely fire and severe rain that caused damages and affected home owners. Funding for the MEHG remains unallocated in the Division of Revenue Act it only gets allocated upon disaster declaration.

Correction of errors in the Division of Revenue Act

According to Section 16(2) of the 2019 DoRA, for purposes of correcting an error or omission in an allocation or framework published, the National Treasury must on its initiative and after consultation with the relevant transferring officer by notice in the Gazette amend the affected allocation or framework.

The Magareng, Emthanjeni and Prince Albert local municipalities in the Northern Cape and Western Cape province respectively had their 2019/20 MIG erroneously allocated in the Section 16 gazette. The MIG allocation for the Prince Albert LM did not take into account the final sport allocation of R3.6 million which was allocated to the Magareng (R2 million) and the Emthanjeni (R1.6 million) local municipalities.

6.3 Invoice Verification against conditional grant expenditure/ Cost reimbursement

National Treasury has over the past two years introduced a system of monitoring all invoices that are paid by municipalities against the transferred conditional grants. The process involves a team of various stakeholders to be periodically placed in municipalities and facilitate verification on all issued invoices to check whether the work done is compliant to the conditional grant framework. This initiative was necessitated by the extent of unauthorized,

irregular and unrecognized expenditure that was being recorded by municipalities through the Auditor General's report. This process will also reduce and ultimately seek to eliminate the extent of misuse of conditional grant allocations.

A selected number of municipalities are earmarked on an annual basis to be supported through this process and transfers are only made to these municipalities once the team is satisfied after verification of the invoices has taken place. These processes assist against the transfer of funds for projects that are not ready for implementation, but at the same time recognizes municipalities that are spending well and incentivizes them for the good work.

Furthermore, in instances where a local municipality is unable to deliver the current year's projects, this process allows for the funds be rechanneled through their district municipalities as part of the District Development Model launched in November 2019. The District Development Model allows for government to allocate funding to the district for implementation on behalf of the local municipality until such time that capacity is built within the local municipality to implement projects on their own.

A process map for invoice verification/or cost reimbursement is attached as **Annexure C**.

7. Preparation of Municipal Budgets for 2020/21 MTREF

7.1 Schedule A1 version to be used for the 2020/21 MTREF

National Treasury has released Version 6.4 of the Schedule A1 (the Excel Formats) which is aligned to Version 6.4 of the *m*SCOA classification framework and must be used when compiling the 2020/21 MTREF budget. Refer to Annexure B for the changes to this version of the Schedule A1.

ALL municipalities **MUST** prepare their 2020/21 MTREF tabled and adopted budgets using the A1 schedule version 6.4.

It is imperative that all municipalities prepare their 2020/21 MTREF budgets **in their financial systems and that the Schedule A1 be produced directly from their financial system**. Vendors have demonstrated their budget modules to the National Treasury and provincial treasuries. All financial systems have this functionality to assist and prepare budgets and to generate the prescribed Schedule A1 directly from the financial system. Therefore, there is no reason why the 2020/21 MTREF budget must be done manually which has been found to create alignment problems.

Municipalities **must** start early enough to capture their tabled budget (and later the adopted budget) in the budget module provided and **must** ensure that they produce their Schedule A1 directly out of the budget module.

Ultimately the aim is to get to a point where all municipalities budget and transact directly in and report from their core financial system. This will result in one version of the **'truth'** where the financial performance reported to Council will not differ from the financial performance information submitted to and published by National and provincial treasuries. This will also reduce the reliance on consultants and system vendors to prepare municipal reports.

The National Treasury has indicated in MFMA Circular No. 93 that in future all A1 Schedules must be submitted in PDF format only. Some vendors have expressed concerns regarding the layout of some of the worksheets and the presentation thereof in PDF. Given the fact that the *m*SCOA classification framework makes it possible to generate the financial data required in the A1 schedule directly from the data strings and to promote the *m*SCOA approach for additional data needed and prescribed in the MBRR from sub-systems, the National Treasury will only accept a prescribed data string containing the supporting data, populated and

uploaded by each municipality (refer to the attachment to this MFMA Budget Circular No 98 on the website for the layout of the data string) from the **2020/21 MTREF**. The publication in the 2020/21 MTREF of non-financial data will be done using the supporting data uploaded from these data strings.

The National Treasury will no longer gather supporting data from the MBRR A1 Schedules, but will expect each municipality to submit the prescribed supporting data strings containing the required data using the LG Upload Portal.

The detail of supporting data strings is available as attachments to this circular.

Version 6.4 of Schedule A1 is available on the following link and is accompanied a comparison between mSCOA vs 6.3 and vs 6.4, highlighting changes made.

<http://mfma.treasury.gov.za/RegulationsandGazettes/MunicipalRegulationsOnAStandardChartOfAccountsFinal/Pages/default.aspx>

The Municipal Budget and Reporting Regulations, formats and associated guides are available on National Treasury's website at:

<http://mfma.treasury.gov.za/RegulationsandGazettes/Pages/default.aspx>

7.2 Assistance with the compilation of budgets

If municipalities require advice with the compilation of their respective budgets, specifically the budget documents or Schedule A1, they should direct their enquiries to their respective provincial treasuries or to the following National Treasury officials:

Province	Responsible NT officials	Tel. No.	Email
Eastern Cape	Matjatji Mashoeshoe	012-315 5553	Matjatji.Mashoeshoe@treasury.gov.za
Buffalo City	Mandla Gilimani	012-315 5807	Mandla.Gilimani@treasury.gov.za
Free State	Cethekile Moshane	012-315 5079	Cethekile.moshane@treasury.gov.za
Gauteng	Kgomotso Baloyi	012-315 5866	Kgomotso.Baloyi@treasury.gov.za
Johannesburg & Tshwane	Kevin Bell	012-315 5725	Kevin.Bell@treasury.gov.za
	Willem Voigt	012-315 5830	WillemCordes.Voigt@treasury.gov.za
KwaZulu-Natal	Kgomotso Baloyi	012-315 5866	Kgomotso.Baloyi@treasury.gov.za
eThekweni	Johan Botha	012-315 5171	Johan.Botha@treasury.gov.za
	Una Rautenbach	012-315 5700	Una.Rautenbach@treasury.gov.za
	Abigail Maila		Abigail.Maila@treasury.gov.za
Limpopo	Willem Voigt	012-315 5830	WillemCordes.Voigt@treasury.gov.za
	Sifiso Mabaso	012-315 5952	Sifiso.Mabaso@treasury.gov.za
Mpumalanga	Mandla Gilimani	012-315 5807	Mandla.Gilimani@treasury.gov.za
	Musa Mnguni	012 315 5072	Musa.Mnguni@treasury.gov.za
Northern Cape	Mandla Gilimani	012-315 5807	Mandla.Gilimani@treasury.gov.za
	Phumelele Gulukunqu	012 315 5539	Phumelele.Gulukunqu@treasury.gov.za
North West	Willem Voigt	012-315 5830	WillemCordes.Voigt@treasury.gov.za
	Makgabo Mabotja	012-315 5156	Makgabo.Mabotja@treasury.gov.za
Cape Town George	Kgomotso Baloyi	012-315 5866	Kgomotso.Baloyi@treasury.gov.za
	Willem Voigt &	012-315 5830	WillemCordes.Voigt@treasury.gov.za
	Mandla Gilimani	012-315 5807	Mandla.Gilimani@treasury.gov.za
Technical issues with Excel formats	Elsabe Rossouw	012-315 5534	lqdataqueries@treasury.gov.za

National and provincial treasuries, will undertake a completeness check on the data string submissions and will analyse the supporting data strings. Where municipalities have not provided complete supporting information, the municipality will be informed and will be required to make the necessary corrections and resubmit the data strings.

7.3 Verification process and period of 2020/21 MTREF budgets

As the mSCOA reporting requirements state that a budget must be locked into the financial system by latest 30 June before the start of the new municipal financial year, in the previous timeframes provided, there was no opportunity to evaluate the adopted budget to be funded and complete BEFORE the start of the municipal financial year. The traditional verification period from July to September can no longer be applied as the municipalities are already transacting against the adopted and locked budget. Amending an unfunded and incomplete budget in an adjusted budget is also not the solution as the National Treasury only considers an adjusted budget in the third and fourth quarter of the financial year for analysis and publication purposes.

The verification period of all municipal budget will therefore be brought forward to the period 31 May to 30 June. In this one-month period, the National and provincial treasuries will be required to evaluate all municipal budgets for completeness and for being fully funded. Any adjustment that need to be made must be done before the start of the municipal financial year on 1 July.

Municipal managers are reminded that the annual budget must be accompanied by a quality certificate and council resolution, as well as a budget locking certificate (in the case of adopted budgets) in accordance with the format specified in Regulation 31 of Schedule A of the Municipal Budget and Reporting Regulations.

The National Treasury would like to emphasise that where municipalities have not adhered to the Municipal Budget and Reporting Regulations, ***they will be required to go back to the municipal Council and table a complete budget document aligned to the requirements of the Municipal Budget and Reporting Regulations and the Municipal Standard Chart of Accounts Regulations. In addition, where municipalities have adopted an unfunded budget, they will be required to correct the budget to ensure they adopt and implement a funded budget.***

Municipalities with municipal entities are once again reminded to prepare consolidated budgets and in-year monitoring reports for both the parent municipality and its entity or entities. The following must be compiled:

- An annual budget, adjustments budget and monthly financial reports for the parent municipality in the relevant formats;
- An annual budget, adjustments budget and monthly financial reports for the entity in the relevant formats; and
- A consolidated annual budget, adjustments budget and monthly financial reports for the parent municipality and all its municipal entities in the relevant formats.

The budget and data strings that the municipality submits to National Treasury must be a consolidated budget for the municipality (including entities). The budget of each entity must be submitted on the D schedule.

Annually during the budget verification process, it is noted that municipalities have challenges to align the audited years, which results in amendments to the Schedule A. Municipalities

must ensure that the audited figures and adjusted budget figures captured on the Schedule A aligns to the annual financial statements and Schedule B respectively.

8. Budget process and submissions for the 2020/21 MTREF

8.1 Submitting budget documentation and schedules for 2020/21 MTREF

To facilitate oversight of compliance with the Municipal Budget and Reporting Regulations, accounting officers are reminded that:

- Section 22(b)(i) of the MFMA requires that, **immediately** after an annual budget is tabled in a municipal council, it must be submitted to the National Treasury and the relevant provincial treasury in electronic formats. If the annual budget is tabled to council on **31 March 2020**, the final date of submission of the electronic budget documents and corresponding *mSCOA* data strings is **Wednesday, 01 April 2020**.

Section 24(3) of the MFMA, read together with regulation 20(1) of the Municipal Budget and Reporting Regulations, requires that the approved annual budget must be submitted to both National Treasury and the relevant provincial treasury **within ten working days** after the council has approved the annual budget. E.g. if the council approves the annual budget on **29 May 2020**, given the new timeframe for the evaluation of the municipal budgets, the adopted budget data strings and documentation must be submitted by the latest **Monday, 1 June 2020**.

Municipalities are no longer expected to submit hard copies of budget related documents to National Treasury from the 2020/21 MTREF.

8.2 Expected submissions for 2020/21 MTREF

- The budget documentation as set out in the Municipal Budget and Reporting Regulations (MBRR). The budget document must include the main Tables (A1 - A10) and the supporting tables in the A1 schedule must be submitted in the prescribed *mSCOA* data string in the format indicated in an attachment as part of this circular.
- the draft and final service delivery and budget implementation plan in electronic PDF format;
- the draft and final integrated development plan;
- the council resolution for the tabled and adopted budgets;
- signed Quality Certificate as prescribed in the Municipal Budget and Reporting Regulations for the tabled and adopted budgets;
- schedules D specific for the entities; and
- A budget locking certificate immediately at the start of the new municipal financial year on 1 July.

Budget related documents and schedules must be uploaded by approved registered users using the LG Upload Portal at: <https://lguploadportal.treasury.gov.za/>.

Please note that the LG Upload Portal does not have the same size restrictions previously encountered but requires all documents to:

1. be in PDF format only; and
2. each PDF file must NOT contain multiple document e.g. council resolution and quality certificate within the budget document. Each document type must be identified and uploaded separately.

Any problems experienced in this regard can be addressed with Elsabe Rossouw at Elsabe.Rossouw@treasury.gov.za.

In addition to the above-mentioned budget documentation, metropolitan municipalities must submit the draft Built Environment Performance Plan (BEPP) tabled in council by 31 March 2020 to Yasmin.coovadia@treasury.gov.za. If the BEPP documents are too large to be sent via email (exceeds 4MB) please submit to yasmin.coovadia@gmail.com or send to Yasmin Coovadia via Dropbox; any problems experienced in this regard can be addressed with Yasmin.Coovadia@treasury.gov.za. Hard copies of the BEPP may be sent to Yasmin Coovadia, National Treasury, 3rd floor 40 Church Square, Pretoria, 0002 or Private Bag X115, Pretoria, 0001. (Yasmin to confirm if she still needs hard copies.)

8.3 Retirement of the Budget reform returns (Appendix B)

Municipalities must conclude all reporting for 2018/19 up to restated audit outcomes on the Appendix B (old electronic returns) to lqdatabase@treasury.gov.za before we can retire the returns.

Ensure that each municipality also submit the pre-audit and audited data strings in the *m*SCOA classification framework as data strings and that the figures are aligned to the Appendix B returns. Pre-audit and audited outcomes will only be submitted in the *m*SCOA data strings prescribed from 2019/20 onwards.

8.4 Publications from the *m*SCOA classification framework

The 2019 MTREF and the preliminary Quarter 1 Section 71 results for the 2019/20 financial year that has recently been published, have exposed that the credibility of the *m*SCOA data strings is a concern. At the core of the problem is:

- The incorrect use of the *m*SCOA and municipal accounting practices by municipalities;
- A large number of municipalities are not budgeting, transacting and reporting directly in/from their core financial systems. Instead they prepare their budgets and reports on excel spreadsheet and then import the excel spreadsheets into the system. Often this manipulation of data leads to unauthorised, irregular, fruitful and wasteful (UIFW) expenditure and fraud and corruption as the controls that are built into the core financial systems are not triggered and transactions are processed that should not be processed; and
- Municipalities are not locking their adopted budgets and their financial systems at month-end to ensure prudent financial management. To enforce municipalities to lock their budgets and close their financial system at month-end in 2020/21, the Local Government Database and Reporting System will lock all submission periods within the reporting period at the end of each quarter. The published period will NOT be opened again to ensure consistency between publications. System vendors were also requested to build this functionality into their municipal financial systems.

To improve the credibility of these data string, National and provincial treasuries are analysing the accuracy of the data strings and the use of the six regulated segments. The National Treasury has developed tools to analyse the segment/chart use and trained budget analysts from both National and provincial treasuries on the use thereof.

The data strings are also verified against the Council adopted budget (A1 Schedule), adjustments budget (B Schedule) and monthly performance against the budget (C Schedule) to ensure that these figures reconcile.

Quality improving focus areas for the 2020/21 MTREF:

- Pay specific attention to the funding of the capital budget and expenditure. The total capital expenditure must balance with the total funding used. Currently the expenditure is much higher than the funding reported.
- Opening balances, especially for capital projects, will always be DEFAULT projects as it will remain a system activity governed by council decision. In the current publications, capital expenditure is highly overstated due to incorrect use of opening balances for capital projects and presents a very inflated view of the actual capital expenditure.
- The cash flow data supplied by municipalities is not credible. This is partly due to the different ways in which the vendors treat actual cash collected but also is a result of the National Treasury not giving clear guidance on the procedures and processes to follow to get credible cash flow figures. In this budget circular signals have been given as to the treatments the National Treasury wants all municipalities to follow to get credible figures from the *mSCOA* data strings. The National Treasury will implement these guidelines in March 2020 in time for the receipt of the 2020/21 MTREF budget data strings. It will affect the third and fourth quarter Section 71 publications of 2019/20 as well.
- It is imperative that vendors assist municipalities to populate SA30 / SC30 when submitting cash flow figures. The detail that is required to ring fence functions and to determine actual cash collections are in the mentioned MBRR supporting worksheets and not in A7 / C7 which is a summarised version. When transferring payments made from sub-system to the general ledger, please ensure that these transfers are done using the prescribed 6 segments at the detailed level prescribed in SA30 / SC30.
- Municipalities are not using the FUND, REGION and COSTING segment correctly. In many instances these segments are simply defaulted and hence the true power of the *mSCOA* classification framework cannot be demonstrated.
- The National Treasury is currently developing Municipal Money Phase II. The first step is to interactively show all capital projects municipalities have budgeted for and are reporting on monthly to all citizens. It has become apparent that many municipalities are not using the correct GPS coordinates when reporting on the capital projects. Many are simply using the GPS coordinates of the municipal building or using 0 coordinates. Special attention must be given to the correct location and the proper description of projects as citizens will now be able to drill down and follow what is happening in their own wards.

8.5 Publication of budgets on municipal websites

In terms of section 75 of the MFMA, all municipalities are required to publish their tabled budgets, adopted budgets, annual reports (containing audited annual financial statements) and other relevant information on the municipality's website. This will aid in promoting public accountability and good governance.

All relevant documents mentioned in this circular are available on the National Treasury website, <http://mfma.treasury.gov.za/Pages/Default.aspx>. Municipalities are encouraged to visit it regularly as documents are regularly added / updated on the website.

Link to all previous circulars

<K:\CD - LGBA\Municipalities\20. Budget Regulations\04. Budget Circulars\2020 MTREF>

Contact



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JH Hattingh
Chief Director: Local Government Budget Analysis
06 December 2019

Annexure A – Cash Flow Reconciliation

The following movement accounts should only be used for cash inflow and outflow transactions:

Item Assets:

- *Collections*: Collections received pertaining to a respective account (example is collection on receivables from non-exchange (property rates) and non-exchange (service charges electricity) transactions).
- *Acquisitions*: Purchases of assets and other expenditure.
- *Disposal*: Sale of non-current assets (example land).
- *Earned*: Interest earned on a bank account.

Item Liabilities:

- *Receipts*: Current year receipts on transfer and subsidies.
- *Advances*: Advances taken for the year, example for borrowing.
- *Repayments*: Repayments for the year, example for borrowing.
- *Payments*: Payments made; example defined benefits.
- *Withdrawals*: Payments made, examples are for bulk purchases for electricity and bulk purchases water.

Funding segment

Most municipalities are transacting incorrectly on the funding segment and accordingly overstate the cash balances available per function (example energy sources (electricity), water management (water treatment) etc. for the payment of services.

The “Funding” segment in the financial system identifies the various sources of funding available to municipalities for financing expenditure relating to the operation of the municipality for both capital and operational expenditure.

The intent with the Funding segment is to assist municipalities in the management of available funds to use in running the municipality (working capital), capital expanding, maintenance programmes and operational projects intended for the benefit of the community. **The underlying principle in recording of transactions in this segment is therefore cash based or funds available to utilise.**

The key question in finding the appropriate classification code for this segment is: “against which source of funding is the payment allocated and against which source is revenue received?”

The primary sources of funding for a municipality are property rates, service charges, equitable share and own revenue. Further to these sources of revenue a municipality also spend funds transferred from other sectors within government, namely transfers and subsidies such as appropriated by national and provincial government in terms of the Division of Revenue Act (DORA). A further source of funds available for utilisation is “cash backed reserves” as directed by the municipality’s financial policy on the utilisation of the reserves.

The projects as defined within the Project segment together with the “funding” and “Item” segments provide information on how funds have been spent and on what. The Funding segment’s structure distinguishes between “Operational, Capital and Non-Funding Transactions”.

Operational: Operational revenue provides for funds from all other sources of income such as taxes, service charges, commercial services, transfer and subsidies, etc.

Capital: Funds to finance capital projects.

Non-funding Transactions: This is items that does not relate to a cash transaction.

Examples of non-funding transactions are:

- Billing for services on consumer accounts issued;
- Recording of invoices;
- Depreciation; and
- Debt provision.

Example 1: A municipality has issued a consumer account (billing) to a client for electricity consumption amounting to R100 in Ward X.

The transaction will be recorded as follows:

Segment	Dt	Cr
Project	Default	Default
Function	Function: Energy Sources: Non-core Function: Electricity	Function: Energy Sources: Non-core Function: Electricity
Item	Assets: Current Assets: Trade and other Receivables from Exchange Transactions: Trading Service and Customer Service Debtors: Electricity: Monthly Billing	Revenue: Exchange Revenue: Service Charges: Electricity: Electricity Sales :Domestic Low: Conventional
Funding	Non funding transaction	Non funding transaction
Region	Ward X	Ward X
Costing	Default	Default
Amount	100	100

The monthly billing of a consumer does not relate to any cash inflow, the funding segment therefore a non-funding transaction.

Example 2: The client pays the municipality R100 on the consumer account received.

The transaction will be recorded as follows:

Segment	Dt	Cr
Project	Default	Default
Function	Function: Energy Sources: Non-core Function: Electricity	Function: Energy Sources: Non-core Function: Electricity
Item	Assets: Current Assets: Cash and Cash Equivalents: Cash at Bank: Bank Account: Specify (replace with account description): Deposits	Assets: Current Assets: Trade and other Receivables from Exchange Transactions: Trading Service and Customer Service Debtors: Electricity: Collections
Funding	Fund: Operational: Revenue: General Revenue: Service Charges: Electricity	Fund: Operational: Revenue: General Revenue: Service Charges: Electricity
Region	Ward X	Ward X
Costing	Default	Default
Amount	100	100

The payment received will be recorded as a cash inflow against revenue service charges electricity for the function electricity. The electricity function will now have R100 funding (cash inflow) available for the payment of expenditure.

Example 3: The municipality receives an invoice from Eskom for the usage of electricity amounting to R50.

The transaction will be recorded as follows:

Segment	Dt	Cr
Project	Municipal Running Cost	Municipal Running Cost
Function	Electricity	Electricity
Item	Expenditure: Bulk Purchases: Electricity: ESKOM	Liabilities: Current Liabilities: Trade and Other Payable Exchange Transactions: Electricity Bulk Purchase: Deposits
Funding	Non funding transaction	Non funding transaction
Region	Mun	Mun
Costing	Default	Default
Amount	R50	R50

The recording of an invoice in the financial system does not relate to any cash outflow, no payment has been made, the funding segment therefore is a non-funding transaction.

Example 4: The municipality pay Eskom R50 on the invoice received.

The transaction will be recorded as follows:

Segment	Dt	Cr
Project	Default	Default
Function	Electricity	Electricity
Item	Liabilities: Current Liabilities: Trade and Other Payable Exchange Transactions: Electricity Bulk Purchase: Withdrawals	Assets: Current Assets: Cash and Cash Equivalents: Cash at Bank: Bank Account: Specify (replace with account description):Withdrawals
Funding	Fund: Operational: Revenue: General Revenue: Service Charges: Electricity	Fund: Operational: Revenue: General Revenue: Service Charges: Electricity
Region	Mun	Mun
Costing	Default	Default
Amount	R50	R50

The payment made will be recorded as a cash outflow against revenue service charges electricity for the function electricity. The electricity function will now have a balance of R50 cash available (funding) which is the difference between the cash received of R100 from a consumer on electricity consumption (example 2) and the payment of R50 to Eskom for the usage of electricity (example 4).

The electricity function will have a net balance of R50 positive cash (funding) which reconcile to the net cash in the bank account of R50.

Annexure B – Amendments to the A1 Schedule to cater for water under inventory in line with GRAP 12

Substantial changes to the A1 schedule were required to accommodate the approach to account for water under inventory. The draft adjustment to the A1 Schedule (Excel version) is attached to this published circular with amendments highlighted in light orange. The Excel document has been populated for one financial year to demonstrate the accounting treatment of the proposed changes. These changes are not for implementation during the 2020/21 MTREF but are included in the circular for comments prior to final implementation during the 2021/22 MTREF. The main changes were to Table SA3 that required further changes to some other worksheets as indicated below.

Table SA3

Changes to this table included the addition of water and other inventory items to enable municipalities to fully budget for the acquisition, issuing, adjustment, write-off, transfer and sale of all inventories. This will provide a detail reconciliation for the disclosure of inventory on the Statement of Financial Position (Table A6). This section has been aligned to the mSCOA chart - Item Assets – Inventory and, as it relates to water inventory, also to the IWA Modified Water Balance utilised by the DWS. The layout of the section includes the following inventory items:

- Water (separate item)
- Agricultural, Consumables, Finished Goods, Materials and Supplies (consolidated into one item)
- Work-in-progress (separate item)
- Housing Stock (separate item)
- Land (separate item)

It is important to note that, as a result of these changes, bulk purchasing of water will be processed as a cash transaction in the Statement of Financial Position – Acquisition of Inventory (Table A6). Acquisitions of water stock should include the following:

- Bulk purchases - Supply from bulk or other water service providers recognised by the amount paid.
- Water purified - Potable supply from Water Treatment Works. Value is to be determined by calculating primary and secondary cost components.
- Natural sources - Supply from boreholes, springs, fountain if not supplied through the water treatment plant. Value is to be determined by calculating primary and secondary cost components.

Currently the Statement of Financial Performance (Table A4) reflected the bulk purchasing of water as a cash expense. In terms of the change to treating water as inventory the cost of sales (water inventory consumed) is disclosed as a separate non-cash expense included under “Other materials & inventory consumed” on Table A4.

The cost of water losses and any write-down of inventory are expensed as a non-cash entry under “Expenditure by type Losses” on Table A4. When there is clear evidence of an increase in net realisable value of inventory adjustments are accounted for as a non-cash entry under “Revenue by source Gains” on Table A4.

Water Inventory consumed (cost of sales) included under “Other materials & Inventory Consumed” on Table A4 should include the following:

Billed Authorised Consumption

Billed Metered Consumption

- Free Basic Water
- Subsidised Water
- Revenue Water

Billed Unmetered Consumption

- Free Basic Water
- Subsidised Water
- Revenue Water

Un-Billed Authorised Consumption

- Unbilled Metered Consumption
- Unbilled Unmetered Consumption

The above-mentioned amendments to Table SA3 also necessitated adjustments to the following other tables as indicated below:

Table SA1

In order to adequately account for inventory, including water inventory, the following detail calculations were added on Table SA1:

Addition of Other materials & Inventory Consumed

- Inventory Consumed - Water
- Inventory Consumed - Other material
- Other materials

Total Other Material & Inventory Consumed

Bulk purchases: Electricity & Waste Water (previously Electricity & Water - now water changed to "Waste Water")

The change of terminology

- Electricity Bulk Purchases (no change)
- Waste Water Bulk Purchases (previously Water Bulk Purchases now water changed to "Waste Water")

Table A4

The change of terminology:

- Bulk purchases now **"Bulk purchases: Electricity & Waste Water"**
- Gains on disposal of PPE now **"Gains"**
- Loss on disposal of PPE now **"Losses"**
- Other Material changed to **"Other materials & inventory consumed"**

Table SA 30

The changes of terminology to cash payments by type:

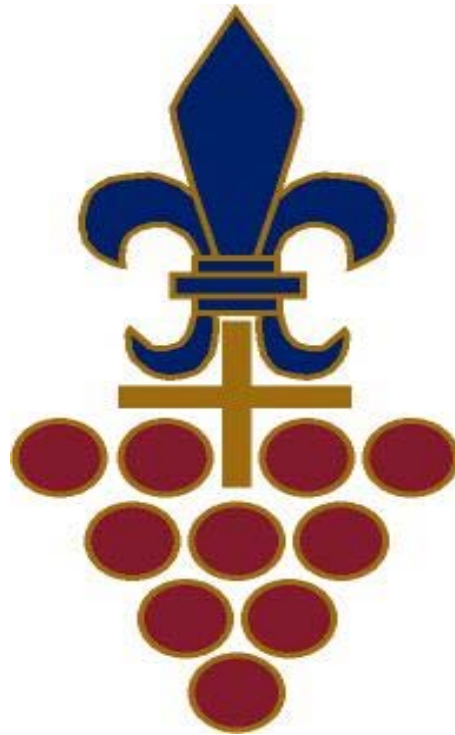
- Bulk purchases - Electricity now changed to **"Bulk purchases - Electricity & Waste Water"**
- Bulk purchases - Water & Sewer" now changes to **"Acquisition Inventory - Water & other inventory"**

Annexure C – Process map for invoice verification/cost reimbursement

ACTIVITY	INSTITUTION	INDIVIDUAL
Step 1: Municipality receives invoices from the contractors and consultants	Municipality	Technical Director and PMU Manager
Step 2: Check completeness and all documents included and update the verification list/implementation plan	Municipality	PMU Manager
Step 3: Invoices and verification list submitted to Province (PT, Transport, CoGTA province, DWS, Energy, human settlement and MISA)	Municipality	Technical Director
Step 4: Province coordinates the site verification meeting/s with all stakeholders (Prov CoGTA and Treasury, MISA and municipality)	Province	Provincial selected lead official
Step 5: Municipality arranges with consultants and contractors to be on site and prepares the necessary progress report	Municipality	Technical Director and PMU
Steps 6: Site meeting/s held	(Prov CoGTA/Treasury, MISA and municipality)	Verification Team
Step 7: Transferring National Officer/MISA prepares the verification report and shares with all the verification team members. It recommends the amount to be released to municipality or recommends a refer back	Transferring National Officer/MISA	Transferring National Officer/MISA
Step 8: Verification team (coordinated by Province) to consider the recommendations by Transferring National Officer/MISA and submit recommendations to NT/Sector department	Province	Transferring National Officer/MISA with Provincial Treasury

ACTIVITY	INSTITUTION	INDIVIDUAL
<p>Step 9: Transferring National Office reviews all documentation submitted and:</p> <p>(i) either refer back to Province for corrections; or</p> <p>(ii) submits report to NT</p>	Transferring National Officer	Director: Grant Administration in national department
<p>Step 10: NT evaluates and provides go ahead to Transferring National Officer and confirms amount for the transfer</p>	National Treasury	Municipal Grant Monitoring and Analysis (MGMA) Unit within NT
<p>Step 11: Transferring National Officer prepares sundry payment advise for Finance and confirm the date with NT</p>	Transferring National Officer	Transferring National Officer
<p>Step 12: Finance confirms transfer details with National Treasury (date amount) and loads transfer</p> <p>NT loads transfers on Safety Web</p>	Finance	Finance Grant Administration Unit with NT
<p>Step 13: Transferring National Officer confirms transfer with receiving officer</p>	Finance	FINANCE
<p>Step 14: Municipality effects the payments to contractors and submit Proof of Payment (POP)'s Transferring National Officer</p>	Municipality	Technical Director / CFO
<p>Step 15: Next transfer of funds may be effected once the previous POP has been verified</p>	National Treasury and Transferring National Officer	National Treasury and Transferring National Officer

STELLENBOSCH MUNICIPALITY



MFMA CIRCULAR NO.99

**MUNICIPAL BUDGET CIRCULAR FOR
THE 2020/2021 MTREF –
9 MARCH 2020**



Municipal Budget Circular for the 2020/21 MTREF

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Introduction

This budget circular is a follow-up to MFMA Circular No. 98 that was issued on 06 December 2019. It aims to provide further guidance to municipalities with the preparation of their 2020/21 Medium Term Revenue and Expenditure Framework (MTREF) budgets and should be read together with the budget circulars that have been issued previously.

The grant allocations as per the 2020 Budget Review and the 2020 Division of Revenue Bill are also key focus areas in this circular.

1. The South African economy and inflation targets

Over the past year, economic growth has been weaker than forecasted and is only expected to reach 0.9 per cent in 2020. The 2020 budget highlights the difficult economic and fiscal choices confronting government over the next several years.

It is projected that revenue to be collected for the 2020/21 financial year will amount to R1.5 trillion which equates to 29.2 per cent of the Gross Domestic Product (GDP), whereas expenditure is projected to be at R1.95 trillion which is equivalent to 36 per cent of GDP. This means that there is a consolidated budget deficit of R370.5 billion or 6.8 per cent of GDP in 2020/21. The gross national debts by the end of 2020/21 is projected to be R3.56 trillion which is 65.6 per cent of GDP.

It is evident that determined action is required to reverse the deterioration of the public finances by narrowing the budget deficit, containing debt and growing the economy faster and in a sustainable manner. Municipalities therefore need to exercise caution when they prepare their 2020/21 MTREF budgets to ensure synergy with national economic and fiscal prudence.

The declining economic growth which might be impacted on further by the Corona virus pandemic and international companies closing down as a result, the deteriorating state of the finances for state-owned entities, continued high unemployment and water and electricity shortages will put pressure on the ability of municipalities to raise revenue. Municipalities are therefore advised to follow a conservative approach when projecting their revenue and to eliminate any waste and unnecessary expenditure. Importantly, municipalities should ensure that they adopt realistic and funded 2020/21 MTREF budgets, collect the debts owed to them and pay their creditors within 30 days of receipt of invoice.

The following macro-economic forecasts must be considered when preparing the 2020/21 MTREF municipal budgets.

Table 1 Macroeconomic performance and projections

	2019	2020	2021	2022
Percentage change	Estimate	Forecast		
Real GDP growth	0.3	0.9	1.3	1.6
CPI inflation	4.1	4.5	4.6	4.6

Source: 2020 Budget Review.

Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.

2. Key focus areas for the 2020/21 municipal budget process

After budgeting for debt-service costs, the contingency reserve and provisional allocations, 48.2 per cent of the nationally raised funds are allocated to national government, 43 per cent to provinces and 8.8 per cent to local government. This is a reduction from the 9.1 per cent allocated to local government when compared to the 2019/20 financial year.

Local government continue to receive the least share of the division of nationally raised revenue because it has extensive powers to raise its own revenue. On aggregate; the local government sphere raises about 70 per cent of its own revenue. However, municipalities should make every effort to improve the collection rates through improved billing and collection practices. In the present current economic climate, municipalities cannot afford to provide municipal services without recovering the cost of providing these services.

Spending outcomes for 2018/19 varied across the 257 municipalities. Many municipalities adopted unrealistic spending plans. As a result, 211 municipalities underspent their operating budgets and 214 municipalities underspent their capital budgets. This was a slight improvement from the previous year.

Of the R33.6 billion in conditional grants transferred to municipalities in 2018/19, R27.2 billion (80.1 per cent) was spent, compared to 93 per cent spent in 2017/18. This decline was partly due to underspending on drought relief funds allocated in the middle of the financial year.

2.1 Local government grants and municipal revenue strength

The conditional grants to municipalities have been reduced and most conditional grants have been reduced as part of efforts to limit growth in government expenditure and ensure that public debt is sustainable. To manage the effect on services, these reductions take into account:

- Past spending and performance;
- Whether the conditional grant funds salaries, and other related costs; and
- Whether there has been significant real growth in allocations in recent years.

Where possible, the National Treasury has reduced transfers that are more likely to go unspent or to be spent less effectively. Accordingly, grants that have persistently underperformed have been reduced by larger amounts. The largest proportional reduction to local government grants in 2020/21 has been made in respect of the public transport network grant, because only six of the 13 cities receiving the grant have successfully launched public transport systems. The three cities that have shown the least progress, namely Buffalo City, Msunduzi and Mbombela have been suspended from the grant and will not receive allocations in the 2020 MTEF period.

Legislation governing local planning and budgeting emphasises community participation in decision-making. The partnership between municipalities and communities relies on households and businesses recognising the value of, and paying for, municipal services. While government subsidises municipal services for low-income households, these services are only sustainable if people who can afford them and use larger quantities thereof pay their bills. Therefore, the sustainability of municipalities depends on how they collect and spend their own revenues.

Municipalities are reminded that all allocations included in their budgets must correspond to the allocations listed in the Division of Revenue Bill. All the budget documentation can be accessed from the National Treasury website by clicking on the link below:
<http://www.treasury.gov.za/documents/national%20budget/2020/default.aspx>

2.1. Changes to local government allocations

2.1.1. Unconditional grants

Over the next three years, above-inflation growth in allocations to the local government equitable share continues, while growth in conditional grants is slower as a result of the reductions announced in the 2020 Budget. The local government Equitable Share continues to receive above inflation increases because it allows municipalities to offer free basic services to indigent residents who cannot afford to pay for services. The total direct allocations to local government grow at an annual average rate of 6.6 per cent over the MTEF period.

2.1.2. Conditional grants

The 2020 Division of Revenue Bill has technical adjustments which were effected through the shifting of funds between different municipal allocations. However, it should be noted that the technical adjustments do not change the total amount allocated to local government. These changes to the grants include the shifting of:

- R400 million in 2020/21 from the municipal infrastructure grant, the water services infrastructure grants and the urban settlements development grant to the indirect regional bulk infrastructure grant to assist in funding the rehabilitation of wastewater treatment infrastructure in the Vaal River System;
- R160 million from the direct *neighbourhood development partnership grant* to the indirect component of the grant over the MTEF period;
- R3 billion that had been indicatively allocated to the new *informal settlement upgrading partnership grant* in 2020/21. This amount is shifted back to the *urban settlements development grant* following the decision to extend the informal settlements window within this grant for another year; and
- R166 million over the 2020 MTEF period from the *municipal infrastructure grant* to the *integrated urban development grant* for the entry of one additional municipality into the grant.

In addition to funds shifted from other local government grants, R250 million has been added to the indirect *regional bulk infrastructure grant* in 2020/21 to assist with addressing pollution in the Vaal River System. These funds were reprioritised from allocations in other spheres of government.

2.2 Response to the Finance and Fiscal Commission (FFC)'s recommendations

The Finance and Fiscal Commission Act, 1997 (Act No. No 99) requires that the FFC tables their recommendations on financial and fiscal matters at least 10 months before the start of each financial year. The FFC tabled its *Submission for the Division of Revenue 2020/21* to Parliament in May 2019. This year's theme is "reprioritising local government finances". The 2020/21 recommendations cover the following areas: local government financing framework, municipal government capacity building, local government sustainability, infrastructure management and efficiency, investment and developmental challenges in the local government sector.

2.2.1 Supplementary revenue sources for local government

The FFC recommended that the Minister of Finance should take steps (including piloting) to add supplementary revenue sources to the list of allowable taxes for different types of municipalities in a differentiated manner. National government supports this recommendation that additional revenue sources to municipalities should be fully explored. In response, various reforms have been prioritised to supplement the revenue sources of municipalities.

These include: amending the Municipal Fiscal Powers and Functions Act, 2007 (Act No. 12 of 2007) to ensure development charges are uniformly regulated and updating the municipal borrowing policy framework to clarify the funding instruments that municipalities are allowed to use to leverage their borrowing including clarifying the role of development finance institutions in this regard.

The Municipal Fiscal Powers and Functions Act already allows municipalities to apply to the Minister of Finance to levy additional taxes such as the tourism levies and fire levies recommended by the FFC. This Act also allows the Minister of Finance to introduce new municipal taxes on his own initiative. Applications from municipalities to implement new revenue sources provide a good mechanism for piloting new revenue sources like these as it ensures that the pilot municipalities are ready and willing to implement the new taxes. To be considered by the Minister of Finance, an application to introduce additional taxes must include the following:

- What the revenue from the proposed new municipal tax will be used for;
- Its compliance with section 229(2)(a) of the Constitution, which requires that municipal taxes do not prejudice national economic policy;
- The tax base, the desired tax rate, people liable for the tax and tax relief measures;
- The tax collecting authority; and
- Particulars of any consultations conducted, including consultations with a provincial government and organised local government and other municipalities where applicable, and the outcomes of these consultations.

2.2.2 Local government infrastructure management and efficiency

Government continues to provide responses to the FFC's recommendations on an annual basis. These annual recommendations by the FFC are required in terms of section 9 of the Intergovernmental Fiscal Relations Act, 1997 (Act No. 97 of 1997). The FFC recommended that the Ministers of Cooperative Governance and Traditional Affairs (CoGTA) and Finance should jointly strengthen the linkage between technical project planning processes and budgeting and foster smooth intergovernmental infrastructure coordination as part of the ongoing local government infrastructure grant reforms.

Government acknowledges the need to consolidate municipal infrastructure grants and to strengthen the linkages between the technical project planning process and the budgeting. The review of local government infrastructure grants has identified consolidation and rationalisation in the number of grants received by each municipality as a key area for reforming the grant system. As the various grants in the system serve different purposes, the consolidation and rationalisation process requires extensive consultation before grants can be merged. As a result, there is no definitive dates set on when the consolidation of grants will take place. However, government is committed to achieving the vision of a differentiated grant system.

2.3 Building capability for infrastructure delivery

The National Treasury continues to expand the tools available for provinces and municipalities to improve spending. Weaknesses in preparing and authorising projects and programmes are one of the main causes of poor performance on infrastructure transfers. The Infrastructure Delivery Management System (IDMS) has assisted provinces to build infrastructure units with qualified staff and institutionalise best practices. In the 2020/21 MTEF, cities will receive grant funding through the *integrated city development grant* to institutionalise an effective system for preparing programmes and projects. Metros will only be eligible for this funding if they:

- Have not had an adverse or disclaimed audit opinion in the last two financial years;

- Have formally adopted the Cities' Infrastructure Delivery and Management System (CIDMS) guidelines;
- Establish a programme and project approval committee to authorise work; and
- Commit to co-financing contributions and budget management arrangements.

National government provides a broad range of capacity-support grants and programmes for local government. These grants and programmes are under review and reforms to improve its effectiveness are likely to be implemented from 2021/22.

2.4 Development Charges reforms

National Treasury continues to explore how municipalities can use a broader package of infrastructure financing sources to meet their developmental mandate. One of these sources is development charges.

A development charge is a once-off charge imposed by a municipality on a land owner as a condition of approving a land development application that will substantially result in increased demand for municipal infrastructure services. These charges are imposed to cover the costs incurred by the municipality when installing new infrastructure or upgrading an existing infrastructure that is required to service the proposed development. It is based on the concept that urban growth and expanded land use creates the need for additional infrastructure services, therefore the developer should pay the incidence costs.

Municipalities have not fully used development charges due to uncertainty surrounding the regulatory frameworks. National Treasury is therefore amending the Municipal Fiscal Powers and Functions Act, 2007 (Act No. 97 of 1997) to incorporate the regulation of development charges. Cabinet has approved the publication of the draft Amendment Bill for public comment. The due date for submitting comments is 31 March 2020.

The draft Bill can be accessed on the National Treasury website at: http://www.treasury.gov.za/legislation/draft_bills/default.aspx.

3. Eskom Bulk Tariff increases

The National Energy Regulator of South Africa (NERSA) is responsible for price determination of the bulk costs for electricity. However, there has not been any determination by NERSA since the impasse around Eskom's application.

While the court case between NERSA and Eskom is still pending, municipalities should use the tariff increases previously (March 2019) approved by the regulator of 8.1 per cent for 2020/21, 5.2 per cent 2021/22 and 8.9 per cent for 2022/23.

4. Budgeting issues

4.1 The wage bill

The 2020 Budget Review highlighted the proposed wage bill reduction for the public service. Similar to national and provincial government, municipalities must ensure that compensation demands are balanced with the broader needs of society. In this context, municipalities should start taking decisive action to address bloated organisational structures and above inflation wage increases.

Wage bill increases are crowding out spending on capital projects for future economic growth and impacts on service delivery.

Local government also confronts tough fiscal choices in the face of financial and institutional problems that result in service-delivery breakdowns and unpaid bills. Municipalities can offset these trends by improving own revenue collection, working more efficiently and implementing cost containment measures.

4.2 Pension fund and SARS contributions

In terms of section 13A of the Pension Funds Act, 1956 (Act No. 24 of 1956), an employer must pay contributions it collected from employees' salaries to the relevant pension fund by the 7th day after the end of the month in respect of which the contributions were payable.

According to the latest annual report by the Pension Fund Adjudicator (PFA), it is especially concerned about non-payment of contributions in the municipal sector, thereby putting members' benefits at risk for extended periods of time. Over and above, there is interest on contributions that an employer is liable to pay if pension fund contributions are not paid over timeously. The Financial Services Laws General Amendment Act, 2013 (Act No. 45 of 2013) makes the employer's failure to pay contributions to a retirement fund a **criminal offence**. The amendment to this Act now provides for personal liability of persons who are entrusted with managing the overall financial affairs of the employer.

Section 65(2)(f) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) states that the accounting officer must take all reasonable steps to ensure that the municipality complies with its tax, levy, duty, pension, medical aid, audit fees, and their statutory commitments. Section 171(1) of the MFMA provides that the accounting officer commits financial misconduct if that accounting officer fails to comply with a duty imposed by a provision of the Act on the accounting officer of a municipality. In addition, section 173(1)(a)(i) of the MFMA than provides that an accounting officer is guilty an offence if that accounting officer deliberately or in a grossly negligent way amongst other, contravene or fails to comply with the provision of section 65(2)(f) of the MFMA. We will therefore be monitoring whether municipalities are addressing this failure by accounting officers consistent with the legal framework provided for in the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings and take the necessary action where there is failure on the part of municipalities to address this matter.

4.3 Water

Access to clean and potable water is a mandatory imperative in terms of the country's Constitution, the National Water Act, 1998 (Act No. 36 of 1998) and priorities set by the government in the National Development Plan (NDP). Water is also recognised as a fundamental human right and there is no doubt about the important role that water plays in human existence, the environment, economic development and sustainability.

Municipalities should take strategic action to ensure effective water management and resilience to drought, including the security of water supply, environmental degradation, and pollution of resources to achieve economic growth, development and socio-economic priorities in an equitable and sustainable manner.

4.4 Attracting economic investment

Maintaining clean cities underpins economic activity and wellbeing. Investors are not interested in investing in filthy cities. Therefore, municipalities should place emphasis on sensible land use planning and development and building plan control for housing,

commercial, industrial and recreational uses. Investments in waste collection and treatment infrastructure should be made in tandem with industrial and urban developments to minimise pollution to our land and waters.

4.5 Borrowing for multi-year capital projects

In terms of sections 16(3) of the MFMA, money for capital expenditure may be appropriated for a period not exceeding three financial years, provided that a separate appropriation is made for each of those financial years.

Section 19(1) of the MFMA further states that *a municipality may spend money on a capital project only if —*

- (a) the money for the project, excluding the cost of feasibility studies conducted by or on behalf of the municipality, has been appropriated in the capital budget referred to in section 17(2)(b) the project, including the total cost, has been approved by the council;
- (b) section 33 has been complied with, to the extent that that section may be applicable to the project; and
- (c) the sources of funding have been considered, are available and have not been committed *for other purposes*.

Before approving a capital project, the municipal council must consider:

- a) the projected cost covering all financial years until the project is operational; and
- b) the future operational costs and revenue on the project, including municipal tax and tariff implications.

A municipality must adjust the revenue and expenditure estimates in an approved annual budget downwards through an adjustments budget if there is material under-collection of revenue during the current year in terms of section 28(2) of the MFMA. It may also appropriate additional revenues that have become available over and above those anticipated in the annual budget, **but only to revise or accelerate spending programmes already budgeted** for. New capital projects can therefore not be included in the adjustments budget, unless provided for in terms of section 28(2) of the MFMA.

With regard to the shifting of funds between multi-year appropriations, section 31 of the MFMA requires that *when funds for a capital programme are appropriated in terms of section 16(3) for more than one financial year, expenditure for that programme during a financial year may exceed the amount of that year's appropriation for that programme, provided that –*

- (a) *the increase does not exceed 20 per cent of that year's appropriation for the programme;*
- (b) *the increase is funded within the following year's appropriation for that programme;*
- (c) *the municipal manager certifies that -*
 - (i) *actual revenue for the financial year is expected to exceed budgeted revenue; and*
 - (ii) **sufficient funds are available for the increase without incurring further borrowing beyond the annual budget limit;**
- (d) *prior written approval is obtained from the mayor for the increase; and*
- (e) *the documents referred to in paragraphs (c) and (d) are submitted to the relevant provincial treasury and the Auditor-General.*

Considering the above sections of the MFMA, it is clear that section 16(3) allows for a multi-year capital appropriation not exceeding three financial years, while section 31 allows for:

- A maximum increase of 20 per cent in the appropriation for the year provided that it is funded within the following year's appropriation for that programme. By implication it

must be a multi-year programme and the increase should also fit within the limit of the next year's appropriation;

- Sufficient funds are available for the increase **without incurring further borrowing beyond the approved annual budget limit**. This means that additional revenues should be available in the year that the municipality intends to accelerate the expenditure or that a project saving that was funded from the borrowing that was approved for the current year should be used to prevent borrowing to exceed the annual budget limit; and
- This further implies that additional revenues should be available and prohibits the use of accumulated cash backed reserves from previous years for the acceleration of the programme.

Section 28(2)(b) prescribes that additional revenues that have become available may be used to revise or accelerate programmes already budgeted for. The same section further indicates that an adjustments budget process will be required to accelerate a capital programme. The municipal manager must provide certification that the additional revenues will be available within the financial year that the programme will be accelerated in terms of section 31 of the MFMA.

The legislation is not clear as to the timeframes for section 31 other than to state that prior written approval should be obtained from the Mayor. A prudent approach would be to include the documentation as part of the adjustments budget process and the dates set out in the Municipal Budget and Reporting Regulations.

This part of the Circular should also be read in conjunction with MFMA Circular No. 58 issued on 14 December 2011.

4.6 Refinancing of existing loans

Section 46(5) of the MFMA allows a municipality to re-financing existing long-term debt, provided that —

- (a) the existing long-term debt was lawfully incurred;
- (b) the re-financing does not extend the term of the debt beyond the useful life of the property, plant or equipment for which the money was originally borrowed;
- (c) the net present value of projected future payments (including principal and interest payments) after re-financing is less than the net present value of projected future payments before re-financing; and
- (d) the discount rate used in projecting net present value referred to in paragraph (c), and any assumptions in connection with the calculations, must be reasonable and in accordance with criteria set out in a framework that may be prescribed.

If the re-financing of an existing loan does not comply with the above requirements, then the municipality should consider going to the market for a new loan that offers more affordable terms and/or negotiate a payment arrangement with the financial institution until the loan can be repaid as per the original terms.

5. Conditional Grant Transfers to Municipalities

This section provides guidance to municipalities with regard to the preparation for the 2019/20 unspent conditional grant and roll-over process and should be referenced against previous annual budget circulars.

5.1 Criteria for the rollover of conditional grant funds

Section 22 of the 2019 Division of Revenue Act (DoRA) requires that any conditional grants which are not spent at the end of the municipal financial year must revert to the National Revenue Fund, unless the receiving officer, provincial treasury and transferring national officer proves to National Treasury that the unspent allocation is committed to identifiable projects, in which case the funds may be rolled over.

When requesting a rollover in terms of section 22(2) of the 2019 DoRA, municipalities must include the following information with their submission to National Treasury:

1. A formal letter, signed by the accounting officer must be addressed to the National Treasury requesting the rollover of unspent conditional grants in terms of section 22(2) of the 2019 DoRA;
2. A list of all the projects that are linked to the unspent conditional grants and a breakdown of how much was allocated and spent per project;
3. The following evidence indicating that work on each of the projects has commenced, as applicable to the specific rollover(s):
 - a) Proof that the project tender was published and the period for tender submissions closed before 31 March;
 - b) Proof that a contractor or service provider was appointed for delivery of the project before 31 March; or
 - c) Proof of a project tender, appointment of contractor or service provider for delivery of service before 30 June in cases where additional funding was allocated during the course of the final year of the project;
 - d) Incorporation of the Appropriation Statement;
 - e) Evidence that all projects linked to an allocation will be fully utilised by 30 June 2021 (attach cash flow projection for the applicable grant).
4. A progress report (also in percentages) on the status of each project's implementation that includes an attached, legible **implementation plan**);
5. The value of the committed project funding, and the conditional allocation from the funding source;
6. Reasons why the grants were not fully spent during the year of original allocation per the DoRA;
7. Rollover of rollovers will not be considered therefore municipalities must not include previous year's unspent conditional grants as rollover request;
8. An indication of the time-period within which the funds are to be spent if the roll over is approved; and
9. Proof that the Municipal Manager and Chief Financial Officer are permanently appointed.

No rollover requests will be considered for municipalities with vacant or acting Chief Financial Officers and Municipal Managers for a period exceeding 6 months from the date of vacancy, this also includes acting appointments as a result of suspensions of either MM or CFO that are more than 12 months.

If any of the above information is not provided or the application is received by National Treasury (Intergovernmental Relations Division) after 31 August 2020, the application will be declined.

In addition, National Treasury will also consider the following information when assessing rollover applications; and reserves the right to decline an application should there be non-performance by the municipality in any of these areas:

1. Compliance with the in-year reporting requirements in terms of sections 71 and 72 of the MFMA and section 12 of the 2019 DoRA, **including the municipal manager and chief financial officer signing-off on the information** sent to National Treasury;
2. Submission of the pre-audited Annual Financial Statements information to National Treasury by 31 August 2020;
3. Accurate disclosure of grant performance in the 2019/20 pre-audited Annual Financial Statements, (i.e. correct disclosure of grant receipts and spending in the notes to the AFS); and
4. Cash available in the bank (net position including short term investments) as at 30 June 2020 is equivalent to the amount that is unspent as at the end of the financial year. If the amount that is requested for roll over is not entirely cash backed, such a roll over will not be approved. National Treasury will not approve portions of roll over requests.

It should be noted that under no circumstances will the National Treasury consider requests to roll-over:

1. The entire 2019/20 allocation to the municipality, in cases whereby the roll over request is more than 50 per cent of the total allocation National Treasury will approve the roll over amount up to 50 per cent of the 2019/20 allocation;
2. Roll Over request of the same grant for the third consecutive time;
3. Funding for projects constituted through Regulation 32 of the Municipal Supply Chain Management Regulations (Gazette No.27636). Projects linked to additional funding and disasters are exempted; and
4. A portion of an allocation where the proof of commitment for the roll over application is linked to invoices that were issued before or on 31 May 2020.

5.2 Unspent conditional grant funds for 2019/20

The process to ensure the return of unspent conditional grants for the 2019/20 financial year will be managed in accordance with section 22 of the DoRA. In addition to the previous MFMA Circulars, the following practical arrangements will apply:

- Step 1: Municipalities must submit their June 2020 conditional grant expenditure reports according to section 71 of the MFMA reflecting all accrued expenditure on conditional grants and further ensure that expenditure reported to both National Treasury and national transferring officers reconcile;
- Step 2: When preparing the Annual Financial Statements, a municipality must determine the portion of each national conditional grant allocation that remained unspent as at 30 June 2020. These amounts **MUST** exclude all interest earned on conditional grants, retentions and VAT related to conditional grant spending that has been reclaimed from SARS, which must be disclosed separately;
- Step 3: If the receiving officer wants to motivate in terms of section 22(2) of the 2018 DoRA that the unspent funds are committed to identifiable projects, the roll over application pack must be submitted to National Treasury by 31 August 2020.

National Treasury will not consider any rollover requests that are incomplete or received after this deadline.

- Step 4: National Treasury will confirm in writing whether or not the municipality may retain any of the unspent funds as a rollover based on criteria outlined above by 23 October 2020;
- Step 5: National Treasury will communicate the unspent conditional grants amount by 06 November 2020. A municipality must return the remaining unspent conditional grant funds that are not subject to a specific repayment arrangement to the National Revenue Fund by 20 November 2020; and

Step 6: Any unspent conditional grant funds that should have, but has not been repaid to the National Revenue Fund by 20 November 2020, and for which a municipality has not requested a repayment arrangement, will be offset against the municipality's 04 December 2020 equitable share allocation.

All other issues pertaining to Appropriation Statement and reporting on approved roll overs are addressed in the Annexure to MFMA Circular No. 86.

6. The Municipal Budget and Reporting Regulations

National Treasury, together with the provincial treasuries, are rolling out training on budgeting and transacting in the *m*SCOA environment to all provinces to improve the credibility of the 2020/21 MTREF budgets.

6.1 Assistance with the compilation of budgets

In cases where the municipality requires advice with the compilation of their respective budgets, specifically the budget documents or Schedule A1, they should direct their enquiries to their respective provincial treasuries or to the following National Treasury officials:

Province	Responsible officials	NT	Tel. No.	Email
Eastern Cape	Matjatji Mashoeshoe		012-315 5553	Matjatji.Mashoeshoe@treasury.gov.za
Free State	Cethekile Moshane		012-315 5079	Cethekile.moshane@treasury.gov.za
Gauteng	Kgomotso Baloyi Kevin Bell		012-315 5866 012-315 5725	Kgomotso.Baloyi@treasury.gov.za Kevin.Bell@treasury.gov.za
KwaZulu-Natal	Kgomotso Baloyi Johan Botha		012-315 5936 012-315 5171	Kgomotso.Baloyi@treasury.gov.za Johan.Botha@treasury.gov.za
Limpopo	Willem Voigt Sifiso Mabaso		012-315 5830 012-315 5952	Willem.Voigt@treasury.gov.za Sifiso.Mabaso@treasury.gov.za
Mpumalanga	Mandla Gilimani		012-315 5807	Mandla.Gilimani@treasury.gov.za
Northern Cape	Mandla Gilimani		012-315 5807	Mandla.Gilimani@treasury.gov.za
North West	Willem Voigt Makgabo Mabotja		012-315 5830 012-315 5156	Willem.Voigt@treasury.gov.za Makgabo.Mabotja@treasury.gov.za
Western Cape	Vuyo Mbunge		012-315 5661	Vuyo.Mbunge@treasury.gov.za
Technical issues Local Government Database	Elsabe Rossouw		012-315 5534	lqdataqueries@treasury.gov.za

National Treasury, together with the provincial treasuries, will undertake a compliance check and, where municipalities have not provided complete budget information, the municipal budgets will be returned to the mayors and municipal managers of the affected municipalities for the necessary corrections. Municipal managers are reminded that the annual budget must be accompanied by a quality certificate and council resolution in accordance with the format specified in regulation 31 of Schedule A of the Municipal Budget and Reporting Regulations. In addition to the above compliance check, the *m*SCOA data strings will be assessed to determine whether the municipalities are compliant.

The National Treasury herewith emphasises that where municipalities have not adhered to the Municipal Budget and Reporting Regulations, ***they will be required to return to the municipal council and table a complete budget document aligned to the requirement of the Municipal Budget and Reporting Regulations.***

Municipalities with municipal entities are once again reminded to prepare consolidated budgets and in-year monitoring reports for both the parent municipality and its entity or entities. The following must be compiled:

- An annual budget, adjustments budget and monthly financial reports for the parent municipality in the relevant formats;
- An annual budget, adjustments budget and monthly financial reports for the entity in the relevant formats; and
- A consolidated annual budget, adjustments budget and monthly financial reports for the parent municipality and all its municipal entities in the relevant formats.

The Schedule A that the municipality submits to National Treasury must be a consolidated budget for the municipality (plus entities) and the budget of the parent municipality. Schedules D must be submitted for each entity.

7. Municipal Chart of Accounts (*mSCOA*)

7.1 Release of Version 6.4.1 of the Chart

Version 6.4.1 was released to include the amendments in conditional grants as per the 2020 DoRA. Version 6.4.1 of the chart will be effective from 2020/21 and must be used to compile the 2020/21 MTREF. It is available on the link below:

[Link to *mSCOA*](#)

7.2 Use of funding segment to populate the cash flow tables

It is critical that municipalities undertake balance sheet and cash flow budgeting to provide accurate cash flow information. The general rule that applies is that the “funding” and “Item” segments must be combined to provide cash flow information on how funds have been spent and on what.

This means that the budget is available at a cash flow level (A1 Schedule Budget Table SA30 and A7) and not when billing is done or when invoices are processed (A1 Schedule Budget Table A4: Statement of Financial Performance). Municipalities must apply the budgeted assumed collection rate to determine the cash flow budgets. Therefore, expenditure can only be processed against items with funding in line with the anticipated cash inflow and not billing. Municipalities should therefore identify the relevant source in the funding segment where revenue is received from and identify the funds to be used when payments are made. Guidance on this was provided in MFMA Circular No. 98.

However, there are still challenges to populate the detail of cash payments by type in the A1 Schedule Budget Table SA30 from Item Liabilities: Current Liabilities: Trade and other payables from exchange transactions as payables and accruals are not broken down by type (e.g. other materials, contracted services etc.). This omission of detail in the *mSCOA* chart will be addressed through chart amendments in version 6.5 of the chart.

As an interim measure the cash flow will be populated as follows:

For Cash Receipts:

The **cash receipts by source** will be populated using Item Assets: Current Assets: Cash and cash equivalents: Cash at bank: Bank account: Deposits in conjunction with the Funding Segment.

For Cash Payments:

The **cash payments** by type will be populated using Item Liabilities: Current Liabilities: Trade and other payables Exchange and Non- Exchange Transactions: Withdrawals in conjunction with the Funding Segment.

The cash payments that are not classified by type, will be grouped together as other payments on table SA30. This will enable population of suppliers and employees on the cash flow (Table A7).

National Treasury will share the linking of A1 Schedule Budget Tables SA30 and A7 to the mSCOA chart items to ensure that the cash flow information is populated correctly with municipalities and system vendors.

7.3 Capital Projects using Internally Generated Funding

Capital Projects in acquiring Assets using Internally Generated Funding must use: Funding: Capital: Transfer from Operational Revenue. This will ensure that table A5 will be populated correctly.

8. Budget process and submissions for the 2020/21 MTREF

8.1 Submitting budget documentation and schedules for 2020/21 MTREF

Accounting officers are reminded that Section 22(b)(i) of the MFMA requires that, **immediately** after an annual budget is tabled in a municipal council, it must be submitted to the National Treasury and the relevant provincial treasury in PDF and electronic formats. However, in cases where Council requires amendments to the tabled budget prior to consultation, municipalities should inform the National Treasury and the relevant provincial treasury **immediately** and submit the required budget documents and corresponding mSCOA data strings **within three working days** after the Council meeting.

The approved annual budget must still be submitted to both National Treasury and the relevant provincial treasury **within ten working days** after the council has approved the annual budget.

8.2 Document uploads to the Local Government Upload Portal

Due to the number of queries received on the document upload process using the Local Government Upload Portal, a full guideline will be issued in due course to explain the process and to outline which documents will be required to upload.

Contact



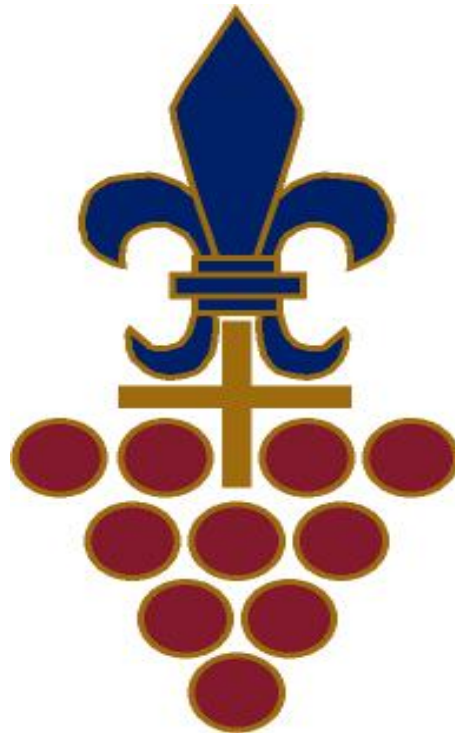
national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Post Private Bag X115, Pretoria 0001
Phone 012 315 5009
Fax 012 395 6553
Website <http://www.treasury.gov.za/default.aspx>

JH Hattingh
Chief Director: Local Government Budget Analysis
09 March 2020

STELLENBOSCH MUNICIPALITY



JONKERSHOEK SRA

REPORT ON 2ND FIVE YEAR TERM



STELLENBOSCH

STELLENBOSCH • PNIEL • FRANSCHHOEK

MUNICIPALITY • UMASIPALA • MUNISIPALITEIT

Collaborator No:
IDP KPA Ref No:
Meeting Date:

Files

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1. SUBJECT:

JONKERSHOEK SPECIAL RATING AREA: APPLICATION FOR EXTENSION OF TERM FOR A FURTHER FIVE YEARS, 1 JULY 2020 – 30 JUNE 2025.

2. PURPOSE

2.1 Council to approve in terms of paragraph 15(a) of the Special Rating Area By-law, the extension of the Jonkershoek Special Rating Area for a further period of five years, with effect from 1 July 2020 to 30 June 2025.

3. DELEGATED AUTHORITY

3.1 Council to approve.

4. EXECUTIVE SUMMARY

4.1 Jonkershoek Special Rating Area (SRA) was first established in 2015 and has been successfully operating for the past five years. The management body has now applied for the SRA to be extended for a further period of five years, ending 30 June 2025.

4.2 There are no financial implications for the municipality. SRAs are community driven initiatives and are financed by the property owners within the boundaries of the SRA. The municipality pays the approved budget over to the management body in twelve equal, monthly instalments and recovers the money from property owners via the monthly consumer accounts. Normal

credit control and debt collection processes are followed in instances of non-payment and retention is also withheld from the budget to offset any potential losses of the municipality. In the first five years of the SRA being in operation, this measure has not necessary.

- 4.3 Applications for extension of term are done in terms of paragraph 15(a) of the SRA By-Law. Such council approval can only be given in terms of Chapter 1 of the By-Law. For good reason, the council may exempt the management body of the SRA from compliance with Chapter 1, which mainly deals with the process to be followed when first establishing a SRA. Such exemption is being requested by the management body of the SRA.

5. **RECOMMENDATIONS**

Recommendations are included in the main Item. And consist of:

- 5.1 That council notes the Jonkershoek SRA application for the extension of the SRA for a further period of five years and exempts the management body in terms of paragraph 15(a) of the SRA By-Law, from compliance with the provisions of Chapter 1 of the SRA By-Law.
- 5.2 That council approves the extension of the Jonkershoek SRA for a further period of five years beginning 1 July 2020 and ending 30 June 2025.
- 5.3 That Council approves the proposed five year budgets with a combined total of R30 943 773.35 (VAT included) as detailed in in Annexure 32 (c) of the report.

6. **DISCUSSION / CONTENTS**

6.1. **Background**

Special Rating Areas (SRAs) are established by council in terms of section 22 of the Municipal Property Rates Act, 6 of 2004 as amended.

The Jonkershoek SRA in Technopark was originally established by council by means of resolution on 30 April 2015 for a five year term beginning 1 July 2015 and ending 30 June 2020.

6.2. Discussion

6.2.1 Since first being established in 2015, Jonkershoek SRA has functioned very well and has proven its viability by implementing the strategic business objectives within budget. However, the needs continue to be present and therefore it has been agreed by stakeholders that the SRA should be renewed for a further period of 5 years.

6.2.2 The SRA is a sustainable and established organisation within the community and continues to provide a service in addition to municipal activities in the area. Management of the SRA has fulfilled its mandate as outlined in the business plan and the SRA has been well accepted by property owners of Technopark. This is clearly proven by the fact that payment levels of the SRA levies are regular and high.

6.2.3 Attached as Annexure 32 (a) is a Letter of Application received from the SRA. This application:

a) Points out that the continued operation of the SRA will not reinforce previously existing inequalities nor be a substitute for municipal services and that it aligns with the IDP.

b) Provides a summary of the documentation attached to the application.

6.2.4 Annexure 32 (b) is the Business Plan itself that is compiled in line with the requirements of the SRA Policy and By-law.

6.2.5 Annexure 32 (c) being the 5 year budgets provides details with regards to the financial plan of the SRA for the next 5 years.

6.2.6 Annexure 32 (d) is Minutes of the Annual General Meeting held on 25 November 2019 where the following resolutions relevant to this application were adopted:

a) That application must be made to extend the SRA for a further period of 5 years.

b) That the 5 year budget is approved.

c) That the Municipal Council must be requested to exempt the SRA in terms of paragraph 15(a) of the SRA By-Law from compliance with the provisions of Chapter 1 of the SRA By-Law.

6.2.7 Application for the extension of a Special Rating Area is done in terms of paragraph 15(a) of the SRA By-Law. It can only be approved by Council in accordance with the provisions of Chapter 1 of the By-Law. The Council may however, and for good reason, on written application by the management body, exempt the management body from complying with any such provisions.

6.2.8 Chapter 1 of the By-Law deals with the process to be followed when first making application for the establishment of a SRA. As this is not a new SRA being established for the first time but an extension of term for an existing SRA, Council should find good reason to consider exempting the management body from these provisions:

a) The concept of the SRA is well established, the management of the SRA being done effectively and all initial teething problems have been taken care of.

b) The SRA is accepted and well supported by the community and property owners as is clear from the excellent payment of SRA levies.

c) The SRA management body is providing a service to the community in line with the business plan and in addition to any municipal services being rendered. The need for these SRA services is on-going and will continue to be met by the management body.

d) The application, business plan and budget has been supported and adopted at the AGM.

6.3 Financial Implications

6.3.1 There are no financial implications for the municipality. The approved budget of the SRA is paid over to the management body in 12 equal monthly instalments by the municipality and recovered from the residents by means of the monthly consumer accounts. Retention of 3% is withheld by the municipality to offset any possible irrecoverable debt. In the first five years of the SRA's existence, this has not been necessary.

6.4 Legal Implications

None.

6.5 Staff Implications

None.

6.6 Previous / Relevant Council Resolutions:

Establishment of the Jonkershoek SRA was first approved by Council on 30 April 2015, Item 7.5.

6.7 Risk Implications

None.

6.8 Comments from Senior Management:

6.8.1 Director: Corporate Services:

6.8.1 Chief Financial Officer:

Compiled the Item.

6.8.2 Municipal Manager:

- ANNEXURES:**
- 32 (a)- Application Letter**
 - 32 (b)- Business Plan and Budget**
 - 32 (c)- 5 Year Budget**
 - 32 (d)- Minutes of AGM**

FOR FURTHER DETAILS CONTACT:

NAME	<i>A Treurnich</i>
POSITION	
DIRECTORATE	<i>Finance</i>
CONTACT NUMBERS	<i>021 808 8016</i>

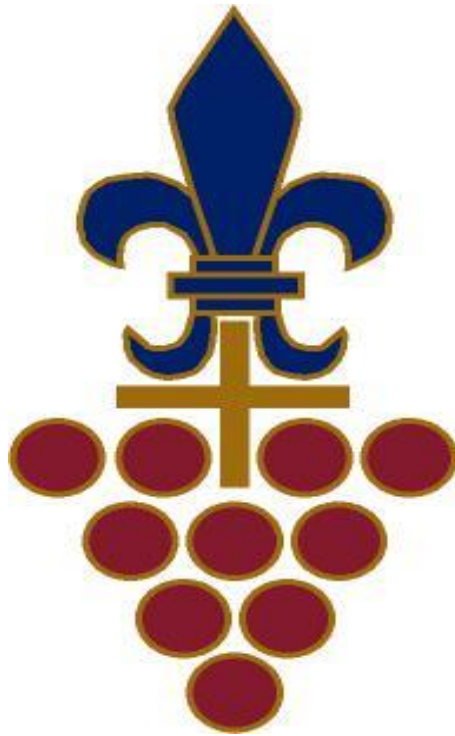
<i>E-MAIL ADDRESS</i>	<i>Andre.treurnich@stellenbosch.org.za</i>
<i>REPORT DATE</i>	<i>27 January 2020</i>

CLLR PATRICIA CRAWLEY
PORTFOLIO HOLDER:FINANCE

DATE

ANNEXURE 31(A)

STELLENBOSCH MUNICIPALITY



JONKERSHOEK SRA

**APPLICATION LETTER- 2ND FIVE YEAR
TERM**

ANNEXURE A

**APPLICATION FOR THE EXTENSION OF JONKERSHOEK
SRA FOR A FURTHER PERIOD OF FIVE YEARS**

7 January 2020

Directorate:
Municipality Manager
Stellenbosch

Dear Sir,

**RE: APPLICATION LETTER FOR EXTENSION OF THE NEXT 5 YEARS JONKERSHOEK
SPECIAL RATINGS AREA**

1. The JonkershoekSRA NPC, hereby wish to apply for Stellenbosch Town Council approval of the extension of the JSRA term for the period 2020 – 2025.
2. This application is made to Council in terms of Section 15 of the Stellenbosch Municipality Special Rating Areas By-Law, read together with the Stellenbosch Municipality Special Rating Areas Policy.
3. The vision of the JSRA:

The continued operation of the JSRA will not reinforce the previously existing inequalities nor be a substitute for Municipal services. The services of the JSRA will be 'over and above and on top of' the services provided by the Municipality
4. Consistency with Integrated Development Plan:

It is believed that the continued operation of the JSRA will support the vision of the Stellenbosch IDP as follows:
 - The JSRA initiatives will enhance the security and cleanliness of the area and hence contribute to the safe and dignified living of residents and visitors.
 - The JSRA initiatives will stimulate employment creation as a result of the appointment of contractors to attend to the cleaning and greening 'top up' services and safety and security patrols.
 - The JSRA is subject to the Companies Act and the Stellenbosch Municipal By-Law and oversight by the Municipality and as such contribute to good governance and compliance

5. In support of the application, the following documentation is attached:
- 5.1 The new Business Plan (Motivation report, Implementation plan and Budget), marked "A"; and
 - 5.2 Notices of the Annual General Meeting (AGM), marked "B".
 - 5.3 Resolutions as per the draft AGM minutes, marked "C" stipulating:
 - 5.3.1 The renewal of the JSRA for another 5 year term and the Business Plan approved; and
 - 5.3.2 The Budget included in the Business Plan approved; and
 - 5.3.3 The submission of a written application to the Stellenbosch Town Council for the renewal of the JSRA for another 5 year term and for exemption from compliance with certain of the provisions of Chapter 1 of the Stellenbosch Municipality By-Law approved

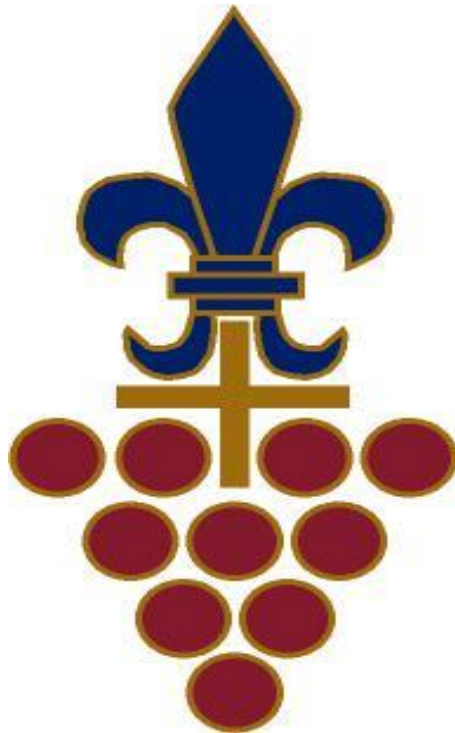
We trust that this application will meet with the Stellenbosch Town Council approval and thank you for your kind consideration thereof.

Yours faithfully,



D M (NIEL) HOOGENHOUT
CHAIRMAN: JONKERSHOEKSRA NPC

STELLENBOSCH MUNICIPALITY



JONKERSHOEK SRA

BUSINESS PLAN- 2ND FIVE YEAR TERM

ANNEXURE B

JONKERSHOEK SRA NEW BUSINESS PLAN

“A”

BUSINESS PLAN FOR THE JONKERSHOEK

Special Rating Area



Renewal September 2019

**Compiled in accordance with the By-Law for establishment of
Special Rating Areas, promulgated in the Provincial Gazette 7015/2012**

This Business Plan covers the period 1 July 2020 to 30 June 2025 as set out in the following parts:
Part 1: Background and Introduction
Part 2: Motivation
Part 3: Implementation Plan and Budget

JONKERSHOEK SPECIAL RATING AREA Information:

Name: Jonkershoek Special Rating Area
Contact Person: Ms Thea Jordaan
Contact Telephone No: 021 8872486
Commencement Date: 1 July 2020
Municipality: Stellenbosch

Principal Contacts

Ms Thea Jordaan (administration)	
thea@jpstrust.co.za	
Ms Belinda Hattingh (manager)	
manager@jonkershoekstra.co.za	
Mr D M (Niel) Hoogenhout (chairman of the board of directors)	
dmhoogenhout@gmail.com	

Directors

Charl Daniel Cillie	Michael John Ehret
Daniel Marais Hoogenhout	Michiel Wilhelm Dreijer
Frans Krone Krige	Petrus Johannes Dirkse Bekker
Martin Noel Heunis	Willem Jacobus van Aswegen

Boundaries of the JONKERSHOEK Special Ratings Area (Also to Map 1 & 2 below)

The boundaries are outlined below:

Northern Boundary – From the intersection of Merriman Avenue and Cluver Road along Cluver Road then following the northern boundary of erf 4165 and all erven facing Commanders Avenue up to Simonsberg Street and then along Simonsberg Street and the northern boundary of erven bordering Union Avenue and Rozendal Avenue up to Omega Street.

Eastern Boundary – From the intersection of Rozendal Avenue and Omega Street along the watershed boundary of all agricultural properties in the Jonkershoek Valley to include all residential and agricultural erven to the west until the boundary intersects with the Eerste River at the Karindal neighbourhood.

Southern Boundary – Along the Eerste River westward up to the South Eastern corner of the Koloniesland housing estate, along the border of the Koloniesland estate up to the Meulslot and along the Meulslot to where the boundary intersects with Van Riebeeck Street.

Western Boundary – From the intersection of Van Riebeeck Street and Jonkershoek Road, along Jonkershoek Road and from erf 1540 along the northern boundary of the erven on the northern side of Jonkershoek Road to Jannasch Street and northwards up to the intersection with Merriman Avenue and along Merriman Avenue to the intersection with Cluver Road.



Map 1 Jonkershoek Special Rating Area agricultural area



Map 2 Boundary of the residential component of the Jonkershoek Special Rating Area

Executive Summary

Over a number of years the Stellenbosch area increasingly became the target of criminal elements wishing to exploit the area and its residents. Property owners adjacent to nature reserves, green belts and rivers have been hit by criminals accessing neighbourhoods from these areas.

In 2012 the Stellenbosch Municipality approved the Special Rating Area By-law for the town thereby setting the platform for property owners to establish such areas in Stellenbosch. The first Business Plan for the Jonkershoek Special Rating Area was drawn up in 2014, approved by the requisite 60%+ majority of property owners within the boundaries and its first five year term started on 1 July 2015. The JSRA has been substantially successful in addressing problems and countering any potential for further urban decay and the further increase of crime in the area. The main purpose of the JSRA is to manage and implement additional public safety and urban management operations in addition to those services provided by the Stellenbosch Municipality. The additional municipal services typically include the provision of additional public safety, cleansing services, maintenance and/or upgrading of the urban public environment and/or infrastructure and social services that addresses social issues in the area. The area of the JSRA includes the rural farming area of the Jonkershoek valley.

The Jonkershoek SRA NPC was incorporated on 6 August 2015 as a Non Profit Company in terms of the Companies Act 71 of 2008. This Business Plan is the first renewal for the second 5 year term of the JSRA for the period 1 July 2020 to 30 June 2025

The boundaries as per the maps of the area of the JSRA in this renewal 5 year business plan are exactly the same as in per the original 5 year business plan.

Vision, and Goals of the JSRA

The vision of the JSRA is to establish and maintain a safe, clean, and attractive residential area. The continued operations of the JSRA will support the vision of the Stellenbosch Integrated Development Plan (see part 3.3 below).

The JSRA has the following goals:

- Reducing crime significantly by proactive visible patrolling and cooperation with existing SAPS and Stellenbosch Municipality Law Enforcement efforts as well as other security service providers in the area.
- Creating a safe and clean public environment by addressing issues of maintenance and cleaning of streets, pavements and public spaces.
- Manage existing and new public infrastructure for the future benefit of all the users of the area.
- Protect property values.
- Support the promotion of the area as a safe and clean environment by promoting greening, energy efficiency and recycling.
- Support and promote social responsibility in the area
- The sustained and effective management of the area.

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Part 1 : BACKGROUND AND INTRODUCTION

Stellenbosch has grown to be recognised today for its wine production and it is also renowned for its academic institutions. The University of Stellenbosch has approximately 32,000 students, and the surrounding communities and agricultural industries interact with the town and its business and academic institutions on a daily basis. While the central business district and industrial nodes offer support to industry the residential neighbourhoods offer a unique lifestyle opportunity for residents linked to spectacular mountain and rural scenery, access to nature on their doorstep and supported by all the modern amenities that this town can offer.

Unfortunately the area also became the target of criminal elements wishing to exploit the area and its residents. Most residents are aware of crime, concerned about crime or have been directly affected by crime in the area. Property owners adjacent to nature reserves, green belts and rivers have been hit by criminals accessing neighbourhoods from these areas and even the student community have experienced its fair share of criminal activity.

Together the residential communities of a number of Stellenbosch residential suburbs established Stellenbosch Watch with the intention to increase cooperation between neighbourhood watches and to ensure a coordinated fight against crime in Stellenbosch through improved communication between the Stellenbosch Watch, the South African Police Service (SAPS) and other law enforcement agencies.

In 2012 the Stellenbosch Municipality approved the Special Rating Area By-law for the town thereby setting the platform for property owners to establish such areas in Stellenbosch. Certain suburbs in cooperation with Stellenbosch Watch has identified the Special Rating Area (SRA) model as a basis to address problems and counter any potential for further urban decay and the further increase of crime in the area. The first Business Plan for the Jonkershoek Special Rating Area was drawn up in 2014, approved by the requisite 60%+ majority of property owners within the boundaries and its first five year term started on 1 July 2015. The main purpose of the JSRA is to manage and implement additional public safety and urban management operations in addition to those services provided by the Stellenbosch Municipality. The property owners from the area pay an additional rate (JSRA Levy) to fund additional municipal services for that specific area as set out in this business plan. The additional municipal services typically include the provision of additional public safety, cleansing services, maintenance and/or upgrading of the urban public environment and/or infrastructure and social services that addresses social issues in the area.

The Jonkershoek SRA NPC was incorporated on 6 August 2015 as a Non Profit Company in terms of the Companies Act 71 of 2008. This Business Plan is the first renewal for the second 5 year term of the JSRA for the period 1 July 2020 to 30 June 2025.

The JSRA Levy is collected by the Municipality from property owners in the area and paid over to the JSRA Non Profit Company (NPC). The budget is dedicated to the specific area only. The JSRA Levy paid by the property owners in the area means an equitable split based on municipal property valuation. The cost of the additional services allows individual property owners to benefit from a well-managed and safe neighbourhood including a shared sense of communal pride, safety and social responsibility.

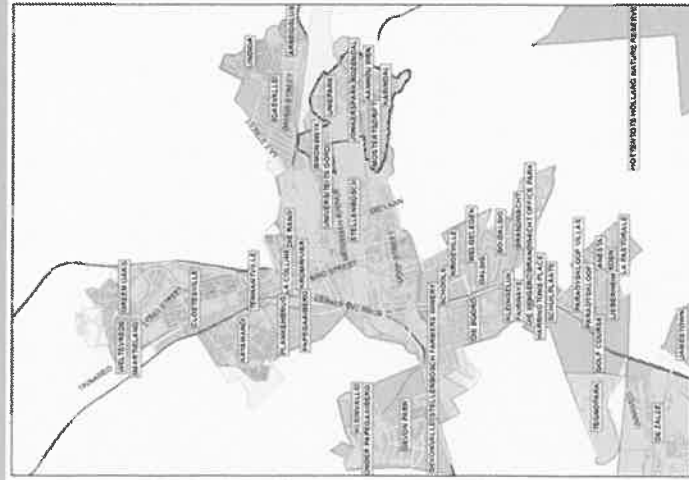


Figure 1 Locality map showing the position of the JSRA relative to the greater Stellenbosch area.

The implementation of a properly managed SRA most often results in:

- A safer public environment to the benefit of all residents, visitors, businesses and property owners.
- Proactive and co-ordinated communication and direct consultation with the Municipal service directorates regarding service delivery to the area.
- An equitable distribution of the cost to all property owners for providing supplementary and additional services in the area in proportion to the municipal valuation of the property.
- The protection and tangible growth in property values and capital investments which encourages economic development in the area.

The implementation of a properly managed SRA most often results in:

Part 2 : HISTORIC MOTIVATION

2.1 Urban Challenges

During 2014 and as part of the process to develop the first business plan, the Steering Committee commissioned a perception survey amongst property owners of the then proposed area. The survey focused on five general urban issues namely:

- Safety and security
- Litter and cleanliness
- Area lighting & traffic
- Urban management
- Social environment

Participants were also asked to rank the importance of the above listed issues at the end of the survey questionnaire. The survey questionnaire also provided the opportunity to express general comments and concerns in writing. The results of the perception survey along with additional research, newspaper reports and information available to the Steering Committee was used to develop an overall analysis of the urban challenges of the area.

Safety and Security

The survey results indicated a substantial concern amongst participants that crime was on the increase in the area. Overall reported crime showed an upward trend in Stellenbosch and property related crime such as residential burglaries and theft from motor vehicles showed significant increases. In general, crimes such as property related crime, house robberies and theft out of motor vehicles have a negative impact on the sense of safety in a neighbourhood. These are typically crimes that directly and negatively influence the attraction to and perception of safety in the area and significantly detract from the desirability of the area. Crime statistics illustrated the fact that the area experienced crime, high incidents of which could occur or originate from the public domain including assault, theft, theft from motor vehicles, robbery and house and business burglaries.

The survey also tested participant's opinion on the effectiveness of the then current policing efforts and also asked participants to provide a reason for their rating. 70% Regarded the security situation as fair to poor and noted the lack of SAPS visibility most frequently as a reason for the ineffectiveness of the SAPS.

Litter and cleanliness of the public environment

Most participants regarded the general state of cleanliness as very good. Only isolated incidents of litter were found in the area. Some participants indicated illegal dumping of mostly household and garden waste and builders' rubble was problematic.

The survey also indicated some problems with bin picking: Bin picking is mostly associated with the presence of homeless and unemployed people that frequent the area, especially on refuse collection days, to find food and recyclable materials from refuse bins. Sadly, this practice also results in additional littering when bin pickers sort the waste on sidewalks leaving the area littered and dirty. Significant numbers of homeless people and bin pickers frequent the Stellenbosch residential areas, especially on waste collection days.

Area lighting and traffic

The lighting of streets and pavements and the standards of traffic signs and road markings were regarded as mostly sufficient. Isolated incidents of poor lighting on public open spaces (parks) and overgrown street signage were mentioned.

Urban Management

Further to the issues of lighting, signage and cleaning in the public environment, some urban management problems were present in some of the public spaces in the area. Street furniture such as litter bins and benches were in a state of disrepair and some public open spaces had long grass and trees and shrubs that needed pruning and maintenance. It is clear that sidewalks were mostly maintained by the property owners themselves and the general impression of the area was of a green, attractive and well-maintained residential neighbourhood.

The social environment

50% of survey participants perceived homelessness as a problem in this part of Stellenbosch. The most frequently identified issues in the area in order of priority was begging, bin picking, theft and alcohol and drug abuse.

Bin picking creates various problems in any urban area as it supports vagrant communities through recycling of small amounts of material from bins. This in turn leads to anti-social behaviour including littering, aggressive begging and opportunistic criminal activity such as theft.

Conclusion of survey

The perception survey concluded with an opportunity for participants to rank each of the general themes of the survey in terms of its importance. 93% of the respondents ranked safety and security as the most important issue. The cleanliness of public areas was selected as the second highest priority area.

2.2 Establishment of the JSRA and the first business plan

2.2.1 What is an SRA?

The SRA model is based on international best practice aimed at preventing the degeneration of neighbourhoods and facilitating their upliftment, economic growth and sustainable development. The continuing success of this model is demonstrated by the fact that there are an increasing number of SRA's being established in Cape Town, currently numbering 43.

The Stellenbosch Municipality's first Special Rating Area By-Law was approved in 2012. It was designed to enable self-funded community initiatives within a clearly defined geographic area that aim to improve and/or upgrade neighbourhoods by making use of a non-profit company to manage the implementation supported by property owners in the SRA in accordance with the procedure set out in the By-Law and approved by the Town Council.

In the Stellenbosch Municipal area the JSRA and Techstel SRA(Technopark area) were both established in 2015. Other Stellenbosch residential and business areas are currently investigating the possibility of establishing SRA's.

2.2.2 JSRA established

After the survey mentioned in 2.1 above, the steering committee drew up the first 5 year business plan for the Jonkershoek Special Rating Area which was approved by the Stellenbosch Municipality. After the required public meetings and written approval from the requisite 60%+ majority, the Stellenbosch Town Council approved the business plan to commence on 1 July 2015.

Jonkershoek Special Ratings Area NPC was incorporated on 6 August 2015 as a non profit company in terms of the Companies Act 71 of 2008 of which the main purpose is to provide Community Based Private Urban Management within the public areas of the Special Ratings Area. The first board of directors was appointed and operations in accordance with the approved business plan commenced. Just prior to the final approval of the business plan the Northern boundary of the area was slightly amended by excluding the Simonsrust shopping centre and the Simonsrust cluster housing estate.

In order to vote at the members' meetings of the JSRA, property owners need to apply to become members of the JSRA. Membership ceases, *inter alia*, when the property is sold and hence new owners would need to apply to become members. Voting at the meetings of the JSRA occurs by show of hands, or if required, by each member having one vote per R5m of municipal valuation of their property. Owners in arrears with their municipal accounts by more than 60 days are not allowed to vote, unless a payment arrangement is in place with the Municipality. Full details of the legal requirements surrounding membership, eligibility to vote and the manner of voting are contained in the Memorandum of Incorporation which is available on request and will be on the JSRA website soon.

The JSRA manages its own finances and appoints its own auditors. The interests of members of the JSRA NPC are protected by the provisions of the Companies Act and the Special Rating Area By-Law which include the following:

- The JSRA retains control over the funds received for the implementation of the business plan, which monies may only be spent within the JSRA and only in accordance with the approved budget and business plan.
- The responsibility for the collection of rates and additional rates in terms of the JSRA business plan vests with the Municipality.
- The Municipality monitors the compliance of the Board with the provisions of the SRA By-Law and the Companies Act and the Finance agreement concluded between the Municipality and the JSRA.
- A councillor of the town council appointed by the Executive Mayor as observer is entitled to attend the board meetings (but not vote) of the JSRA.
- The JSRA is required to submit a 5 year business plan for approval by the Town Council.
- The JSRA is required to prepare audited annual financial statements and submit this to the Municipality.

2.2.3 How are the additional rates (JSRA Levy) calculated?

The current municipal valuation roll is used to determine the properties comprising the JSRA and the JSRA additional rate (levy) payable by each property owner is calculated using the current municipal valuation of that specific property.

The JSRA management prepares an annual budget taking into account the additional supplementary services required as identified in the business plan. The individual contributions by each property owner accordingly represents the value of that property owner's municipal valuation of his property, divided by the total municipal valuation of all properties within the geographic boundary of the JSRA multiplied by the total expenditure budget of the JSRA for a particular year commencing on 1 July.

The JSRA budget and proposed additional rates (levy) must be approved by the Town Council and advertised for comments and objections as part of the Council's budget process for implementation on 1 July.

2.2.4 Term renewal process

Each business plan under the SRA By-Law has a duration of 5 years. The initial business plan of the JSRA was in respect of the period 1 July 2015 to 30 June 2020. Approval by members of a new business plan for the period 1 July 2020 to 30 June 2025 is therefore required. This will occur as follows:

- The JSRA management compiles a new 5 year business plan, consisting of a motivation report, implementation plan and budget.
- The new plan is approved by the Board and submitted to the Municipality for comment.
- Once reviewed by the Municipality, the renewal is advertised along with the notice of the annual general meeting in year 5 of the JSRA 's term.
- At the AGM, the members can then vote to adopt the new 5 year plan and budget and approve the intention to renew.
- Formal application is lodged with the Municipality for approval by the Town Council and exemption by the Council from the compliance of certain of the provisions of Chapter 1 of the By-Law.
- The renewal plan is considered by the full Stellenbosch Town Council.
- Once the renewal plan has been approved by the Town Council, the JSRA commences with the new term on 1 July.

Part 3 : IMPLEMENTATION PLAN AND BUDGET

3.1 Focus for the first 5 years.

The Jonkershoek Special Rating Area NPC ('JSRA') has been in existence since 2015 and focused on the following areas:

- The management of the JSRA operations
- The provision of extensive safety and security measures
- The cleaning, greening and maintenance of the public spaces in the area
- Monitor urban management issues related to public infrastructure in the area in co-operation with the relevant Municipal departments
- Assist with social upliftment in the area

It is proposed that these main areas of focus be retained, although the extent, content and budget allocation for the different areas will change as set out in the proposed budget.

3.2 Operational results for the 4 years 1 July 2015 to 30 June 2019

Management

After incorporation of the Jonkershoek SRA NPC and the appointment of the first Board of Directors, JPS Trust (Ms Thea Jordaan) was appointed to attend to the JSRA administrative functions: in particular to deal with financial matters including arrangements with the Stellenbosch Municipality regarding the levy collection, banking arrangements, payments, secretarial work etc. A manager with the specific focus on the security operations was appointed in March 2016. Ms Belinda Hattingh joined the team in this capacity and brought her extensive experience as an officer in the 'SAPS, supervising the security contractors with excellent results.

Safety and security

Patrol vehicles:

The contracted security company started out with 2 vehicles and 2 bicycles on patrol in the area. It was soon found that the bicycles were not very effective and the arrangement was changed to 3 vehicles. The current arrangement is for the security company to supply 3 dedicated vehicles with an armed officer per vehicle patrolling 24/7 in two shifts. The vehicles are highly visible and have been branded with the JSRA logo and signage. Two of the vehicles (cars) mostly patrol the residential areas and the third (a pick-up truck) concentrate on the agricultural areas in the Jonkershoek valley. The 9 dedicated officers have undergone extensive training and operate under the supervision of the JSRA manager. The vehicles are in constant radio and mobile phone contact with the operational control room and can respond to any emergency within minutes.



Control Room:

At first the JSRA used the services of the Stellenbosch Watch control room. When our security cameras became fully functional and online in 2018 we had to set up a dedicated control room for the JSRA. The control room is currently situated at the University of Stellenbosch Campus Security premises where we have 3 operators doing shift duty 24/7 (one operator per shift). These operators are employed and have been trained by our contracted security company under supervision of our JSRA Manager. The control room operators monitor our security cameras, monitor

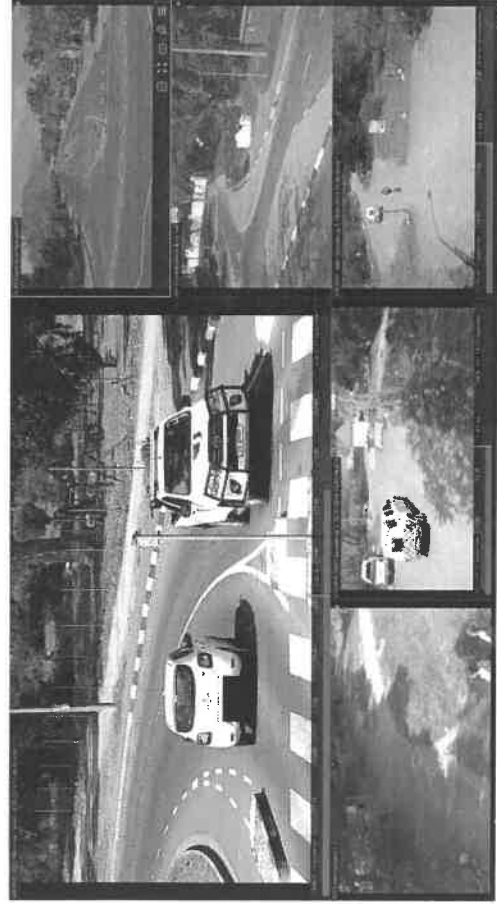
our WhatsApp groups and telephones and react to suspicious activities and complaints/information received from residents. They are in constant radio contact with the 3 security patrol vehicles and dispatch them accordingly. They also monitor various other crime alert groups linked to the SAPS and Law Enforcement and react if needed in our area. They arrange emergency units as required by incidents. All incidents and patrols are captured in an incident management system.



Security cameras:

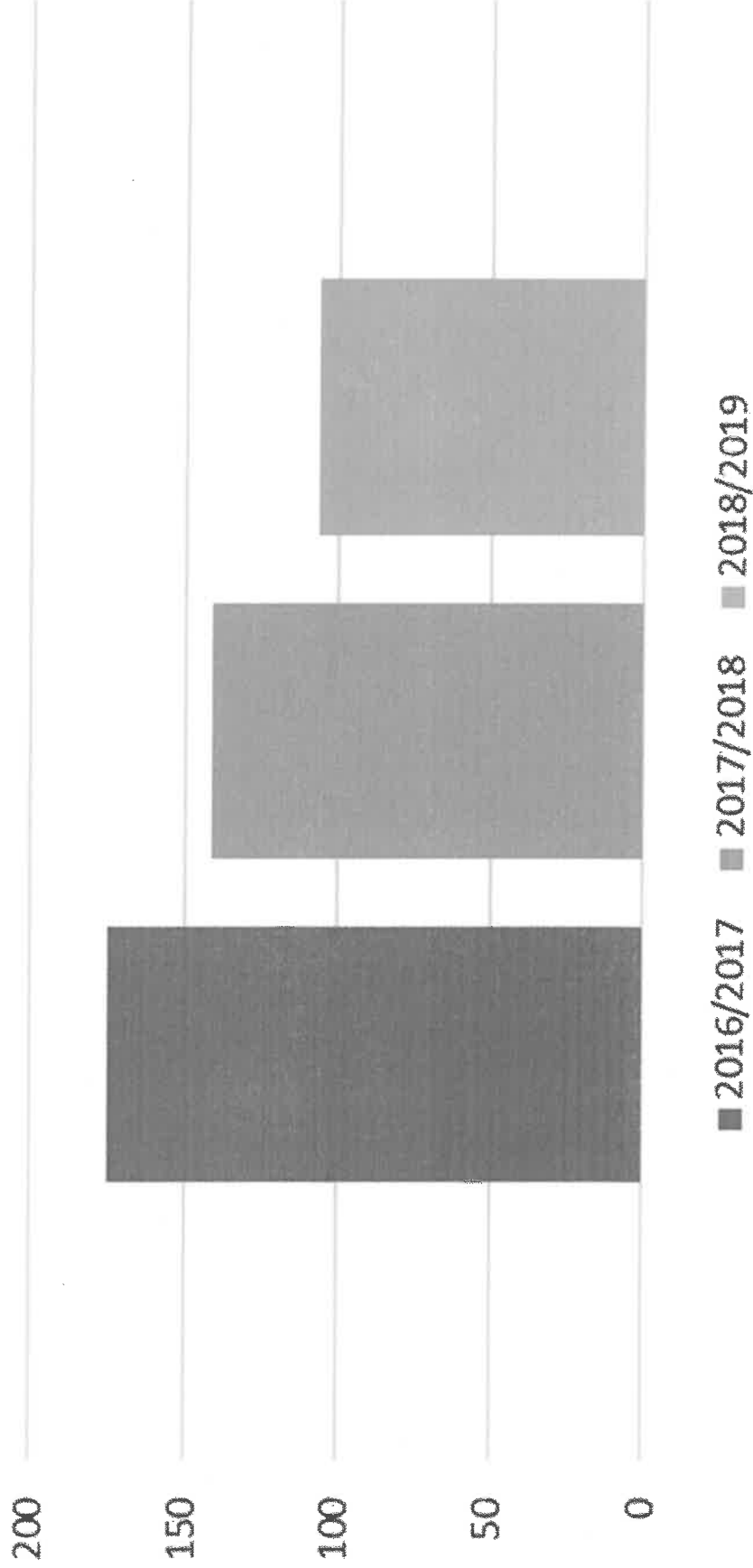
The steering committee setting up the JSRA in 2015 realised that the JSRA operational budget would not be able to fund the capital cost of a security camera network and they approached JSRA members and residents for donations to fund the initial purchase thereof. Some R4.5 million was contributed by individuals and businesses. The first cameras were installed in 2016 with communication to the control room via wireless data links. This proved to be problematic as broadband, speed, weather, trees etc all affected the stability and quality of the images communicated. Fiber was the only option and the JSRA initiated the installation of a fiber network by Frogfoot, one of the bigger fiber operators. A number of fiber internet users justified such a business model. Although the installation of the fiber network was disruptive in the neighbourhood, residents now have access to fast and reliable fiber internet service. The security cameras had to be reconfigured for fiber and the improved communication made a big difference to the effectiveness and stability of our camera surveillance. We currently have 63 cameras at 41 positions linked to the JSRA control room. The camera surveillance substantially improved the effectiveness of our security and crime prevention.

Frogfoot agreed to supply camera points at a nominal fee if the number of fiber internet users justified such a business model. Although the installation of the fiber network was disruptive in the neighbourhood, residents now have access to fast and reliable fiber internet service. The security cameras had to be reconfigured for fiber and the improved communication made a big difference to the effectiveness and stability of our camera surveillance. We currently have 63 cameras at 41 positions linked to the JSRA control room. The camera surveillance

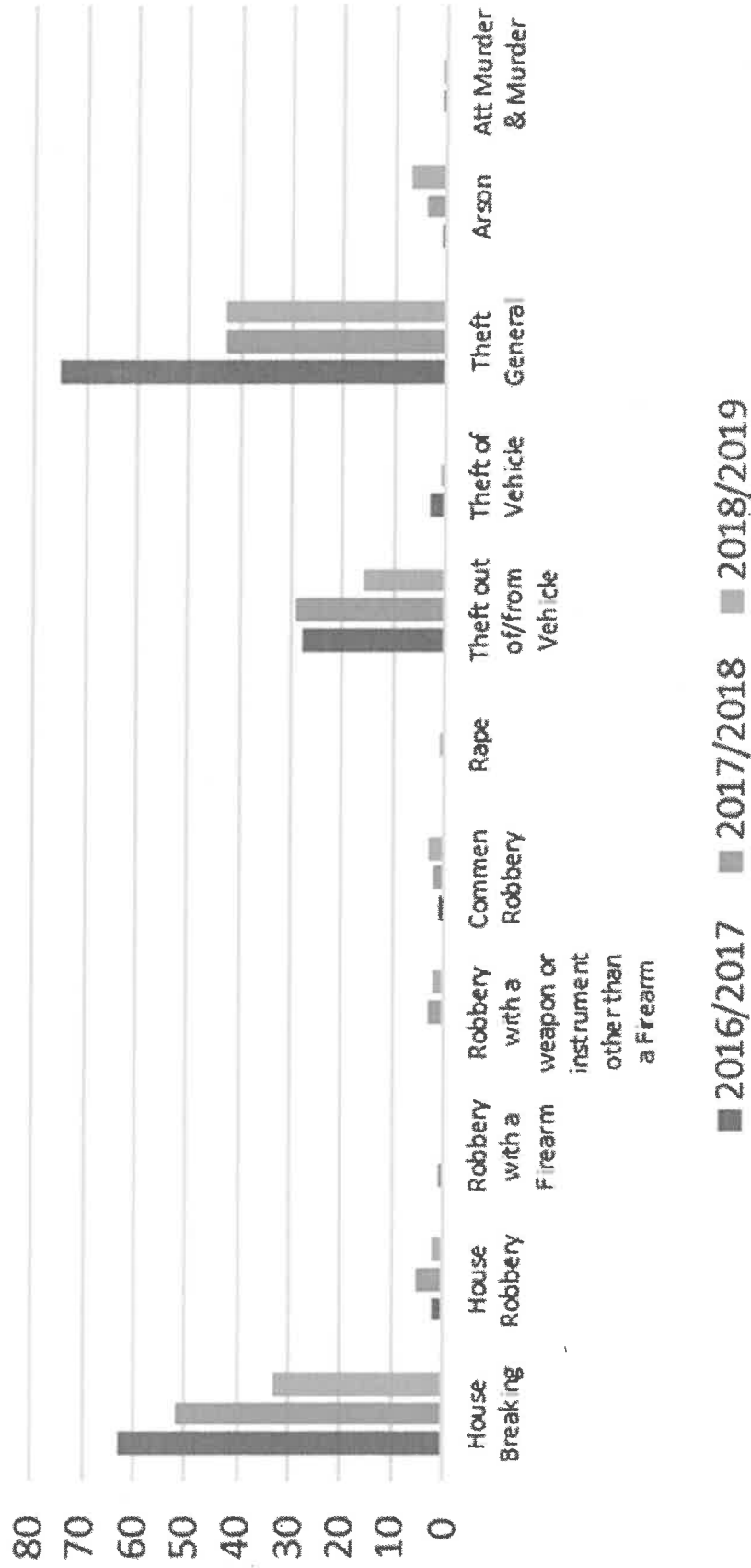


The original camera project envisaged the installation of License Plate Recognition (LPR) cameras at certain entry points to the JSRA area but it proved too expensive to acquire and maintain the software required to run a LPR system. The Stellenbosch Municipality installed a number of LPR cameras in and around the Stellenbosch area and the JSRA control room has access to the information and alerts generated of wanted and suspicious vehicles entering and exiting the area.

Crime for Jonkershoek SRA (SAPS financial year April to March)



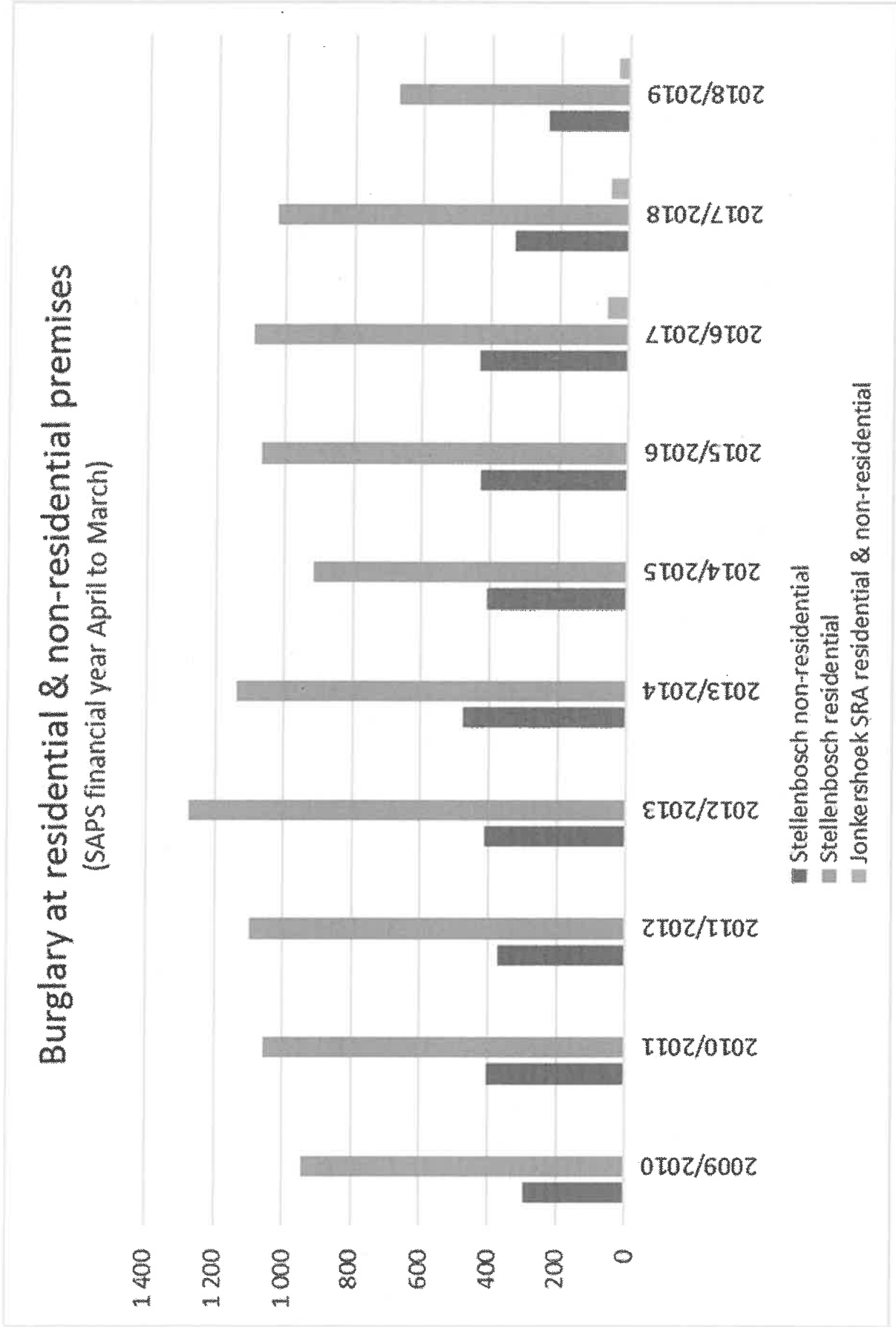
Crime for Jonkershoek SRA (SAPS financial year April to March)



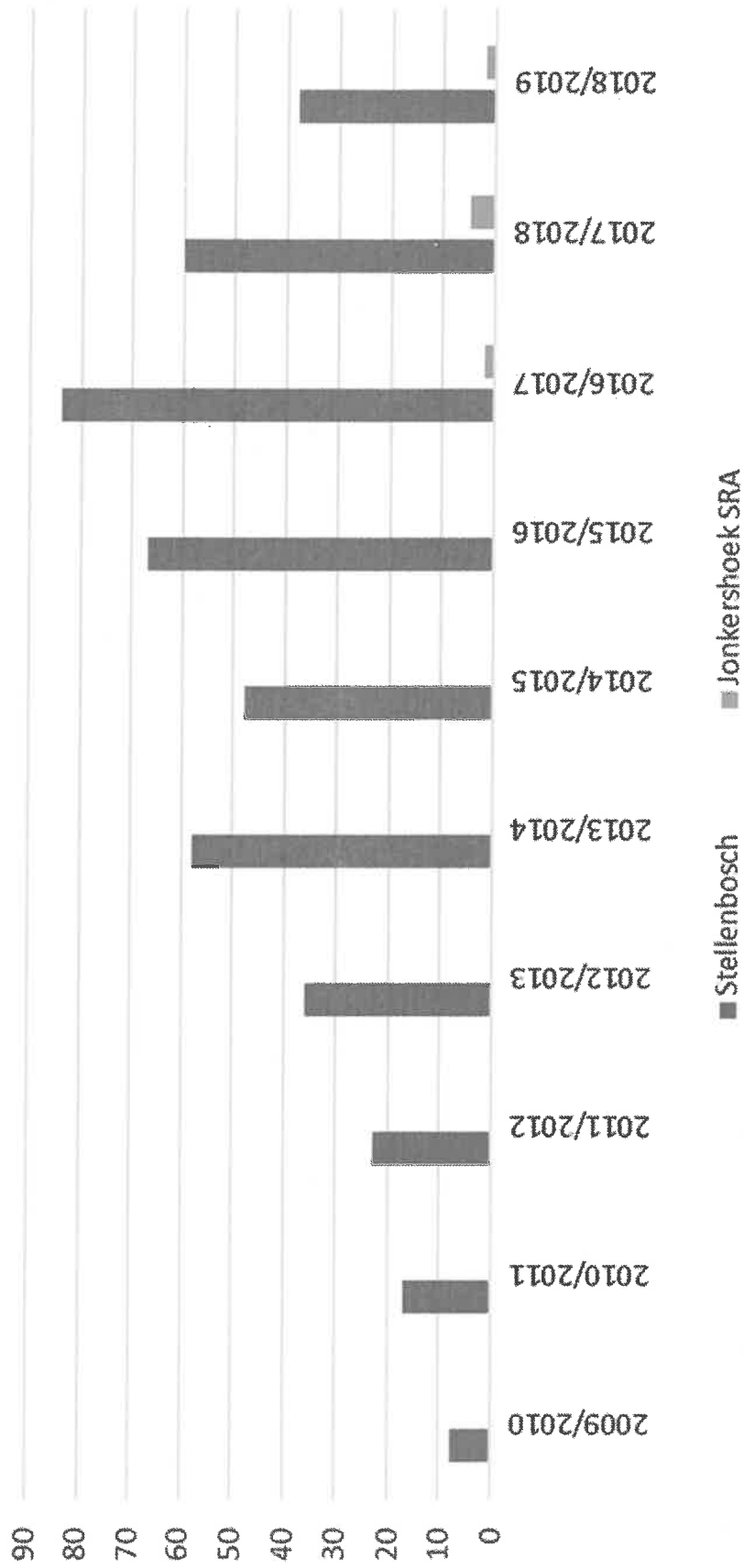
Reduction in crime:

The success in reducing crime in the area during the 3 years of the JSRA existence can be clearly seen from the bar charts above. These figures have been compiled on the SAPS financial year basis by the JSRA staff from its own incident management system. Reliable statistics for the JSRA area for the period before the introduction of the JSRA is not available but all indications are that crime reduced considerably. In comparison to other areas in the Stellenbosch district, the JSRA seems to have significantly less crime. This can be seen from the following charts compiled from information (also on SAPS financial year basis) obtained

from cimestatssa website regarding the whole of Stellenbosch with the JSRA's own information on crime in its area in the last 3 years (other crime categories show similar trends):



Robbery at residential premises (SAPS financial year April to March)



Another indicator of the success the establishment of the JSRA had, is insurance companies reporting significant reduction in insurance claims from our area and improvement in their loss ratio (relationship between premium and claims) since the establishment of the JSRA. The JSRA area is regarded as a "low risk" area and this should lead to a reduction in insurance premium cost to residents.

Cleaning and greening

Langverwacht Landscaping has been contracted to assist in the maintenance of the 5 parks in the JSRA area. A team of 10 staff are on duty one day a week and rotate the parks and other ad hoc areas as required.

Urban management

The JSRA Manager is in frequent contact with the relevant municipal departments regarding infrastructure such as road sign maintenance, picking up rubbish in streets and on sidewalks etc. In 2016 a fence was erected on the North-eastern border of the JSRA area. The JSRA was also instrumental in the Stellenbosch Municipality erecting improved lighting at a number of public parks in the JSRA area. The JSRA staff participate in a number of urban management and security initiatives and committees in the Stellenbosch area.

Social upliftment

Workshops for domestic workers regarding safety and security have been held for workers in the area. Funding was provided to the Prochorus Community Development project in the Jonkershoek valley enabling them to tile their facility, upgrade ablution facilities, repair damage from riots and install new shelves in their library. Recently the LAP Neighbourhood Watch (patrolling the areas of Lavanda, Aurora, Phyllaria Flats and the surrounding residential area) was supplied with windbreaker jackets sponsored by the JSRA.

Communication

The 8 Security WhatsApp groups are well supported by residents in the area and give a quick indication of any security related problem that may arise. There are also 4 Social WhatsApp groups, a Facebook page and website (<http://www.jonkershoeksra.co.za>). Crime bulletins are published monthly via email and WhatsApp groups.

3.3 Operational plan for the next 5 years: 1 July 2020 to 30 June 2025

Vision, and Goals of the JSRA

The vision of the JSRA is to establish and maintain a safe, clean, and attractive residential area.

The goals:

- Reducing crime significantly by proactive visible patrolling and cooperation with existing SAPS and Stellenbosch Municipality Law Enforcement efforts as well as other security service providers in the area.
- Creating a safe and clean public environment by addressing issues of maintenance and cleaning of streets, pavements and public spaces.
- Manage existing and new public infrastructure for the future benefit of all the users of the area.
- Protect property values.
- Support the promotion of the area as a safe and clean environment by promoting greening, energy efficiency and recycling.
- Support and promote social responsibility in the area

- The sustained and effective management of the area.

Intention of the JSRA

The continued operation of the JSRA will not reinforce previously existing inequalities nor be a substitute for Municipal services. The services of the JSRA will be 'over and above and on top of' services provided by the Municipality.

Consistency with Integrated Development Plan:

It is believed that the continued operation of the JSRA will support the vision of the Stellenbosch IDP as follows:

- The JSRA initiatives will enhance the security and cleanliness of the area and hence contribute to the safe and dignified living of residents and visitors.
- The JSRA initiatives will stimulate employment creation as a result of the appointment of contractors to attend to the cleaning and greening 'top up' services and safety and security patrols.
- The JSRA is subject to the Companies Act and the Stellenbosch Municipal By-Law and oversight by the Municipality and as such contribute to good governance and compliance

Operations:

Management

The management will continue to build on its successes from the first 5 year term. Directors are elected by members for a 3 year term. Directors are not remunerated. The board will endeavor to ensure that all the required skills are contributed by directors. The appointed Manager and contractors will continue to contribute to the smooth running of operations.

Safety and security

Patrol vehicles:

It is not envisaged to change the number of patrol vehicles in the foreseeable future but it may be necessary to increase the km travelled by vehicles during a shift. Visibility of armed patrols are of the utmost importance and routes, standing time and patrolling time will be closely monitored by the JSRA Manager.

Control Room:

Although the JSRA are very thankful for the University of Stellenbosch Campus Security for allowing our control room operators to share their facilities, it is envisaged that we may have to increase our operators from one per shift currently to two per shift. With the increase in the number of cameras to be monitored it is becoming difficult for one operator to monitor effectively. Limitations on space at Campus Security may result in the JSRA setting up its own control room at other premises and provision has been made in the budget for this.

Security cameras:

The cameras and related equipment purchased with the funds raised from donations were acquired in 2016. Most of these cameras are now reaching the end of their useful lives and will require replacement. It has also become evident that some of the original cameras will require upgrading to more up to date technology with better clarity and zoom functionality. In particular, some cameras require night vision technology and it will be more cost effective to install new cameras in certain positions and move the older cameras to other positions. The installed cameras also require maintenance from time to time i.e. cleaning, adjustments, focus etc. The expected cost of the replacement, upgrading and maintenance has been included in the JSRA operational budget.

Certain high risk areas are not sufficiently covered by the existing cameras. As for the initial camera project, the plan is to again obtain donations for these additional cameras. Residents in a particular street or section of a street, may wish to fund a camera point in that particular area. Members and residents are invited to contact the JSRA should they have such a need. In general, a camera point with two cameras, control box and equipment will cost around R40,000 depending on the proximity of power and fiber connections. The JSRA management is continuously looking at areas that require improved coverage. Residents in such areas may be approached for funding contributions.

Reduction in crime:

As mentioned above, the JSRA has succeeded in its first 4 years to substantially reduce crime in our neighborhoods. We should build on this success with the objective to reduce crime ever further and aim at having a totally crime free JSRA. Property owners and residents should note that the JSRA may only focus on the public areas within the JSRA boundaries. The work of the patrol vehicles and cameras are to keep the streets and other public areas safe and free from crime. The JSRA will never replace the alarm companies and their armed response services to individual properties and residents.

Cleaning and greening

The JSRA landscaping contractor will continue to provide services in addition to the normal services provided by the Stellenbosch Municipality.

Urban management and social upliftment

The JSRA management will continue its good relationship with the various Municipal departments and continually look at projects to improve the social environment.

Communication

The successful WhatsApp groups and email communications will be continued. The JSRA website will be upgraded and in the near future provide members and residents with access to a number of JSRA documents.

3.4 Financial

3.4.1 The first 5 years: 1 July 2015 to 30 June 2020

The original 5 year plan and budget was compiled by the steering committee at that time with the assistance of a consultant from Cape Town who assisted a number of newly established SRA's in the Cape Town area. They had no historical data to work from and the SRA concept was also new to Stellenbosch Municipality (the JSRA was the first residential SRA established in the Stellenbosch Municipal area). The final 5 year budget approved by the JSRA members and the Stellenbosch Town Council was (minor adjustments were made to the first 2 years after a late change in the final Northern boundary):

2015/16	2016/17	2017/18	2018/19	2019/20
R 3,105,567	R 3,392,328	R 3,668,927	R 3,965,568	R 4,237,461

+9.2%	+8.1%	+8.1%	+6.9%
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This budget was compiled without taking VAT (14% at that time) into account. A misunderstanding/mistake then resulted in the municipality deducting 14% VAT from these numbers in calculating the amounts levied on property owners and paid over to the JSRA. The reason for this was the fact that property tax rates are by law exempt from VAT and additional rates (such as SRA levies) are subject to VAT. The payments from the municipality to the JSRA was thus reduced by the VAT amount. This resulted in a shortfall in JSRA funding for the first 3 years of some R850,000. This was reduced by approx. R313,000 excess collected by the municipality in 2016/17. After discussion agreement was reached with the municipality to increase the budgets in the last two years in an attempt to recover some of this shortfall. All these mistakes and corrections resulted in the actual year on year increase property owners saw in their JSRA Levy as per their individual municipal bills not matching the gradual increase as per the above percentages. The amended annual budget for the final year (2019/20) excluding VAT amounted to R4,418,614 (R5,081,406 VAT inclusive)

The main factor that influences individual property owner's JSRA Levy as per their municipal bills is the property valuations. As explained in 2.2.3 above the Levy is calculated with reference to individual property valuations. The Stellenbosch Municipality annually compiles the valuation roll from then current valuations. During the JSRA's first 5 year term there was a general property re-valuation, which took effect on 1 July 2017. If a particular property received an above average increase in valuation it would have noted a larger increase in property tax and in JSRA levy. If a particular property did not receive an increase in valuation its property tax and JSRA levy would have reduced.

The rate of SRA Levy paid expressed as a Rand amount per month (excluding VAT) per R1million of property valuation is usually a good indicator of how the SRA levy compares to property tax. In the first 5 years the the amounts were approximately:

2015/16	2016/17	2017/18	2018/19	2019/20
R 69	R 87	R 65	R 79	R 82

Audited annual financial statements

The Audited annual financial statements for the first 3 years have been completed and received a clean and unqualified audit report. Copies are available and will soon be on the JSRA website. The statements for year 4 (year ended 30 June 2019) is currently being finalized and will be presented at the AGM on 26 November 2019.

3.4.2 The next 5 years: 1 July 2020 to 30 June 2025

The budget for the next 5 year period has been prepared on the same basis as for the first 5 years, again exclusive of VAT. Security services again make up the biggest expense item. It is estimated that there will be some R1m in cash in the bank accounts of the JSRA on 1 July 2020. This resulted from the adjustments made to the budgets of the last two years of the first 5 year period. It is proposed to utilise that cash to reduce the annual budgets in next 5 years by R200,000 per year resulting a modest 3.1% increase for the first year (2020/21) over the last year of the first term (2019/20)

2020/21	2021/22	2022/23	2023/24	2024/25
R 4,555,685	R 4,849,690	R 5,162,024	R 5,493,842	R 5,846,387

+3.1%	+6.5%	+6.4%	+6.4%	+6.4%
-------	-------	-------	-------	-------

The rate of SRA Levy paid expressed as a Rand amount per month (excluding VAT) per R1million of property valuation. These amounts are based on the current valuation roll. Another general property re-valuation is expected in 2021 which will affect these amounts.

2020/21 R 84	2021/22 R 89	2022/23 R 95	2023/24 R 101	2024/25 R 107
-----------------	-----------------	-----------------	------------------	------------------

Stellenbosch monthly Municipal accounts are presented on a basis of including the VAT in the amounts shown and then indicating the amount of VAT included in a column to the right. If the table above is presented on the basis of including VAT it would amount to the following:

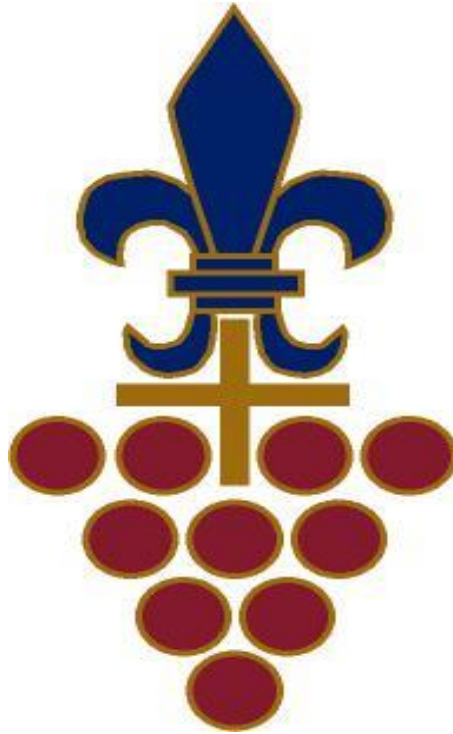
2020/21 R 96	2021/22 R 102	2022/23 R 109	2023/24 R 116	2024/25 R 124
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Budget

The 5 year budget is attached as annexure A

ANNEXURE 31(C)

STELLENBOSCH MUNICIPALITY



JONKERSHOEK SRA

BUDGET - 2ND FIVE YEAR TERM

ANNEXURE C

JONKERSHOEK SRA NEW FIVE YEAR BUDGET

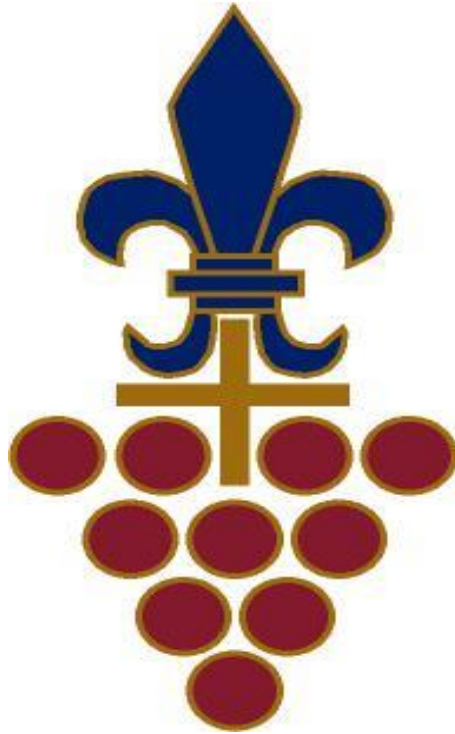
JSRA

5 Yr Budget 2021 to 2025

	Year 1 Total Excluding VAT	Year 2 Total Excluding VAT	Year 3 Total Excluding VAT	Year 4 Total Excluding VAT	Year 5 Total Excluding VAT
EXPENDITURE					
1. Employee Related	420 036	453 639	489 930	529 124	571 454
Salaries	387 725	418 743	452 243	488 422	527 496
Bonus Provision	32 310	34 895	37 687	40 702	43 958
2. Core Business	3 669 570	3 889 744	4 123 129	4 370 517	4 632 748
Landscaping & Environmental Upgrade	243 461	258 068	273 553	289 966	307 364
Security Services	3 410 440	3 615 066	3 831 970	4 061 888	4 305 602
- Patrols	2 837 011	3 007 232	3 187 666	3 378 926	3 581 661
- Camera Monitoring	448 675	475 595	504 131	534 379	566 442
- Camera Maintenance	124 754	132 239	140 174	148 584	157 499
Social Upfitment	15 670	16 610	17 606	18 663	19 782
3. Depreciation	30 414	32 238	34 173	36 223	38 396
4. General Expenditure	262 562	278 316	295 015	312 716	331 479
Accounting & administration Fee	88 583	93 898	99 532	105 504	111 834
Advertising, Marketing & Promosions	4 973	5 271	5 588	5 923	6 278
Auditor's remuneration	14 930	15 826	16 776	17 782	18 849
Bank charges	3 173	3 364	3 566	3 780	4 006
Computer expenses (including Website)	13 738	14 562	15 436	16 362	17 343
Insurance	22 571	23 925	25 361	26 882	28 495
Meeting expenses	3 352	3 553	3 766	3 992	4 232
Printing and stationery	4 973	5 271	5 588	5 923	6 278
Vehicle Expenses	54 755	58 040	61 523	65 214	69 127
Telephone and fax	26 074	27 638	29 297	31 055	32 918
Other	25 440	26 966	28 584	30 299	32 117
5. Capital Expenditure	230 435	244 261	258 916	274 451	290 919
6. Bad Debt Provision 3%	142 669	151 492	160 861	170 811	181 392
TOTAL EXPENDITURE	4 755 685	5 049 690	5 362 024	5 693 842	6 046 388
INCOME					
Estimated surplus 01 July 2020	-4 755 685.47	-5 049 690.17	-5 362 023.83	-5 693 842.20	-6 046 387.55
1 Net revenue - SRA Levy	200 000.00	200 000.00	200 000.00	200 000.00	200 000.00
	-4 555 685.47	-4 849 690.17	-5 162 023.83	-5 493 842.20	-5 846 387.55
% Increase	3.10%	6.45%	6.46%	6.43%	6.42%

ANNEXURE 31(D)

STELLENBOSCH MUNICIPALITY



JONKERSHOEK SRA

AGM MINUTES - 2ND FIVE YEAR TERM

ANNEXURE D

**JONKERSHOEK SRA MINUTES OF ANNUAL GENERAL
MEETING**

JONKERSHOEK SRA NPC
Registration number 2015/279913/08
("the Company")

CIRCULAR TO MEMBERS

1. NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that an Annual General Meeting for the Members of the Company will be held at Laerskool Stellenbosch on **Monday, 25 November 2019 at 18:00**.

2. MEMBERS

In terms of paragraph 9.2 of the MOI of the Company, Membership of the Company is limited to persons (including trustees of trusts) who are registered owners of a Property situated within the SRA. Persons who qualify for Membership in terms of paragraph 9.2 of the MOI will furthermore be required to apply for Membership in writing, which must be done by completing and submitting the Application for admission of Membership as per Annexure A.

All property owners may attend but only admitted Members will have voting rights at the Annual General Meeting. Tenants do not have Membership of the Company, nor will they have voting rights, unless appointed as a proxy by an owner (see 3 below). A list of admitted members is available at the offices of JPS Trust and will be available before the start of the AGM.

Please note: Owners who have already applied for membership in prior years do not need to apply again. Owners who still need to apply must complete Annexure A and send it to JPS Trust before the 22 November 2019 to enable them to confirm authentication and make sure that all financial obligations towards the SRA have been met.

3. VOTING RIGHTS AND PROXIES

Each Member present at a Member's Meeting, whether in person or by proxy, may exercise his / her right to vote. Voting at the meeting will be by show of hands unless voting by ballot is indicated. An appointed proxy need not be a Member of the Company.

If you are unable to attend the Annual General Meeting you should complete and return the attached Proxy Form (Annexure B) by no later than 13:00 on 22 November 2019 to JPS Trust.

4. DIRECTORS

In terms of the Company's Memorandum of Incorporation (MOI), the minimum number of directors are 3 with the maximum number of directors being 10.

The current directors registered with the CIPC are as follows:

1. DANIEL MARAIS HOOGENHOUT
2. CHARL DANIËL CILLIÉ
3. MICHIEL WILHELM DREIJER
4. MICHAEL JOHN EHRET
5. MARTIN NOEL HEUNIS
6. PETRUS JOHANNES DIRKSE BEKKER
7. WILLEM JACOBUS VAN ASWEGEN
8. FRANS KRONE KRIGE

The following directors retire by rotation to the MOI and will be available for re-election:

1. CHARL DANIËL CILLIÉ
2. MICHIEL WILHELM DREIJER
3. MICHAEL JOHN EHRET

Should you wish to nominate a Member for election as director of the Company, you must complete your Nomination of Director as per attached Annexure C and send it to JPS Trust by no later than 13:00 on FRIDAY the 22nd November 2019.

JONKERSHOEK SRA NPC

Registration number 2015/279913/08
(Non Profit Company incorporated in terms of the Companies Act 2008)
("the Company")

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that an Annual General Meeting for the Members of the Company will be held at Laerskool Stellenbosch on Monday, 25 November 2019 at 18:00 for the purpose of considering and, if deemed fit, of passing, with or without modification, the following resolutions:

1. Ordinary Resolution Number One

"IT WAS RESOLVED THAT the Annual Financial Statements for the year ended 30 June 2019 were noted."

2. Ordinary Resolution Number Two

"IT WAS RESOLVED THAT Smith and Associates be appointed as auditors for the ensuing financial year"

3. Ordinary Resolution Number Three

"IT WAS RESOLVED THAT the following persons for whom nominations were received, be and are hereby elected and / or re-elected as directors of the Company."

(List of Nominated Directors will be made available at the Annual General Meeting. Also see Circular to members)

4. Ordinary Resolution Number Four

"IT WAS RESOLVED THAT the renewal of the Jonkershoek SRA for another 5 year term (2020 to 2025) and the Business Plan as presented for that term be approved."

5. Ordinary Resolution Number Five

"IT WAS RESOLVED THAT the Budget for the next 5 year term (2020 to 2025) as presented be approved.

6. Ordinary Resolution Number Six

"IT WAS RESOLVED THAT the submission of a written application to the Stellenbosch Town Council for the renewal of the Jonkershoek SRA for a another 5 year term and for exemption from compliance with certain of the provisions of Chapter 1 of the Stellenbosch Municipality By-Law, be approved

By order of the directors of JONKERSHOEK SRA NPC.

Chairman: DM (Niel) Hoogenhout
Date: 1 November 2019

Registered office:
JPS TRUST
Valerida Center 210
Piet Retief Street Stellenbosch

Postal address
PO Box 3075
Matieland 7602

JONKERSHOEK SRA NPC

Registration number 2015/279913/08
(Non Profit Company incorporated in terms of the Companies Act 2008)
("the Company")

AGENDA FOR ANNUAL GENERAL MEETING ON MONDAY, 25 NOVEMBER 2019

- 1 Welcome and Apologies**
- 2 New members and resignations**
- 3. Confirmation of Quorum present**
- 4. Ordinary Resolution One – Noting of the Annual Financial Statements**

Please note that copies of the Annual Financial Statements are available from JPS Trust, on the website (www.jonkershoeksra.co.za) and at the meeting.
- 5. Ordinary Resolution Two - Appointment of the Auditors**
- 6. Ordinary Resolution Three – Election of Directors**
- 7. Chairman's Report**
- 8. Presentation of the renewal 5 year Business Plan**
- 9. Ordinary Resolution Four - Approval of the New Business Plan for the term 2020 – 2025**
- 10. Ordinary Resolution Five - Approval of the New 5 Year Budget**
- 11. Ordinary Resolution Six – Approval for written application to Council for the renewal term and exemption from compliance with provisions of Chapter 1 of the By-Law**
- 12. General**
- 13. Adjournment**

ANNEXURE A

JONKERSHOEK SRA NPC

Registration number 2015/279913/08

APPLICATION FOR ADMISSION OF MEMBERSHIP BY JURISTIC PERSON / OTHER BODY

To the Board of the JonkershoekSRA NPC

_____ hereby applies for membership and to be
Insert name of Juristic Person/Other Body
entered into the NPC's Membership Register.

General Note on Information

In terms of the Companies Act, the Members' Register must contain the following information in respect of each member: (a) name; (b) business, residential or postal address; (c) email address (*unless person has declined to provide an email address*); and (d) an identifying number unique to that person (*e.g. in the case of a company, the company registration number or representatives ID number*).

However, the JonkershoekSRA NPC will keep any email address provided confidential when any member or outside third party requests access to the Members' Register under the Companies Act, unless you give your written consent.

Details of Juristic Person / Other Body

Name of Company/ Close Corporation/ Trust/ Sectional Title Body Corporate/ Partnership/ Other Body
(*circle whichever is applicable*):

Insert name

Registration no. (*if any*): _____

Physical Address: _____ Postal Address: _____

NOTE: Where the body's physical address differs from its postal address, only its postal address will be recorded in the Members' Register.

Website address (*if any*): _____

Details of Representatives

Representative: _____ Designation: _____

ID number: _____

Contact Details of Representative:

Business tel.: _____ Fax: _____

Cell. No.: _____

Email address: _____

Notices and communication need to be addressed to the (tick appropriate choice):

- The physical address _____
- The postal address _____
- The email address _____

Details of Property

The aforesaid body is the registered owner/ co-owner (*strike through whichever is not applicable*), of the following property located within the JonkershoekSRA NPC.

Erf No. _____

Physical Address _____

Warranty by Signatory

I am the authorised signatory of the abovementioned juristic person/ body (by resolution or letter of authorisation, a copy of which is attached hereto), and warrant that I have the necessary authority to apply for membership of the JonkershoekSRA NPC

Name: _____ **Surname:** _____

Email address: _____

ID number: _____ (Note: your identity number will be kept confidential and not disclosed to third parties, without your written consent).

Signature: _____

Signed at _____ **on this the** _____ **day of** _____ **20** _____

Submission of application

Completed forms and documents to be sent to JPS Trust by Friday, 23 November 2018 at thea@jps Trust.co.za or by hand at Valerida Center 210, Piet Retief Street, Stellenbosch.

Any registration or administrative queries to be addressed 30 minutes prior to the meeting at the venue.

ANNEXURE A

JONKERSHOEK SRA NPC

Registration number 2015/279913/08

APPLICATION FOR ADMISSION OF MEMBERSHIP BY A PRIVATE INDIVIDUAL

To the Board of the JonkershoekSRA NPC,

I, _____ hereby applies for membership and to be
Insert name
entered into the NPC's Membership Register.

General Note on Information

In terms of the Companies Act, the Members' Register must contain the following information in respect of each member: (a) name; (b) business, residential or postal address; (c) email address (*unless person has declined to provide an email address*); and (d) an identifying number unique to that person

However, the JonkershoekSRA NPC will keep any email address provided confidential when any member or outside third party requests access to the Members' Register under the Companies Act, unless you give your written consent.

Details of Owner Representing the property

Name _____ Surname _____

ID nr. _____

Physical Address: _____ Postal Address: _____

NOTE: Where the residential address differs from your postal address, only your postal address will be recorded in the Members' Register.

Contact Details of Representative:

Home tel.: _____ Work Tel.: _____

Cell. No.: _____ Fax.: _____

Email address: _____

Notices and communication need to be addressed to the (tick appropriate choice):

The physical address _____

The postal address _____

The email address _____

Details of Co-owner (s)

Owner 2 – Name (s): _____ **Surname:** _____

ID number: _____ **Email address:** _____

Notices and communication to be mailed: Yes ___ No ___

Owner 3 – Name (s): _____ **Surname:** _____

ID number: _____ **Email address:** _____

Notices and communication to be mailed: Yes ___ No ___

Details of Property

I, _____, am the registered owner/ co-owner (*circle whichever is applicable*), of the following property located within the JonkershoekSRA NPC.

Erf No. _____

Physical Address _____

Signed at _____ **on this the** _____ **day of** _____ **20** _____

Signature: _____

Submission of application

Completed forms and documents to be sent to JPS Trust by Friday, 23 November 2018 at thea@jpstrust.co.za or by hand at Valerida Center 210, Piet Retief Street, Stellenbosch.

Any registration or administrative queries to be addressed 30 minutes prior to the meeting at the venue.

ANNEXURE B

PROXY APPOINTMENT FORM

"I/We _____ being a Member of JONKERSHOEK SRA

(NPC) and owners of property _____, Erf nr. _____
(Street and nr.)

do hereby appoint _____
or failing him/her _____

or failing him/her, the chairperson of the meeting as my/our proxy to vote or abstain from voting on my/our behalf at the meeting of the Company to be held at Laerskool Stellenbosch on Monday, 25 November 2019 at 18:00 and at any adjournment thereof as follows:-

	<u>In favour of</u>	<u>Against</u>	<u>Abstain</u>
Ordinary Resolution 1
Ordinary Resolution 2
Ordinary Resolution 3
Ordinary Resolution 4
Ordinary Resolution 5
Ordinary Resolution 6

(Indicate instruction to proxy by way of a cross in space provided above). Except as instructed above or if no instructions are inserted above, my/our proxy may vote as he/she thinks fit.

SIGNED this _____ day of _____ 2019.

MEMBER'S SIGNATURE

(Note: A Member entitled to attend, speak and vote is entitled to appoint a proxy to attend, speak and vote in his/her stead, and such proxy need not be a Member of the Company.)

Proxy forms to be sent to JPS Trust by Friday, 23 November 2018 at thea@jpstrust.co.za by or by hand at Valerida Center 210, Piet Retief Street, Stellenbosch

ANNEXURE C

JONKERSHOEK SRA NPC

Registration number 2015/279913/08

DIRECTORS NOMINATION

A. Member Declaration

I,, registered owner of property situated within the boundaries of the special ratings area of JONKERSHOEK SRA NPC, hereby nominate the following person with details below to be appointed as a director of the Company.

Signed:
(To be signed by Member personally)

Date:2019

B. Person Nominated to act as Director

1. Surname:

2. Full forenames:

Nomination accepted:

A member may nominate more than one director, but each nomination must be on a different nomination sheet to be sent to JPS Trust before the Friday, 22 November 2019 to thea@jpstrust.co.za or by hand at Valerida Center 210, Piet Retief Street, Stellenbosch

JONKERSHOEK SRA NPC

Registration number 2015/279913/08

(Non Profit Company incorporated in terms of the Companies Act 2008)
("the Company")

MINUTES OF THE ANNUAL GENERAL MEETING ON MONDAY 25TH NOVEMBER 2019 HELD AT STELLENBOSCH LAERSKOOL, STELLENBOSCH

ATTENDANCE

The required notice had been given and meeting was duly constituted in terms of the Company's MOI (10% of the Members to be present in person or by proxy)

Members Registered by Acceptance of Membership - 402

- Proxies received 66 with Membership Acceptance
- Present in person 26 with Membership Acceptance

1. INTRODUCTION AND WELCOME

Niel Hoogenhout, as chairman, welcomed everybody present.

2. CONFIRMATION OF QUORUM

It is duly established that the requirement of 10% of members for quorum is met and the meeting is duly constituted.

3. ACCEPTANCE OF MEMBERS

For the benefit all attendees, The Chairman explained the membership and company structure:

- NPC incorporated i.t.o. Companies Act 2008
- Company pays no Income Tax
- Not registered to issue Sec 18A tax certificates
- Membership limited to property owners in JSRA
- Must apply for membership in writing
- Only registered members may vote
- Members may appoint a proxy

4. FINANCIAL REPORT

4.1 ACCEPTANCE OF THE FINANCIAL STATEMENTS

Highlights from the Annual financial Statements were presented by Mr M Heunis
Summary Income Statement:

	R'000	2019	2018
Levy Income		4 209	3 430
Expenditure		3 921	3 336
Management costs		362	334
Garden & Lawn maint		210	276
Security Services		3 066	2 476
Other		283	250
Over recovery for year		288	94

Ordinary Resolution Number one: approved unanimously

"IT WAS RESOLVED THAT the Annual Financial Statements for the year ended 30 June 2019 were noted."

4.2 BUDGET 2019/20

The Chairman provided an overview of the funding of the Company since inception, including the under recovery of levy income due to problems with inclusion of VAT in the original 5 year plan.

The budget for the year 1 July 2019 to 30 June 2020 is the final year of the first 5 year Business Plan which started on 1 July 2015. A new 5 year Business Plan will start on 1 July 2020.

	R'000	Budget (Excl. Vat)	Budget (Incl. Vat)
Levy Income		4 419	5 081
Expenditure		4 419	5 081
Management cost		389	447
Garden & Lawn maint		230	264
Security Services		3 194	3 674
Other		606	696
Over recovery for year		0	0

5. APPOINTMENT OF AUDITORS

Ordinary Resolution Number two: approved unanimously

"IT WAS RESOLVED THAT Smith & Associate Incorporated be appointed as auditors for the ensuing financial year."

6. APPOINTMENT OF DIRECTORS

Ordinary Resolution Number three: approved unanimously

"IT WAS RESOLVED THAT the following persons for whom nominations were received, be and are hereby elected and/or re-elected as directors of the Company.

Directors to be re-elected are:

1. CHARL DANIËL CILLIÉ
2. MICHIEL WILHELM DREIJER
3. MIKE EHRET

7. CHAIRMAN'S REPORT

The main focus areas of the JSRA are:

- Public Safety
- Environmental Improvement
- Social Responsibility
- Communication
- Security Cameras

7.1 Public Safety

Patrol Vehicles:

There are 3 patrol vehicles in area 24/7 on 2 shifts
AM Security is the appointed contractor

Control Room:

In July 2018 JSRA established its own control room.
Currently 1 operator per shift on 3 shifts 24/7
Operators contracted by AM Security

An overview of crime statistics, crime tendencies and the successes of the JSRA for the period January to October 2019 was given.

7.2 Environmental improvement and Social Responsibility

Langverwacht Landscaping contracted to clean and beautify JSRA parks.
Workshop was held for Domestic Workers to make them aware of security measures
Winter jackets were donated to a Neighbourhood Watch.

7.3 Communication

Security WhatsApp Groups: 8 with 1,211 members. Monitored by Control Room & JSRA Vehicles, SAPS & Law Enforcement.

Social WhatsApp Groups: 3 with 548 members

Crime Bulletin (monthly)

Facebook page: 308 members

Website: <http://www.jonkershoeksra.co.za/>

7.4 Security Cameras

The camera system is now operating smoothly.

64 Cameras monitored live:

- 43 directly on fiber
- 20 via wi-fi to nearest fiber point
- 1 via CAT5 to nearest fiber/wi-fi point

Control room operational since 1 July 2018

All images recorded and kept for 5 days

Cameras assist patrol vehicles with surveillance

Increasing incidents where operators identified suspicious activity on camera and dispatched patrol vehicles to investigate. Details and examples were presented

Surveillance of public areas only

Ongoing requirement of upgrading and expansion

8. PRESENTATION OF THE RENEWAL 5 YEAR BUSINESS PLAN: 1 July 2020 to 30 June 2025

First 5 years: 1 July 2015 to 30 June 2020

Renewal Plan next 5 years approved by JSRA Board on 15 Oct 2019

Boundaries will remain exactly as in first Business Plan

Details were given of the reduction in crime since the inception of the JSRA, the Operational plan for the next 5 years as well as the financial implications of the plan.

9. APPROVAL OF THE NEW BUSINESS PLAN 2020 to 2025

Ordinary Resolution number four: approved unanimously

"IT WAS RESOLVED THAT the renewal of the Jonkershoek SRA for another 5 year term (2020 to 2025) and the Business Plan as presented for that term be approved."

10. APPROVAL OF THE NEW 5 YEAR BUDGET

Budget prepared on the same basis as first 5 yr (Excl VAT)

Security services again the biggest expense item

Estimated R1mil cash on 1 July 2020 proposed to be utilised to reduce annual budgets by R200,000 p.a.

JSRA					
5 Yr Budget 2021 to 2025					
	Year 1	Year 2	Year 3	Year 4	Year 5
	Total	Total	Total	Total	Total
	Excluding VAT	Excluding VAT	Excluding VAT	Excluding VAT	Excluding VAT
EXPENDITURE					
1. Employee Related	420 036	453 639	489 930	529 124	571 454
Salaries	387 725	418 743	452 243	488 422	527 496
Bonus Provision	32 310	34 895	37 687	40 702	43 958
2. Core Business	3 668 570	3 889 744	4 123 129	4 370 517	4 632 748
Landscaping & Environmental Upgrade	243 461	258 068	273 553	289 966	307 364
Security Services	3 410 440	3 615 066	3 831 970	4 061 898	4 305 602
- Patrols	2 837 071	3 007 232	3 187 666	3 378 926	3 587 661
- Camera Monitoring	448 875	475 595	504 131	534 379	566 442
- Camera Maintenance	124 754	132 239	140 174	148 594	157 499
Social Upkeepment	15 670	16 610	17 608	18 683	19 782
3. Depreciation	30 414	32 238	34 173	36 223	38 396
4. General Expenditure	262 562	278 316	295 015	312 716	331 479
Accounting & administration Fee	88 563	93 898	99 532	105 504	111 834
Advertising, Marketing & Promotions	4 973	5 271	5 588	5 923	6 278
Auditor's remuneration	14 930	15 826	16 776	17 782	18 849
Bank charges	3 173	3 364	3 566	3 780	4 006
Computer expenses (including Website)	13 738	14 562	15 436	16 362	17 343
Insurance	22 671	23 925	25 361	26 882	28 495
Meeting expenses	3 352	3 553	3 766	3 992	4 232
Printing and stationery	4 973	5 271	5 588	5 923	6 278
Vehicle Expenses	54 755	58 040	61 523	65 214	69 127
Telephone and fax	26 074	27 838	29 297	31 055	32 918
Other	25 440	26 966	28 584	30 299	32 117
5. Capital Expenditure	230 435	244 261	258 916	274 451	290 919
6. Bad Debt Provision 3%	142 689	151 492	160 861	170 911	181 392
TOTAL EXPENDITURE	4 755 685	5 049 690	5 362 024	5 693 842	6 046 388
INCOME					
Estimated surplus 01 July 2020	-4 755 685.47	-5 049 690.17	-5 362 023.83	-5 693 842.20	-6 046 387.55
1 Net revenue - SRA Levy	4 555 985.47	4 849 890.17	5 162 023.83	5 483 842.20	5 848 387.55
% Increase	3.10%	6.45%	6.44%	6.43%	6.42%

Ordinary Resolution number five: approved unanimously

"IT WAS RESOLVED THAT the Budget for the next 5 year term (2020 to 2025) as presented be approved."

11. APPROVAL OF WRITTEN APPLICATION TO COUNCIL FOR THE RENEWAL TERM AND EXEMPTION FROM COMPLIANCE WITH PROVISIONS OF CHAPTER 1 OF THE MUNICIPALITY OF STELLENBOSCH SPECIAL RATINGS AREAS BY-LAW

Ordinary Resolution number six: approved unanimously

"IT WAS RESOLVED THAT the submission of a written application to the Stellenbosch Town Council for the renewal of the Jonkershoek SRA for another 5 year term and for exemption from compliance with certain of the provisions of Chapter 1 of the Stellenbosch Municipality By-Law, be approved."

12. GENERAL

The Chairman thanked all the members for their attendance and support.

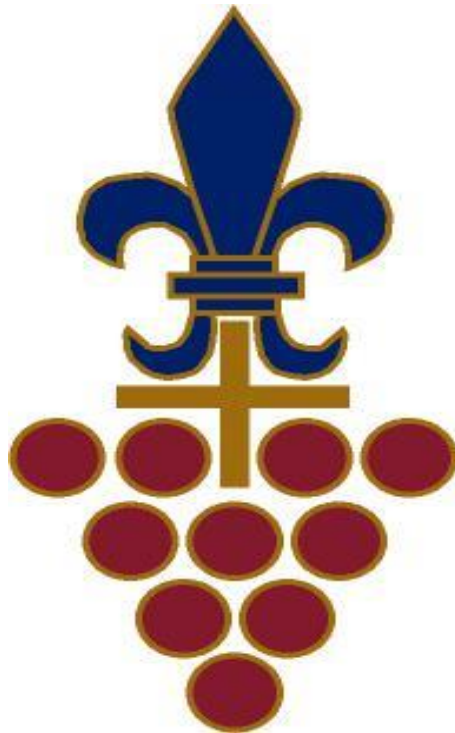
Chairman: D M (Niel) Hoogenhout
Date: 1st January 2020

Registered office:

JPS TRUST
Valerida Center 210
Piet Retief Street
Stellenbosch, 7600

Postal address
PO Box 3075
Matieland
7602.

STELLENBOSCH MUNICIPALITY



TECHSTEL SRA

REPORT ON 2ND FIVE YEAR TERM



STELLENBOSCH

STELLENBOSCH • PNIEL • FRANSCHHOEK

MUNICIPALITY • UMASIPALA • MUNISIPALITEIT

Collaborator No:
IDP KPA Ref No:
Meeting Date:

Files

???

1. SUBJECT:

TECHSTEL SPECIAL RATING AREA: APPLICATION FOR EXTENSION OF TERM FOR A FURTHER FIVE YEARS, 1JULY 2020 – 30 JUNE 2025.

2. PURPOSE

- 2.1 Council to approve in terms of paragraph 15(a) of the Special Rating Area By-law, the extension of the Techstel Special Rating Area for a further period of five years, with effect from 1 July 2020 to 30 June 2025.

3. DELEGATED AUTHORITY

- 3.1 Council to approve.

4. EXECUTIVE SUMMARY

- 4.1 Techstel Special Rating Area (SRA) was first established in 2015 and has been successfully operating for the past five years. The management body has now applied for the SRA to be extended for a further period of five years, ending 30 June 2025.
- 4.2 There are no financial implications for the municipality. SRAs are community driven initiatives and are financed by the property owners within the boundaries of the SRA. The municipality pays the approved budget over to the management body in twelve equal, monthly instalments and recovers the money from property owners via the monthly consumer accounts. Normal credit control and debt collection processes are followed in instances of non-

payment and retention is also withheld from the budget to offset any potential losses of the municipality. In the first five years of the SRA being in operation, this measure has not necessary.

- 4.3 Applications for extension of term are done in terms of paragraph 15(a) of the SRA By-Law. Such council approval can only be given in terms of Chapter 1 of the By-Law. For good reason, the council may exempt the management body of the SRA from compliance with Chapter 1, which mainly deals with the process to be followed when first establishing a SRA. Such exemption is being requested by the management body of the SRA.

5. RECOMMENDATIONS

- 5.1 That council notes the Techstel SRA application for the extension of the SRA for a further period of five years and exempts the management body in terms of paragraph 15(a) of the SRA By-Law, from compliance with the provisions of Chapter 1 of the SRA By-Law.
- 5.2 That council approves the extension of the Techstel SRA for a further period of five years beginning 1 July 2020 and ending 30 June 2025.
- 5.3 That Council approves the proposed five year budgets with a combined total of R15 713 218.21 (VAT included) as detailed in in Annexure 33(c) of the report.

6. DISCUSSION / CONTENTS

6.1. Background

Special Rating Areas (SRAs) are established by council in terms of section 22 of the Municipal Property Rates Act, 6 of 2004 as amended.

The Techstel SRA in Technopark was originally established by council by means of resolution on 30 April 2015 for a five year term beginning 1 July 2015 and ending 30 June 2020.

6.2. Discussion

- 6.2.1 Since first being established in 2015, Techstel SRA has functioned very well and has proven its viability by implementing the strategic business objectives within budget. However, the needs continue to be present and therefore it has been agreed by stakeholders that the SRA should be renewed for a further period of 5 years.
- 6.2.2 The SRA is a sustainable and established organisation within the community and continues to provide a service in addition to municipal activities in the area. Management of the SRA has fulfilled its mandate as outlined in the business plan and the SRA has been well accepted by property owners of Technopark. This is clearly proven by the fact that payment levels of the SRA levies are regular and high.
- 6.2.3 Attached as Annexure 33(a) is a Letter of Application received from the SRA. This application:
- a) Points out what the key goals and objectives of the SRA are and also that these align with the IDP.
 - b) Provides a summary of the documentation attached to the application.
- 6.2.4 Annexure 33(b) is the Business Plan itself that is compiled in line with the requirements of the SRA Policy and By-law.
- 6.2.5 Annexure 33(c) being the 5 year budgets provides details with regards to the financial plan of the SRA for the next 5 years.
- 6.2.6 Annexure 33(d) is Minutes of the Annual General Meeting held on 25 October 2019 where the following resolutions relevant to this application were adopted:
- a) That application must be made to extend the SRA for a further period of 5 years.
 - b) That the 5 year budget is approved.
 - c) That the Municipal Council must be requested to exempt the SRA in terms of paragraph 15(a) of the SRA By-Law from compliance with the provisions of Chapter 1 of the SRA By-Law.
- 6.2.7 Application for the extension of a Special Rating Area is done in terms of paragraph 15(a) of the SRA By-Law. It can only be approved by Council in

accordance with the provisions of Chapter 1 of the By-Law. The Council may however, and for good reason, on written application by the management body, exempt the management body from complying with any such provisions.

6.2.8 Chapter 1 of the By-Law deals with the process to be followed when first making application for the establishment of a SRA. As this is not a new SRA being established for the first time but an extension of term for an existing SRA, Council should find good reason to consider exempting the management body from these provisions:

- a) The concept of the SRA is well established, the management of the SRA being done effectively and all initial teething problems have been taken care of.
- b) The SRA is accepted and well supported by the community and property owners as is clear from the excellent payment of SRA levies.
- c) The SRA management body is providing a service to the community in line with the business plan and in addition to any municipal services being rendered. The need for these SRA services is on-going and will continue to be met by the management body.
- d) The application, business plan and budget has been supported and adopted at the AGM.

6.3 Financial Implications

6.3.1 There are no financial implications for the municipality. The approved budget of the SRA is paid over to the management body in 12 equal monthly instalments by the municipality and recovered from the residents by means of the monthly consumer accounts. Retention of 3% is withheld by the municipality to offset any possible irrecoverable debt. In the first five years of the SRA's existence, this has not been necessary.

6.4 Legal Implications

None.

6.5 Staff Implications

None.

6.6 Previous / Relevant Council Resolutions:

Establishment of the Techstel SRA was first approved by Council on 30 April 2015, Item 7.6.

6.7 Risk Implications

None.

6.8 Comments from Senior Management:

6.8.1 Director: Corporate Services:

6.8.1 Chief Financial Officer:

Compiled the Item.

6.8.2 Municipal Manager:

- ANNEXURES:**
- 33(a)- Application Letter**
 - 33(b)- Business Plan and Budget**
 - 33(c)- 5 Year Budget**
 - 33(d)- Minutes of AGM**

FOR FURTHER DETAILS CONTACT:

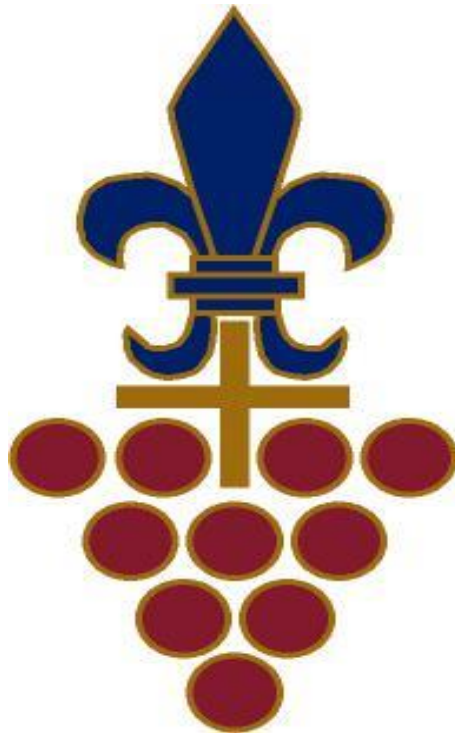
NAME	A Treurnich
POSITION	
DIRECTORATE	Finance
CONTACT NUMBERS	021 808 8016
E-MAIL ADDRESS	Andre.treurnich@stellenbosch.org.za
REPORT DATE	27 January 2020

**CLLR PATRICIA CRAWLEY
PORTFOLIO HOLDER:FINANCE**

DATE

ANNEXURE 32(A)

STELLENBOSCH MUNICIPALITY



TECHSTEL SRA

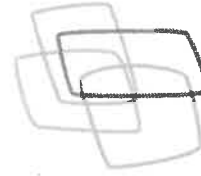
**APPLICATION LETTER- 2ND FIVE YEAR
TERM**

ANNEXURE A

APPLICATION FOR THE EXTENSION OF TECHSTEL SRA FOR A FURTHER PERIOD OF FIVE YEARS



p/a JPS Trust
Valeridasentrum 210 Valerida Centre
Piet Retiefstraat · Street, Stellenbosch
Posbus · PO Box 3075, Matieland, 7602



**TECHNO
PARK**

TECHSTELSRA NPC
Reg No · 2015/259104/088
Tel · 021 887 2486, Fax · 021 883 9540
info@technopark.org.za · www.technopark.org.za

9th January 2019

Directorate:
Municipality Manager
Stellenbosch

Dear Sir,

RE: APPLICATION LETTER FOR EXTENSION OF THE NEXT 5 YEARS TECHSTEL SPECIAL RATINGS AREA

1. The TechstelSRA NPC, hereby wish to apply for Stellenbosch Municipality approval of the extension of the SRA term for the period 2020 – 2025.
2. This application is made to Council in terms of Section 15(b) of the Stellenbosch Municipality Special Rating Areas By-Law, 2019, as amended (the "By-law"), read together with the Stellenbosch Municipality: Special Rating Areas Policy.
3. The key goals and objectives and functions of the new Business Plan are:

The goal of TechstelSRA is to ensure The Park increases its value as a high quality business, innovation and technology address in South Africa. This can be done by increase security in and around the area, improve public areas and contribute to social upliftment in the area.

4. Consistency with Integrated Development Plan (IDP)

The continued operation of the TechstelSRA will support the vision of the Stellenbosch IDP as follows:

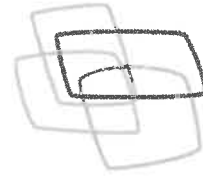
- 4.1. Public safety and monitoring of public open spaces
- 4.2. The provision of additional cleaning services as a top up to existing municipal services to contribute to employment creation.
- 4.3. Environmental initiatives to support all workers access and ways through the park from drop-off points.
- 4.4. Communication within the community of community related matters
- 4.5. Water resilience investigations and creative usage of the current dams and dam areas.
- 4.6. Contribute and support social development and upliftment actions

5. In support of the application, the following compulsory documentation is attached:

- 5.1. The new Business Plan (Motivation report, Implementation plan and Budget), marked "A"; and
- 5.2. Notices of the Annual General Meeting (AGM), "B".



p/a JPS Trust
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5.3. Resolutions as per the draft AGM minutes "C" stipulating:

- 5.3.1 The renewal of TechstelsRA for another 5 year term and approved new 5 year Business Plan; and
- 5.3.2 The approved 5 Year Budgets as in the Business Plan for 5 years.
- 5.3.3 The submission of a written application to the Stellenbosch Town Council for the renewal of the JSRA for another 5 year term and for exemption from compliance with certain of the provisions of Chapter 1 of the Stellenbosch Municipality By-Law approved as per the Minutes of the AGM.

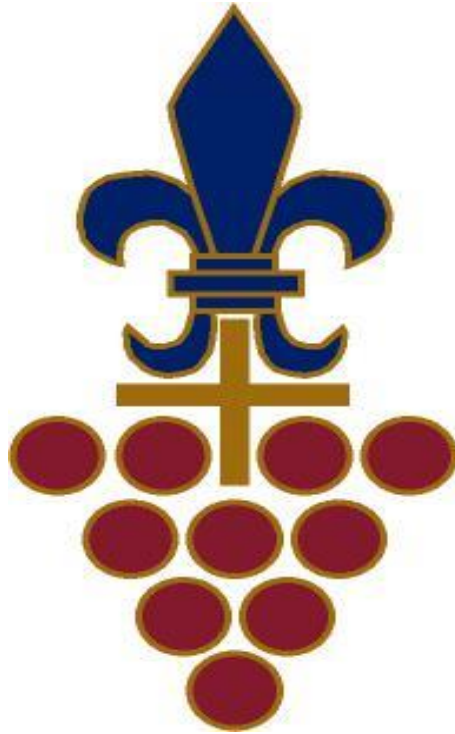
We trust that this application will meet with the Stellenbosch Municipality approval and thank you for your kind consideration thereof.

Yours faithfully,

**FRANCOIS SMUTS
CHAIRMAN: TECHSTELSRA NPC**

ANNEXURE 32(B)

STELLENBOSCH MUNICIPALITY



TECHSTEL SRA

BUSINESS PLAN- 2ND FIVE YEAR TERM

ANNEXURE B

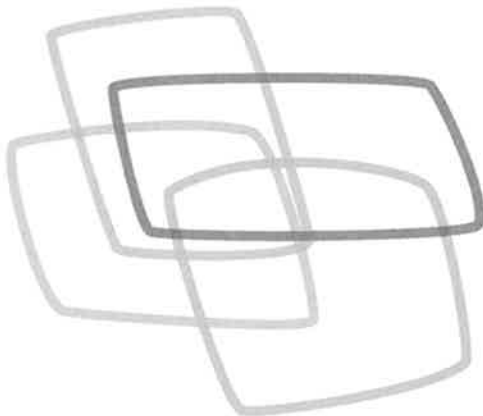
TECHSTEL SRA NEW BUSINESS PLAN

“A”

Stellenbosch Technopark
Special Ratings Area (SRA)
Business Plan

[RENEWAL: 1 July 2020 - 30 June 2025]

Compiled in accordance with the By-Law for establishment of
Special Rating Areas, promulgated in the Provincial Gazette 7015/2012



**TECHNO
PARK**

Compiled by Francois Smuts

September 2019

Principal Contacts:

Francois Smuts (Chairman of TechstelSRA)

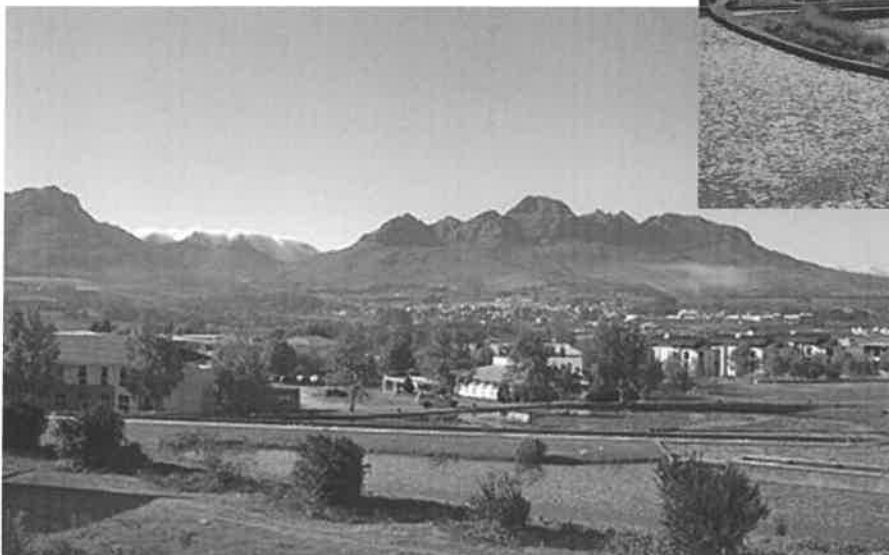
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Directors:

1. Barbara Fassler
2. Francois Smuts
3. Jacob Jacobus Cornelis Pietersen
4. Alan Geoff Manning
5. Anna Maria Cloete
6. Marié Hilda Schutte
7. Deleur Stander
8. Ilzemarie Knoetze
9. Frederik Jakobus Erasmus
10. Gustav Wilhelm Bester



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List of Terms & Abbreviations

AGM – Annual General Meeting
CID – City Improvement District
ICT - Internet & Communications Technology
IDC – Industrial Development Cooperation
IDP – Integrated Development Plan
NPC – Not for profit company
SID – Stellenbosch Innovation District
SRA – Special Ratings Area

Executive Summary

Application for the renewal of the current 5 year SRA term in terms of **Chapter 15** of the Special Rating Area By-law and the application under Sec.15a of the Bylaw for exemption from complying to Chapter 1 of the Special Rating Area Bylaw. Renewal of the Special Ratings Area (SRA) in Technopark for a further 5 year term is being pursued and this business plan outlines the implementation strategy of the various portfolios over the next 5 years.

The major importance of the renewal is to maintain the owners' rights. There is an existing budget which have only been updated, there will also be no change in the borders and all the requirements of **Section 5** of the Special Rating Area Policy were already met during the initial 5 year tenure

The renewed SRA, namely TechstelSRA, will be managed by the existing Not for Profit Company (NPC) with a dedicated manager, CEO or management company to ensure accountability of the spending, and implementation of the tasks at hand. The goals drawn up by the Integrated Development Plan (IDP) were tabulated for Technopark (The Park) as follows:

- Valley of Possibility
- Green and Sustainable Valley
- Safe Valley
- Dignified Living
- Good Governance & Compliance

We therefore define the broad goals of TechstelSRA to fall in line with the goals of the IDP

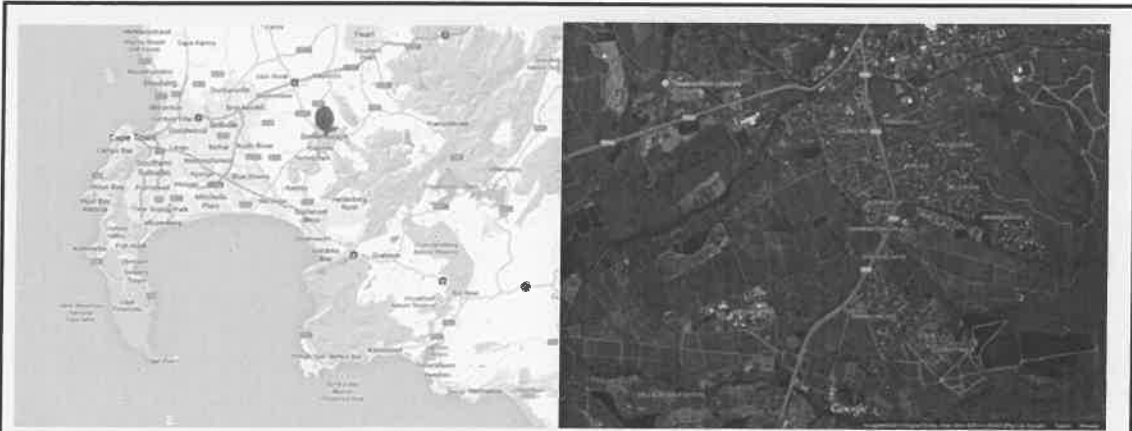
1 Introduction

This business plan is intended as a motivation and financial guiding framework for the continuation of TechstelSRA over the next 5 years. This business plan consists of an explanation and demarcation of the existing geographic areas named Technopark, situated in Stellenbosch. The Park is currently zoned as a Special Zone-one or science and technology park, having a mix of commercial tenants in The Park. Institutionally TechstelSRA is responsible for all planning and management in partnership with the municipality (who must continue to perform their normal service duties). Significant gains have been made by the current SRA over the past few years, with a limited budget. This business plan makes the case for the rationale for additional investment and ramping-up operations in The Park for the future benefit of all owners and the town. It is envisioned that maintaining Technopark as an SRA, is necessary for a variety of factors. This includes pressure to maintain property values, and ensure a demand for The Park continues. Currently a low level of maintenance of The Park makes this increasingly difficult. Poor aesthetics of The Park and the increasing challenge of crime, maintenance and a general disrepair of the open spaces and infrastructure is problematic.

Transforming Technopark through the implementation of this business plan, which has clearly stipulated goals and a vision to improve the public face and services in The Park will be of benefit to the Stellenbosch society. The investment into the SRA will not only increase property values and demand for The Park, but also ensure Technopark, one of Stellenbosch's economic assets, remains a driver of growth and jobs.

1.1 Location & boundary of existing SRA

Stellenbosch Technopark is located on the urban edge of Stellenbosch town, and about 7km from the University of Stellenbosch. It has easy access to the R44, a main corridor connecting the Southern Cape Metropolitan areas (Somerset-West and Strand) with northern areas such as Paarl and Belville via the N1. The Park is also situated approximately half an hour drive from Cape Town international, and 45min from Cape Town CBD. Additionally it is well located as a business innovation park surrounded by vineyards and breath-taking views of the Stellenbosch Mountains. Its location and attributes makes it a very attractive home for business.



Technopark is located in Stellenbosch Town, in a neighbouring municipality to Cape Town Metropol. The SRA boundary is equal to the current Technopark boundary depicted below.



1.2 Background & Current Situation

Technopark was originally conceived of as a Science Park in the late 1970's when Prof Christo Viljoen, then dean of the engineering faculty at Stellenbosch University, went to Taiwan. There he visited Shinshu Science Park, one of the world's revered successes. He brought over the concept to Stellenbosch, and managed to obtain buy-in from the local and national government. The Park was established in 1985, and was supported by the Industrial Development Corporation (IDC) and housed an incubator and innovation lab. The Park was managed by a committee and the local municipality. The entering of firms into The Park was very slow for numerous reasons, including rigid control and a poor business community understanding of the concept and benefit of a science park. Other external factors such as an economic slowdown forced the management to allow it to become market-oriented in the 1990's and the strict criteria of firms entering The Park were relaxed. Today The Park is well developed, albeit not as a traditional science park, and consists of a variety of businesses ranging from satellite manufacturers, engineering, banks and finance institutions to design schools. There are a number of Internet & Communications Technology (ICT) businesses, technology engineering firms, financing firms and more.



The Park consists of almost three hundred individual businesses, of which many are owners of their own properties and buildings in The Park. Technopark remains a special zone-one, or science park – where each property divides the municipal land. Thus the municipal land, and open areas are meant for parks and recreation to be serviced by the municipality. Such area is depicted in the photo below, where the open spaces, meant to be park and recreational areas are not sufficiently maintained by the municipality as a pedigree business park.

|| The establishment of an SRA has proven fruitful over the last 5 years and the owners would like to continue benefiting from the productivity of such an organization over the next 5 years.



1.3 Vision

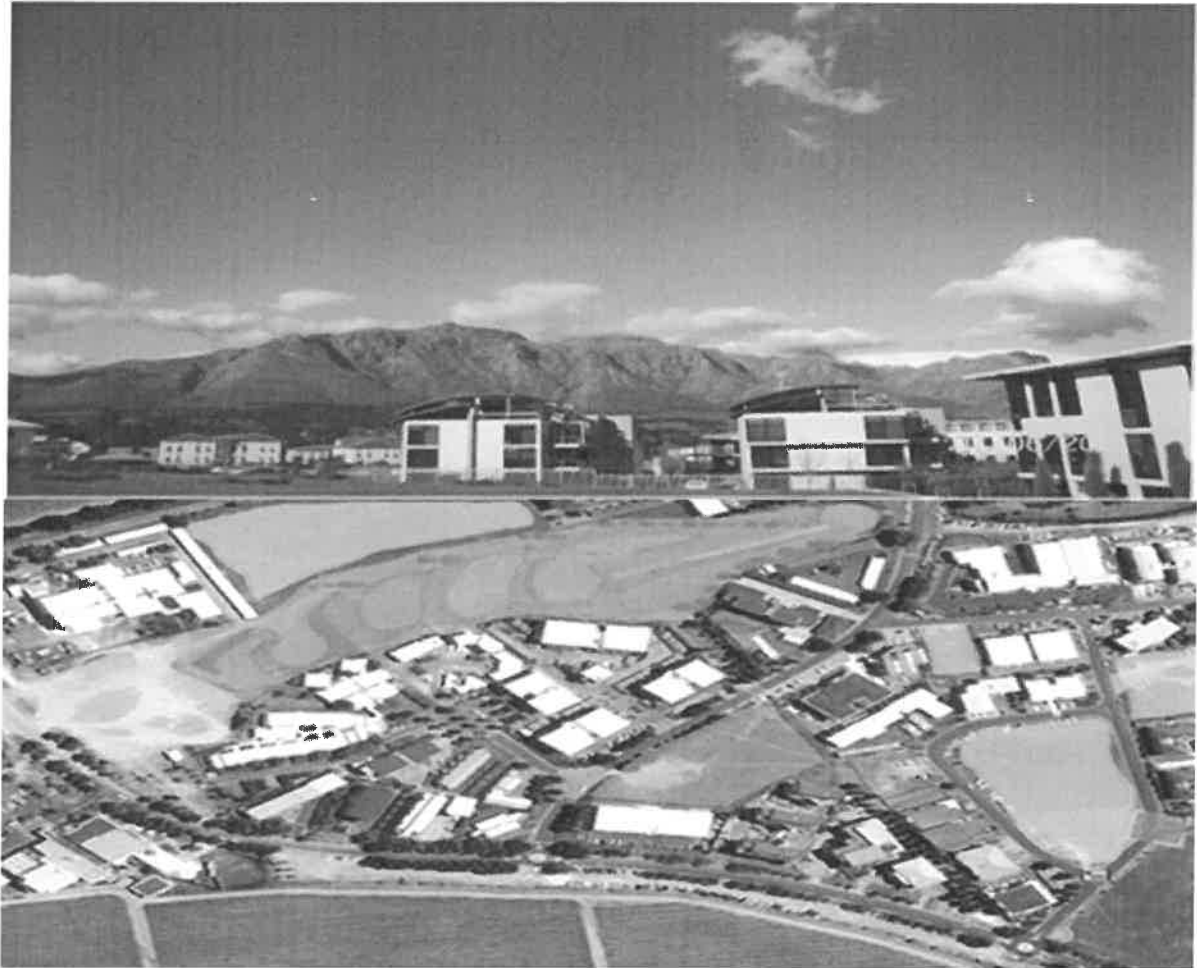
The vision for TechstelSRA is to achieve a competitive, innovative and sustainable business community.

1.4 Mission

The mission of TechstelSRA is to promote, manage and maintain The Park to ensure a prosperous, innovative and sustainable business community.

1.5 Goal

The goal of TechstelSRA is to ensure The Park increases its value as a high quality business, innovation and technology address in South Africa. This can be done by increase security in and around the area, improve public areas and contribute to social upliftment in the area.



2 Motivation for renewal of Technopark SRA

The establishment of the TechstelSRA has had far reaching benefits for The Park. We highlight the benefits by placing focus on the problem areas and how the TechstelSRA address these areas through allocation of their budget.

2.1 Problems in Technopark

Safety and security: in the past, and more recently despite attempts to patrol The Park, there have been numerous break-ins and theft within The Park. This is not only petty theft, but theft of expensive equipment such as computers, and even vehicles. If tenants and business people leave The Park later at night after work, there is a general feeling of being unsafe, as The Park has no activity after 5pm. People have reportedly been seen doing drug deals late at night in The Park, because it is dark and empty. This is certainly not the kind of elements that are favourable for a top-class business park. As the TechstelSRA we have implemented drastic measures to ensure a safe and secure working environment and we would like to maintain this environment through renewal of the SRA.

At current we have implemented approximately 15 security cameras for surveillance purposes, have an armed security guard on scooter 24/7 and another armed security guard on motor cycle from 6pm at night until 6am the following morning on a 5 day work week basis and full time over weekends.

General Maintenance (Infrastructure): despite attempts to partner with the Municipality and provide some funding to maintain aspects of The Park, there remain problems with infrastructure. This includes, the roads themselves, and the brick edging, which comes loose. The newly installed circles require maintenance due to the poor brick-work and design. In the rainy seasons there are serious problems with drainage, which results in the top-soils of The Park areas to wash away. There are blockages of leaves, and this causes erosion within the ad-hoc parking spaces. This increases the unattractiveness of The Park, and requires constant maintenance.

Parking: this is another major issue in The Park, as the number of cars that enter The Park, require consolidated parking areas. At the moment, cars are parking on open properties, and on municipal land along the edges of roads, which is scarring The Park. Furthermore, it is dangerous as cars parking need to be cautious for other cars travelling down the road. Parking is of major importance to visitors, who also struggle to find which building to navigate to by foot. Thus a public or visitor parking with security guards and a map of The Park would help tremendously.

We are engaging with the Municipality on an ongoing basis to better parking and general maintenance of The Park and have established a committee to address this area as a matter of concern. Already and in agreement with the Municipality we have completely redesigned the 6 dams which make out a large part of the green area pertaining to the Park. This was necessary, due to non-maintenance and extreme drought suffered during the past 5 years. We also ensure removal of shrubs and grass posing a fire hazard during the dry months, as well as maintain the green areas to the best of our allowable budget.

Access and Mobility in The Park: currently there is one entrance for access and egress into and out of The Park. The TPOA had commissioned a traffic study to assist the municipality to provide a temporary solution for traffic timing (which was well received). A section of the entrance road is currently being widened, however, there is a need to assist the municipality with a solution that becomes integrated as part of the spatial development framework for the town. Furthermore, there are potential plans for an additional road entrance into Technopark from the South. This would enhance the safety, and escape route in case of fire, natural or any other disaster or threat (whereas at the moment there is only one escape route).

Mobility, however, also refers to on-foot mobility which is at the moment non-existent. Traffic within The Park is problematic, as people drive extremely fast, and there will be a need for traffic calming measures. Footpaths connecting the various buildings and between the open spaces would enhance the attractiveness and sociability of The Park. This also would have a positive impact on safety, as visibility and eyes on the look-out would increase. This is extremely important for innovation, and community building which is part of the vision for The Park.

To date, we have enhanced access and mobility to the Park through establishment of a well paved footpath leading from the R44 to the second traffic circle up Electron Road. We'd like to further extend this footpath throughout The Park during the next couple of years and require additional budget to do so.

Dams, Gardens and Open-spaces: in 2011, a study was conducted on the state of health of the dams in Technopark, by a Stellenbosch University student (which showed a willingness to collaborate with the University). These dams were found to be unhealthy and required urgent assistance to rehabilitate not only the life in the dams, but the water quality as well. The primary reason was, due to the lack of flow of water into the dams, which at the time was connected to a pipeline from Theewaterskloof dam and since been discontinued. Furthermore the irrigation system, and pump, that is meant to circulate water in the dams was broken.

Ensuring the dams and irrigation systems (linked to them) work on a constant basis will require continued maintenance, which it seems is not happening. Solving the dam issue would also solve many of The Park's problems in terms of beautification. In summer The Park becomes extremely dry and dusty, which is a nuisance for tenants, and potentially devalues the properties. Furthermore, providing irrigation to The Park, would allow for the recovery of shrubs, and trees that are currently battling, and will allow for the beautification of the open-space. This would attract tenants and business people to use the public spaces, which at present are not used. Once again this is extremely important for enhancing the ethos of The Park, and making it an attractive and quality place to work.

Lighting: although there is street lighting in Technopark, there could be a gradual replacement of these with LED lights which would reduce electricity consumption during peak hours when the lights come on. Lighting has been applied to dark areas and along all footpaths to allow for evening use, and provide safety when people return to their cars after work (especially in winter time, when it is dark).

Marketing: a space like Technopark, requires marketing because of its unique set-up, as well as being close to the University of Stellenbosch. Currently a proper marketing and communication plan has been put into practice and is being maintained on an ongoing basis. We would like to market Technopark more aggressively and on a larger scale to make it more attractive, especially as an innovation and technology park which is aligned with the broader goals of The Municipality.

General issues: Various problems arise on a continuous basis that are beyond the mandate and capacity of the municipality and the TechstelSRA was formed specifically for this reason to deal with these issues. The contributions made by property owners toward the SRA is a short-term investment with long-term benefits for the property value of the space, which would have a positive multiplier effect for the whole town.

2.2 Benefits pertaining to the renewal of the TechstelSRA

Below is a list of general benefits pertaining to SRA's which could translate into improving the current situation in Technopark:

- ✓ Improved property values,
- ✓ Improved investor confidence,
- ✓ Improved community atmosphere,
- ✓ Stakeholder collaboration,
- ✓ Capacity to investigate, document and deal with local problems affecting the area,
- ✓ Provide authority to engage with local municipality,
- ✓ A clear and dedicated plan, as well as budget to improve the local area,
- ✓ Improved accountability of performance, and development of the area.
- ✓ The SRA programme usually creates a positive sentiment, which attracts additional support and investment into the area.

2.3 Tasks and Milestones

The various problem areas that were identified, have been allocated to a specific portfolio. Portfolio committees are organized by 1 or many Directors on the Board of Directors of TechstelSRA. JPS Trust, as the management agent, assists with the day to day running of TechstelSRA for which decisions are taken at a 6 weekly Directors' Meeting. Annual General Meetings (AGMs) are held annually during October.

The following Portfolio committees enjoy budgets as allocated to spend on tasks as identified:

2.3.1 Administration and JPS

JPS Trust was appointed in terms of the requirements of the Financial Agreement as Executive Officer to administrate and operate the affairs of the SRA. Although not limited to their main responsibility will be the financial and secretarial administration of the SRA.

A. Financial governance

1. JPS Trust, as Executive Officer of the SRA, and who is accountable to the Board of Directors, administer the bank account and all monthly income and payments.

2. JPS Trust calculate and pay the monthly VAT obligations and provide all contractors and consultants with a VAT registration number. They also submit a copy of the SRA's VAT 103 certificate yearly to the Municipality.
3. JPS Trust monitor that the Municipality pay all SRA income into a bank account in the name of the SRA on a monthly basis.
4. JPS Trust conduct a yearly audit after which the audited financial statements are presented to the board of directors for approval.
5. Once approved by the Board of Directors in respect of the SRA's previous financial year, JPS Trust must submit a set of financial statements to the Municipality.

B. Administration

JPS Trust as Executive Officer of the SRA is responsible for the financial management of the SRA. This responsibility includes implementing and monitoring the SRA's annual budget and ensuring-

1. that resources are used effectively;
2. full and proper financial records are kept, including the monthly reconciliation of all revenue received and accounts to be paid;
3. the development and maintenance of appropriate expenditure management systems;
4. that a monthly income and expenditure progress report is submitted to the Municipality by the 15th of the following month;
5. that audited financial statements, approved by the board of directors, are submitted to the Municipality annually;
6. that a tax clearance certificate is submitted to the Municipality annually;
7. that a reviewed property database is submitted to the Municipality by 31 December annually;
8. that appropriate control systems are maintained;
9. that unauthorised, irregular or fruitless and wasteful expenditure is prevented;
10. that disciplinary or other legal proceedings are instituted when required;
11. that the Annual General Meeting be advertised as per section 8.2.6(d) of the Special Rating Area Policy; and
12. that within two months after Annual General Meeting was held, the Executive Officer reports to the Municipality the SRA's annual financial statements and annual report.

JPS Trust is responsible for all secretarial and meeting requirements which includes:

1. Scheduling, arranging and recording the yearly Annual General Meeting.
2. Scheduling, arranging and recording the Bi-monthly Directors meetings.
3. Advising the board of directors of all procedural matters required for meetings, notices, quorum and voting.
4. JPS Trust to keep all records for minimum of 5 years and make it available on request to the Municipality.

2.3.2 Events, Business Forum and Future Planning

Park events and administrative coordination of tenants in The Park are regularly orchestrated by the Business Forum portfolio. It is important to maintain an up to date database of tenants in The Park, for purposes related to:

- Marketing of events
- Security communication
- Functions for communal benefit

2.3.3 Marketing and Communications

The Techste!SRA marketing and communications committee services Technopark by creating, communicating and delivering content that creates value for Technopark's target market:

- Owners

- Potential owners
- Tenants

The goal is achieved through managing written and visual communications of the Technopark brand.

Marketing supports TechstelSRA's goals:

- Improving the property values of Technopark
- Improving the marketing and image of Technopark (as a top business address)
- We do this by building awareness through social media, newsletters, advertising, blogs etc. and in turn this creates value for investors by informing them on current affairs

In order to achieve awareness and add value, we work on several different platforms:

- Management of Technopark's website
- Content creation, general website updates and maintenance
- Update new Business Directory entries
- Manage Technopark's Facebook and LinkedIn accounts
- Structure new content. Source and design curated content for Social Media platforms
- Schedule Social Media posts. Respond to messages on Facebook
- Manage Website and Social Media advertisers
- Schedule & boost posts for advertisers on Social Media
- Customer communication
- News Articles/Blog Posts
- Create supportive marketing collateral
- Compile and send email newsletters

2.3.4 Projects

All forms of project are contained herein, such as projects related to specific events: art, new footpaths, special security, etc. This section also makes provisioning for appointment of consultants for use in more professional park related activities.

2.3.5 Parking and Roads

Our goal is to improve the access to Techno Park, and to formalise The Parking in Technopark.

Communications with the Municipality are in progress with respect to the Adam Tas Link road as well as formalising of The Parking in Technopark. Approximately 1 000 vehicles are currently parking on municipal land, open space and other property owners' verges. This is due to the inadequate parking ratio set out by the Municipality in the original zoning scheme of Technopark being 1 parking bay for every 30 square meters of lettable office space.

The first step is to identify areas where we can relocate and develop formal parking pockets in order to accommodate the 1 000 odd and increasing, illegally parked vehicles. TechstelSRA will budget R100 000 per year in order to put a proposal forward with which to engage with the municipality and to develop these parking areas.

2.3.6 Finances

The past 4 year's finances were managed with precision. The Audited annual financial statements for the first 4 years passed the requirements and was reported on as a clean audit. Copies are available from JPS Trust as Executive Officer as well as from the Manager, Treasury Office in the Finance Directorate at the Municipality. The same accuracy and precision will be followed to ensure ease of mind to the owners within the SRA, regarding management of the funds.

2.3.7 Security

There has been a drastic increase in break-ins and theft incidents not only in Technopark, but throughout the Western Cape, during 2019 thus far.

In an endeavour to counter, as far as possible, the negative impact of crime on property values as well as making Technopark a safer place for business operations, we have allocated additional funds from our current budget in August 2019 to the deployment of visible security officers until August 2020.

We anticipate that going forward, we will need to continue with the current approach of having visible security in Technopark and budget as per the numbers below:

Item	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	Total	Comments
Night Shift Guard	R660 000	R706 200	R755 634	R808 529	R 865 125	R3 795 488	Armed guard Patrolling 24 hours x 7 days per week and additional night armed guard patrolling from 6pm to 6am.
Monitoring of cameras	R81 408	R86 292	R91 464	R96 960	R102 780	R458 904	Monitoring of 16 Technopark cameras
Repairs	R12 000	R12 000	R12 000	R12 000	R12 000	R60 000	R&M to cameras system
	R753 408	R804 492	R859 098	R917 489	R979 905	R4 314 392	

Additional

R 24 256	R 52 525	R 85 297	R123 159	R 285 239
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Security Total

R 753 408	R 828 748	R911 623	R1 002 786	R1 103 064	R4 599 631
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2.3.8 Maintenance and Garden

This budget will be spent on

1. The chronic maintenance of the areas that fall under the jurisdiction of the SRA, eg the green areas around the dams, sidewalks, cleaning of waterways
2. Maintenance and cleaning of the dam areas, as well as the continuous planting of new plants as needed.
3. Planting trees on green areas
4. Application of irrigation so that specific points can be wetted. (Supplies (hardware) required for this to be provided by the Municipality.
5. Providing specific benches and seating areas around and on green areas for recreation
6. Improving the footpaths around the dams to be more secure.

3 Budget Plan & Financial Impact

The budget line-items associated to the above goals and milestones are as per Appendix 1.

	Year1	Year2	Year3	Year4	Year5
Marketing and communication	R134 800.00	R141 540.00	R148 617.00	R156 047.85	R163 850.24
Events	R20 407.50	R21 427.88	R22 499.27	R23 624.23	R24 805.44
Admin	R171 610.50	R180 191.03	R189 200.58	R198 660.61	R208 593.64
Business forum	R20 407.50	R21 427.88	R22 499.27	R23 624.23	R24 805.44
Future planning	R20 599.50	R21 629.48	R22 710.95	R23 846.50	R25 038.82
JPS	R156 000.00	R163 800.00	R171 990.00	R180 589.50	R189 618.98
Projects	R428 537.24	R449 964.10	R472 462.30	R496 085.42	R520 889.69
Parking and roads	R 100 000.00	R105 000.00	R110 250.00	R115 762.50	R121 550.63
Security	R 753 408.00	R828 748.80	R911 623.68	R1 002 786.05	R1 103 064.65
Maintenance & Garden	R 588 000.00	R617 400.00	R648 270.00	R680 683.50	R714 717.68
TOTAL (ex VAT)	R2 993 770.24	R2 551 129.15	R2 720 123.04	R2 901 710.38	R3 096 935.20
TOTAL (incl VAT)	R2 752 835.77	R2 933 798.52	R3 128 141.50	R3 336 966.94	R3 561 475.48

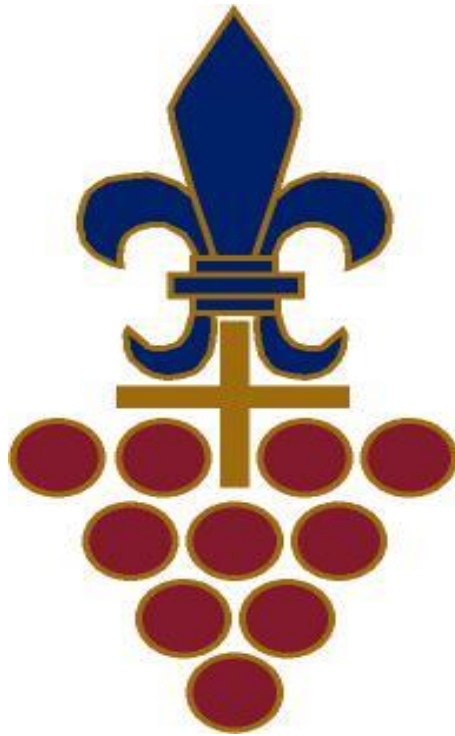
4 Conclusion

Currently Technopark is functioning very well under the establishment of TechstelSRA who has proved their viability by implementing their strategic business objectives within budget over the last 5 years. It is for this reason, that owners and stakeholders should view the proposed SRA renewal, and this business plan, as an investment into the future of Technopark, and their individual properties over the next 5 years.



ANNEXURE 32(C)

STELLENBOSCH MUNICIPALITY



TECHSTEL SRA

BUDGET - 2ND FIVE YEAR TERM

ANNEXURE C

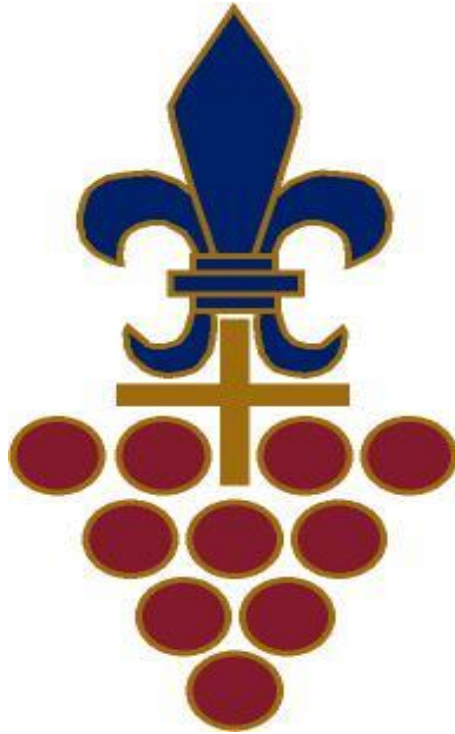
TECHSTEL SRA NEW FIVE YEAR BUDGET

Appendix 1: Budget Cost

	Year1	Year2	Year3	Year4	Year5
Marketing and communication					
Events	R134 800.00	R141 540.00	R148 617.00	R156 047.85	R163 850.24
Admin	R20 407.50	R21 427.88	R22 499.27	R23 624.23	R24 805.44
Business forum	R 171 610.50	R180 191.03	R189 200.58	R198 660.61	R208 593.64
Future planning	R20 407.50	R21 427.88	R22 499.27	R23 624.23	R24 805.44
JPS	R20 599.50	R21 629.48	R22 710.95	R23 846.50	R25 038.82
Projects	R156 000.00	R163 800.00	R171 990.00	R180 589.50	R189 618.98
Parking and roads	R428 537.24	R449 954.10	R472 462.30	R496 085.42	R520 889.69
Security	R 100 000.00	R105 000.00	R110 250.00	R115 762.50	R121 550.63
Maintenance & Garden	R 753 408.00	R828 748.80	R911 623.68	R1 002 786.05	R1 103 064.65
	R 588 000.00	R617 400.00	R648 270.00	R680 683.50	R714 717.68
TOTAL (ex VAT)	R2 393 770.24	R2 551 129.15	R2 720 123.04	R2 901 710.38	R3 096 935.20
TOTAL (incl VAT)	R2 752 835.77	R2 933 798.52	R3 128 141.50	R3 336 966.94	R3 561 475.48

ANNEXURE 32(D)

STELLENBOSCH MUNICIPALITY



TECHSTEL SRA

AGM MINUTES - 2ND FIVE YEAR TERM

ANNEXURE D

**TECHSTEL SRA MINUTES OF ANNUAL GENERAL
MEETING**

TECHSTELSRA NPC

Registration number 2015/259104/08
(Non Profit Company incorporated in terms of the Companies Act 2008)

(“the Company”)

CIRCULAR TO MEMBERS OF THE ANNUAL GENERAL MEETING

Regarding:

- The application of Membership & Voting Rights
- The appointment and election of Directors
- The approval of the New 5 Year Budget
- The approval of the New Business plan 2020 – 2025
- Approval for written application to Council for exemption to comply to Chapter 1's provisions as per the Special Ratings Area By-Law

and Including:

- Notice of the Annual General Meeting of members
 - Agenda for Annual General Meeting of members
 - Acceptance of Membership (Annexure A)
 - Proxy Form (Annexure B)
 - Nomination of Director (Annexure C)
-

1. INTRODUCTION

The purpose of this document is to provide members of the Company with all the necessary information in order to enable them to make an informed decision at the forthcoming Annual General Meeting to be held at 13:00 Friday, 25th October 2019 at the Protea Hotel, Technopark.

2. MEMBERS

In terms of paragraph 10.2 of the MOI of the Company, Membership of the Company is limited to, persons (including trustees for the time being of trusts or sectional title bodies corporate) who are registered owners of a Property situated within the SRA, for so long as they are owners of such property. These Members will have voting rights in the Company.

Persons who qualify for Membership and subscribe to the objects of the Company as set out in paragraph 5 of the MOI, will furthermore be required to confirm their Membership in writing, which must be done by completing and submitting the Acceptance of Membership as per Annexure A. Member who have already signed up as a member in the previous year do not need to do this again.

3. VOTING RIGHTS

Each Member present at an Annual General Meeting, whether in person or by proxy, may exercise his / her right to 1 (one) vote.

For the passing of an ordinary resolution or decision, a majority (more than 50%) of votes by the Members in support of such resolution or decision will be required.

For the passing of a special resolution, at least 75% of the votes by the Members in support of such resolution will be required.

4. DIRECTORS

In terms of the Company's Memorandum of Incorporation (MOI), the minimum number of directors are 6 (six), with the maximum number of directors being 10 (ten).

The current directors registered with the CIPC are as follows:

1. BARBARA FASSLER
2. FRANCOIS SMUTS
3. JACOB JACOBUS CORNELIS PIETERSEN
4. ALAN GEOFF MANNING
5. ANNA MARIA CLOETE
6. MARIÉ HILDA SCHUTTE
7. DELEUR STANDER
8. ILZEMARIE KNOETZE
9. FREDERIK JAKOBUS ERASMUS
10. GUSTAV WILHELM BESTER

The following directors have tendered their resignations and will not stand for re-election:

1. ANNA MARIA CLOETE
2. MARIE SCHUTTE

The following directors have been nominated to act as directors:

1. ERNST WOLFAARDT
2. ERIC LOUBSHER
3. JOHAN SCUTTE
4. PIET VAN BLERK

Should you wish to nominate a Member to act as director of the Company, you must complete your Nomination of Director as per attached Annexure C by no later than 13:00 on Wednesday the 23rd October 2019.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

1. **If you are uncertain as to what action to take, you are advised to consult your attorney or other professional advisors.**
2. **You must complete and submit your Acceptance of Membership (Annexure A) at the Annual General Meeting so that we have all your details for the Members Register if you had not done so in the past.**
3. **Should you wish to nominate a Member to be appointed as a director of the Company, you must complete and submit your Nomination of Director (Annexure C) by no later than 13:00 on Wednesday the 23rd October 2019.**
4. **If you are unable to attend the Annual General Meeting to be held on Friday, 25th October 2019 at 13:00 at the Protea Hotel Stellenbosch, you should complete and return the attached Proxy Form (Annexure B) by no later than 13:00 on Wednesday the 23rd October 2019.**
5. **All forms are to be submitted for the attention of Thea Jordaan to the office of JPS Trust, situated at Valerida Center 210, Piet Retief Street, Stellenbosch, by hand, or by email to the following email address: thea@jpstrust.co.za.**

TECHSTELSRA NPC

Registration number 2015/259104/08
(Non Profit Company incorporated in terms of the Companies Act 2008)
("the Company")

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that an Annual General Meeting of Members of the Company will be held at Protea Hotel Stellenbosch at 13:00 on Friday the 25th October 2019 for the purpose of considering and, if deemed fit, of passing, with or without modification, the following resolutions –

1. Ordinary Resolution Number One

"IT WAS CONFIRMED THAT the registered owners of Property within the boundaries of the SRA are the Members of the Company in terms of paragraph 10.2.1 of the MOI of the Company."

(The Members Register will be made available within 14 days after the Annual General Meeting in order to confirm the Members of the Company in terms of paragraph 10.5 of the MOI)

2. Ordinary Resolution Number Two

"IT WAS RESOLVED THAT the Financial Statements for the financial Year July 2018 – June 2019 were noted."

3. Ordinary Resolution Number Three

"IT WAS RESOLVED THAT the following persons for whom nominations were received, be and are hereby elected and / or re-elected as directors of the Company."

(List of Nominated Directors will be made available at the Annual General Meeting)

4. Ordinary Resolution Number Four

"IT WAS RESOLVED THAT owners approve of the renewal of the SRA for another 5 year term and accept the budget as presented."

5. Ordinary Resolution Number Five

"IT WAS RESOLVED THAT owners approve of the new proposed Business Plan for the next 5 year term .

6. Ordinary Resolution Number Six

"IT WAS RESOLVED THAT owners approve of the written application to Council for exemption to comply to Chapter 1's provisions as per the By-Law

By order of the directors of TECHSTELSRA NPC.

Chairman: Francois Smuts
Date: 2nd October 2019

Registered office:
JPS TRUST
Valerida Center 210
Piet Retief Street,
Stellenbosch, 7600

Postal address
PO Box 3075
Matieland
7602

TECHSTELSRA NPC

Registration number 2015/259104/08
(Non Profit Company incorporated in terms of the Companies Act 2008)

("the Company")

AGENDA FOR ANNUAL GENERAL MEETING ON FRIDAY 25TH OCTOBER 2019 AT 13H00 AT THE PROTEA HOTEL, TECHNOPARK

- 1 Welcome and Apologies**
- 2 Ordinary Resolution One- Acceptance of Members**
- 3. Ordinary Resolution Two – Notice of the Audited Financial Statements**
- 4. Appointment of the Auditors for the ensuing financial Year**
- 5. Acceptance of the Chairman’s Report**
- 6. Ordinary Resolution Three– Election of Directors**
- 7. Ordinary Resolution Four - Approval of the New 5 Year Budget**
- 8. Ordinary Resolution Five - Approval of the New Business Plan for the term 2020 – 2025**
- 9. Ordinary Resolution Six – Approval for written application to Council for exemption to comply to Chapter 1’s provisions as per the By-Law**
- 10. General**

TECHSTELSRA NPC

Registration number 2015/259104/08

ACCEPTANCE MEMBERSHIP

A. Member Declaration

I,, registered owner of property situated within the boundaries of the special ratings area of TECHSTELSRA NPC, with property details below, hereby confirm that I am a member of the Company in terms of paragraph 10.2 of the Memorandum of Incorporation (MOI) of the Company.

I further confirm that I understand the objects of the Company as set out in paragraph 5 of the MOI of the Company, and that I accept and subscribe to those objects.

Signed: Date:
(To be signed by Member personally)

B. Details of Member and Property

1. Surname:
2. Full forenames:
3. Nationality:
4. Identity number:
5. Passport number, if not South African
6. Residential address:
7. Business address:
8. Postal address:
9. Occupation:
10. Property owned within the SRA:
11. Email address:

C: Proof of Ownership of Property and South African ID / Passport to be attached in support of application.

ANNEXURE B - PROXY APPOINTMENT FORM

"I/We _____

being a Member of TechstelSRA (NPC) do hereby appoint

or failing him/her

or failing him/her, the chairperson of the meeting as my/our proxy to vote or abstain from voting on my/our behalf at the meeting of the Company to be held aton and at any adjournment thereof as follows:-

	In favour of	Against	Abstain
Ordinary Resolution 1
Ordinary Resolution 2
Ordinary Resolution 3
Ordinary Resolution 4
Ordinary Resolution 5
Ordinary Resolution 6

(Indicate instruction to proxy by way of a cross in space provided above). Except as instructed above or if no instructions are inserted above, my/our proxy may vote as he/she thinks fit.

SIGNED this _____ day of _____ 2019

MEMBER'S SIGNATURE

(Note: A Member entitled to attend, speak and vote is entitled to appoint a proxy to attend, speak and vote in his/her stead, and such proxy need not be a Member of the Company)

TECHSTELSRA NPC

Registration number 2015/259104/08

DIRECTORS NOMINATION

C. Member Declaration

I,, registered owner of property situated within the boundaries of the special ratings area of TECHSTELSRA NPC, hereby nominate the following person with details below to be appointed as a director of the Company.

Signed:
(To be signed by Member personally)

Date:2019

D. Person Nominated to act as Director

Surname:

.....

Full forenames:

.....

Nomination accepted:

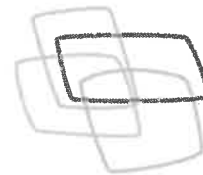
Email:

Cellphone nr. :



DRAFT

“C”



TECHNO
PARK

p/a JPS Trust
Valeridasentrum 210 Valerida Centre
Piet Retiefstraat · Street, Stellenbosch
Posbus · PO Box 3075, Matieland, 7602

TECHSTELSRA NPC
Reg No · 2015/259104/08
Tel · 021 887 2486, Fax · 021 883 9540
info@technopark.org.za · www.technopark.org.za

TECHSTELSRA NPC

Registration number 2015/259104/08
(Non Profit Company incorporated in terms of the Companies Act 2008)
("the Company")

MINUTES OF THE ANNUAL GENERAL MEETING OF THE MEMBERS OF TECHSTELSRA NPC WHICH WAS HELD ON 25 OCTOBER 2019 AT THE PROTEA HOTEL, STELLENBOSCH

1. INTRODUCTION AND WELCOME

All necessary information was provided to the members of the Company to enable them to make an informed decision at this Annual General Meeting.

The Chairman welcomed everybody present.

2. ATTENDANCE AND ACCEPTANCE OF MEMBERSHIP

For the benefit all attendees, The Chairman explained the membership and company structure:

- NPC incorporated i.t.o. Companies Act 2008
- Company pays no Income Tax
- Membership limited to property owners in TechstelSRA
- Must apply for membership in writing
- Only registered members may vote
- Members may appoint a proxy

The required notice had been given and meeting was duly constituted in terms of the Company's MOI (10% of the Members to be present in person or by proxy)

Members Registered by Acceptance of Membership - 186

- Proxies received 51 with Membership Acceptance
- Present in person 146 with Membership Acceptance

Ordinary Resolution Number ONE - Approved unanimously

"IT WAS CONFIRMED THAT the registered owners of Property within the boundaries of the SRA are the Members of the Company in terms of paragraph 10.2.1 of the MOI of the Company."

(The Members Register will be made available within 14 days after the Annual General Meeting in order to confirm the Members of the Company in terms of paragraph 10.5 of the MOI)

3. FINANCIAL REPORT

3.1 ACCEPTANCE OF THE FINANCIAL STATEMENTS

Highlights from the Annual financial Statements were presented by the chairman, Francois Smuts. It was made clear that the main source of income is levies.

Ordinary Resolution Number TWO - Approved unanimously

"IT WAS RESOLVED THAT the Annual Financial Statements for the year ended 30 June 2019 were noted."

3.2 BUDGET 2019/20

The Chairman provided an overview of the funding of the Company since inception, including the under recovery of levy income due to problems with inclusion of VAT in the original 5 year plan.

Details of the budgets of the various years were given.

	Year1	Year2	Year3	Year4	Year5
Marketing and communication	R134 800.00	R141 540.00	R148 617.00	R156 047.85	R163 850.24
Events	R20 407.50	R21 427.88	R22 499.27	R23 624.23	R24 805.44
Admin	R171 610.50	R180 191.03	R189 200.58	R198 660.61	R208 593.64
Business forum	R20 407.50	R21 427.88	R22 499.27	R23 624.23	R24 805.44
Future planning	R20 599.50	R21 629.48	R22 710.95	R23 846.50	R25 038.82
JPS	R156 000.00	R163 800.00	R171 990.00	R180 589.50	R189 618.98
Projects	R428 537.24	R449 964.10	R472 462.30	R496 085.42	R520 889.69
Parking and roads	R 100 000.00	R105 000.00	R110 250.00	R115 762.50	R121 550.63
Security	R 753 408.00	R828 748.80	R911 623.68	R1 002 786.05	R1 103 064.65
Maintenance & Garden	R 588 000.00	R617 400.00	R648 270.00	R680 683.50	R714 717.68
TOTAL (ex VAT)	R2 393 770.24	R2 551 129.15	R2 720 123.04	R2 901 710.38	R3 096 935.20
TOTAL (incl VAT)	R2 752 835.77	R2 933 798.52	R3 128 141.50	R3 336 966.94	R3 561 475.48

4. APPOINTMENT OF AUDITORS

"IT WAS RESOLVED THAT Smith & Associate Incorporated be appointed as auditors for the ensuing financial year."

5. ACCEPTANCE OF THE CHAIRMAN'S REPORT

The main focus areas of the TechstelSRA are:

- Public Safety and Roads
- Environmental Improvement and Aesthetics
- Social Responsibility and upliftment of communal areas
- Communication through website and Whatsup-group
- Security for all tenants in the park

BUSINESS FORUM

The Business Forum focused on strengthening relations with the Maties Alumni Office during 2019. We established a firm protocol for participation both ways in terms of:

- Opportunities for businesses to get involved in at the US
 - Company bursaries on offer
 - Fields of research offered at the US for companies to explore more fully
 - Business information sharing for teachings at the US
- Participation events advertised by the US
 - Ongoing event information
 - Launch lab initiative for new startups & hubs which act as community information portals across business communities in the Stellenbosch/Somerset West footprint (Bottelary, Technopark, Somerset West, Koelenhof, etc.)

Prof Piet Naude (Director: University of Stellenbosch Business School (USB)) opened this initiative at a breakfast meeting during April 2019.

MARKETING

In 2019 Techno Park continued with its predominantly digital approach to marketing and communications. Key platforms used include the Technopark Website, Facebook Page and Email Newsletter.

The Website, www.technopark.or.za, offers visitors access to information on Technopark. It hosts the business directory where tenants can advertise their location and services. It also is a platform for advertising along with Facebook.

Technopark posts daily on Facebook, focusing on work/business related themes such as security tips, health tips, work ethics, productivity hacks and motivational quotes. We also use the platform to share/promote services in the Park, distribute news articles that we write, as well as communicate important information. Finally Facebook is one platform for generating some advertising revenue along with the website.

AESTHETICS

We're fostering close collaboration with the Municipality to:

- Extend the newly built footpath along the entire course of Techno Avenue.
- The sourcing of more and bettered lighting for Technopark in general and to curb crime.
- A Labyrinth is planned for Technopark, that will be managed and financed by Heart Capital, and the green area for this is still to be determined by the municipality in collaboration with SRA board.

PARKING, TRAFFIC & ROADS

In discussion with the Stellenbosch Municipality the following has been done and are on the cards for the future of Technopark.

- The widening of the entrance is underway and aimed for completion any day now.
- The TechstelSRA has appointed Alan Manning and Gustav Bester (with Piet van Blerk in his capacity as consultant) to drive potential parking and access route solutions with the Stellenbosch Municipality and convert them to executable project plans.
- o The Technopark/Adam Tas link road, has been approved in principle and funding is available, providing somewhat of a guarantee for the construction thereof. The Municipality is in the process of appointing a consultant and the projected completion date will be towards the end of 2022.
- o Approximately 1 000 "illegally" parked vehicles need parking space due to the historical allocation of 3 parking bays per 100 sqm developed. A more realistic approach of 5 parking bays per 100 sqm developed property has now been instituted, but the change is a small adjustment a little too late. We are therefore working on feasible solutions with the Stellenbosch Municipality to alleviate this problem. The Municipality is looking at ways to relieve the entire town of its parking constraints and one such solution would be to build a large parking garage to service Stellenbosch town (as well as Technopark) inside of Technopark, with shuttles conveying workers to the center of town. This is a long term project and in the meanwhile we are identifying and formalizing municipal areas for property owners to develop parking garages at their own cost. We will be submitting a formal application to the Stellenbosch Municipality in this regard.

SECURITY

Crime through the country is on the increase and even though, our incident rates are still well below that of other suburbs and areas in Stellenbosch efforts were initiated to address this increase and to appoint a new preferred security provider to take over from Thorburn (who has been the preferred to Technopark since 2014). ABC security was selected at the end of 2018.

Having one preferred security provider throughout the Park will force that security company to take ownership, deliver exceptional service while keeping security costs for all businesses and owners as low as possible.

Initially it was envisioned to only lobby Technopark businesses so that they in turn could move their armed response, alarms and the rest of their security needs over to ABC, but due to the increase in security incidents, ABC's role expanded by the appointment of a nightshift armed response guard by the SRA. This guard would patrol the park on a motorcycle, meaning that, not only is he able to respond quicker to emergencies and alarms, but he is also able to drive/patrol in between buildings and in areas without formalized roads. The patrols were Monday to Friday from 18h00 to 06h00 and 24 hours over a Saturday and Sunday.

The need soon became apparent that the SRA needed to further increase the visibility of armed guarding in the park and the patrols were expanded to a permanent 24-hour guard as well as a second night guard operating between 18h00 to 06h00. An electric three-wheel scooter was brought in by ABC to assist during the night as it is quieter than the motorcycle and can patrol the park without creating unnecessary noise.

We have already seen success in that arrests have been made in conjunction with the SAPS.

Current businesses in the park need to understand that if they are **not** contracted with ABC Security, that there will be a long delay with these armed guards responding as there are simply no way for them to know when an alarm or panic button is activated and even should they respond or witness an incident, they do not have the authority to enter the premises of a business in the park if that business is not also contracted with ABC.

The SRA have also installed 10 cameras throughout Technopark and these are monitored by ABC Security at their control room. With the current roadworks project, we have however had to remove the LPR camera at the entrance to the park, but these and another two cameras will be reinstalled as soon as the new road upgrade is finished.

The WhatsApp group currently have over 60 members, the goal of this is to keep everyone up to date with incidents in Techno Park and reporting suspicious behavior/persons or vehicles. If you wish to be added to this group you can email your cell phone number to Deleur Stander, General Manager of the Protea Hotel by Marriott Stellenbosch. gm@phstellenbosch.com. Due to privacy concerns, no person will be added unless they communicated this via email and we also ask that content on the group not be share on social media.

Lighting – In conjunction with the municipality, lighting in Techno Park are still being upgraded. Road lights throughout Technopark have been upgraded to LED lighting which greatly improves the overall lighting in these areas. In addition to the three new streetlamps that have been added to the open area between Reutech and R&R, lighting have also been added along the route of the new footpath. The municipality has also been requested to provide additional lighting down the fence between Techno Park and the golf course; this has been approved but can only be completed when the current upgrading of Techno Avenue is completed. All the extra lighting will assist greatly in deterring criminal activity.

The security in Techno Park is the responsibility of every single person that works/visits the Park or that owns property in the Park and only if we work together, can we achieve a better level of safety and security. The following requests are made of all Techno Park parties:

- Everyone in Techno Park should adhere to the speed limit. This will prevent vehicle accidents, but also pedestrian safety as we have some companies that encourage their staff to do daily walks around the park.
- When driving keep valuables out of site to prevent smash and grab incidents, the same for leaving your car unattended.
- All businesses please make sure all outside lights are in working condition and switched on at night.
- Business owners to please, where possible, display emergency contact numbers outside their buildings as well as their contracted security companies' number in case of emergencies.
- Business owners to install, where possible, security cameras that feed into the ABC network for the Park to have as wide a surveillance footprint as possible.

GARDENS & COMMUNAL AREAS

After a few drought stricken years, it was with great relief and renewed energy that we started planting in Technopark again this year.

The most western dam in the Park was filled, as a part of the bigger Capitec building project. Soil excavated from their site was used to fill the dam. This area, together with a bigger part of the communal area on the western side of Techno Avenue, will be rehabilitated by the Capitec team to form a landscaped greenery with walkways and relaxation areas.

We allocated a large part of our budget to the rehabilitation of the remaining dam areas. The dams were cleaned of weeds and after adding compost, planted with plants that can flourish during wet and dry periods. We've noticed increased wildlife activity in frog and bird species and could hopefully see some fish too in the not too distant future.

Harvesting and storing water from buildings, for use during the dry season, is an ongoing project and building owners can expect a visit from appointed contractors in due course for participation in execution of this project. Harvested water will to be used for filling of dams and ongoing irrigation in the Park.

Other than the above mentioned, we continue to service the Park to the best of our available budget with the assistance of Langverwacht Landscaping, who do much of their work over weekends when they are able to access open areas, occupied by parked vehicles during the work day.

SPECIAL PROJECTS

- The zoning process is now 100% complete and has been lodged with the Stellenbosch Municipality for participation in the IDP. We'll be following up with them in the new year to assess where this process is.
- We've initiated the extension of our erected footpath from the entrance of Technopark with Municipal authorities.
- The Capitec project is ongoing and coordination with engineers as to the position and power supply of our entrance cameras is also enjoying attention as the entrance road nears completion

6. APPOINTMENT OF DIRECTORS

Ordinary Resolution Number **THREE- Approved unanimously**

"IT WAS RESOLVED THAT the following persons for whom nominations were received, be and are hereby elected and / or re-elected as directors of the Company.

In terms of the Company's Memorandum of Incorporation (MOI), the minimum number of directors are 6 (six), with the maximum number of directors being 10 (ten) but make provision for more, should the members so agree.

The current directors registered with the CIPC who will remain on as Directors are as follows:

1. BARBARA FASSLER
2. FRANCOIS SMUTS
3. JACOB JACOBUS CORNELIS PIETERSEN
4. ALAN GEOFF MANNING
7. DELEUR STANDER
8. ILZEMARIE KNOETZE
9. FREDERIK JAKOBUS ERASMUS
10. GUSTAV WILHELM BESTER

The following directors have been nominated and accepted to act as directors:

1. ERNST WOLFAARDT
2. ERIC LOUBSHER
3. JOHAN SCUTTE

The following directors have tendered their resignations and will not stand for re-election:

1. ANNA MARIA CLOETE
2. MARIE SCHUTTE

Management

It was noted that JPS Trust has been appointed as the managing agent of TechstelSRA.

7. APPROVAL OF THE NEW 5 YEAR BUDGET

Ordinary Resolution number FOUR - Approved unanimously

“IT WAS RESOLVED THAT the Budget for the next 5 year term (2020 to 2025) as presented be approved.”

	Year1	Year2	Year3	Year4	Year5
Marketing and communication	R134 800.00	R141 540.00	R148 617.00	R156 047.85	R163 850.24
Events	R20 407.50	R21 427.88	R22 499.27	R23 624.23	R24 805.44
Admin	R 171 610.50	R180 191.03	R189 200.58	R198 660.61	R208 593.64
Business forum	R20 407.50	R21 427.88	R22 499.27	R23 624.23	R24 805.44
Future planning	R20 599.50	R21 629.48	R22 710.95	R23 846.50	R25 038.82
JPS	R156 000.00	R163 800.00	R171 990.00	R180 589.50	R189 618.98
Projects	R428 537.24	R449 964.10	R472 462.30	R496 085.42	R520 889.69
Parking and roads	R 100 000.00	R105 000.00	R110 250.00	R115 762.50	R121 550.63
Security	R 753 408.00	R828 748.80	R911 623.68	R1 002 786.05	R1 103 064.65
Maintenance & Garden	R 588 000.00	R617 400.00	R648 270.00	R680 683.50	R714 717.68
TOTAL (ex VAT)	R2 393 770.24	R2 551 129.15	R2 720 123.04	R2 901 710.38	R3 096 935.20
TOTAL (incl VAT)	R2 752 835.77	R2 933 798.52	R3 128 141.50	R3 336 966.94	R3 561 475.48

8. PRESENTATION AND APPROVAL OF THE RENEWAL 5 YEAR BUSINESS PLAN

First 5 years was 1 July 2015 to 30 June 2020

The renewal application is for the term 1 July 2020 until 30th June 2025

Renewal Plan next 5 years was approved by TechstelSRA Board of Directors 16 October 2019

Requirements for a SRA Business Plan prescribed by Stellenbosch Municipality Special Rating Area By-Law:

- Background and Introduction
- Motivation
- Implementation Plan and Budget

Boundaries will remain exactly as in first Business Plan

Benefits to the owners, community and environment

- Improved property values,
- Improved investor confidence,
- Improved community atmosphere,
- Stakeholder collaboration,
- Capacity to investigate, document and deal with local problems affecting the area,
- Provide authority to engage with local municipality,
- A clear and dedicated plan, as well as budget to improve the local area,
- Improved accountability of performance, and development of the area.
- The SRA programme usually creates a positive sentiment, which attracts additional support and investment into the area.

APPROVAL OF THE NEW BUSINESS PLAN 2020 to 2025

Ordinary Resolution number FIVE - Approved unanimously

“IT WAS RESOLVED THAT the renewal of the Jonkershoek SRA for another 5 year term (2020 to 2025) and the Business Plan as presented for that term be approved.”

9. APPROVAL OF WRITTEN APPLICATION TO COUNCIL FOR THE RENEWAL TERM AND EXEMPTION FROM COMPLIANCE WITH PROVISIONS OF CHAPTER 1 OF THE MUNICIPALITY OF STELLENBOSCH SPECIAL RATINGS AREAS BY-LAW

Ordinary Resolution number SIX - Approved unanimously

“IT WAS RESOLVED THAT the submission of a written application to the Stellenbosch Town Council for the renewal of the TechstelSRA for another 5 year term and for exemption from compliance with certain of the provisions of Chapter 1 of the Stellenbosch Municipality By-Law, be approved.”

10. GENERAL

Driving in the Park: The standard of driving in the park has decreased. The double lanes will improve traffic flow. Employers are requested to ask their employees to stick to the traffic rules.

11. CONCLUSION

The Chairman thanked all the members for their attendance and support.

By order of the directors of TECHSTELSRSA NPC, Francois Smuts was re-appointed as Chairman and Jacques Pietersen as Vice-Chairman

Chairman: **Francois Smuts**
Date: 9 th January 2020

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