

CENTRAL KAROO DISTRICT MUNICIPALITY

DRAFT PREFERENTIAL PROCUREMENT POLICY

2025/2026

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1. Definitions

In this policy, unless the context indicates otherwise, any word or expression to which a meaning has been assigned in the Act must bear the meaning so assigned—

Acceptable Tender	mean any tender which, in all respects, complies with the specification and conditions of tender as set out in tender document
Black designated groups	has the meaning assigned to it in the codes of good practice issued in terms of section 9 (1) of the BBBEEA.
Black people	has the meaning assigned to it in section 1 of the BBBEEA.
Designated group	means black designated groups, black people, women, people with disabilities; or small enterprises which are enterprises, owned, managed, and controlled by previously disadvantaged persons and which is overcoming business impediments arising from the legacy of apartheid.
Disability	means in respect of a person, a permanent 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.
EME" means	(1) exempted micro enterprise in terms of a code of good practice on black economic empowerment issued in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the BBBEEA. (2) an entity with an annual turnover of R10 000 00.000 (ten million Rand) or less.
Historically disadvantaged individual (HDI)" means a South African citizen –	(1) who, due to the apartheid policy that had been in place, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No 110 of 1983); and / or (2) who is a female; and / or (3) who has a disability: Provided that a person who obtained South African citizenship on or after the coming into effect of the Interim Constitution, is deemed not to be an HDI.
highest acceptable tender	means a tender that complies with all specifications and conditions of tender and that has the highest price compared to other tenders;
lowest acceptable tender	means a tender that complies with all specifications and conditions of tender and that has lowest price compared to other tenders;
Locality	means the local suppliers and/or service providers that business offices are within the Municipal area.
Large Enterprises	is a company with an annual turnover in excess of R50 million.
Market Analysis	means a technique used to identify market characteristics for specific goods or services
Municipal Area	means the Beaufort West Municipality Municipal area
National Treasury	has the meaning assigned to it in section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999);
Objective Criteria	for the purpose of section 2(1)f of the procurement Act must be criteria other than the additional to criteria relating to equity

	ownership by HDI's or whether or not a bidder was located in a particular province or municipal area
Price	means an amount of money tendered for goods or services, and includes all applicable taxes less all unconditional discounts;
Proof of B-BBEE status level of contributor	means the B-BBEE status level certificate issued by an authorized body or person 1) a sworn affidavit as prescribed by the B-BBEE Codes of Good Practice; or 2) any other requirement prescribed in terms of the Broad-Based Black Economic Empowerment Act.
Qualifying Small Enterprise (QSE)	is a company with a turnover between R10 million and R50 million
Rand value	means the total estimated value of a contract in Rand, calculated at the time of the tender invitation;
Region	means the Central Karoo district
Rural area means	1) a separately populated area in which people farm or depend on natural resources, including villages and small towns that are dispersed through the area; or 2) an area including a large settlement which depends on migratory labour and remittances and government social grants for survival and may have a traditional land tenure system.
Specific goals	means specific goals as contemplated in section 2(1)(d) of the Act which may include contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender and disability including the implementation of programmes of the Reconstruction and Development Programme as published in Government Gazette No. 16085 dated 23 November 1994;
SMME	means small, medium and micro enterprises namely Exempted Micro Enterprises and Qualifying Small Enterprises
Tender	means a written offer in the form determined by a Municipality in response to an invitation to provide goods or services through price quotations, competitive tendering process or any other method envisaged in legislation;
Tender for income-generating contracts	means a written offer in the form determined by an organ of state in response to an invitation for the origination of Page 290 income-generating contracts through any method envisaged in legislation that will result in a legal agreement between the organ of state and a third party that produces revenue for the organ of state, and includes, but is not limited to, leasing and disposal of assets and concession contracts, excluding direct sales and disposal of assets through public auctions;
The Act	means the Preferential Procurement Policy Act, 2000 (Act No. 5 of 2000).
Youth	has the meaning assigned to it in section 1 of the National Youth Development Agency Act, 2008 (Act No. 54 of 2008).

2. INTRODUCTION

The Constitution of the Republic of South Africa, 1996, provides in sections 152(1)(c) and 152(2) that local government must promote social and economic development and that the municipality must strive within its financial and administrative capacity, to achieve the objects set out in subsection 152(1).

The Constitution provides in section 217 that an organ of state must contract for goods or services in accordance with a procurement system which is fair, equitable, transparent, competitive, and cost effective and to implement a policy to grant preferences within a framework prescribed by National Legislation.

The Broad-Based Black Economic Empowerment Act, 2003 requires: " (1) Every organ of state and public entity must apply any relevant code of good practice issued in terms of this Act in (b) developing and implementing a preferential procurement policy.

The Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)- [PPPFA] was promulgated by the Minister in response to the Constitutional provision and allow for a Municipality to develop a preferential procurement policy and to implement such policy within the PPPFA framework.

Section 2 (1) (d) (i) and (ii) of the Preferential Procurement Policy Framework Act, 2000 refers to specific goals which may include:

- (i) contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender or disability;
- (ii) (ii) implementing the programmes of the Reconstruction and Development Programme (RDP) as published in Government Gazette 16085 dated 23 November 1994.

The RDP (1994), as basis for development in South Africa, was meant to provide a holistic, integrated, coherent socio-economic policy that is aimed at mobilising people and resources to work towards the upliftment of the material and social conditions of local communities to build sustainable livelihoods for these communities.

In terms of Section 2 (1)(d)(ii), the following activities may be regarded as a contribution towards achieving the goals of the RDP, in addition to the awarding of preference points in favour of HDIs (published in Government Gazette No. 16085 dated 23 November 1994):

- (i) The promotion of South African owned enterprises; Page 291
- (ii) The promotion of export orientated production to create jobs;
- (iii) The promotion of SMMEs;
- (iv) The creation of new jobs or the intensification of labour absorption;
- (v) The promotion of enterprises located in a specific province for work to be done or services to be rendered in that province;
- (vi) The promotion of enterprises located in a specific region for work to be done or services to be rendered in that region;
- (vii) The promotion of enterprises located in a specific municipal area for work to be done or services to be rendered in that municipal area;
- (viii) The promotion of enterprises located in rural areas;
- (ix) The empowerment of the work force by standardising the level of skill and knowledge of workers;

- (x) The development of human resources, including by assisting in tertiary and other advanced training programmes, in line with key indicators such as percentage of wage bill spent on education and training and improvement of management skills; and
- (xi) The upliftment of communities through, but not limited to, housing, transport, schools, infrastructure donations, and charity organisations.

3. PURPOSE, AND OBJECTIVES

a) The purpose of this policy is to:

- i) Provide for categories of preference in awarding of bids;
- ii) Provide for the advancement of persons or categories of persons disadvantaged by unfair discrimination; and
- iii) Clarify the mechanisms how the above items in par 1.1 (a) (i) and (ii) will be implemented.

b) Objectives

- a) Promote Black-Based Black Economic Empowerment (B-BBEE) - enterprises providing services and goods.
- b) Promote Small Medium and Micro Enterprises (SMME's), Joint Ventures, Consortiums, and partnerships in the municipal area.
- c) Implement recognised best procurement practises through effective planning, strategic purchasing, and contract management.

The policy rests upon certain core principles of behaviour as set out in the Constitution and ratified by the Constitutional Certification Judgements. In this context, the policy will be applied in accordance with a system, which is fair, equitable, transparent, competitive, and cost-effective in terms of Section 217 of the Constitution.

This policy strives to ensure that the objectives for uniformity in the supply chain management systems between Municipalities/Municipal entities, is not undermined and that consistency with the SCM and LED policies in line with sections 152(1)(c) and 152(2).

4. APPLICATION OF PREFERENCE POINT SYSTEM

4.1 The Municipality will, in the tender documents, stipulate —

- (a) the preference point system applicable; and
- (b) any specific goal as envisaged in section 2(1)(d) and (e) of the Preferential Procurement Act.

4.2 If it is unclear whether the 80/20 or 90/10 preference point system applies—

- (a) an invitation for tender for income-generating contracts, that either the 80/20 or 90/10 preference point system will apply and that the highest

- acceptable tender will be used to determine the applicable preference point system; or
- (b) any other invitation for tender, that either the 80/20 or 90/10 preference point system will apply and that the lowest acceptable tender will be used to determine the applicable preference point system.

5. 80/20 preference point system for acquisition of goods or services with Rand value equal to or below R50 million

- 5.1 The following formula must be used to calculate the points out of 80 for price in respect of a tender with a Rand value equal to or below R50 million, inclusive of all applicable taxes:

$$P_s = 80 \left(1 - \frac{P_t - P_{\min}}{P_{\min}} \right)$$

Where-

P_s = Points scored for price of tender under consideration;
 P_t = Price of tender under consideration; and
 P_{\min} = Price of lowest acceptable tender.

- 5.2 A maximum of 20 points may be awarded to a tenderer for the specified goals for the tender.
- 5.3 The points scored for the specific goal must be added to the points scored for the price and the total must be rounded off to the nearest two decimal places.
- 5.4 Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

6. 90/10 preference point system for acquisition of goods or services with Rand value above R50 million

- 6.1 The following formula must be used to calculate the points out 90 for price in respect of a tender with a Rand value above R50 million, inclusive of all applicable taxes:

$$P_s = 90 \left(1 - \frac{P_t - P_{\min}}{P_{\min}} \right)$$

Where

P_s = Points scored for price of tender under consideration;
 P_t = Price of tender under consideration; and
 P_{\min} = Price of lowest acceptable tender.

- 6.2 A maximum of 10 points may be awarded to a tenderer for the specified goals for the tender.
- 6.3 The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.
- 6.4 Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

7. 80/20 preference points system for tenders to for income-generating contracts with Rand value equal to or below R50 million

- 7.1 The following formula must be used to calculate the points for price in respect of an invitation for tender for income-generating contracts, with a Rand value equal to or below R50 million, inclusive of all applicable taxes:

$$Ps = 80 \left(1 + \frac{Pt - Pmax}{Pmax} \right)$$

Where-

Ps = Points scored for price of tender under consideration;

Pt = Price of tender under consideration; and

Pmax = Price of highest acceptable tender.

- 7.2 A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender.
- 7.3 The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.
- 7.4 Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

8. 90/10 preference point system for tenders for income-generating contracts with Rand value above R50 million

- 8.1 The following formula must be used to calculate the points for price in respect of a tender for income-generating contracts, with a Rand value above R50 million inclusive of all applicable taxes:

$$Ps = 90 \left(1 + \frac{Pt - Pmax}{Pmax} \right)$$

Where-

Ps = Points scored for price of tender under consideration;

Pt = Price of tender under consideration; and

Pmax = Price of highest acceptable tender.

8.2 A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender.

8.3 The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places. 8.4 Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

9. Specified contract participation goals

- 9.1 The tendering conditions will stipulate the specific goals, as contemplated in section 2(1)(d)(ii) of the Preferential Procurement Act, be attained.
- 9.2 A maximum of 20 points (80/20 preference points system) or 10 (90/10) preference points system), must be allocated for specific goals. These goals are:
- (a) contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender or disability;
 - (b) local labour and / or promotion of enterprises located in the municipal area (phased in approach to be applied for other RDP goals)
- 9.3 Regarding par 9.2 (a) at least 50% of the 20/10 points must be allocated to promote this goal and points will be allocated in terms of the BBBEE scorecard as follows.

B-BBEE Status Level of Contributor	Number of points (80/20 system)	Number of points (90/10 system)
1	20	10
2	18	9
3	14	6
4	12	5
5	8	4
6	6	3

7	4	2
8	2	1
Non-compliant contributor	0	0

- 9.4 A tenderer must submit proof of its BBBEE status level contributor.
- 9.5 A tenderer failing to submit proof of BBBEE status level of contributor –
- 9.5.1 may only score in terms of the 80/90-point formula for price; and
- 9.5.2 scores 0 points out of 10/5 BBBEE status level of contributor, which is in line with section 2 (1) (d) (i) of the Act, where the supplier or service provider did not provide proof thereof.
- 9.6 Regarding par 9.2(b) a maximum of 50% of the 20/10 points must be allocated to promote this goal. Points will be allocated as follows.

Locality of supplier / Local Labour	Points for 80/20 preference points system	Points for 90/10 preference points system
Within the boundaries/jurisdiction of the municipality	10	5
Outside municipal boundaries, but within boundaries of the Central Karoo District	8	4
Outside municipal and district boundaries, but within the Western Cape Province	6	3
Outside of the Western Cape Province	0	0

- 9.7 The policy should not include Pre-qualification goals.
- 9.8 Any specific goal for which a point may be awarded, must be clearly specified in the invitation to submit a tender.
- 9.9 A tenderer failing to submit proof of required evidence to claim preferences for other specified goals, which is in line with section 2 (1) (d) (ii) of the Act:
- (i) may only score in terms of the 80/90-point formula for price; and
- (ii) scores 0 points out of 10/5 of the relevant specific goals where the supplier or service provider did not stipulate.
- 9.10 The preference points scored by a tenderer must be added to the points scored for price.
- 9.11 The points scored must be rounded off to the nearest two decimal places.

- 9.12 The contract must be awarded to the tenderer scoring the highest procurement points.

10. Application of Specified contract participation goals in Various thresholds

- 10.1 The preference point scoring system will be applicable for all procurement in excess of. R 2 000.00
- 10.2 If the specific goal of locality is identified for a specific procurement, the delegated official/committee must approve the specific goal (locality), and the point scoring must be specifically indicated in the invitation to tender and scored accordingly.
- 10.3 If the specific goal of locality is not identified for a specific procurement, the maximum points for the specified goals for the tender must be allocated to BBBEE points.

11. Criteria for breaking deadlock in scoring

- 11.1 If two or more tenderers score an equal total number of points, the contract must be awarded to the tenderer that scored the highest points for specific goals.
- 11.2 If two or more tenderers score an equal total number of points, the objective criteria in addition to those contemplated in paragraphs (d) and (e) justify the award to the tenderer that scored the highest points in terms in accordance with section 2(1)(f) of the Act.
- 11.3 If two or more tenderers score equal total points in all respects, the award must be decided by the drawing of lots.

12. Award of contracts to tenderers not scoring highest points

- 12.1 A contract may be awarded to a tenderer that did not score the highest points only in accordance with section 2(1)(f) of the Act.

13. Remedies

- 13.1 If a Municipality is of the view that a tenderer submitted false information regarding a specific goal, it must—
- a) inform the tenderer; accordingly, and
 - b) give the tenderer an opportunity to make representations within 14 days as to why the tender may not be disqualified or, if the tender has already been awarded to the tenderer, the contract should not be terminated in whole or in part—
- 13.2 After considering the representations referred to in par 13 (1)(b), the Municipality may—

- (a) if it concludes that such false information was submitted by the tenderer—
 - (i) disqualify the tenderer or terminate the contract in whole or in part; and
 - (ii) if applicable, claim damages from the tenderer;

14. Performance Management

The specific goals achieved through the application of the Preferential Procurement Framework Act, 2000 will be monitored in terms of the elements embedded in the Supply Chain Management Policy.

15. Reporting

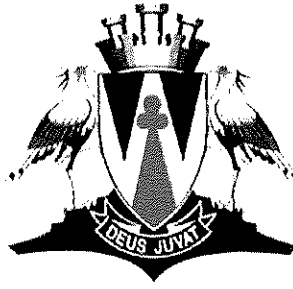
The Accounting Officer must align its reporting requirements to the Council as per SCM Regulation 6 to also report on progress with the implementation of this Policy

16. Repeal of regulations

- ~~16.1 Subject to this regulation, the Preferential Procurement Regulations, 2017 published in Government No. 40553 of 20 January 2017, are hereby repealed with effect from the date referred to in sub-section 17.~~
- ~~16.2 Any tender advertised before the date referred to in subsection 17 must be dealt with in terms of the Preferential Procurement Regulations, 2017.~~

17. Short title and commencement

The Central Karoo District Municipality Preferential Procurement Policy, 2025–2026, will take effect on 01 July 2024.



CENTRAL KAROO DISTRICT MUNICIPALITY

TARIFF POLICY

2025/2026

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1. INTRODUCTION

- 1.1 A tariff policy must be compiled, adopted and implemented in terms current legislation. This Policy will focus on the levying of fees and for municipal services provided by the Municipality itself or by way of service delivery agreements. In setting its annual tariffs the council shall at all times take due cognisance of the tariffs applicable elsewhere in the economic region, and also of the impact its own tariffs may have on local economic development. Stakeholder consultation and engagement is imperative in determining tariffs.

2. LEGISLATION

- 2.1 Local Government: Municipal Finance Management Act, 56 of 2003;
2.2 Local Government: Municipal Systems Act, 32 of 2000.

3. OBJECTIVES

- 3.1 The objectives of the tariff policy are to ensure the following:
- 3.1.1 The tariffs of the Municipality conform to acceptable policy principles;
 - 3.1.2 Municipal services are financially sustainable;
 - 3.1.3 That there is certainty in the Council, of how the tariffs will be determined;
 - 3.1.4 Tariffs of the Municipality comply with the applicable legislation.

4. POLICY PRINCIPLES

The Municipality's tariff policy will reflect the following principles:

- 4.1 Although users of municipal services should be treated equitably in the application of tariffs, tariffs may differentiate between different categories of consumers, municipal services and service standards as long as such differentiation does not amount to unfair discrimination.
- 4.2 The amount individual users pay for services should generally be in proportion of their use of that service.

4.3 Tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidisation from sources other than the service concerned. 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.

4.4 Provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users.

5. NEED FOR A TARIFF POLICY

5.1 Revenue Adequacy and Certainty:

5.1 The Municipality must have access to adequate sources of revenue to enable it to carry out its functions. The Municipality must:

5.1.1.1 Fully utilize the available sources of revenue to meet its development objectives; and

5.1.1.2 Be reasonably certain of its revenue to allow for realistic planning.

5.2 Sustainability:

5.2.1 Financial sustainability requires that the Municipality must ensure that:

5.2.1.1 Services are provided at affordable levels; and

5.2.1.2 It is able to recover the costs of service delivery.

5.3 Effective and Efficient Usage of Resources:

5.3.1 Resources are scarce and must be used in the best possible way to reap the maximum benefit for the community.

5.4 Accountability, Transparency and Good Governance:

5.4.1 The Municipality must be accountable to the community for the use of its resources, Councillors must be able to:

5.4.1.1 Justify their expenditure decisions; and

5.4.1.2 Explain why and how the revenue necessary to sustain expenditure, is raised.

5.5 Budgeting and the Financial Affairs:

5.5.1 Must be open to public scrutiny, in accordance with Section 22 of the Municipal Finance Management Act No 53 of 2003. The community should be part of the decision-making process about how revenue is raised and spent.

5.6 Equity and Redistribution:

5.6.1 The Municipality must treat members of the community equitably with regard to the provision of services.

6. IMPLEMENTATION OF POLICY

6.1 Affordable Tariffs:

6.1.1 The Council is aware of the financial situation of most residents within the municipal area and need to keep tariffs at affordable levels. In order to ensure that tariffs remain affordable, the Council will ensure that:

6.1.1.1 Services are delivered at an appropriate level; and

6.1.1.2 Efficiency improvements are actively pursued across the Municipalities' operations.

6.2 Tariff Equality for Services:

6.2.1 The Council believes that all residents must pay the same tariff for the same level and quality of service.

6.2.2 The Municipality, like any other business enterprise is subject to continuous price increases in the goods, materials and other resources that it uses to perform its functions.

6.2.3 Consequently, it is the policy of the Council:

6.2.3.1 That tariffs for service and property rates will be reviewed at least once during every financial year;

6.2.3.2 That the tariff increases must be in line with increases in the price of goods, material and other resources acquired and used by the Municipality to perform its functions; and

6.2.3.3 Further the tariff for a particular service must be calculated in such a way that all relevant costs are covered. This means that a tariff for a service must include at least the capital expenditure required and interest thereon, the cost of managing and operating the service and the cost of maintaining, repairing and replacing the physical assets used in its provision.

6.3 Payment of Services Rendered:

6.3.1 Consumers of services must pay for the amount of services that they use.

6.4 Local Economic Development and Competitiveness:

6.4.1 The Council will take care that the service charges presented to consumers are fair. To ensure fairness toward consumers, the Council will, when it determines tariffs, take into account the desire:

6.4.1.1 To promote local economic competitiveness, and

6.4.1.2 To promote local economic development and growth.

6.4.2 The Municipality must ensure that the services that it provides must be sustainable.

6.4.3 Financial sustainability of an enterprise will be achieved when it is financed in a manner that ensures that its financing is sufficient.

6.5 Tariff Determination:

- 6.5.1 Tariffs represent the charges levied by Council on consumers for the utilization of services provided by the Municipality. Tariffs may be calculated in various different ways, dependent upon the nature of the service being provided. Tariffs may be set in such a manner so as to recover the full cost of the service being provided or recover a portion of those costs, or to bring about a surplus that can be utilized to subsidise other non-economical services. Proposed tariffs will be presented to the community during the Council's consultations about the budget.

7. SOURCES OF REVENUE

The Municipality may impose:

- 7.1 If authorised by National legislation, other taxes, levies and duties appropriate to Local Government, but it may not impose income tax, value-added tax or customs duty.
- 7.2 May not be exercised in a way that materially and unreasonably prejudices national economic policies, economic activities across municipal boundaries, or the national mobility of goods, services, capital or labour; and may be regulated by national legislation.
- 7.3 The Council may finance the affairs of the Municipality by:
- 7.3.1 Charging fees for services;
 - 7.3.2 The revenue of the Municipality consists of the taxes, fees, charges, fines and other sums imposed or recoverable by or payable to the Council under any law; and
 - 7.3.3 Any fine imposed or money treated as bail in respect of any offence under the ordinance or a bylaw made by the Council, must be paid to the Municipality.

8. TARIFF STRATEGY

8.1 The Council's strategy is to recover the full financial cost of rendering the services required by the community from the community, including the cost of capital:

8.1.1 The starting point to recover cost is the determination of service levels. These shall be based on basic human needs;

8.1.2 The second point will be to ensure a sustainable service delivery based on the set service level; and

8.1.3 The third point will be the upgrade of services to higher levels in accordance with the affordability of the community and the ability to render the upgraded services in a sustainable manner.

9. CATEGORIES OF USERS

9.1 The tariff structure of the Central Karoo District Municipality will make provision for the following categories of users:

9.1.1 Domestic;

9.1.2 Commercial;

9.1.3 Industrial;

9.1.4 Agricultural;

9.1.5 Rural;

9.1.6 Municipal Services; and

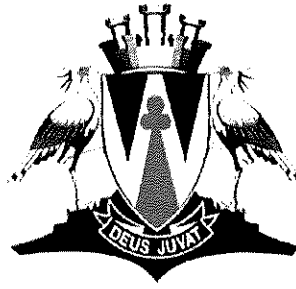
9.1.7 Special agreements for users not falling in any of the above-mentioned categories.

10. TARIFF CHARGES

10.1 All tariffs will be charged as set out in the tariff list as approved within the budget of each year.

11. RESPONSIBILITY / ACCOUNTABILITY

- 11.1 The Council or designates of the Council have the overall responsibility of laying down the Tariff Policy. The Municipal Finance Management Act defines the responsibility of the Municipal Manager as ensuring that the Tariff Policy be in place and that it is effectively implemented.



CENTRAL KAROO DISTRICT MUNICIPALITY

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE POLICY

2025/2026

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1. INTRODUCTION

- 1.1 At its broadest level, the Municipal Finance Management Act endeavours "to secure sound and sustainable management of the fiscal and financial affairs of municipalities and municipal entities by establishing norms and standards and other requirements."
- 1.2 Chapter 8 of the Municipal Finance Management Act places the onus on each employee within the Municipality to take responsibility for the effective, efficient, economical and transparent use of financial and other resources within that employee's area of responsibility. More specifically, the employee must take effective and appropriate steps to prevent, within that employee's area of responsibility, any Unauthorised, Irregular, Fruitless and Wasteful Expenditure and any under-collection of revenue due.

2. OBJECTIVE

- 2.1 The objective of this policy is to clearly define the responsibilities of the Central Karoo District Municipality in terms of the Municipal Finance Management Act with respect to Unauthorised, Irregular, Fruitless and Wasteful Expenditure. This document addresses the following areas:
- 2.1.1 The definition of Unauthorised, Irregular, Fruitless and Wasteful expenditure in terms of the Municipal Finance Management Act; and
- 2.1.2 The roles and responsibilities of the Accounting Officer, management and other officials of the Municipality with respect to the prevention, identification, reporting, recovery, write-off or approval, and disclosure in the Annual Financial Statements of Unauthorised, Irregular, Fruitless and Wasteful Expenditure.

3. TERMINOLOGY AND DEFINITIONS

3.1 In this Policy, unless the context indicates otherwise, a word or expression to which a meaning has been assigned has the same meaning, and -

“Allocation” in relation to a municipality, means —

- (a) A municipality's share of the local government's equitable share referred to in section 214 (1) (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.

“Fruitless and Wasteful Expenditure” means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

“Irregular Expenditure” in relation to a municipality or municipal entity, means —

- (a) Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Finance Management Act, and which has not been condoned in terms of section 170;
- (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;

- (c) Expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) 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"

"Municipality" The Central Karoo District Municipality.

"Unauthorised Expenditure" in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act, 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 Municipal Finance Management Act.

“Vote” means:

- (a) One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- (b) Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

4. SCOPE OF APPLICATION

4.1 This policy is applicable to all employees of the Municipality, whether full-time or part-time and includes: Council, Accounting Officer, Chief Financial Officer, Senior Manager's, Officials and all other employees. Their responsibilities include:

- 4.1.1 Identifying the identity of the person who is liable for Unauthorised, Irregular or Fruitless and Wasteful Expenditure;
- 4.1.2 Deciding on how to recover Unauthorised, Irregular or Fruitless and Wasteful Expenditure from the person liable for that expenditure; and
- 4.1.3 Determining the amount of Unauthorised, Irregular or Fruitless and Wasteful Expenditure to be recovered, written off or provided for.

5. GOVERNING PRESCRIPTS

5.1 This Policy has been formulated in terms of the Municipal Finance Management Act, 2003 (Act 56 of 2003).

5.2 This policy will be implemented within the legal framework of the relevant National Legislation outlined hereunder:

- 5.2.1 Treasury regulations GNR.225 of 15 March 2005: Amendment of Treasury Regulations in terms of Section 76;
- 5.2.2 The Municipal Finance Management Act, 2003 (Act 56 of 2003) Sections 32, 62, 78, 95, 102, 105, 125, 171, 172 and 173.

6. GUIDING PRINCIPLES

6.1 This policy supports the following principles:

- 6.1.1 To secure the sound and sustainable management of the financial affairs of municipalities and other institutions in the local sphere of government;
- 6.1.2 To establish treasury norms and standards for the local sphere of government;
- 6.1.3 Ensuring transparency, accountability and appropriate lines of responsibility in the fiscal and financial affairs of municipalities and municipal entities;
- 6.1.4 The management of the municipality's revenues, expenditures, assets and liabilities and the handling of their financial dealings.

6.2 Section 32(2) and Section 32(3)-(7) of the Municipal Finance Management Act identifies the following responsibilities with respect to the Municipality and Accounting Officer:

6.2.1 A municipality must recover Unauthorised, Irregular or Fruitless and Wasteful Expenditure from the person liable for that expenditure, unless the expenditure:

- In the case of ***Unauthorised Expenditure***, is:
 - ❖ authorised in an adjustments budget; or
 - ❖ certified by the Municipal Council, after investigation by a Council Committee, as irrecoverable and written off by the Council.
- In the case of ***Irregular or Fruitless and Wasteful Expenditure***, is:
 - ❖ after investigation by a Council Committee, certified by the Council as irrecoverable and written off by the Council.

6.2.2 If the Accounting Officer becomes aware that the Council, the Executive Mayor or the Executive Committee of the Municipality, as the case may be, has taken a decision which, if implemented, is likely to result in Unauthorised, Irregular or Fruitless and Wasteful Expenditure, the Accounting Officer is not liable for any ensuing Unauthorised, Irregular or Fruitless and Wasteful Expenditure provided that the Accounting Officer has informed the Council, the Executive Mayor or the Executive Committee, in writing, that the expenditure is likely to be Unauthorised, Irregular or Fruitless and Wasteful Expenditure.

6.2.3 The Accounting Officer must promptly inform the Executive Mayor, the MEC for Local Government in the province and the Auditor-General, in writing, of:

6.2.3.1 any Unauthorised, Irregular or Fruitless and Wasteful Expenditure incurred by the Municipality;

6.2.3.2 whether any person is responsible or under investigation for such Unauthorised, Irregular or Fruitless and Wasteful Expenditure; and

6.2.3.3 the steps that have been taken:

- to recover or rectify such expenditure; and
- to prevent a recurrence of such expenditure.

6.2.4 The writing off in terms of subsection (2) of any Unauthorised, Irregular or Fruitless and Wasteful Expenditure as irrecoverable is no excuse in criminal or disciplinary proceedings against a person charged with the commission of an offence or a breach of the Municipal Finance Management Act relating to such Unauthorised, Irregular or Fruitless and Wasteful Expenditure. The Accounting Officer must report to the South African Police Service all cases of alleged:

6.2.4.1 Irregular Expenditure that constitutes a criminal offence; and

6.2.4.2 theft and fraud that occurred in the Municipality.

6.2.5 The Council of a municipality must take all reasonable steps to ensure that all cases referred to in subsection (6) are reported to the South African Police Service if:

6.2.5.1 the charge is against the Accounting Officer; or

6.2.5.2 the Accounting Officer fails to comply with that subsection.

6.3 In terms of Section 62(1)(a)-(e) of the Municipal Finance Management Act, the Accounting Officer is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure:

6.3.1 that the resources of the Municipality are used effectively, efficiently and economically;

6.3.2 that full and proper records of the financial affairs of the Municipality are kept in accordance with any prescribed norms and standards;

6.3.3 that the Municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control; and of internal audit operating in accordance with any prescribed norms and standards;

6.3.4 that Unauthorised, Irregular or Fruitless and Wasteful Expenditure and other losses are prevented;

6.3.5 that disciplinary or, when appropriate, criminal proceedings are instituted against any official of the Municipality who has allegedly committed an act of financial misconduct or an offence in terms of Chapter 15 of the Municipal Finance Management Act.

6.4 In terms of Section 78(a)-(c) of the Municipal Finance Management Act, the Senior Management of a municipality and each official of a municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure:

6.4.1 that the system of financial management and internal control established for the Municipality is carried out diligently;

6.4.2 that the financial and other resources of the Municipality are utilised effectively, efficiently, economically and transparently;

6.4.3 that any Unauthorised, Irregular or Fruitless and Wasteful Expenditure and any other losses are prevented.

6.5 In terms of the reporting responsibilities of the Accounting Officer, Section 125(2)(d) and (e) of the Municipal Finance Management Act, the notes to the Annual Financial Statements of a municipality or municipal entity must disclose the following information: Particulars of:

6.5.1 any material losses and any Irregular or Fruitless and Wasteful Expenditure, including in the case of a municipality, any Unauthorised Expenditure, that occurred during the financial year, and whether these are recoverable;

6.5.2 any criminal or disciplinary steps taken as a result of such losses or such Unauthorised, Irregular or Fruitless and Wasteful Expenditures;

6.5.3 any material losses recovered or written off;

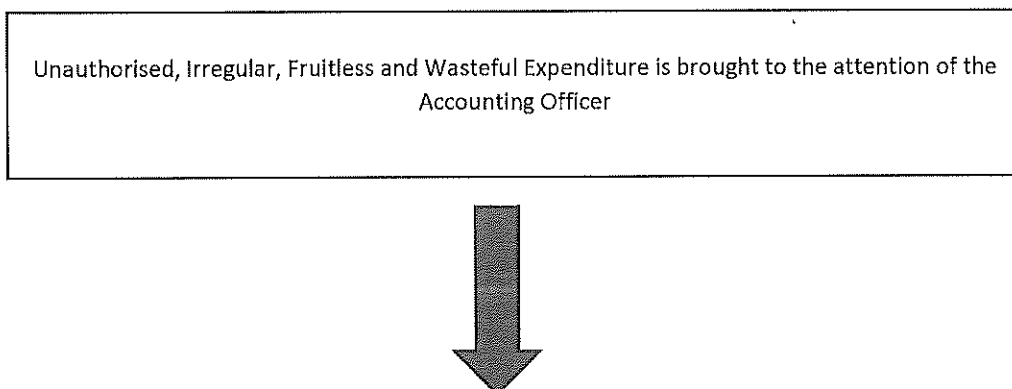
6.5.4 particulars of non-compliance with the Municipal Finance Management Act; and

6.5.5 any other matters that may be prescribed.

7. PROCEDURES

7.1 REPORTING REQUIREMENTS:

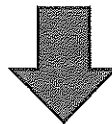
Guidance on the reporting requirements of Unauthorised, Irregular, Fruitless and Wasteful Expenditure are set out in the following diagram:



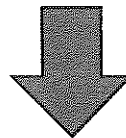
The Accounting Officer must immediately report in writing in terms of Section 32(4)(a) and (b) of the MFMA, to the Executive Mayor, MEC for Local Government in the province and the Auditor-General



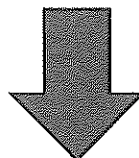
The Accounting Officer must in terms of Section 32(4)(c)(i)(ii) of the MFMA, implement steps to rectify or recover such expenditure and to prevent a recurrence of such expenditure



The Accounting Officer must in terms of Section 32(6)(a) and (b) of the MFMA, report to the South African Police Services all cases of alleged Irregular Expenditure that constitute a criminal offence and theft and fraud that occurred in the Municipality.

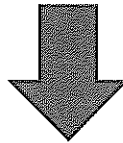


The Accounting Officer tables Unauthorised, Irregular, Fruitless and Wasteful Expenditure before the Council.



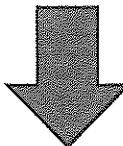
Council has the following responsibilities in terms of Section 32(2)(a)(i)(ii) of the MFMA:

1. Authorise the expenditure in the adjustments budget, or subsequently condone the expenditure incurred.
2. Certify after investigation by a Council Committee that the expenditure is irrecoverable and approve the write off by the Council.
3. Recommend the recovery of the expenditure from the responsible person.



If Unauthorised, Irregular, Fruitless and Wasteful Expenditure is not condoned the Accounting Officer must:

1. Take appropriate disciplinary steps as required in Section 62(e) of the MFMA;
2. Recover the amount.



Unauthorised, Irregular, Fruitless and Wasteful Expenditure must be reported in the annual report (as a note to the annual financial statements) in terms of Section 125(2)(d)(i)-(iii) of the MFMA.

7.2 ACCOUNTING TREATMENT and DISCLOSURE:

7.2.1 Accounting Policies:

7.2.1.1 REVENUE RECOGNITION

- If the amounts recovered as a result of Unauthorised, Irregular, Fruitless and Wasteful Expenditure are material, a revenue recognition will be required in the Annual Financial Statements' Accounting Policy.
- The accounting policy for revenue recognition should include the following:
 - * Revenue from non-exchange transactions;
 - * Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures including those set out in the Municipal Finance Management Act (Act no.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

7.2.1.2 Mandatory accounting policy notes required in the Annual Financial Statements:

- The inclusion of the following accounting policy notes is mandatory. The accounting policy notes should read as follows:

UNAUTHORISED EXPENDITURE:

Unauthorised Expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of

a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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 Municipality's Supply Chain Management Policy. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

FRUITLESS AND WASTEFUL EXPENDITURE:

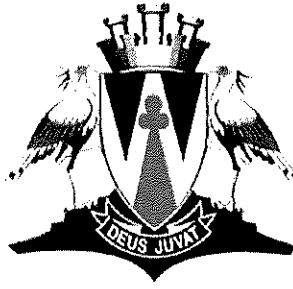
Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and Wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

UNAUTHORISED, FRUITLESS AND WASTEFUL
EXPENDITURE DISALLOWED (Referenced to the
applicable number in the notes to the Annual Financial
Statements):

The reconciliations of unauthorised expenditure as well as fruitless and wasteful expenditure disallowed, together with the explanatory information set out in the note to the annual financial statements are in terms of Section 125(2)(d) of the Municipal Finance Management Act.

8. MANAGEMENT REPORTING

- 8.1 Management information concerning the status of the disciplinary steps and or criminal proceedings instituted with respect to all Unauthorised, Irregular, Fruitless and Wasteful Expenditure incurred by the Municipality shall be provided to the Chief Financial Officer on a monthly basis. The information should preferably include the date of the incident, a description of the incident and the subsequent steps taken.
- 8.2 Any approval granted to write off debt owed to the Municipality, shall be provided to the Chief Financial Officer on a monthly basis. This will be in the form of a Council decision.



CENTRAL KAROO DISTRICT MUNICIPALITY

UNFORSEEN AND UNAVOIDABLE EXPENDITURE POLICY, PROCESSES AND PROCEDURES

2025/2026

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1. POLICY

1.1 OVERVIEW

- 1.1.1 Central Karoo District Municipality has developed its unavoidable and unforeseen policy to include activities at all departments at which municipality business is conducted. This in recognizing its need for good governance even in the most pressurized and demanding environment.
- 1.1.2 The unavoidable and unforeseen policy is a transparent and codified internal control system aimed at promoting its core District Objectives to ensure that the limited resources at the disposal of Central Karoo District Municipality will be focused towards serving the various stakeholders in the pursuit of their interactions with Central Karoo District Municipality both efficiently and adjacent to approved budgets and broader financial policies of Central Karoo District Municipality, whilst minimizing the temptation of misuse of municipality funds.
- 1.1.3 ***"Unavoidable and Unforeseen" is defined in this context as expenditure which in the normal business activities of the district could not have been foreseen and has thus not been accounted for, at the passing of its annual financial budget.***
- 1.1.4 The policy is applicable to all Central Karoo District Municipality staff that is entrusted with the daily execution of municipal business. It seeks to institute the necessary control measures to facilitate the daily activity of the municipality by providing:
- 1.1.4.1 A guideline for all officials and councillors alike;
- 1.1.4.2 An internal dynamic document detailing the processes required for the efficient reporting, verification and ratification of such unavoidable and unforeseen expenditure post the transaction necessary to ensure the efficient administration of the Central Karoo District Municipality budgets.

1.2 PURPOSE

- 1.2.1 The Unforeseen and Unavoidable Expenditure policy seeks to provide for and accommodate expenses that may occur or be unavoidable in the normal execution of municipal functioning, and to codify the process which will ratify and approve such unforeseen or unavoidable expenses incurred.
- 1.2.2 Whilst the policy framework serves to assist management, employees and councillors of the Central Karoo District Municipality to have recourse to a means to ratify unavoidable and unforeseen expenditure, it does not serve to circumvent normal budgetary processes, nor to contribute to fraudulent or corrupt activity.

1.3 OBJECTIVES

- 1.3.1 To ensure that a prescribed mechanism exists to deal with expenditure relative to or arising from unintended consequences of activities undertaken by municipal officials and councillors by:
- 1.3.1.1 Infusing business processes into internal control which complies with all legislation and statutory requirements;
 - 1.3.1.2 Safeguarding against rash and irresponsible expenditure employment;
 - 1.3.1.3 Driving a culture of accountability over Central Karoo District Municipality by skilling staff and councillors alike;
 - 1.3.1.4 Ratification and Verification of the validity of receipts of unforeseen and unavoidable payments and ensuring that accurate and completeness of recording of receipts and payments occur, relative to the activity undertaken;
 - 1.3.1.5 Ensure that staff should be appropriately trained and be aware of relevant policies and procedures;
 - 1.3.1.6 Communicate to all staff that any monetary loss as a result of non-compliance with this policy is deemed to be gross negligence and could be cause for disciplinary action.

1.4 BUSINESS PROCESS FRAMEWORK

1.4.1 Legislative Framework:

1.4.1.1 Section 29 of the Municipal *Finance Management Act (MFMA) (No. 56 of 2003)*, the *King II Code on Corporate Governance in South Africa (2002)*, *Municipal Budget and Reporting regulations (MBRR) regulation 72*, and other applicable legislation"

- Informs and seeks to regulate unavoidable and unforeseen expenditure and prescribe the process for reporting thereof in terms of the Code of conduct for Councillors and Municipal Staff Members to approve such occurrences.

1.4.2 Accounting Framework:

1.4.2.1 The accounting responsibility lies with the Chief Financial Officer (CFO), or delegated official, who has to ensure that reasonable controls exist to support the implementation of policies. In delegating this function to subordinates, it does not alleviate the responsibility of the Chief Financial Officer. The HOD has to ensure all policies and procedures are communicated to and implemented by the responsible individual(s).

2. PROCESSES

2.1 RATIONALE

- 2.1.1 Generally, there are a large number of business units in a typical municipality, and in the pursuit of its core function of service delivery, payment for goods and services are a necessary consequence. Central Karoo District Municipality thus has to regulate and reconcile payments relative to annual budgets raised. In exceptional circumstances occasions may give rise to unforeseen and unavoidable expenses being incurred.

General Guidelines:

- i. The business unit charged with executing the acquisition of goods or services which becomes aware of the need to incur unforeseen or unavoidable expenditure should immediately approach the Chief Financial Officer (CFO) detailing the transaction and the cost implications of such transaction both should it be undertaken as well as not undertaken;
- ii. The business unit needs to confirm to the CFO that such anticipated expenditure does not fall within the prescripts of section 72(2) of the MFMA Budget and Reporting Regulations which prohibits certain transactions being undertaken by the Executive Mayor, nor does it detract from the statutory reporting guidelines which govern supply chain management;
- iii. The CFO will firstly consider whether raising such cost cannot be contained by apportioning it via a virement process – which would allow for the shifting of funds within the relevant business unit budgets, before pursuing the prescripts of this policy;
- iv. The CFO, should it become necessary to pursue the prescripts of this policy, will inform the Municipal Manager thereto.

3. PROCEDURES

3.1 FRAMEWORK FOR REPORTING

3.1.1 The Reporting framework leading to accounting rests with the following municipal office bearers:

3.1.1.1 The Directorate within which the unavoidable and unforeseen expenditure has occurred is responsible for generating the initial report detailing such occurrence;

3.1.1.2 The Legal Office Bearers of the Municipality is to scrutinize such report and advise as to the broader legal implications thereto;

3.1.1.3 The CFO is to scrutinize such report and evaluate as to the financial implications thereto;

3.1.1.4 The CFO needs to advise the Municipal Manager who has to forward the Budget department prepared submission to the Executive Mayor;

3.1.1.5 The Executive Mayor after careful perusal will prepare the necessary recommendation or disclaimer for submission to Council;

3.1.1.6 Council will consider such mayoral submission for either final approval or recommendation for further action.

3.2 FRAMEWORK FOR ACCOUNTING

3.2.1 Upon receipt of the necessary approval from the Council, the necessary system adjustments need to be made for accounting purposes immediately;

3.2.2 The transaction thereafter needs to be completed so as to minimize any unnecessary risks associated with not meeting the commitment;

- 3.2.3 An adjustment budget would then be submitted at the next General Council Meeting.

3.3 AUTHORISATION

- 3.3.1 **MFMA Budget and Reporting Regulations 71 & 72** holds that the Executive Mayor may authorise expenditure in terms of Section 29 of the MFMA only if:

3.3.1.1 *The expenditure could not have been foreseen at the time the annual budget of the municipality was passed; and*

3.3.1.2 *The delay that will be caused pending approval of an adjustment budget by the municipal Council in terms of section 28(2)(c) of the Act to authorize the expenditure may –*

- i. *Result in significant financial loss for the municipality;*
- ii. *Cause a disruption or suspension or serious threat to the continuation of municipal services;*
- iii. *Lead to loss of life or serious injury or significant damage to property;*
- iv. *Obstruct the municipality from instituting or defending legal proceedings on an urgent basis.*

- 3.3.2 The Executive Mayor cannot authorize expenditure in terms of section 29 of the MFMA if the expenditure –

3.3.2.1 *Was considered by the Council, but not approved in the annual budget of the municipality;*

3.3.2.2 *Is required for –*

- i. *price increases of goods or services during the year;*
- ii. *new municipal services or functions during the financial year;*
- iii. *the extension of existing municipal services or functions during the financial year;*

- iv. *the appointment of personnel during the financial year; or*
- v. *allocating discretionary appropriations to any vote during the financial year; or*

3.3.2.3 *Would contravene any existing Council policy; or*

3.3.2.4 *Is intended to ratify irregular or fruitless and wasteful expenditure.*

3.4 MONETARY LIMITS

- 3.4.1 *The amount of expenditure that the executive mayor of Central Karoo District Municipality may authorise in terms of section 29 of the MFMA and MBRR 72(b) is limited to –*

The greater of R5m (Five Million Rand) or 4% of the Municipality's own revenue – the current budgetary Operation Expenditure of Central Karoo District Municipality being approximately R80m (Eighty Million Rand) per annum.

3.5 RECONCILING AND MONITORING

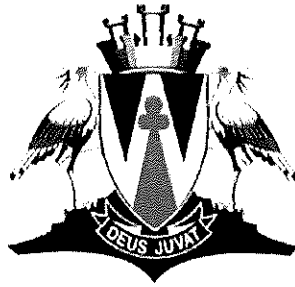
- 3.5.1 The unforeseen and unavoidable expenditure has to be raised in the above prescribed format;
- 3.5.2 It may not exceed 4% of the business unit approved budget;
- 3.5.3 Has to be reported to Council within 30 days of being raised;
- 3.5.4 An adjustment budget must be submitted at the next General Council Meeting;
- 3.5.5 Section 17(3) requires an annual review of this policy for tabling before the General Council;

3.5.6 Any legislative amendments and enactments need to be incorporated into this policy and submitted to Council for review;

3.5.7 If the Adjustment Budget is not passed within 60 days of raising such expenditure, then the expenditure is unauthorized and section 32 applies.

3.6 AMENDTMENT AND REVIEW

3.6.1 The Unforeseen and Unavoidable Expenses Policy shall be reviewed annually and/or at the discretion of the CFO due to changing circumstances as a result of the legislation or otherwise.



CENTRAL KAROO DISTRICT MUNICIPALITY

POLICY: DETERMINATION OF UPPER LIMITS OF SALARIES, ALLOWANCES AND BENEFITS OF DIFFERENT MEMBERS OF COUNCILS

2025/2026

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1. INTRODUCTION:

- 1.1 The Central Karoo District Municipality continuously endeavours to achieve best practice policies and procedures in its administration and operations. In order to enable and enhance the productivity of the municipality's strategic business units it is critical that we make use of sound and latest means of communication technology. It is on this premise that municipal political office-bearers should have access to tools of trade, cellular phones and data in the performance of their daily duties.

2. APPLICABLE LEGISLATION:

- 2.1 Remuneration of Public Office Bearers Act, 20 of 1998: Determination of Upper Limits of Salaries, Allowances and Benefits of Different Members of Municipal Councils.
- 2.2 Local Government: Municipal Systems Act, 32 of 2000 – Code of Conduct for Councillors (Schedule 1).
- 2.3 Local Government: Municipal Structures Act, 117 of 1998.

3. DEFINITIONS:

Unless the context indicates otherwise, a word or phrase to which a meaning has been assigned in the Remuneration of Public Office Bearers Act (20 of 1998) and the Local Government: Municipal Structures Act, 117 of 1998, has the meaning that:

- 3.1 **“Basic Salary”** means the salary component of a councillor that excludes a travel allowance as provided in item 11, housing allowance as provided in item 11, the municipal contribution to a pension fund as provided in item 18 and municipal contribution to a medical aid scheme as provided in item 19;
- 3.2 **“Full-time Councillor”** means a councillor who has been elected or appointed to an office which has been designated as full -time in terms of section 18(4) of the Structures Act;

- 3.3 **“Grade”** in relation to this Notice means the grade of municipal council as determined in terms of item 6;
- 3.4 **“Part-time Councillor”** means a councillor other than a full -time councillor;
- 3.5 **“Pension Fund”** means any pension, provident or retirement annuity fund established and registered in terms of, and subject to, any law governing the registration and control of pension funds in the Republic of South Africa and to which an office bearer contributes or any pension scheme approved by Parliament for such office bearers;
- 3.6 **“Section 79 Committee”** means a committee of the municipal council established in terms of section 79 of the Structures Act;
- 3.7 **“SETAs”** means the Sector Education and Training Authorities established in terms of section 9 of the Skills Development Act, 1998 (Act No. 97 of 1998);
- 3.8 **“Special Risk Cover”** means an insurance cover, provided to a councillor by the municipality, which covers the loss of or damage to a councillor's personal immovable or moveable property and assets, excluding property used by such councillor for business purposes, as well as life and disability cover, for any loss or damage caused by riot, civil unrest, strike or public disorder;
- 3.9 **“Tools of Trade”** means the resources provided by a municipal council to a councillor to enable such councillor to discharge his or her duties in the most efficient and effective manner, and at all times remain the assets of the municipality concerned;
- 3.10 **“Total Municipal Income”** means gross income in respect of a metropolitan, local or district municipality based on actual income received as stated in the audited financial statements of that

municipality for the 2017/ 18 financial year. The gross income for the municipality will include the following:

- rates on property;
- fees for services rendered by the municipality, or on its behalf by a municipal entity;
- surcharges;
- other authorised taxes;
- levies and duties;
- income from fines for traffic offences and contravention of municipal by-laws or legislation assigned to the local sphere of government;
- regional services council replacement grant for district municipalities;
- interest earned on invested funds other than national and provincial conditional grants;
- rental for the use of municipal movable or immovable property; and
- amounts received as agent for other spheres of government.

The gross income excludes the following:

- transfers and / or grants from the national fiscus and provincial fiscus, with the exception of regional services council replacement grant for district municipalities;
- and
- all value added tax (VAT) refunds.

3.11 “Total Population”

means the official statistics of the population residing in the area of jurisdiction of a metropolitan, local or district municipality, as published in the Community Survey 2016: Statistical Release No. P0301, in terms of the Statistics Act, 1999 (Act No. 6 of 1999);

3.12 **“Total Remuneration Package”** means the annual total cost to a municipality comprising of:

- a basic salary component;
- a travelling allowance as provided in items 11;
- housing allowance as provided in items 11;
- the municipal contribution to a pension, provident or retirement annuity fund as provided in item 18; and
- municipal contribution to a medical aid scheme as provided in item 19 to a councillor in a municipal financial year.

4. PURPOSE OF THE POLICY:

4.1 The purpose of the policy will be to:

- 4.1.1.1 To specify the salary and allowances of councillors as provided for in Act 20 of 1998;
- 4.1.1.2 To develop a means or framework for the allocation, management and control of tools of trade, cellular phone allowances and data allowances to political office-bearers.
- 4.1.1.3 To provide for replacement of a system of Cellular phone contracts and data contracts by the municipality with the salary allowance system.
- 4.1.1.4 To release the municipality and its officials of the administrative burden of for cellular phone and data contracts.
- 4.1.1.5 To enable the municipality and its officials to focus on its core responsibility of providing services to its jurisdictional citizens.

5. ALLOCATION OF NUMBER OF POINTS:

5.1 Allocation of number of points regarding total municipal income, is as follows:

<u>TOTAL MUNICIPAL INCOME</u>	<u>NUMBER OF POINTS</u>
R0 – R10 000 000	8.33
R10 000 001 – R50 000 000	16.67
R50 000 001 – R200 000 000	25.00
R200 000 001 – R1 500 000 000	33.33
R1 500 000 001 – R2 000 000 000	41.67
More than R2 000 000 000	50.00

5.2 Allocation of number of points regarding total population within a municipality, is as follows:

<u>TOTAL POPULATION</u>	<u>NUMBER OF POINTS</u>
0 – 50 000	8.33
50 0001 – 100 000	16.67
100 001 – 250 000	25.00
250 001 – 550 000	33.33
550 001 – 1 800 000	41.67
More than 1 800 000	50.00

6. DETERMINATION OF GRADE:

6.1 The sum of the number of points allocated to a municipal council in terms of items 5.1 and 5.2 above, determines the grade of such municipal council as follows:

<u>GRADE OF MUNICIPAL COUNCIL</u>	<u>POINTS</u>
1	0 – 16.66
2	16.67 – 33.33
3	33.34 – 50.00
4	50.01 – 66.67
5	66.68 – 83.35
6	83.36 and above

7. REMUNERATION PACKAGES: FULL-TIME COUNCILLORS:

7.1 The upper limits of total annual remuneration for full-time councillors are as follows:

GRADE	TOTAL REMUNERATION PACKAGE			
	EXECUTIVE MAYOR OR MAYOR	SPEAKER, DEPUTY EXECUTIVE MAYOR OR DEPUTY MAYOR	MEMBER OF THE EXECUTIVE COMMITTEE OR MAYORAL COMMITTEE, WHIP OR CHAIRPERSON OF A SUBCOUNCIL	CHAIRPERSON OF OVERSIGHT COMMITTEE
6	1,446,388	1,168,131	1,100,361	1,068,083
5	1,078,407	862,723	808,804	785,080
4	920,656	736,530	690,808	670,243
3	886,685	709,349	665,015	651,654
2	830,248	664,199	628,615	610,176
1	806,059	650,986	610,297	615,055
The system of plenary type of municipalities ceased to exist from 1 November 2021 and all mayors must be remunerated according to the total remuneration package column of executive mayor or mayor.				

8. REMUNERATION PACKAGES AND ALLOWANCE: COUNCILLORS ELECTED TO A DISTRICT COUNCIL:

8.1 A councillor elected or appointed to a district council in terms of section 23(1)(b) of the Structures Act, may be paid the upper limit of the total remuneration package or allowance as follows:

- a) If a councillor is elected or appointed as speaker, mayor, executive mayor, member of a mayoral committee, member of an executive committee, chairperson of a section 79 committee or part-time member of a district council, such councillor is entitled to an amount equal to the difference between the total remuneration package that a councillor receives as a member of the local council and the total remuneration package allocated to that office in the district council in terms of items 7, 8, 9, 10, 11, 12, 13, 14 and 15 as the case may be.
- b) If the total remuneration package payable to a councillor as a member of the local council is equal to or higher than the total remuneration package that an appointed councillor to the district council receives, such a councillor is, in addition to the total remuneration package received at the local council, entitled to a sitting allowance not exceeding R1136.32,

regardless of the number of meetings of the district council or committees of that council that are attended by such councillor on a specific day.

8.2 A district municipality is responsible for -

- a) the payment of the remuneration or the allowance referred to in sub -item (1);
- b) the reimbursement of travel expenses not exceeding the applicable tariffs prescribed by the national department responsible for transport for the use of privately-owned vehicles incurred by a councillor for the execution of official duties on behalf of that district municipality, in terms of that district council's policy; and
- c) the payment of cell phone expenses not exceeding 50% of the applicable allowances as prescribed under item 13 incurred by a part -time councillor for the execution of official duties on behalf of that district municipality, in terms of that district council's policy.

9. UPPER LIMITS re SERVICE ON GOVERNANCE AND INTERGOVERNMENTAL STRUCTURES:

- 9.1 A councillor designated by organised local government to serve in a governance structure of organised local government must, in addition to the total remuneration package applicable to that councillor, be paid an allowance not exceeding R1136.32, irrespective of the number of meetings attended by such councillor on a specific day.
- 9.2 A councillor designated by organised local government to represent organised local government at any intergovernmental structure, including national and provincial executive authorities, must in addition to the total remuneration package applicable to that councillor, be paid an allowance not exceeding R1136.32, irrespective of the number of attendances by such councillor on a specific day.
- 9.3 Organised local government is responsible for:
 - a) the payment of the allowance referred to in sub -item (1);

- b) the payment of accommodation expenses incurred for attending a meeting of governance and intergovernmental structures in terms of applicable organised local government policy; and
- c) reimbursement of travel expenses, not exceeding the applicable tariffs prescribed by the national department responsible for transport for the use of privately –owned vehicles, incurred by a councillor for attending a meeting of governance and intergovernmental structures.

10. REMUNERATION PACKAGES: PART-TIME COUNCILLORS:

GRADE	TOTAL REMUNERATION PACKAGE				
	EXECUTIVE MAYOR OR MAYOR	SPEAKER, DEPUTY EXECUTIVE MAYOR OR DEPUTY MAYOR	MEMBER OF THE EXECUTIVE COMMITTEE OR MAYORAL COMMITTEE OR WHIP	CHAIRPERSON OF OVERSIGHT COMMITTEE	OTHER PART-TIME MEMBERS
6	810,755	685,866	613,857	595,851	541,681
5	601,610	481,289	451,208	437,970	341,275
4	513,611	410,888	385,208	373,908	291,356
3	494,655	395,724	370,999	360,107	280,603
2	463,169	370,535	347,379	337,188	262,744
1	449,672	359,737	337,256	327,361	254,788
The system of plenary type of municipalities ceased to exist from 1 November 2021 and all mayors must be remunerated according to the total remuneration package column of executive mayor or mayor.					

11. UPPER LIMITS ON ALLOWANCES OF COUNCILLORS:

- 11.1 The upper limits of allowances of councillors, that constitute part of the annual total remuneration package, are as follows:

11.1.1 Motor Vehicle and Travel Allowance:

- a) A councillor listed in item 7 and 10 of this Notice may structure his or her basic salary to provide for motor vehicle allowance.

- b) If a councillor structures a vehicle allowance, the councillor must provide proof of ownership of a private vehicle to the municipality and have the vehicle available for official duties.
- c) A councillor who uses a privately -owned vehicle for execution of official duties on behalf of the municipality, may be reimbursed for official kilometres travelled, in addition to the total remuneration package of a councillor as determined in terms of items 7 and 10 of the Notice, not exceeding the applicable tariffs as prescribed by the national department responsible for transport and in terms of the municipal council's policy.
- d) A councillor who utilises a privately -owned vehicle for official purposes must, for purpose of claiming kilometres travelled, keep a travel logbook containing the following information relating to actual official and private kilometres travelled per month as may be determined from time to time by the South African Revenue Service:
- Date of travel;
 - Kilometres travelled; and
 - Travel details, where to and reason for the trip.
- e) A councillor may, in exceptional circumstances and upon good cause shown, and with the approval of the Mayor or Speaker, utilise the municipal -owned vehicle for official purposes: Provided that the municipal council must, in line with the approved municipal council policy, exercise prudent financial management to ensure that the provision of motor vehicle does not undermine the need to prioritise service delivery and sustain viable municipalities.
- f) If a councillor uses a municipal -owned motor vehicle for official purposes, such councillor will not be reimbursed for kilometres travelled.

11.1.2 Housing Allowance:

- a) A councillor may structure his or her salary to provide for housing allowance as part of the total remuneration package.

12. OUT OF POCKET EXPENSES:

- 12.1 A councillor may, in addition to the total remuneration package, be reimbursed for reasonable and actual out of pocket expenses incurred during the execution of official or ceremonial duties, in accordance with the applicable municipal council policy.

13. CELL PHONE ALLOWANCES:

- 13.1 A councillor may, in addition to the annual total remuneration packages provided for in terms of items 7 and 10 respectively, be paid a cell phone allowance not exceeding R3400.00 per month in accordance with the applicable municipal council policy.
- 13.2 A monthly cellular phone allowance will be paid and reflected in their salaries to acquire cellular phone service from either of the mobile phone operators in the Republic of South Africa.
- 13.3 The method for acquiring the cellular phone service could either be through a personal contractual agreement or prepaid.
- 13.4 Political office-bearers must furnish the Corporate Services department with cellular numbers that they use for official purposes as soon as they have entered into a contract or obtained a gadget through prepaid that will enable them to effectively and efficiently perform their assigned official functions as and when it is necessary to do so.
- 13.5 Any contractual agreement entered into between political office-bearers and the service provider is binding on the said official and the municipality is absolved whatsoever, in any shape or form from that agreement.

13.6 Political Office-bearers who already have private contracts or any means of cellular phone access may use same for official purposes for as long as they can be accessed at any time of the day, including after hours.

13.7 In the event that the Political Office-bearer or Councillor cease to hold office at the Central Karoo District Municipality the allowance shall also be discontinued immediately.

14. DATA ALLOWANCES:

14.1 A councillor may, in addition to the annual total remuneration packages provided for in terms of items 7 and 10 respectively, be paid an allowance on the use of data bundles not exceeding R300 per month.

14.2 A monthly data allowance will be paid and reflected in their salaries to acquire data service from either of the mobile data operators in the Republic of South Africa.

14.3 The method for acquiring the data service could either be through a personal contractual agreement or prepaid.

14.4 Political Office-bearers who already have private contracts or any means of data access may use same for official purposes.

14.5 In the event that the Political Office-bearer or Councillor cease to hold office at the Central Karoo District Municipality the allowance shall also be discontinued immediately.

15. TAX IMPLICATIONS FOR CELLULAR PHONE AND DATA ALLOWANCES:

15.1 A Cellular phone and data allowance is affected through the payroll system and is therefore subjected to tax.

15.2 The determination of allowance, through the Budget and Treasury department, shall also take into consideration tax implications of the allowances.

15.3 Because it is a taxable allowance, cellular phone and data allowances should not be misconstrued as inclusive of a negotiated remuneration package.

16. MAINTENANCE AND LOSS OF EQUIPMENT:

- 16.1 The repairs and maintenance of cellular phones, data cards, data dongles and/or any other gadgets by means of which data can be supplied will be for the cost of Users and in no way shall Council be held responsible, be it for a sim swap, wear and tear or replacement of the gadget thereof; whether lost through theft or under any form of duress.

17. INSURANCE:

- 17.1 Political Office-bearers are responsible for insuring of their cellular phones, and data gadgets, against any theft, loss or damage.
- 17.2 Political Office-bearers must ensure that the cellular phone, and data gadgets, is accessible for council activities and functions at all times, failing which the user may risk losing the allowance.
- 17.3 If a Political Office-bearer is consistently unavailable on cellular phone for a two months period, the Municipal Manager have the discretion to stop the allowance of the said official.
- 17.4 The reactivation of the allowance shall be done once a satisfactory written explanation is provided to the Municipal Manager.

18. PENSION, PROVIDENT AND RETIREMENT FUNDS:

- 18.1 A councillor may participate in a pension, provident or retirement annuity fund registered in terms of the Pension Fund Act, 1956 (Act No. 24 of 1956).
- 18.2 If a councillor elects to participate in a pension, provident or retirement annuity fund, the municipality must pay from his or her monthly salary, on behalf of that councillor, the monthly council contributions and councillor contributions to a pension, provident or retirement annuity fund to which the councillor is a member in accordance with the rules of such pension, provident or retirement annuity fund. The contributions by

the municipal council and the councillor are included in the total remuneration package as a total cost to the municipality.

19. MEDICAL AID SCHEME:

19.1 A councillor may participate in a medical aid scheme registered in terms of the Medical Schemes Act, 1998 (Act No. 131 of 1998).

19.2 If a councillor elects to participate in a medical aid scheme, the municipal council must deduct from that councillor's salary, the monthly contributions and pay the contributions to a medical aid scheme to which the councillor is a member in accordance with the rules of such medical aid scheme. The contributions by the municipal council and the councillor are included in the total remuneration package as a total cost to the municipality.

20. SPECIAL RISK COVER:

20.1 A municipality must, in addition to the annual total remuneration packages as provided in items 7 and 10 respectively, take out risk insurance cover, to provide for an insurance cover, provided to a councillor by the municipality, which covers the loss of or damage to a councillor's personal immovable or moveable property and assets, excluding property used by such councillor for business purposes, as well as life and disability cover, for any loss or damage caused by riot, civil unrest, strike or public disorder. The special risk insurance on residential property will be limited to R1, 5 million while on vehicles it is limited to R750 000. The life and disability insurance cover are limited to 2 times the total remuneration package of a councillor.

20.2 In the event where the residential property of a councillor was damaged or destroyed as a result of riot, civil unrest, strike or public disorder, the municipality may, subject to affordability, provide alternative accommodation to the affected councillor, for a period of 30 days from the date of such an incident.

20.3 Notwithstanding sub -item (2), the municipal council may, on good cause shown, provide alternative accommodation for a further period not exceeding 30 days.

20.4 A councillor is obliged to submit to the municipality details of property, assets and beneficiaries to be covered by the special risk insurance upon request. A councillor

who fails to submit the required details referred to herein will forfeit the benefits associated with the special risk insurance cover.

- 20.5 If a councillor already belongs to another special risk cover, such councillor must declare to the municipality the details of property, assets and beneficiaries to be covered by the special risk insurance.

21. TOOLS OF TRADE:

- 21.1 A framework for providing support to public office bearers is contained in the Remuneration of Public Office Bearers Act and is renewed annually by the Minister of Cooperative Governance and Traditional Affairs.

- 21.2 Currently a municipal council may provide tools of trade to a councillor in terms of Section 15(a) of the Act, taking into account Section 15(b) of the Act, that *"where a municipal council makes available tools of trade in terms of paragraph (a) above, such a municipal council must take into account accessibility, affordability and cost control; equity; flexibility; simplicity; transparency and accountability and value of tools of trade."*

- 21.3 Tools of trade that may be extended include:

	<u>TOOL OF TRADE</u>	<u>CONDITIONS</u>	<u>CKDM POSITION</u>
1.	Braille reader	To be provided to all visually impaired councillors	NO
2.	Office space and furniture	To be provided to full-time councillors, part-time Executive Mayors or	Mayor & Speaker
	Parking bay		Mayor & Speaker
	Business Cards		NO

	Calculators	Mayor; part-time Deputy	NO
	Letter-heads	Executive Mayors or	NO
	Stationary	Deputy Mayors, part-time	NO
	Toner Cartridges	Speakers, part-time	NO
	Diaries	Members of Mayoral	YES
	Postage Costs	Committee or Members of	NO
	Office Telephone	Executive Committee and	Mayor & Speaker
	Appropriate mobile technology and multi-digital office (excluding cell phones and data card)	part-time Chairpersons of	NO
	Laptop, Tablet and/or desktop computer	Section 79 Committees	Full-time councillors and directly elected councillors
	Facsimile		Mayor & Speaker (1 unit to share), rest of councillors to be provided with access
	Printer		Mayor & Speaker (1 unit to share), excluding non-directly elected Councillors
	Photocopier		Mayor & Speaker (1 unit to share), excluding non-directly elected Councillors
	Scanner		Mayor & Speaker (1 unit to share), excluding non-directly elected Councillors
3.	Business cards; Calculators; Letter-heads; Stationary; and Diaries	To be provided to part-time councillors and the usage must comply with policy directives of the municipality	Only diaries to be provided
4.	Postage Costs; Office telephone; and Multi-digital office, facsimile, printer, photocopier and scanner	Part-time councillors to have access to these tools of trade at the municipal offices	Access in Municipal Building - excluding non-directly elected Councillors
5.	Personal security to Executive Mayors or Mayors	Executive Mayors, Mayors or Speakers may not have more than two bodyguards. Deviations may only be based on the recommendations of the	As and when required

		South African Police Service.	
6.	Personal security to any other councillor	Subject to a threat and risk analysis conducted by the South African Police Service	As and when required
7.	Official accommodation and furniture	To be provided to full-time Executive Mayors or Mayors	NO
	The extension and implementation of the above tools of trade must be done in consultation with the member of the Executive Council responsible for local government in the province concerned.		

21.4 Full-time Councillors are housed in official Municipal Offices fully equipped as envisaged under 3.3 *supra*

21.5 Full-time councillors to have access to the following tools of trade at the municipal head office and to be assisted by the office of the speaker:

Office telephone, facsimile, printer, photocopier and scanner.

Part-time councillors are not entitled to be issued with any stationary and can also not use postage of the municipality or newsletters.

21.6 The municipality will not be issuing the following items:

Calculators, Letter-heads, tippex or any eraser ink, coloured pens or pencils, highlighters, flags or markers.

Business Cards will be provided to full-time and directly elected Councillors, only upon request.

22. LIMITS:

- 22.1 Limits are promulgated annually in the government gazette.
- 22.2 A monthly Cellular Phone Allowance in the maximum amount as allowed for by the Remuneration of Public Office Bearers Act, 20 of 1998 (as revised) will be given to full time political office-bearers.
- 22.3 A monthly Data Allowance in the maximum amount as allowed for by the Remuneration of Public Office Bearers Act, 20 of 1998 (as revised) will be given to full time political office-bearers.
- 22.4 These limits will under no circumstances be varied, exceeded or altered by the Municipality, unless provided for in the government gazette.

23. CAPACITY BUILDING:

- 23.1 The municipal council must develop and adopt a skills development plan and personal development plan prior to any councillor undergoing training.
- 23.2 A municipality must make a provision in its budget for development and implementation of capacity building programme for a councillor during the term of office of that councillor.
- 23.3 Capacity building programme consist of short courses or programmes as provided for in the training, education and development policy and skills development plan of the municipality, including training conducted by national departments, associated government agencies and SETAs, provincial departments, municipalities and organised local government.
- 23.4 The capacity building programme must take into consideration the capacity needs to fulfil a councillor' statutory obligations and affordability by a municipality.

24. OVERPAYMENT:

- 24.1 Any remuneration paid to a councillor of a municipality otherwise than in accordance with section 167(2) of the Local Government: Municipal Finance Management Act,

2003 (Act No. 53 of 2003) including any bonus, bursary, loan, advance or other benefit, is an irregular expenditure and the municipality -

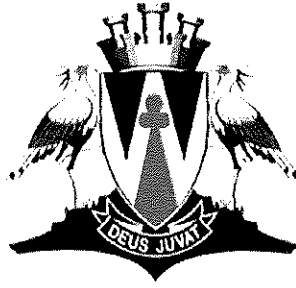
- a) must recover that remuneration from the political office bearer or member; and
- b) may not write -off any expenditure incurred by the municipality in paying or giving that remuneration.

25. MONITORING, EVALUATION AND CONTROL:

- 25.1 The Finance Section, as well as Mayor of the Central Karoo District Municipality, will be the implementing agents of this policy and shall ensure that all councillors comply with the provisions thereof.
- 25.2 This policy shall become the official policy of the municipality once it is adopted and approved by the Council of the Central Karoo District Municipality.
- 25.3 The policy shall be reviewed at the end of every financial year to cater for legislative amendments as well as environmental changes.

26. APPROVAL OF POLICY:

- 26.1 The content of this policy will come into force and effect when approved by Council and must be reviewed in accordance with changes in legislation.



CENTRAL KAROO DISTRICT MUNICIPALITY

VIREMENT POLICY

2025/2026

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1. **BACKGROUND**

1.1 Virement is the process of transferring funds from one-line item of a budget to another. The term is derived from a French word meaning a commercial transfer.

1.2 Each year, Central Karoo District Municipality (the municipality) produces an annual budget which must be approved by Council. In practice, as the year progresses, circumstances may change so that certain estimates are under-budgeted and others over-budgeted due to unforeseen expenditure (for example, due to the occurrence of disasters), savings and reduced revenue projected. As a result, it becomes necessary to transfer funds between votes and line items. It is not practical to refer all transfers between line items within a specific vote to the Council, and as the Municipal Finance Management Act (MFMA) is largely silent as to such transfers, it is necessary to establish a policy which governs the administrative transfer between line items.

2. **PURPOSE**

2.1 The purpose of this policy is therefore to provide a framework whereby transfers between line items within votes of the operating budget may be performed with the approval of certain officials.

3. **DEFINITIONS**

- | | | |
|-----|-------------------|--|
| 3.1 | “MFMA” | Local Government: Municipal Finance Management Act, 56 of 2003; |
| 3.2 | “Virement” | The process of transferring funds from one line item of a budget to another; |

- 3.3 **“Vote”** As contained in Section 1 of the MFMA:

“vote means –

- (a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and*
- (b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.”*

4. LEGISLATIVE CONTEXT

- 4.1 The Central Karoo District Municipality is committed to adhering to and applying the prescribed legislative environment as it applies to virements, with specific reference to:

- 4.1.1 The Constitution of the Republic of South Africa;
- 4.1.2 The Local Government: Municipal Finance Management Act, 56 of 2003;
- 4.1.3 Treasury Regulations issued in terms of the MFMA.

5. SCOPE FOR APPLICATION

- 5.1 This policy applies only to transfers between line items within votes of the Municipality's operating budget and own funded Capital budget.
- 5.2 Section 28(2) (d) read together with section 69 of the MFMA provides that *“An adjustments budget...may authorise the utilisation of projected savings in one vote towards spending in another vote.”* Transfers between votes may therefore be authorised only by the Council of the Municipality.
- 5.3 This policy shall not apply to transfers between or from capital projects based on grant funding or items and no such transfers may be performed under this policy.

- 5.4 Any deviation from or adjustment to an annual budget or transfer within a budget which is not specifically permitted under this policy or any other policy may not be performed unless approved by the council through an adjustments budget.

6. RESPONSIBLE OFFICIALS

- 6.1 The Municipal Manager shall be responsible for the implementation and administration of this policy.

- 6.2 A transfer of funds from one-line item to another under this policy may, subject to the provisions of this policy, be authorised as follows:

6.2.1 If the amount does not exceed R 30 000 then the transfer may be authorised by the budget manager, for example the Manager: Municipal Health.

6.2.2 If the amount does not exceed R 200 000, the transfer may be authorised by the relevant Director or HOD.

6.2.3 If the amount exceeds R 200 000 the transfer must be authorised by the Municipal Manager, consultation with the Chief Financial Officer is recommended.

6.2.4 All virements must be signed off on by the Chief Financial Officer.

- 6.3 Virements can only be done after the necessary consultation with, and upon request of the Head of Department.

7. LIMITATIONS ON AMOUNT OF VIREMENT

- 7.1 Notwithstanding the provisions of section 6:

7.1.1 The total amount transferred from and to line items within a particular vote in any financial year may not exceeding 40% of the amount allocated to that vote;

- 7.1.2 The total amount transferred from and to line items in the entire budget in any financial year may not exceed 30% of the total operating budget for that year;
- 7.1.3 Virements may not be done between different votes or types of expenditure; and
- 7.1.4 Virements may be done within capital acquisitions if the original project was completed and savings remained.
- 7.1.5 Virements in the Roads budget may be made from one project to another and new projects may be created within the budget during the year, as the operational needs of the Department changes. The operational needs of the Department are subject to constant changes and flux as a result of uncontrolled factors such as storm and water damage to roads in the District and the agreements made with the Department of Transport and Public Works (Western Cape). The virements in the Roads budget is not subject to the value as determined in 6.2.3 as the Departmental Head is fully authorised to manage the budget.
- 7.2 A transfer which exceeds, or which would result in the exceeding of, any of the limits referred to in 6 above may, however, be performed if the Council by resolution approves thereof.
- 8. VIREMENT PERMITTED ONLY IF SAVINGS ARE PROJECTED**
- 8.1 A transfer of funds from one-line item to another may take place only if savings within the first-mentioned line item are projected, and such transfer may, subject in any event to the provisions of this policy, not exceed the amount of such projected savings.

9. FURTHER RESTRICTIONS ON VIREMENT

- 9.1 A transfer of funds between line items shall not be permitted under this policy if the effect thereof would be to:
- 9.1.1 Contravene any policy of the Municipality; or
 - 9.1.2 Alter the approved outcomes or outputs of an Integrated Development Plan; or
 - 9.1.3 Result in any adjustment to the Service Delivery and Budget Implementation Plan;
 - 9.1.4 No transfer of funds shall be permitted if same were to result in any change to the staff establishment of the Municipality
 - 9.1.5 No virements may be made from and to employee related costs;
 - (a) Virements to and from this category of expenditure are not allowed.
 - (b) Virements are allowed between cost items, cost centres and votes within these categories but only
 - (i) To correct errors in the budget due to employees linked to an incorrect cost centre in the payroll system; and
 - (ii) To transfer unallocated funds budgeted for at a centralised cost centre/s for prioritised vacant positions to be filled to the cost centre where appointments have been made.
 - (c) Virements within this expenditure category are subject to the approval of the relevant senior manager, Chief Financial Officer and the Accounting Officer.
 - 9.1.6 No virement may be made from the depreciation line items;
 - 9.1.7 No virement may be made between items funded from different funding sources.
- 9.2 If any sub-vote has been specifically ring-fenced, no transfer of funds may be made under this policy to or from such line item.
- 9.3 Transfers of funds may not be made under this policy between or from grant funded capital items or projects.

- 9.4 To the extent that it is practical to do so, transfers within the first three months and the last month of the financial year should be avoided.
- 9.5 By definition, transfers may not be made under this policy from a line item administered by one department to a line item administered by another, unless approved by the CFO, and agreed upon by all relevant Senior Managers and Director(s).
- 9.6 In accordance with Section 30 of the MFMA, no transfer of funds may be made from a line item of a budget for a particular year to a line item of a budget for a subsequent year.
- 9.7 The transfer of funds in any year in accordance with this policy shall not give rise to any expectations of a similar transfer occurring in a subsequent year.
- 9.8 No transfer of funds shall be made if such transfer would constitute a transgression or contravention of any statute, regulation or other law, any policy, directive or guideline binding upon the Municipality, or the avoidance by the Municipality of any obligation imposed upon it by contract or any other cause.
- 9.9 The approval of any transfer shall not per se constitute expenditure authority, and all expenditure resulting from approved transfers must, to the extent that same is applicable, be carried out in accordance with the Municipality's Supply Chain Management Policy.

10. PROCEDURE FOR VIREMENT

- 10.1 Proposals for transfers may be made by the Head of Department concerned.
- 10.2 The Municipal Manager shall prescribe a form on which all proposals for transfers of funds under this policy shall be made, which form shall include, but not be limited to, provisions for the following:

- 10.2.1 the name of the department concerned;
 - 10.2.2 descriptions of the line items from and to which the transfer is to be made;
 - 10.2.3 the amount of the proposed transfer;
 - 10.2.4 the cause of the saving in the line item from which the transfer is to be made;
 - 10.2.5 the justification for the transfer; and
 - 10.2.6 a description of any consequences that such transfer may have for the Integrated Development Plan or the Service Delivery and Budget Implementation Plan.
- 10.3 Each proposal for a transfer shall be submitted by the Head of Department concerned to the Chief Financial Officer and if:
- 10.3.1 The amount of the transfer does not exceed the amount referred to in section 3.1 and the transfer is not between cost- or functional centres, the Chief Financial Officer shall:
 - (a) approve the proposal, or
 - (b) reject the proposal; or
 - (c) refer the proposal to the Municipal Manager for approval or rejection;
 - 10.3.2 the amount of the transfer does not exceed the amount referred to in section 3.1 but the transfer is between cost or functional centres, or if it falls within the range of amounts referred to in section 3.2, the Chief Financial Officer shall, shall approve or reject the proposal;
 - 10.3.3 the amount of the transfer falls within the range of the amounts referred to in section 3.3, the Chief Financial Officer shall refer the matter to the Municipal Manager.
- 10.4 Upon a proposal for transfer being approved, such transfer shall be implemented subject to compliance with the Municipality's Supply Chain Management Policy.

11. REPORTING

- 11.1 The Municipal Manager shall submit a report on all transfers made under this Policy to the Executive Mayor if the transfers impact more than 5% of the budget of the functional area (excluding virements of the Roads budget).

12. RELATED POLICIES

- 12.1 The following policies are related to this policy:

- 12.1.1 The Supply Chain Management Policy;
- 12.1.2 Municipal Budget Policy.

13. REVIEW

- 13.1 This policy will be reviewed at least annually and updated if needed.

14. EFFECTIVE DATE

- 14.1 This policy shall come into effect when approved by Council.