



**CHRIS HANI**  
DISTRICT MUNICIPALITY  
SUSTAINING GROWTH  
THROUGH OUR PEOPLE

# **Supply Chain Management Policy Review**

**2009/2010 Financial Year**

## 1. SECTION 1: DOCUMENT DEFINITION.

### 1.1. PROVISIONS OF THE MUNICIPAL FINANCE MANAGEMENT ACT NO. 58 of 2003.

#### POLICY

- ❖ Section 111 of the Municipal Finance Management Act No.56 of 2003 prescribes that each municipality must have and implement a supply chain management Policy which gives effect to the provisions and requirements of the act.
- ❖ Section 112 of the Act prescribes that the supply chain management policy of the municipality must be fair, transparent, equitable and cost effective and must comply with the regulatory framework for municipal supply chain management.
- ❖ In addition, the Preferential Procurement Policy Framework Act requires an Organ of State to determine its Preferential Procurement Policy and to implement it within the framework prescribed. This requirement is given effect to in the Preferential Procurement section of this Policy.

1.1.1. The Municipality shall ensure that the Supply Chain Management Policy and procedures manual document is submitted to the Council for approval and adoption and thereafter to the Chris Hani District Municipality for implementation.

**Version** 1.1.

**Date** 23 September 2009

**Summary** This document is the Supply Chain Management Policy and Procedures Manual applicable to Chris Hani District Municipality.

**Signature** \_\_\_\_\_ **Date:** \_\_\_\_\_  
**Municipal Manager**

**Approved by the Council** \_\_\_\_\_ **Date:** \_\_\_\_\_  
**Resolution**

**Effective date** 24 September 2009

## 1.2. AMENDMENT HISTORY

No	Amendment reference	Effective date	Chapter	Paragraph	Short description
1	1.1.	24/09/2009	All	All	All.

## 1.3. DISTRIBUTION OF THE POLICY

POLICY	
❖	Updated copy of this policy and manual shall be distributed to all relevant stakeholders

1.3.1. Once changes have been effected and the policy adopted throughout the municipality, hard copies as well as soft copies must be distributed to all relevant stakeholders, which includes:

- 1.3.1.1. The Mayor.
- 1.3.1.2. Municipal Manager.
- 1.3.1.3. Divisional Managers.
- 1.3.1.4. Supply Chain Management Unit.
- 1.3.1.5. All key internal customers and staff.
- 1.3.1.6. Prospective service providers.

#### 1.4. ABBREVIATIONS

<b>BBBEE</b>	Broad Based Black Economic Empowerment
<b>BEE</b>	Black Economic Empowerment
<b>MM</b>	Municipal Manager
<b>CFO</b>	Chief Financial Officer
<b>CIDB</b>	Construction Industry Development Board
<b>DTI</b>	Department of Trade and Industry
<b>GCC</b>	General Conditions of Contract
<b>HDI</b>	Historically Disadvantaged Individual
<b>CHDM</b>	Chris Hani District Municipality
<b>IDP</b>	Integrated Development Plan
<b>IT</b>	Information Technology
<b>LCC</b>	Life Cycle Costing
<b>LOI</b>	Letter of Invitation
<b>MTEF</b>	Medium Term Expenditure Framework
<b>NIPP</b>	National Industrial Participation Programme
<b>PCCAA</b>	Prevention and Combating of Corrupt Activities Act. 2004
<b>PFMA</b>	Public Finance Management Act (Act 1 of 1999, as amended)
<b>MFMA</b>	Municipal Finance Management Act (Act No. 58 of 2003).
<b>PPP</b>	Public Private Partnership
<b>PPPFA</b>	Preferential Procurement Policy Framework Act (Act 5 of 2000)
<b>QBS</b>	Quality Based Selection
<b>QCBS</b>	Quality and Cost Based Selection
<b>RDP</b>	Reconstruction and Development Programme
<b>RFI</b>	Request for Information
<b>RFP</b>	Request for Proposal
<b>RFQ</b>	Request for Quotation
<b>SAPS</b>	South African Police Services
<b>SARS</b>	South African Revenue Services
<b>SBD</b>	Standard Bidding Documents
<b>SCM</b>	Supply Chain Management
<b>SCMU</b>	Supply Chain Management Unit
<b>SITA</b>	State Information Technology Agency
<b>SLA</b>	Service Level Agreement

<b>SMME</b>	Small Medium and Micro Enterprise
<b>SP</b>	Service Provider
<b>TCO</b>	Total Cost of Ownership
<b>TOR</b>	Terms of Reference

## 1.5. DEFINITIONS

<b>Accountability</b>	The fundamental responsibility of a person to his senior or higher authority or organisation for any act or omission in the execution of duties
<b>A-class items</b>	A-class items are those items, which are not consumable or expendable
<b>Acquisition management</b>	Acquisition management is the process of procurement of goods or services and includes the: <ul style="list-style-type: none"> <li>❖ Identification of preferential policy objectives;</li> <li>❖ Determination of market strategy;</li> <li>❖ Application of depreciation rates;</li> <li>❖ Application of total cost of ownership principle;</li> <li>❖ Compilation of bid documentation, including conditions;</li> <li>❖ Determination of evaluation criteria;</li> <li>❖ Evaluation of bids and tabling of recommendations;</li> <li>❖ Compilation and signing of contract documents;</li> <li>❖ Contract administration</li> </ul>
<b>Asset</b>	It is a resource controlled by an organisation as a result of past events and from which future economic benefits or service potential are expected to flow to the organisation. It has the following characteristics: <ul style="list-style-type: none"> <li>❖ It possesses service potential or future economic benefit that is expected to flow to the entity.</li> <li>❖ It is controlled by the entity.</li> <li>❖ It originates as a result of a past transaction or event.</li> </ul>
<b>Authority</b>	The right or power attached to a rank or position, which permits the holder to exercise decisions within the ambit of delegated authority.
<b>Award</b>	In relation to competitive bids or quotation submitted means the final decision to accept the offer from bidder.
<b>Bidder</b>	Means any person submitting a bid.
<b>Black empowered enterprise</b>	The entity with at least 25.1% ownership by HDIs having a substantial management control. The ownership pertains to economic interests and management pertains to executive Management. This is irrespective of whether the black empowered enterprise has black management control or not.

<b>Black enterprise</b>	The entity with at least 50.1% ownership by HDIs having a substantial management control. Ownership pertains to economic interests, while management pertains to board membership or similar governing body of the enterprise.
<b>Black woman-owned enterprise</b>	The entity with at least 25.1% ownership by black women having both equity and management control.
<b>Broad Based Black Economic Empowerment</b>	The Broad Based Black Economic Empowerment Act (BBBEE Act), Act No 53 of 2003, provides the framework for the promotion of black economic empowerment, the establishment of a balanced scorecard and the publication of transformation charters. A supporting strategy has also been published. The codes of good practise were gazetted and passed into law on the 9 <sup>th</sup> of February 2007. These codes could include qualification criteria for preferential procurement and other economic activities
<b>Black people</b>	Black people is a generic terms which means African, Coloureds and Indians
<b>Competitive bidding process</b>	means a competitive bidding process referred to in Regulation 12 (1) (d) of the Supply Chain Management Regulations.
<b>Competitive Bid</b>	Means a bid in terms of a competitive bidding process.
<b>Community Based Vendor</b>	means a supplier of goods, services and/or construction works who resides in a target area or community and who is registered as such on the Municipality's Supplier database
<b>Construction Industry Development Board Act</b>	Means the Construction Industry Development Board Act, 38 of 2000 and includes the regulations pertaining thereto.
<b>Construction Works</b>	<ul style="list-style-type: none"> <li>❖ the erection, maintenance, alteration, renovation, repair,</li> <li>❖ demolition or dismantling of or addition to a building or any similar structure the installation, erection, dismantling or maintenance of a fixed plant;</li> <li>❖ the construction, maintenance, demolition or dismantling of any bridge, dam, canal, road, railway, sewer or water reticulation system or any similar civil engineering structure; or</li> <li>❖ the moving of earth, clearing of land, the making of an excavation, piling or any similar type of work.</li> </ul>
<b>Consultant</b>	means a person or entity providing services requiring knowledge based expertise, and includes professional service providers.
<b>Contract</b>	means the agreement which is concluded when the Municipality accepts, in writing, a bid or quote submitted by a provider
<b>Contractor</b>	Means any person or entity whose bid or quote has been accepted by the Municipality.
<b>Day</b>	means calendar days unless the context indicates otherwise.
<b>Delegation of Authority</b>	means any person or committee delegated with authority by the Municipality in terms of the provisions of the Municipal Finance Management Act.
<b>Contract Participation Goal</b>	means the amount equal to the sum of the value of work for which

	the prime contractor contracts to engage specific target groups in the performance of the contract, expressed as a percentage of the bid sum less provisional sums, contingencies and VAT.
<b>Demand management</b>	Demand management ensures that the resources [goods and services] required to support the strategic objectives of Chris Hani District Municipality are delivered at the correct time, at the right price, location, quantity and quality that will satisfy the needs. [It is careful and optimal management of internal business requirements to ensure that required resources and or commodities are delivered on time in full (OTIF) at the right time, quality and location.]
<b>Depreciation</b>	Depreciation refers to the reduction in the value of assets generally from wear and tear. The consumption of capital is recognised as a cost of production and an allowance for this is made before net profit is arrived at.
<b>Disability</b>	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 in the range considered normal for a human being.
<b>Disposal management</b>	Disposal management is responsible to ensure that all unserviceable, redundant or obsolete assets are subjected to a formal process of doing away with movable assets in a cost-effective, but transparent and responsible manner. It also entails the maintenance of records and documents as prescribed. Movement, storage, management and disposal of unserviceable, redundant or obsolete assets. It also entails management of the administrative aspects such as maintenance of records and documents management.
<b>E-class accountable</b>	Accounting in respect of those stores approved by the Treasury as consumables.
<b>E-class items</b>	E-class items are consumable and expendable stores that cannot be repaired when it becomes unusable.
<b>Economic principle</b>	Obtain the highest possible output for the lowest possible use of resources.
<b>Economy of scale</b>	Reductions in the average cost of a product in the long run, resulting from an expanded level of output
<b>Electronic Bulletin Board</b>	means an electronic method of obtaining bids or quotations.
<b>Empowerment Indicator</b>	means a measure of an enterprise/business's contribution towards achieving the goals of governments Reconstruction and Development Program. This indicator will relate only to certain specific goals for the purposes of this Policy.
<b>Equipment</b>	A-class accountable stores that are issued and accounted for on an inventory.
<b>Evaluation Points</b>	also referred to as %Adjudication Points
<b>Historically disadvantaged individual</b>	Historically Disadvantaged Individual (HDI) means a South African citizen : <ul style="list-style-type: none"> <li>❖ who had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No 10 of 1983) or the Constitution of the</li> </ul>

	<p>Republic of South Africa, 1993 (Act No 200 of 1993) (the Interim Constitution); and/or</p> <ul style="list-style-type: none"> <li>❖ who is a female; and/or</li> <li>❖ who has a disability;</li> </ul> <p>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.</p>
<b>Final Award</b>	In relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept.
<b>Functionality</b>	means the suitability of a proposal, design or product for the use for which it is intended, also referred to as %Quality+
<b>Historically Disadvantaged Individual</b>	<p>means a South African citizen:</p> <ul style="list-style-type: none"> <li>❖ who, due to the apartheid policy that had been in place,</li> <li>❖ had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No 110 of 1983) or the Constitution of the Republic of South Africa, 1993 (Act No 200 of 1993) (the Interim Constitution); and/or</li> <li>❖ who is a female; and/or</li> <li>❖ who has a disability.</li> </ul>
<b>Formal Written Price Quotation</b>	means a written or electronic offer to the Municipality in response to an invitation to submit a quotation.
<b>Integrated SCM</b>	The foundation of the integrated SCM concept is total cost analysis, which is defined, as minimising the total cost of SCM elements.
<b>Implementing Agent</b>	means the decision maker/manager mandated by the Municipality to implement projects and invite bids/quotations for procurement of any nature
<b>Inventories</b>	Including stock and stores (consumable stores, maintenance materials, spare parts, WIP, education/training course materials, client services). Properties/land held for sale. Strategic stocks (fuel supplies, precious stones and metals). Seized or forfeited property.
<b>Inventory (movable assets) management</b>	It shall be possible to determine accountability for all A-class-accountable items at all times. Records shall therefore be available to describe the full extent of the responsibility of officials for equipment belonging to the institution on personal account or sectional inventories for general usage. Inventory (distribution) ledger accounts shall therefore be maintained for all A-class items.
<b>In the service of the state</b>	<ul style="list-style-type: none"> <li>❖ a member of any municipal council, any provincial legislature or the National Assembly or the National Council of Provinces;</li> <li>❖ an official of any municipality or municipal entity;</li> <li>❖ an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1 of 1999;</li> <li>❖ a member of the board of Managers of any municipal entity;</li> <li>❖ a member of the accounting authority of any national or provincial public entity; or</li> <li>❖ an employee of Parliament or a provincial legislature.</li> </ul>
<b>Items</b>	An individual article or unit.



<b>Lifecycle costing</b>	Lifecycle costing is a technique developed to identify and quantify all costs, initial and ongoing, associated with a project or installation over a given period. Thus, it is a tool that forecasts the total cost of a purchase throughout its predetermined lifecycle.
<b>Logistics management</b>	Logistics management ensures that goods and services are available at the right place, time and quantities required to execute the functions of the company.
<b>Municipal Manager</b>	The Accounting Officer as defined in the Municipal Finance Management Act.
<b>Municipal entity</b>	means an entity as defined in the Systems Act.
<b>Municipal Finance Management Act</b>	means the Local Government: Municipal Finance Management Act, 56 of 2003
<b>Measurable objectives</b>	Measurable objectives identify very specific activities that Chris Hani District Municipality intends performing or delivering in order to achieve the strategic objectives and ultimately the strategic goals it has set. There must therefore be a direct causal link running from the measurable objective to one or more of the strategic objectives.
<b>Movable assets</b>	Movable assets are assets that can be moved (e.g. machinery, equipment, vehicles, etc). All inventories and valuables and most fixed assets belong to this category.
<b>Net present value</b>	The sum that results when the discounted value of the expected costs of an investment are deducted from the discounted value of the expected returns. If the NPV is positive the project in question is potentially worth undertaking.
<b>Obsolete</b>	No longer produced or used, out of date, to become obsolete by replacing it with something new.
<b>PFMA</b>	PFMA means the Public Finance Management Act, 1999 (Act No 1 of 1999) as amended, as well as National Treasury Regulations, including Supply Chain Management Regulations issued in terms thereof.
<b>Practitioner</b>	A person who practises a profession or art.
<b>Person</b>	includes a natural or juristic entity
<b>Policy</b>	means this Supply Chain Management Policy as amended from time to time.
<b>PPPFA</b>	Means the Preferential Procurement Policy Framework Act, 5 of 2000.
<b>Preference points</b>	Mean the points for preference referred to in this Policy.
<b>Preferential Procurement Regulations</b>	Means the regulations pertaining to the PPPFA.
<b>Procedure</b>	Standard methods details series of actions to executing in carrying out a particular task in a consistent manner to achieve objectives of the policy.
<b>Prime contractor</b>	Shall have the same meaning as %Contractor+
<b>Process</b>	A group of sequential steps with a clear %start+ and an %end+

	actionable steps
<b>Quittance</b>	The acknowledgement by the recipients of the receipt of issued stores, reflecting a signature, receipt voucher number and date of receipt.
<b>Responsible Agent</b>	means those internal project managers being Municipal officials or external consultants appointed by the Municipality responsible for the administration of a project or contract.
<b>Redundant</b>	No longer needed or useful, superfluous (unnecessary).
<b>Small Medium &amp; Micro Enterprise</b>	Bears the same meaning assigned to this expression in the National Small Enterprise Act, 102 of 1996.
<b>Salvage</b>	The act of saving any goods or property in danger of damage or destruction.
<b>Stores/stock</b>	All movable state property/assets that are kept in stock for issue purposes.
<b>Strategic goals</b>	Strategic goals are areas of institutional performance that are critical to the achievement of the mission. They are statements that describe the strategic direction of Chris Hani District Municipality. It is useful to think of strategic goals as outcomes to be achieved by Chris Hani District Municipality.
<b>Strategic objectives</b>	Strategic objectives are more concrete and specific than strategic goals. They should give a clear indication of what Chris Hani District Municipality intends doing in order to achieve the strategic goals it has set for itself, as such strategic objectives would normally describe high-level outputs or %esults+of actions that the institution intend taking.
<b>Sub-contractor</b>	Means any person or entity that is employed, assigned, leased or contracted by the prime contractor to carry out work in support of the prime contractor in the execution of a contract.
<b>Supply chain management</b>	<p>Supply chain management (SCM) is an integral part of financial management. This function integrates the planning, procurement and provisioning processes, seeks to introduce international best practices, whilst at the same time addressing Government's preferential procurement policy objectives.</p> <p>Four phases are distinguished in the SCM processes, namely:</p> <ul style="list-style-type: none"> <li>❖ Demand management</li> <li>❖ Acquisition management</li> <li>❖ Logistics management</li> <li>❖ Disposal management</li> </ul> <p>The planning process is dealt with in the Demand Management phase, the procurement function in Acquisition Management and provisioning in Logistics and Disposal Management.</p>
<b>Supply Chain Management Regulations</b>	means the Municipal Supply Chain Management Regulations published in Government Gazette 27636 of 30 May 2005.
<b>Supplier</b>	is a generic term which may include suppliers of goods and services, contractors and/or consultants.

<b>Supplier Database</b>	means the list of accredited prospective providers which a municipality or municipal entity must keep in terms of Regulation 14 of the Supply Chain Management Regulations.
<b>Systems Act</b>	means the Local Government: Municipal Systems Act, 32 of 2000.
<b>Tender/tenderer</b>	means %bid/bidder+ in the context of construction works procurement.
<b>Treasury Guidelines</b>	means any guidelines on supply chain management issued by the Minister in terms of section 168 of the MFMA;
<b>Total cost of ownership</b>	The total sum of all direct costs during the lifetime of the asset in operation.
<b>Unserviceable</b>	Item condition which renders it no longer fit for purpose or use.
<b>Unsolicited bids</b>	means an offer submitted by any person at its own initiative without having been invited by the Municipality to do so.

- ❖ Words importing the singular shall include the plural and vice versa and words importing the masculine gender shall include females and words importing persons shall include companies, closed corporations and firms, unless the context clearly indicates otherwise.
- ❖ All amounts/limits stated in this document shall be deemed to be inclusive of Value Added Tax (VAT).

## 2. SECTION 2: LEGISLATIVE FRAMEWORK.

### POLICY

- ❖ Chris Hani District Municipality is committed to comply with applicable legislation as it pertains to Supply Chain Management.

### 1 THE CONSTITUTION

- 1.1 In establishing the Supply Chain Management Policy, Chris Hani District Municipality will comply with Section 217 of the Constitution of the Republic of South Africa, (Act No 108 of 1996, as amended, which reads as follows;
- 1.1.1 *“217 (1) When an Organ of State in the national, provincial or local sphere of Government, or any other institution identified in national legislation, contracts for goods and services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.*
- 1.2 Subsection (1) does not prevent the Organ of State or institutions referred to in that subsection from implementing a procurement policy providing for:
- 1.2.1 *Categories of preference in the allocation of contracts; and*
- 1.2.2 *The protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.*
- 1.3 National legislation must prescribe a framework within which the policy referred to in subsection (2) must be implemented.+

### 2 PUBLIC FINANCE MANAGEMENT ACT

- 2.1 Chris Hani District Municipality shall also apply the Public Finance Management Act, Act No.1 of 1999 as amended by Act No. 29 of 1999 and Treasury Regulation 16A, which deals with Supply Chain Management.
- 2.2 The Act stipulates that in contracting for goods and services, and the disposal and letting of state assets, including the disposal of goods no longer required, the Municipal Manager will develop and implement a system, which is fair, equitable, transparent, competitive and cost-effective and consistent with the PPPFA.

### 3 TREASURY REGULATIONS IN TERMS OF THE PFMA

- 3.1 Chris Hani District Municipality shall apply the Treasury Regulations no 255 issued in terms of the PFMA on March 2005 as it pertains to supply chain management.
- 3.2 The Act stipulates that in contracting for goods and services, and disposal and letting of state assets, including the disposal of goods no longer needed, the Council will develop and implement a system, which is fair, equitable, transparent, competitive cost-effective and consistent with PPPFA.

### 3.3 Public Private Partnerships

3.3.1 The Municipal Manager must ensure that Treasury Regulation 16 is complied with when goods or services are procured through public private partnerships or as part of a public private partnership.

### 3.4 Supply Chain Management

3.4.1 Treasury regulation 16A serves as a formal requirement for accounting authorities listed in schedule 3A and 3C of the PFMA, to ensure establishment and implementation of an effective and efficient Supply Chain Management unit within the office of the Chief Financial Officer, as an integral part of their financial system.

3.4.2 A Supply Chain Management system must be utilised and is comprised, at least, of the following:

3. Demand management
4. Acquisition management
5. Logistics management
6. Disposal management
7. Risk management
8. Supply Chain performance management

## 4 POLICY TO GUIDE UNIFORMITY IN PROCUREMENT REFORM PROCESSES IN GOVERNMENT

4.1 The Policy to guide uniformity In Procurement Reform Processes in Government was approved by Cabinet on the 10th of September 2003 and promulgated on the 05th of December 2003.

4.2 The policy has, as a goal, the uniform implementation of Government's procurement reform initiatives and the issuing of regulations in terms of Section 76(4)(c) of the PFMA in respect of the Framework for Supply Chain Management.

4.3 In terms of this policy, strategy accounting authorities are required to establish and implement a supply chain management function that promotes sound financial management and uniformity in all spheres of Government.

4.4 Regarding insurance, organs of State should either insure for procurement related physical risks, establish risk management programmes or make advance provision for losses associated with such risks, within the scope of the provisions of section 12 of the Treasury Regulations issued in terms of the section 76 of the PFMA. Suitable arrangements should also be made to ensure that insurance related excesses do not cause the failure of BEEs, in particular SMMEs.

## 5 NATIONAL TREASURY PRACTICE NOTES AND CIRCULARS

5.1 The Supply Chain Management Regulations in terms of the PFMA empower the National Treasury to issue practice notes and circulars to ensure minimum norms and standards within Government. This SCM policy is aligned to the following practise notes and circulars.

Year	Practice Note No / Circular Ref. No	Practice Note Description
2003	<i>Practice Note SCM 1</i>	General conditions of Contract (GCC) and Standardized Bidding Documents (SBDs)
	<i>Practice Note SCM 2:</i>	Threshold values for the invitation of price and competitive bids
	<i>Practice Note SCM 3</i>	Appointment of consultants
	<i>Practice Note SCM 4</i>	Conduct for Supply Chain Management Practitioners
2004	<i>Practice Note SCM 1:</i>	Tax clearance certificate: Contact details of South African Revenue Service (SARS) Official dealing with Tax clearance certificate
	<i>Practice Note SCM 3</i>	Checklist and Questionnaire
	<i>Practice Note SCM 4</i>	Strategic Sourcing of Motor Vehicles: Request for Estimates to all national and provincial departments
	<i>Practice Note SCM 5</i>	Training of SCM Officials
2005	<i>Practice Note SCM 3</i>	Projects/Services funded by grants in accordance with Technical Assistance Agreements. Appointment of Transaction Advisors to assist with Public Private Partnerships
2006	<i>Practice Note SCM 1</i>	Tax Clearance Certificate: Revised Application Form: Tax Clearance Certificate for Price Quotations up to the value of R200,000.00: Threshold for obtaining Tax Clearance Certificate
	<i>Practice Note SCM 2</i>	Prohibition of set-asides and the use of cost estimates as benchmarks: Measurable attached to specific goals for which preference points are awarded
	<i>Practice Note SCM 3</i>	Tax clearance certificates for price quotations and competitive bids
	<i>Practice Note SCM 4</i>	Standard bidding documents : Declaration of bidders past Supply Chain Management practices
	<i>Practice Note SCM 5</i>	Restriction of Suppliers / Augmentation of General Conditions of Contract
2007	<i>Practice Note 6</i>	Procurement of goods and services by means other than through the invitation of competitive bids
2007/2008	<i>Practice Note 8:</i>	Threshold values for the procurement of goods, works and services by means of petty cash, verbal / written price quotations or competitive bids
		Practice Note 9 of 2007/2008: National Industrial Participation Programme: Standard Bidding Document (SBD 5) and Augmentation of General Conditions of Contract
2008		Revised General Conditions of Contract, Government procurement, annexure A.
2008	3/4/3/2/10	Checking the prohibition status of recommended bidder prior to awarding any contract (list of restricted suppliers and tender defaulters) (2008/02/19)
2007	3/4/3/2/10	Alignment of Preferential Procurement with the aims of Broad Based Black Economic Empowerment Act (BBBEE) and its related strategy (2007/04/18).

All documents relevant to SCM are available electronically on National Treasury's web page [http://www.treasury.gov.za/divisions/specialist\\_functions/supply\\_chain\\_management:norms\\_and\\_standards](http://www.treasury.gov.za/divisions/specialist_functions/supply_chain_management:norms_and_standards).

## **6 THE PREFERENTIAL PROCUREMENT POLICY FRAMEWORK ACT (PPPFA)**

- 6.1 The Preferential Procurement Policy Framework Act (PPPFA), Act No 5 of 2000 and its regulations issued in August 2001, was promulgated to give effect to Section 217(3) of the Constitution by providing a framework for the implementation of the procurement policy articulated in Section 217(2) of the Constitution.
- 6.2 Chris Hani District Municipality will apply the provisions as well as the principles of the Preferential Procurement Policy Framework Act, (Act No 5 of 2000) and its regulations.
- 6.3 The Act provides for the implementation of a preference system in the allocation of contracts for categories of service providers and the promotion of goals to advance the interest of HDIs.
- 6.4 The Act also provides that the evaluation processes should be conducted in a fair, justifiable and transparent manner.
- 6.5 There is currently a process underway to ensure that the PPPFA and the BBBEE Act are aligned. The codes of good practise have been gazetted and passed into law on the 9th of February 2007. (Refer to circular dated 2007/04/18).

## **7 BROAD BASED BLACK ECONOMIC EMPOWERMENT ACT**

- 7.1 The Broad Based Black Economic Empowerment Act (BBBEE Act), Act No 53 of 2003, provides the framework for the promotion of black economic empowerment, the establishment of a balanced scorecard and the publication of transformation charters. A supporting strategy has also been published. The codes of good practise were gazetted and passed into law on the 9th of February 2007. These codes could include qualification criteria for preferential procurement and other economic activities.
- 7.2 Chris Hani District Municipality will adhere to the directives contained in the Broad Based Black Economic Empowerment Act as it affects the procurement process.
- 7.3 Economic transformation will be promoted through preferential procurement in order to promote meaningful participation of black people including women, workers, youth and people with disabilities and people living in rural areas, in the economy.
- 7.4 The codes of good practise need to be interpreted accurately in order to ensure accurate alignment with the objectives of the BBBEE Act. The application of the codes should be as fair as is reasonable possible. As a consequence, Chris Hani District Municipality will apply codes in the manner, which is consistent with the BBBEE objectives whilst ensuring alignment with its own BEE and SMME development agenda.

## **8 THE KING REPORT ON CORPORATE GOVERNANCE FOR SOUTH AFRICA 2002**

- 8.1 Chris Hani District Municipality will subscribe to the Code of Corporate Practices Conduct in all material respects as it affects procurement.

- 8.2 The Report concludes that successful governance requires companies to adopt an inclusive approach and there must be greater emphasis on the sustainable or non-financial aspects of its performance.
- 8.3 The tests of fairness, accountability, responsibility and transparency to all acts or omissions and be accountable to the company, but also responsive and responsible towards the company's stakeholders must be applied.
- 8.4 The Report describes the principles of risk management, ethical conduct, black economic empowerment and social investment prioritisation and spending.

## **9 THE PREVENTION AND COMBATING OF CORRUPT ACTIVITIES ACT**

- 9.1 Chris Hani District Municipality will adhere to the provisions of the Prevention and Combating of Corrupt Activities Act, Act 12 of 2004 as it affects the supply chain process.
- 9.2 The Act regulates offences in respect of corrupt activities relating to contracts, activities pertaining to acceptance or offering of any gratification and the improper influence of another person as well as offences in respect of corrupt activities relating to procuring and withdrawal of tenders and disposal of EDI redundant and obsolete assets.
- 9.3 The Act provides for miscellaneous offences relating to possible conflict of interest and other unacceptable conduct such as acquisition of private interest in contract, agreement or investment of a public body.
- 9.4 It also provides that National Treasury must establish a register for tender defaulters.
- 9.5 Penalties and other related matters are also dealt with.

## **10 THE PREFERENTIAL PROCUREMENT REGULATIONS**

- 10.1 Chris Hani District Municipality will apply the provisions as well as the principles of the Regulations and their regulations.
- 10.2 The effect of the regulations will bring in the following elements to the Chris Hani District Municipality's Supply Chain Management Policy;
- 10.3.1. The preference point system as per the PPPF Act will be retained;
- 10.3.2. The current Preferential Procurement Regulations determine that the HDI Status and other RDP goals should be used to determine preference points in awarding tenders;
- 10.3.3. The new regulations replace the awarding of bids on the basis of HDI Status and the promotions of RDP goals with a BEE rating of a bidder;
- 10.3.4. the threshold values distinguishing between the 80/20 and 90/10 preference point system is increased from R500,000.00 to R1, 000,000.00 to strengthen the contribution towards the development of Small Medium and Micro Enterprises;
- 10.3.5. The 80/20 Point System will be used to adjudicate tender and quotations for the acquisition of goods and services to the Rand value of up to R1, Million Rands;
- 10.3.6. The 90/10 Point System will be used to adjudicate tender and quotations for the acquisition of goods and services to the Rand value of over R1, Million Rands;
- 10.4. Points must be awarded to bidders for attaining the B-BBEE status level contemplated in the B-BBEE Codes of Good Practice on Black Economic Empowerment Act of 2003 and promulgated in the Government Gazette on 9 February 2007;



- 10.5. For all quotations or formal bids with a Rand Value of up to R1, Million Rand, points must be awarded to bidders on the basis of current legislation as well as revised Preferential Procurement policy Framework Act, on the following basis;

<b>B-BBEE Compliance</b>	
B-BBEE Status Level of Contributor	Number of Points
1	20
2	18
3	16
4	12
5	8
6	6
7	4
8	2
Non Compliant Contributor	0

- 10.6. The points scored by a bidder in respect of B-BBEE contribution contemplated in (10.5) above must be added to the points scored for price.
- 10.7. Only the bidder with the highest number of points scored may be selected.
- 10.8. For all quotations or formal bids with a Rand Value above R1, Million Rand, points must be awarded to bidders on the following basis;

<b>B-BBEE Compliance</b>	
B-BBEE Status Level of Contributor	Number of Points
1	10
2	9
3	8
4	5
5	4
6	3
7	2
8	1
Non Compliant Contributor	0

- 10.9. The points scored by a bidder in respect of B-BBEE contribution contemplated in (10.8) above must be added to the points scored for price.
- 10.7. Only the bidder with the highest number of points scored may be selected.

## **11 STATE INFORMATION TECHNOLOGY AGENCY (SITA) ACT**

- 11.1 The State Information Technology Agency (SITA) Act, Act No 88 of 1998, as amended by Act 38 of 2002, requires that SITA may act as the procurement agency for public entitiesq information technology requirements should the public entity wish to utilise their services

## **12 PUBLIC-PRIVATE PARTNERSHIP**

- 12.1 Chris Hani District Municipality must ensure that Treasury Regulation 16 is complied with when goods or services are procured through public private partnerships or as part of a public private partnership.

### **13 OTHER RELEVANT PIECES OF LEGISLATION**

- 13.1 Cognisance must be taken of the following pieces of legislation that will have an impact on the supply chain environment:
- 13.1.1 Promotion of Administrative Justice Act, Act No 3 of 2000.
- 13.1.2 Promotion of Access to Information Act, Act No 2 of 2000.
- 13.1.3 Protected Disclosures Act, Act No 26 of 2000.
- 13.1.4 The Competition Act, Act No 89 of 1998
- 13.1.5 Chris Hani District Municipality must take into account all other applicable legislation, ordinances and by-laws impacting on SCM system

### **14 GOALS OF THE POLICY**

- 1.1. The overall goals of the policy is to give effect to section 217 of the Constitution of the Republic of South Africa by implementing a system that is fair, equitable, transparent, competitive and cost effective;
- 1.2. To comply with all applicable provisions of the Municipal Finance Management Act (MFMA) including the Municipal Supply Chain Management Regulations published under GN868 in Government Gazette 27636 of 30 May 2005 and any National Treasury Guidelines issued in terms of the MFMA;
- 1.3. To ensure consistency with all other applicable legislation and any regulations pertaining thereto, including:
- ❖ the Preferential Procurement Policy Framework Act;
  - ❖ the Broad-Based Black Economic Empowerment Act;
  - ❖ the Construction Industry Development Board Act;
  - ❖ the Local Government: Municipal Systems Act; and
  - ❖ the Promotion of Administrative Justice Act;
- 1.4. This Policy will also strive to ensure that the objectives for uniformity in supply chain management systems between organs of state, in all spheres is not undermined and that consistency with national economic policy on the promotion of investments and doing business with the public sector is maintained.
- 1.5. To provide a mechanism to ensure sound, sustainable and accountable supply chain management within the Chris Hani District Municipality, whilst promoting black economic empowerment and small medium enterprise development, which includes general principles for achieving the following socio-economic objectives:
- ❖ to stimulate and promote local economic development in a targeted and focused manner;
  - ❖ to facilitate creation of employment and business opportunities for the people of Chris Hani District Municipality with particular reference to HDI;
  - ❖ to promote the competitiveness of local businesses;
  - ❖ to increase the small business sector access, in general, to procurement business opportunities created by Council;
  - ❖ to increase participation by small, medium and micro enterprises (SMMEs); and
  - ❖ to promote joint venture partnership

- 1.6. To ensure the efficient, effective and uniform planning and procurement of all goods and services in line with constitutional and legislative principles in order to warrant proper functioning of Chris Hani District Municipality.
- 1.7. To ensure the efficient, effective and uniform management and disposal of assets in line with constitutional and legislative principles in order to ensure the proper functioning of Chris Hani District Municipality.
- 1.8. To develop, support and promote HDIs through a clear BEE programme with measurable milestones.

## **9. SECTION 3: COUNCIL ROLE AND OVERSIGHT.**

### **1. OVERSIGHT.**

- 1.1. Section 117 of the Municipal Finance Management Act prohibits a Municipal Councillor from being a member of a bid committee or any other committee evaluating or approving quotations or bids nor may a Municipal Councillor attend any such meeting as an observer.
- 1.2. Council, however, has an oversight role to ensure that the Municipal Manager implements the Supply Chain Management Policy.
- 1.3. The Executive Mayor must provide general political guidance over the fiscal and financial affairs of the Municipality and may monitor and oversee the exercise of responsibilities assigned to the Municipal Manager and Chief Financial Officer in terms of the Municipal Finance Management Act.
- 1.4. For the purposes of such oversight, the Municipal Manager shall, within 10 (ten) days of the end of each quarter, submit a report on the implementation of this Policy to the Executive Mayor and, within 30 days of the end of each financial year, shall submit a similar such report to Council.
- 1.5. In addition, if any serious problem arises in relation to the implementation of this Policy, the Municipal Manager shall immediately report to Council accordingly.
- 1.6. All such reports shall be made public in accordance with section 21(1) (a) of the Systems Act.

### **2. COMPLIANCE WITH ETHICAL STANDARDS**

- 2.1. In order to create an environment where business can be conducted with integrity and in a fair and reasonable manner, this Policy will strive to ensure that the Municipal Manager and all representatives of the Chris Hani District Municipality involved in supply chain management activities shall act with integrity and in accordance with the highest ethical standards.
- 2.2. All supply chain management representatives shall adhere to the code of conduct of municipal staff contained in schedule 2 of the Systems Act, and this Policy's Code of Ethical Standards.

### **3. THE SCM POLICY**

#### **POLICY**

- ❖ This POLICY shall give effect to the legislation and the overall objective stated, through appropriate policy and procedures.
- ❖ All Chris Hani District Municipality supply chain management requirements must be done in accordance with the policy and procedures outlined in this Manual.

- 3.1. Where the National Treasury issue amendments in the interim, those instructions will also be taken into account in the execution of the supply chain management in addition to the Manual and the Manual must be consequently amended within two months of said amendments.

#### 4. POLICY REVIEW

##### POLICY

- ❖ This Policy shall be reviewed at least annually and/or when necessitated by change of legislation or internal processes.

- 4.1. The SCM Policy must be reviewed at least annually to ensure that it is compliant with the legislative environment.
- 4.2. When deemed necessary on an ad hoc basis, the MUNICIPAL MANAGER must submit proposals for the amendment of the policy to the Council.

#### 5. STRATEGIC DIRECTION

##### POLICY

- ❖ Chris Hani District Municipality shall promote and support the strategic objectives of the supply chain management.

- 5.1. The strategic objectives are set out as follows;
- 5.1.1. To maintain and promote good corporate governance
- 5.1.2. To promote HDI, BEE and SMME procurement spend.
- 5.1.3. To promote efficiency, effectiveness and uniformity.
- 5.1.4. To ensure value for money when procuring.

#### 6. GENERAL RULES ON DELEGATION OF AUTHORITY

##### POLICY

- ❖ All SCM activities shall be executed as per the pre-established levels of authority to ensure control and division of duties.
- ❖ Delegation shall be in writing to a specific appointed individual in line with the Municipal Manager's delegated powers and contained in a separate Delegation of Authority document.
- ❖ The Municipal Manager may impose certain limitations pertaining to the delegated level of authority.
- ❖ The Municipal Manager has the prerogative to confirm, vary or revoke any decision taken as a result of the delegation, provided that no such variation or revocation should detract from any rights that may have accrued as a result of the decision.

- 6.1. Any SCM activity to be executed within the delegated powers conferred by the Municipal Manager
- 6.2. The delegation must be specific and personalised, indicating the appointed person, rank and level of delegation. The records must be kept in the Municipal Manager's delegation of authority document.
- 6.3. The delegation of powers does not divest the Municipal Manager from exercising the delegated power or the performance outcome of the delegated duty.

## **7. COMMENCEMENT AND REVIEW**

### **POLICY**

This Policy is effective from the date on which it is adopted by Council.

The Municipal Manager must annually review the implementation of this Policy and if she/he considers it necessary, submit proposals for the amendment of the Policy to the Council for approval.

## **8. APPLICATION OF THE POLICY.**

This Policy applies to:

- 8.1. The procuring of goods or services, including construction works and consultant services;
- 8.2. The disposal by the Municipality of goods no longer needed;
- 8.3. The selection of contractors to provide assistance in the provision of municipal services otherwise than in circumstances where chapter 8 of the Systems Act applies; or
- 8.4. The selection of external mechanisms referred to in section 80 (1) (b) of the Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.
- 8.5. Unless specifically stated otherwise, this Policy does not apply if the Municipality contracts with another organ of state for:
  - the provision of goods or services to the Municipality;
  - the provision of a municipal service; or
  - the procurement of goods and services under a contract secured by that other organ of state, provided that the relevant supplier has agreed to such procurement.
- 8.6. The Policy provides for the following supply chain management systems:
  - demand management system;
  - acquisition management system;
  - logistics management system;
  - disposal management system;
  - risk management system;
  - performance management system.
- 8.7. These systems must be adhered to in all supply chain management activities undertaken by the Municipality.

## **9. COMPETENCY**

- 9.1. The Municipal Manager shall ensure that all persons involved in the implementation of this policy meet the prescribed competency levels, and where necessary, shall provide relevant training.
- 9.2. The training of officials involved in implementing this Policy shall be in accordance with any National Treasury guidelines on supply chain management training.

## **10. DELEGATION OF AUTHORITY.**

- 10.1. To the extent that it may be necessary, Council authorizes the Municipal Manager to delegate or sub-delegate to a staff member any power conferred on the Municipal Manager in terms of the MFMA and the Supply Chain Management Regulations relating to supply chain management.
- 10.2. No decision-making in terms of any supply chain management powers and duties may be delegated to an advisor or consultant.

## 11. SECTION 4: SUPPLY CHAIN MANAGEMENT SYSTEMS.

### 1. THE SUPPLY CHAIN MANAGEMENT UNIT

- 1.1. The Municipality must establish a Supply Chain Management Division to assist the Municipal Manager to implement this Policy.
- 1.2. The separate supply chain management unit must operate under the direct supervision of the Chief Financial Officer.
- 1.3. The Supply Chain Management Unit must provide for the main functions of the SCM system.
- 1.4. The SCM Unit shall provide administrative support services to the Bid Specification, Bid Evaluation and Bid Adjudication Committees and the award structures.
- 1.5. The SCM Unit is to execute any other functions as prescribed by the National Treasury from time to time.

### 2. COMMUNICATION WITH THE MUNICIPALITY.

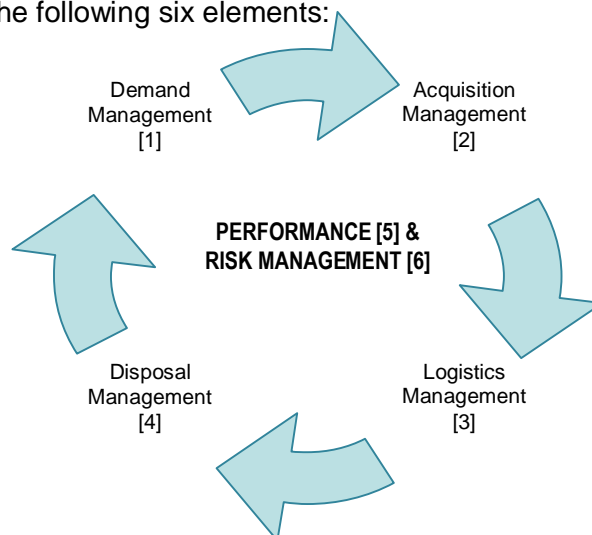
- 2.1. All correspondence with regards to this Policy shall be addressed to the Manager: Supply Chain Management.

### 3. AVAILABILITY OF THE SUPPLY CHAIN MANAGEMENT POLICY

- 3.1. A copy of this Policy and other relevant documentation is available on the Municipality's website.

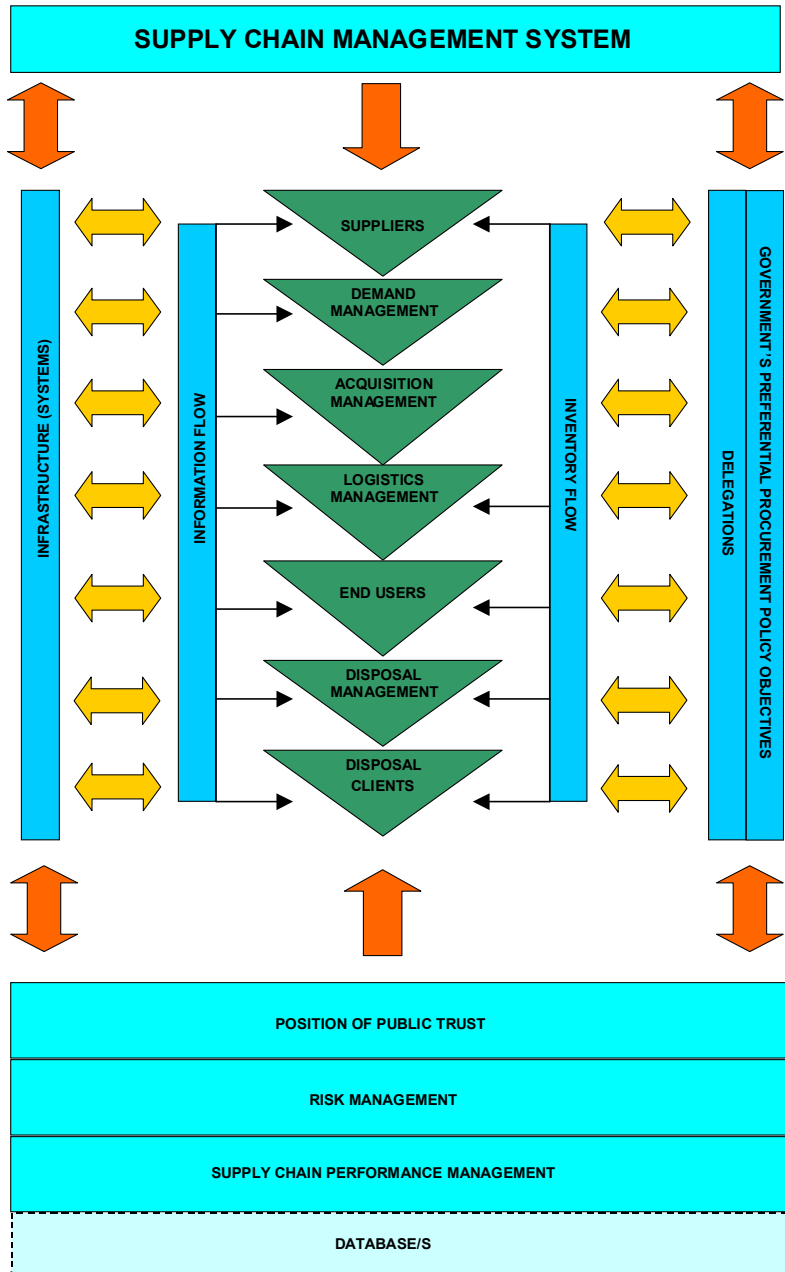
### 4. THE SYSTEM

The Treasury Regulations, Section 16A, requires that a Supply Chain Management system be established which, contains the following six elements:





- 4.1. The supply chain management system can be seen as an integrated system.
- 4.2. The system takes into account the main influencers such as the suppliers, clients, information and inventory flow.
- 4.3. The diagram below illustrates how the main functions are interlinked.



## **5. DEMAND MANAGEMENT UNIT**

### **5.1. Introduction**

- 5.1.1. Demand management provides for an effective system to ensure that the resources required to support the strategic operational commitments of the Municipality are delivered at the correct time, at the right price and at the right location and that the quantity and quality satisfy the needs of the Municipality.
- 2.1.2. The Municipality's Integrated Development Plan (IDP) is a comprehensive strategy document setting out how the Municipality intends to tackle its development challenges in a financial year. It is on the basis of the IDP that the resources of the municipality will be allocated and on which the budget is based.
- 2.1.3. In order to achieve effective demand management, the Manager: Supply Chain Management shall continuously ensure:
- ❖ That efficient and effective provisioning and procurement systems and practices are implemented to enable the Municipality to deliver the required quantity and quality of services to the communities.
  - ❖ The establishment of uniformity in policies, procedures, documents and contract options and the implementation of sound systems of control and accountability.
  - ❖ The development of a world-class professional supply chain management system which results in continuing improvement in affordability and value for money, based on total cost of ownership and quality of procurement as competition amongst suppliers is enhanced.
  - ❖ In dealing with suppliers and potential suppliers that the Municipality shall respond promptly, courteously and efficiently to enquiries, suggestions and complaints.

### **5.2. Major Activities**

- 5.2.1. Demand management lies at the beginning of the supply chain and the major activities associated with identifying demand are:
- ❖ establishing requirements;
  - ❖ determining needs; and
  - ❖ deciding on appropriate procurement strategies.
- 5.2.2. Demand management accordingly shall involve the following activities:
- ❖ understanding the future needs;
  - ❖ identifying critical delivery dates;
  - ❖ identifying the frequency of the need;
  - ❖ linking the requirement to the budget;
  - ❖ conducting expenditure analyses based on past expenditure;
  - ❖ determining requirements,
  - ❖ conducting commodity analyses in order to check for alternatives; and
  - ❖ conducting industry analyses.

## **6. ACQUISITION MANAGEMENT SYSTEM**

### **6.1. Introduction**

6.1.1. The objectives of this acquisition management system are to ensure:

- ❖ that goods and services, including construction works and consultant services are procured by the Municipality only in accordance with the authorised procedures incorporated herein;
- ❖ that expenditure on goods and services, including construction works and consultant services is incurred in terms of an approved budget;
- ❖ that the threshold values of the different procurement procedures are complied with;
- ❖ that bid documentation, evaluation and adjudication criteria, and general conditions of contract are in accordance with the requirements of relevant legislation including, the Preferential Procurement Policy Framework Act, and any conditions of the Construction Industry Development Board Act; and
- ❖ that procurement guidelines issued by the National Treasury are taken into account.

### **6.2. General Application**

6.2.1. This acquisition management system contains the general conditions and procedures which are applicable, as amended from time to time, to all procurement, contracts, and orders for the Municipality.

### **6.3. Supplier Database**

6.3.1. The Municipal Manager shall ensure that the Municipality's supplier database is updated at least quarterly and at least once per year shall, through newspapers commonly circulating locally, the website of the Municipality, and any other appropriate ways invite prospective suppliers of goods and services, construction works and consultant services to apply for listing as an accredited prospective supplier.

6.3.2. Prospective suppliers shall however be allowed to submit applications and amendments for listing on the database at any time.

6.3.3. The listing criteria for accredited prospective providers are:

- ❖ Name of supplier / service provider;
- ❖ Street address;
- ❖ Postal address;
- ❖ Contact person in Sales Department;
- ❖ Sales Department's telephone number;
- ❖ Sales Department's fax number;
- ❖ Sales Department's cell number;
- ❖ Sales Department's email address;
- ❖ Contact person in Accounts Department;
- ❖ Accounts Department's telephone number;
- ❖ Accounts Department's fax number;
- ❖ Accounts Department's email address;
- ❖ Vat registration yes/no;
- ❖ Vat registration number;

- ❖ Bank details;
  - ❖ Type of industry;
  - ❖ Valid certification for specialised services;
  - ❖ Valid tax clearance certificate;
  - ❖ CIDB registration if applicable;
  - ❖ Valid certification of HDI Status.
- 6.3.4. The Municipal Manager shall disallow the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.
- 6.3.5. Bidders who are not registered on the Supplier Database are not precluded from submitting bids however contracts may not be concluded with bidders who are not registered and verified on the supplier database.
- 6.3.6. Where bids exceed R200, 000.00 (VAT inclusive) the chairperson of the Bid Evaluation Committee may give any bidder 7 days written notice to produce proof of registration on the Supplier Database.
- 6.3.7. Failure to produce proof of such registration will result in the tender being made non-responsive.
- 6.3.8. Preference will be given to quotations (up to and including R200, 000.00, VAT inclusive) from bidders who are registered and verified on the supplier database on or before the closing date.

#### **6.4. Combating Abuse of the Supply Chain Management Policy**

- 6.4.1. The Municipal Manager shall be entitled to take all reasonable steps to prevent abuse of the supply chain management system and to investigate any allegations against an official, or other role player, of fraud, corruption, favouritism, unfair, irregular or unlawful practices or failure to comply with the supply chain management system and when justified in terms of administrative law:
- 6.4.2. The Municipal Manager shall take appropriate steps against such official or other role player; or shall report any alleged criminal conduct to the South African Police Service; may reject a recommendation for the award of a contract if the recommended bidder or person submitting a quote, or any of its Managers, has committed a corrupt or fraudulent act in competing for the particular contract; may invalidate recommendations or decisions that were unlawfully or improperly made, taken or influenced, including recommendations or decisions that were made, taken or in any way influenced by:
- ❖ councillors in contravention of item 5 or 6 of the Code of Conduct for Councillors in schedule 1 of the Systems Act; or
  - ❖ Municipal officials in contravention of item 4 or 5 of the Code of Conduct for Municipal Staff Members set out in schedule 2 of the Systems Act.
- 6.4.3. The Municipal Manager may cancel a contract awarded to a person if:
- ❖ the person committed a corrupt or fraudulent act during the procurement process or the execution of the contract or;
  - ❖ an official or other role player committed any corrupt or fraudulent act during the procurement process or in the execution of the contract that benefited that person.
- 6.4.4. The Municipal Manager may reject the bid or quote of any person if that person or any of its Managers has:

- ❖ failed, during the last five years, to perform satisfactorily on a previous contract with the Municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;
  - ❖ abused the supply chain management system of the Municipality or has committed any improper conduct in relation to this system;
  - ❖ been convicted of fraud or corruption during the past five years;
  - ❖ wilfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
  - ❖ been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act, 12 of 2004 or has been listed on National Treasury's database as a person prohibited from doing business with the public sector.
- 6.4.5. The Municipal Manager shall inform the Provincial Treasury of any actions taken in terms of the above.

## **6.5. Appointment of Observer**

- 6.5.1. Where appropriate, the Municipality Manager may appoint a neutral or independent observer in order to ensure fairness and transparency in the application of this acquisition management system.

## **6.6. Contracts Having Budgetary Implications beyond Three Financial Years**

- 6.6.1. The Municipality may not enter into any contract that will impose financial obligations beyond the three years covered in the annual budget for that financial year, unless the requirements of section 33 of the Municipal Finance Management Act have been fully complied with.

## **6.7. Proudly South African Campaign**

- 6.7.1. The Municipality supports the Proudly South African Campaign and may identify, as a specific goal the promotion of South African owned enterprises.

## **7. Specialised Forms of Procurement**

### **7.1. Acquisition of Goods or Services from other Organs of State or Public Entities**

- 7.1.1. In the case of goods or services procured from another organ of state or public entity (including the Department of Water Affairs, Eskom or any other such entities), such procurement shall be made public, giving details of the nature of the goods or services to be procured and the name/s of the supplier/s.

## **7.2. Acquisition of Goods and Services under Contracts secured by other Organs of State**

- 7.2.1. The Municipality may procure goods or services under a contract secured by another organ of state, but only if:
- ❖ the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
  - ❖ the municipality or entity has no reason to believe that such contract was not validly procured;
  - ❖ there are demonstrable discounts or benefits for the municipality or entity to do so; and
  - ❖ that other organ of state and the provider have consented to such procurement in writing.

## **7.3. Acquisition of Banking Services**

- 7.3.1. Subject to section 33 of the Municipal Finance Management Act, any contract for the provision of banking services:
- ❖ shall be procured through a competitive bidding process;
  - ❖ shall be consistent with section 7 of the Municipal Finance Management Act; and
  - ❖ may not be for a period longer than five years.
- 7.3.2. The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.
- 7.3.3. The closure date for the submission of bids for banking services may not be less than 60 days from the date on which the advertisement is placed in newspapers commonly circulating locally.
- 7.3.4. Bids shall be restricted to banks registered in terms of the Banks Act, 94 of 1990.

## **7.4. Acquisition of IT Related Goods or Services**

- 11.1.1. If the transaction value of IT related goods or services exceeds R50 million in any financial year, or if the transaction value of a single contract (whether for one or more years) exceeds R50 million, the Municipal Manager must notify the State Information Technology Agency (SITA) together with a motivation of the IT needs of the Municipal.
- 11.1.2. If SITA comments on the submission and the Municipal disagrees with such comment, the comments and the reasons for rejecting or not following such comments must be submitted to the Council, the Provincial and National Treasury, and the Auditor General prior to awarding the bid.
- 4.4.3. Notwithstanding the above, the Municipal Manager may request the SITA to assist with the acquisition of IT related goods or services in which case the parties must enter into a written agreement to regulate the services provided by, and the payments to be made to, the SITA.

## **7.5. Acquisition of Goods Necessitating Special Safety Arrangements**

- 7.5.1. Goods, other than water, which necessitate special safety arrangements (for example, flammable products, poisons), may not be acquired in excess of immediate requirements unless there is sound financial justification therefore.
- 7.5.2. Where the storage of goods, other than water in bulk is justified, the Municipal Manager may authorise such storage and the decision must be based on sound reason including total cost of ownership and cost advantages for the Municipality.

## **7.6. Public-Private Partnerships**

- 7.6.1. Part 2 of chapter 11 of the MFMA applies to the procurement of public-private partnership agreements. Section 33 also applies if the agreement will have multi-year budgetary implications for the Municipality within the meaning of that section.

## **7.7. Publications in Newspapers**

- 7.7.1. In respect of any contract relating to the publication of official and legal notices and advertisements in the press by or on behalf of the Municipality, there is no requirement for a competitive bidding process to be followed.

## **7.8. Community Based Vendors**

- 7.8.1. The Manager: Supply Chain Management may request quotations directly from Community Based Vendors in a specific area or from a specific community for the procurement of goods and services for amounts less than R30, 000.00 (including construction works).

## **7.9. Range of Procurement Processes**

- 7.9.1. Goods and services, including construction works and consultant services shall be procured through the range of procurement processes set out below.

## **7.10. Competitive Bids**

- 7.10.1. Where the estimated transaction value exceeds R200, 000.00 (VAT inclusive), or for any contract exceeding one year in duration (which includes any defects liability period, if applicable).

## **7.11. Annual Bids**

7.11.1. For the supply of goods and services or construction works that is of an adhoc or repetitive nature for a predetermined period of time.

## **7.12. Formal Written Price Quotations**

7.12.1. Where the estimated transaction value exceeds R10, 000.00 (VAT inclusive) and is less than or equal to R200, 000.00 (VAT inclusive).

## **7.13. Written Price Quotations**

7.13.1. Where the estimated transaction value exceeds R2, 000.00 (VAT inclusive) and is less than or equal to R10, 000.00 (VAT inclusive).

## **7.14. Petty Cash Purchases**

7.14.1. Where the transaction value is less than or equal to R2, 000.00 (VAT inclusive).

## **7.15. Procurement of Consulting Services**

7.15.1. Where the estimated value of fees exceeds R200, 000.00 (VAT inclusive) or where the duration of the appointment will exceed one year, a competitive bidding process shall apply.

7.15.2. Where the estimated value of fees is less than or equal to R200, 000.00 (VAT inclusive) and the duration of the appointment will be less than one year, a selection process as described in this Policy, as amended from time to time, shall be applied.

## **7.16. Reduction in Threshold Values**

7.16.1. The Municipal Manager may:

- ❖ lower, but not increase, the different threshold values specified in the acquisition management system of this Policy; or
- ❖ require that written quotations be obtained for any specific procurement of a transaction value lower than R2 000;
- ❖ or that formal written price quotations be obtained for any specific procurement of a transaction value lower than R10 000; or
- ❖ and that a competitive bidding process be followed for any specific procurement of a transaction value lower than R200, 000.00.



## **7.17. General Conditions Applicable to Bids and Quotations**

7.17.1. The Municipality shall not consider a bid or quote unless the bidder who submitted the bid or quote has furnished the Municipality with:

- ❖ bidder's full name;
- ❖ identification number or company or other registration number; and
- ❖ tax reference number; and
- ❖ VAT registration number, (if applicable)
- ❖ certificate of attendance at a compulsory site inspection, where applicable;
- ❖ an original and valid tax clearance certificate certifying that the provider's tax matters are in order; and
- ❖ has indicated whether the provider is in the service of the state, or has been in the service of the state in the previous twelve months;
- ❖ if the provider is not a natural person, whether any of the Managers, managers, principal shareholders or stakeholders is in the service of the state, or has been in the service of the state in the previous twelve months; or
- ❖ whether a spouse, child or parent of the provider or of a Manager, manager, shareholder or stakeholder referred to above is in the service of the state, or has been in the service of the state in the previous twelve months.

7.17.2. Irrespective of the procurement process, the Municipality may not make any award above R15, 000.00, to a person whose tax matters have not been declared by the SARS to be in order.

7.17.3. Before making an award the Municipal must check with SARS if the person's tax matters are in order and, if SARS does not respond within seven days such person's tax matters may, for the purposes of clause 74, be presumed to be in order.

7.17.4. Irrespective of the procurement process followed, the Municipal is prohibited from making an award to a service provider:

- ❖ who is in the service of the state;
- ❖ if the service provider is not a natural person, of which any Manager, manager or principal shareholder or stakeholder is in the service of the state; or
- ❖ who is an advisor or consultant contracted with the Municipal.

7.17.5. The Municipal Manager shall ensure that the notes to the annual financial statements of the Municipality must disclose particulars of any award above R2000.00 to a person who is a spouse, child or parent of a person in the service of the state, or who has been in the service of the state in the previous twelve months, including:

- ❖ the name of the person;
- ❖ the capacity in which the person is in the service of the state: and
- ❖ the amount of the award.

## **7.18. Competitive Bids**

### **7.18.1. General**

7.18.1.1.1. Competitive bids must be called for any procurement of goods or services, construction works, or consultant services above a transaction value of R200, 000.00 (VAT inclusive), or for any contract exceeding one year in duration.

7.18.1.1.2. Goods or services, construction works, or consultant services may not be split into parts or items of lesser value merely to avoid complying with the requirements relating to competitive bids.

7.18.1.1.3. When determining transaction values, a requirement for goods or services, construction works or consultant services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

## **7.19. Bid Specifications**

- 7.19.1. Bid specifications must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services.
- 7.19.2. Bid specifications must take account of any accepted standards such as those issued by South African National Standards, the International Standards Organisation, or any authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply.
- 7.19.3. Bid specifications shall, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design.  
Bid specifications may not create trade barriers in contract requirements in the forms of plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification.
- 7.19.4. Bid specifications may not make any reference to any particular trade mark, name, patent, design, type, specific origin or producer, unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the words ~~or~~ equivalent+.
- 7.19.5. Bid specifications and/or bid documentation must indicate each specific goal for which adjudication points may be awarded.
- 7.19.6. Bid specifications and/or bid documentation must be approved by the Municipal Manager or his delegated authority prior to publication of the invitation for bids.
- 7.19.7. Where specifications are based on standard documents available to bidders, a reference to those documents is sufficient.

## **7.20. Bid Specification Committee**

- 7.20.1. All bid specifications and bid documentation must be compiled by an ad-hoc bid specification committee constituted for each project or procurement activity.
- 7.20.2. The Bid Specification Committee shall be comprised of at least three Municipal officials, an appointed Chairperson, the Project Manager / responsible official and at least one Supply Chain Management Practitioner of the Municipality.
- 7.20.3. Where appropriate a representative of Internal Audit and/or Legal Services and/or an external specialist advisor may form part of this committee.
- 7.20.4. The Municipal Manager, or his delegated authority, shall, taking into account section 117 of the MFMA, appoint the members of the Bid Specification Committee.
- 7.20.5. No person, advisor or corporate entity involved with the bid specification committee, or Manager of such corporate entity, may bid for any resulting contracts.
- 7.20.6. Bid Specification Committee meetings must be conducted in accordance with the applicable Rules of Order Regulating the Conduct of Meetings.

## 7.21. Compilation of Bid Documentation

- 7.21.1. If the bid relates to construction works as contemplated by the Construction Industry Development Board Act, then the requirements of that Act must be taken into account in the bid documentation.
- 7.21.2. General conditions of contract and supply chain management guidelines of the National Treasury in respect of goods and services must be taken into account when compiling bid documents.
- 7.21.3. Bid documentation must clearly indicate the terms and conditions of contract specifications, criteria for evaluation and adjudication procedures to be followed where applicable, and include where, in exceptional circumstances, site inspections are compulsory.
- 7.21.4. An appropriate contract and/or delivery period must be specified for all contracts.
- 7.21.5. The requirements of the preferential procurement section of this Policy must be clearly set out in the bid documentation.
- 7.21.6. The bid documentation and evaluation criteria shall not be aimed at hampering competition, but rather to ensure fair, equitable, transparent, competitive and cost effective bidding, as well as the protection or advancement of persons, or categories of persons, as embodied in the preferential procurement section of this Policy.
- 7.21.7. The bid documentation must require a bidder to furnish the following:
  - ❖ the bidders full name;
  - ❖ the identification number or company or other registration number;
  - ❖ the bidders tax reference number and VAT registration number, if any; and
  - ❖ an original valid tax clearance from the South African Revenue Services stating that the bidder's tax matters are in order.
- 7.21.8. Bid documentation must stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation) or, where unsuccessful, in a court of South African law.
- 7.21.9. A provision for the termination of the contract in the case of non- or underperformance must be included in the bid documentation.

Unless otherwise indicated in the bid documents, the Municipality shall not be liable for any expenses incurred in the preparation and/or submission of a bid.

Bid documentation must state that the Municipality shall not be obliged to accept the lowest bid, any alternative bid or any bid.

Unless the Municipal Manager otherwise directs bids are invited in the Republic only.

Laws of the Republic shall govern contracts arising from the acceptance of bids.

Bid documentation must compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted.

The bid documentation must require bidders to disclose:

- whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;
- if the bidder is not a natural person, whether any of its Managers, managers, principal shareholders or stakeholder is in the service of; the state, or has been in the service of the state in the previous twelve months; or
- whether a spouse, child or parent of the bidder or of a Manager, manager, shareholder or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months.

Bid documentation for consultant services must require bidders to furnish the Municipal with particulars of all consultancy services, and any similar services (to the services being bid for) provided to an organ of state in the last five years.

Bid documentation for consultant services must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, item, system or process designed or devised by a consultant in terms of an appointment by the Municipal, shall vest in the Municipal.

## **7.22. Bids exceeding R10 million**

7.22.1. If the estimated value of the transaction exceeds R10 million, the bid documentation must require the bidders to furnish:

- ❖ audited annual financial statements (if applicable) for the past three years, or
- ❖ since their establishment if established during the past three years,
- ❖ a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days,
- ❖ particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract, and
- ❖ a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic and, if so, what portion and whether any portion of payment from the Municipal is expected to be transferred out of the Republic.

## **7.23. Alternative Bids**

7.23.1. Bid documentation may state that alternative bids can be submitted provided that a bid free of qualifications and strictly in accordance with the bid documents is also submitted.

7.23.2. An alternative bid shall be submitted on a separate complete set of bid documents and shall be clearly marked "Alternative Bid" to distinguish it from the unqualified bid referred to above.

7.23.3. Bid documentation shall state that the Municipal will not be bound to consider alternative bids.

## **7.24. Public Invitation for Competitive Bids**

7.24.1. On completion of the bid specification and bid document processes the Municipal shall publicly invite bids.

7.24.2. Bid invitation shall be by notice published in the press, in newspapers circulating in the Chris Hani District Area, in English and Xhosa, and in the electronic media (including the Municipal's official website) or at dissemination centres as applicable or any other appropriate ways.

7.24.3. The bid notice shall, as soon as possible after the publication contemplated above, be posted on official notice boards designated by the Municipal Manager.

- 7.24.4. The bid notice may require payment of a non-refundable deposit by bidders wanting to collect bid documents. This deposit shall be determined by the Manager: Supply Chain Management from time to time.
- 7.24.5. The public notice contemplated by clause 4.24.2. above shall specify:
- ❖ the title of the proposed contract and the bid or contract reference number;
  - ❖ such particulars of the contract as the Municipality deems fit;
  - ❖ the date, time and location of any site inspection, if applicable;
  - ❖ the place where the bid documentation is available for collection and the times between which bid documentation may be collected;
  - ❖ that bids may only be submitted on the bid documentation provided by the Municipality;
  - ❖ the deposit payable, if any;
  - ❖ the place where bids must be submitted;
  - ❖ the name of the municipalities contact person;
  - ❖ the closing date and time for submission of bids; and
  - ❖ the required CIDB contractor grading for construction work.
  - ❖ The bid notice shall further state that all bids for the contract must be submitted in a sealed envelope on which it is clearly stated that such envelope contains a bid and the contract title and contract or bid reference number for which the bid is being submitted.
  - ❖ Bid documentation shall be available for collection until the closing date of bids.

## **7.25. Issuing of Bid Documents**

- 7.25.1. Bid documents and any subsequent notices may only be issued by officials designated by the Manager: Supply Chain Management from time to time.
- 7.25.2. Details of all prospective bidders who have been issued with bid documents must be recorded by the issuing office but shall remain **confidential** for the duration of the bid period.
- 7.25.3. Details of prospective bidders must, wherever possible, include the full name of the person drawing documents, a contact person, a contact telephone and fax number and a postal and email address.

## **7.26. Site Inspections**

- 7.26.1. In general, site inspections, where applicable will not be compulsory. In exceptional circumstances however, a site inspection may be made compulsory with the approval of the Manager: Supply Chain Management, provided that the minimum bid period is extended by at least 7 (seven) days.
- 7.26.2. If site inspections are to be held, full details must be included in the bid notice, including whether or not the site inspection is compulsory.
- 7.26.3. Where site inspections are made compulsory, the date for the site inspection shall be at least 5 (five) days after the bid has been advertised, and a certificate of attendance signed by the responsible agent must be submitted with the bid.
- 7.26.4. If at a site meeting, any additional information is provided or clarification of vague points is given, such additional information or clarification must be conveyed to all bidders.

## **7.27. Two-stage (Prequalification) Bidding Process**

- 7.27.1. In a two-stage (prequalification) bidding process, bidders are first invited to prequalify in terms of predetermined criteria, without being required to submit detailed technical proposals (where applicable) or a financial offer.
- 7.27.2. In the second stage, all bidders that qualify in terms of the predetermined criteria will be shortlisted and invited to submit final technical proposals (where applicable) and/or a financial offer.
- 2.27.3. This process may be applied to bids for large complex projects of a specialist or long term nature or where there are legislative, design, technological and/or safety reasons to restrict bidding to firms who have proven their capability and qualification to meet the specific requirements of the bid, including projects where it may be undesirable to prepare complete detailed technical specifications or long term projects with a duration exceeding three years.
- 7.27.4. The notice inviting bidders to pre-qualify must comply with the provisions of public invitation for competitive bids.

## **7.28. Two Envelope System**

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

## **7.29. Validity Periods**

- 7.29.1. The period for which bids are to remain valid and binding must be indicated in the bid documents.
- 7.29.2. The validity period is calculated from the bid closure date and bids shall remain in force and binding until the end of the final day of that period.
- 7.29.3. This period of validity may be extended, provided that the original validity period has not expired, and that all bidders are given an opportunity to extend such period. Any such extension shall be agreed to by a bidder in writing.
- 2.29.4. The responsible official must ensure that all bidders are requested to extend the validity period of their bids where necessary in order to ensure that the bids remain valid throughout the appeal period or until the appeal is finalised.
- 7.29.5. If bidders are requested to extend the validity period of their bids as a result of an appeal being lodged it must be made clear to bidders that this is the reason for the request.

## **7.30. Contract Price Adjustment**

- 7.30.1. For all contract periods equal to or exceeding one year, an appropriate contract price adjustment formula must be specified in the bid documents.
- 7.30.2. In general, if contract periods do not exceed one year, the bid shall be a fixed price bid and not subject to contract price adjustment.

- 7.30.3. However, if as a result of any extension of time granted, the duration of a fixed price contract exceeds one year, the contract will automatically be subject to contract price adjustment for that period by which the extended contract period exceeds such one year. An appropriate contract price adjustment formula must be specified in the bid documents.
- 7.30.4. If the bid validity period is extended, then contract price adjustment may be applied.

### **7.31. Contracts providing for Compensation Based on Turnover**

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

### **7.32. Provisional Sums and Prime Cost Items**

- 7.32.1. If monetary allowances in excess of R200, 000.00 for provisional sums or prime cost items have been included in the bid documents, they shall be dealt with in terms of this acquisition management system.
- 7.32.2. When monetary allowances of less than R200, 000.00 have been included in the bid documents, contractors must be required to obtain a minimum of three written quotations for approval by the responsible agent.

### **7.33. Samples**

- 7.33.1. Where samples are called for in the bid documents, samples (marked with the bid and item number as well as the bidder's name and address) shall be delivered separately (to the bid) to the addressee mentioned in the bid documents by no later than the closing time of the bid.
- 7.33.2. Bids may not be included in parcels containing samples.
- 7.33.3. If samples are not submitted as required in the bid documents, then the bid concerned may be declared invalid.
- 7.33.4. Samples shall be supplied by a bidder at his/her own expense and risk. The Municipality shall not be obliged to pay for such samples or compensate for the loss thereof, unless otherwise specified in the bid documents, and shall reserve the right not to return such samples and to dispose of them at its own discretion.
- 7.33.5. If a bid is accepted for the supply of goods according to a sample submitted by the bidder, that sample will become the contract sample. All goods/materials supplied shall comply in all respects to that contract sample.

### **7.34. Closing of Bids**

- 7.34.1. Bids shall close on the date and at the time stipulated in the bid notice.
- 7.34.2. For bids for goods and services the bid closing date must be at least 14 (fourteen) days after publication of the notice.
- 7.34.3. For construction works the bid closing date must be at least 21 (twenty one) days after publication of the notice.
- 7.34.4. Notwithstanding the above, if the estimated contract value exceeds R10 million (VAT included), or if the contract is of a long term nature with a duration period exceeding one year, then the bid closing date must be at least 30 (thirty) days after publication of the notice.
- 7.34.5. For banking services, the bid closing date must be at least 60 (sixty) days after publication of the notice.
- 7.34.6. For proposal calls using a two envelope system, the bid closing date must be at least 30 (thirty) days after publication of the notice.
- 7.34.7. The bid closing date may be extended by the Manager: Supply Chain Management if circumstances justify this action; provided that the closing date may not be extended unless a notice is published in the press at least one week prior to the original bid closing date. This notice shall also be posted on the official notice boards designated by the Municipal Manager, and a notice to all bidders to this effect shall be issued.
- 7.34.8. The Municipal Manager may determine a closing date for the submission of bids which is less than any of the periods specified in clauses 7.32 to 7.34. above, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.

### **7.35. Communication with bidders before bid closing**

- 7.35.1. The Bid Specification Committee Chairperson may, if necessary, communicate with bidders prior to bids closing in order to supply additional information or to clarify vague points in the bid documents.
- 7.35.2. Such communication shall be in the form of a notice issued to all bidders in accordance with clauses 7.2 and should, where possible, be issued at least one week prior to the bid closing date.
- 7.35.3. Notwithstanding a request for acknowledgement of receipt of any notice issued in accordance with clause 7.25, the bidder will be deemed to have received such notice if the procedures have been complied with.

### **7.36. Submission of Bids**

- 7.36.1. Bids must be submitted before the closing time, at the address and in accordance with the directives in the bid documents.
- 7.36.2. Each bid must be in writing using non-erasable ink and must be submitted on the official Form of Bid/Offer issued with the bid documents.
- 7.36.3. The bid must be submitted in a separate sealed envelope with the name and address of the bidder, the bid number and title, the bid box number (where applicable), and the closing date indicated on the envelope. The envelope may not contain documents relating to any bid other than that shown on the envelope. Only sealed bids will be accepted.



- 7.36.4. The onus shall be on the bidder to place the sealed envelope in the official, marked and locked bid box provided for this purpose, at the designated venue, not later than the closing date and time specified in the bid notice.
- 7.36.5. Postal bids will not be accepted for consideration.
- 7.36.6. No bids forwarded by telegram, facsimile or similar apparatus shall be considered. However, photostat copies of bids or facsimiles which are submitted in the prescribed manner will be considered, provided the original Forms of Bid/Offer can be shown to have been posted or couriered prior to the close of bids.
- 7.36.7. Electronic bids will not be accepted.
- 7.36.8. The bidder shall choose a *domicilium citandi et executandi* in the Republic and unless notice of the change thereof has duly been given in writing, it shall be the address stated in the bid.
- 7.36.9. No person may amend or tamper with any bids or quotations after their submission.

### **7.37. Late Bids**

- 7.37.1. A bid is late if it is not placed in the relevant bid box by the closing time for such bid.
- 7.37.2. A late bid shall not be admitted for consideration and where feasible shall be returned unopened to the bidder with the reason for the return thereof endorsed on the envelope.

### **7.38. Opening of Bids**

- 7.38.1. At the specified closing time on the closing date the applicable bid box shall be closed.
- 7.38.2. The bid box shall be opened in public as soon as practical after the closing time.
- 7.38.3. Bids found to be inadvertently placed in the incorrect bid box will be redirected provided that the applicable bids either closed on the same day at the same time, or are still open (in which case the Municipality disclaims any responsibility for seeing that the bids are in fact lodged in the correct bid box).
- 7.38.4. A record of all bids placed in an incorrect box shall be kept.
- 7.38.5. Bids received in sealed envelopes in the bid box without a bid number or title on the envelope will be opened at the bid opening and the bid number and title ascertained. If the bid was in the correct bid box it will be read out. If the bid is found to be in the incorrect bid box, it will be redirected provided that the applicable bids either closed on the same day at the same time, or are still open. If the bid closes at a later date, the bid will be placed in a sealed envelope with the bid number and title endorsed on the outside, prior to being lodged in the applicable box. The Municipality however disclaims any responsibility for seeing that the bid is in fact lodged in the correct box.
- 7.38.6. Immediately after the opening of the bid box, all bids shall be opened in public and checked for compliance.
- 7.38.7. The official opening the bids shall in all cases read out the name of the bidder and, if practical, the amount of the bid.
- 7.38.8. As soon as a bid or technical proposal has been opened:
  - ❖ the bid/proposal shall be stamped with the official stamps, and endorsed with the opening official's signature,
  - ❖ the name of the bidder, and where possible, the bid sum shall be recorded in a bid opening record kept for that purpose, and
  - ❖ the responsible official who opened the bid shall forthwith place his/her signature on the bid opening record and shall ensure that the bid opening record and the bid prices,

where applicable, are made available for public inspection and are published on the Municipality's official website.

### **7.39. Opening of Bids where a Two Envelope System (consisting of a technical proposal and a financial proposal) is followed.**

- 7.39.1. If a two envelope system is followed, only the technical proposal will be opened at the bid opening.
- 7.39.2. The unopened envelope containing the financial proposal shall be stamped and endorsed with the opening official's signature, and be retained by him/her for safekeeping.
- 7.39.3. When required the financial offers/bids corresponding to responsive technical proposals, shall be opened by the opening official in accordance with clauses 2.38.5. and 2.38.7.
- 7.39.4. All bidders who submitted responsive technical proposals must be invited to attend the opening of the financial offers/bids.
- 7.39.5. Envelopes containing financial offers/bids corresponding to non-responsive technical proposals shall be returned unopened along with the notification of the decision of the Bid Adjudication Committee in this regard.
- 7.39.6. After being recorded in the bid opening record, the bids/technical proposals shall be handed over to the official responsible for the supervision of the processing thereof and that official shall acknowledge receipt thereof by signing the bid opening record.

### **7.40. Invalid Bids**

- 7.40.1. Bids shall be invalid, and shall be endorsed and recorded as such in the bid opening record by the **responsible official** appointed by the Manager: Supply Chain Management to open the bid, in the following instances:
  - ❖ If the bid is not sealed;
  - ❖ the bid is not submitted on the official Form of Bid/Offer;
  - ❖ if the bid is not completed in non-erasable ink;
  - ❖ if the Form of Bid/Offer has not been signed;
  - ❖ if the Form of Bid/Offer is signed, but the name of the bidder is not stated, or is indecipherable; or
  - ❖ if in a two envelope system, the bidder fails to submit both a technical proposal and a separate sealed financial offer/bid.
- 7.40.2. When bids are declared invalid at the bid opening, the bid sum of such bids shall not be read out. However, the name of the bidder and the reason for the bid having been declared invalid shall be announced.

### **7.41. Bid Sum**

- 7.41.1. A bid will not necessarily be invalidated if the amount in words and the amount in figures do not correspond, in which case the amount in words shall be read out at the bid opening.
- 7.41.2. All rates, with the exception of rates only bids, and proprietary information are confidential and shall not be disclosed.

## **7.42. Bid Evaluation**

### **General**

7.42.1. The Municipality shall not be obliged to accept the lowest or any bid.

7.42.2. For goods and services bids, the Municipality shall have the right to accept the whole bid or part of a bid or any item or part of an item or accept more than one bid, in the event of a number of items being offered.

## **7.43. Bid Evaluation Committee**

### **POLICY**

- ❖ The BEC will evaluate all bids received from service providers.
- ❖ Evaluate offers received within the bid/quotation threshold where the requirement is technically complex and/or there are risks involved that warrant this process.
- ❖ Evaluation must be done in accordance with the criteria specified in the bid documentation.
- ❖ The BEC will submit a report and recommendations regarding the award to the Bid Award and Adjudication Committee for consideration and/or approval.
- ❖ Members of the BEC may present their reports to the Bid Award and Adjudication Committee to clarify uncertainties. Such members shall not have any voting power on the Bid Adjudication Committee.

7.43.1. An ad-hoc Bid Evaluation Committee shall be constituted for each project or procurement activity to evaluate bids received.

7.43.2. The Bid Evaluation Committee shall be comprised of at least three Municipal officials, an appointed Chairperson (who may be the same person as the Chairperson of the Bid Specification Committee), the Project Manager / responsible official and at least one Supply Chain Management Practitioner of the Municipality.

7.43.3. Where appropriate, a representative of Internal Audit and/or Legal Services may form part of this committee, which may also include an internal or external specialist/expert as necessary.

7.43.4. The Municipal Manager, or his delegated authority, shall, taking into account section 117 of the MFMA, appoint the members of the Bid Evaluation Committee.

7.43.5. Bid Evaluation Committee meetings must be conducted in accordance with the applicable Rules of Order Regulating the Conduct of Meetings.

## **7.44. Bid Evaluation.**

- 7.44.1. The Responsible Agent shall carry out a preliminary evaluation of all valid bids received and shall submit a draft bid evaluation report to the Bid Evaluation Committee for consideration.
- 7.44.2 Any evaluation of a bid shall consider the bids received and shall note for inclusion in the evaluation report, a bidder:
- ❖ whose bid was endorsed as being invalid by the responsible official at the bid opening;
  - ❖ bid does not comply with the provisions for combating abuse of this Policy;
  - ❖ whose bid does not comply with the general conditions applicable to bids and quotations of this Policy;
  - ❖ whose bid is not in compliance with the specification;
  - ❖ whose bid is not in compliance with the terms and conditions of the bid documentation;
  - ❖ whose bid does not comply with any minimum goals stipulated in terms of the preferential procurement section of this Policy;
  - ❖ who is not registered and verified on the Municipal supplier database. In this regard bid documentation shall state that the responsibility for registration and verification rests solely with the bidder;
  - ❖ who, in the case of construction works acquisitions, does not comply with the requirements of the Construction Industry Development Board Act regarding registration of contractors;
  - ❖ who has failed to submit an original and valid tax clearance certificate from the South African Revenue Services (SARS) certifying that the taxes of the bidder are in order or that suitable arrangements have been made with SARS, and
  - ❖ who fails to comply with any applicable Bargaining Council agreements.
- 7.44.3. Bids shall be evaluated according to the following as applicable:
- ❖ bid price (corrected if applicable and brought to a comparative level where necessary),
  - ❖ the unit rates and prices,
  - ❖ the bidder's ability to fulfil its obligations in terms of the bid documents,
  - ❖ any qualifications to the bid,
  - ❖ the bid ranking obtained in respect of preferential procurement as required by this Policy,
  - ❖ the financial standing of the bidder, including its ability to furnish the required institutional guarantee, where applicable,
  - ❖ any other criteria specified in the bid documents.
- 7.44.4. No bidder may be recommended for an award unless the bidder has demonstrated that it has the resources and skills required to fulfil its obligations in terms of the bid document.
- 7.44.5. The Bid Evaluation Committee shall check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears.
- 7.44.6. Additional information or clarification of bids may be called for if required but only in writing.
- 7.44.7. Alternative bids may be considered, provided that a bid free of qualifications and strictly in accordance with the bid documents is also submitted. The Municipality shall not be bound to consider alternative bids.
- 7.44.8. If a bidder requests in writing, after the closing of bids, that his/her bid be withdrawn, then such a request may be considered and reported in the bid evaluation report.
- 7.44.9. The bidder obtaining the highest number of points should be recommended for acceptance unless there are reasonable and justifiable grounds to recommend another bidder.
- 7.44.10. If, after bids have been brought to a comparative level, two or more score equal total adjudication points, the recommended bidder shall be the one scoring the highest preference points.

- 7.44.11. If two or more bids are equal in all respects, the Bid Evaluation Committee shall draw lots to decide on the recommendation for award, or may, in the case of goods and services, recommend splitting the award proportionately, where applicable.
- 7.44.12. All disclosures of a conflict of interest shall be considered by the Bid Evaluation Committee shall be reported to the Bid Adjudication Committee.

#### **7.45. Recommendation to Bid Adjudication Committee**

- 7.45.1. The Bid Evaluation Committee shall, having considered the Responsible Agent's draft report, submit a report, including recommendations regarding the award of the bid or any other related matter, to the Bid Adjudication Committee for award.

#### **7.46. Bid Adjudication Committee**

##### **POLICY**

- ❖ The relevant award structure considers the report and recommendations made by the Bid Evaluation Committee or the delegated official(s) who performed the evaluation.
- ❖ Assess the process followed in making the recommendation to ensure that the SCM policy have been complied with in full.
- ❖ Obtain clarity from members of the Bid Evaluation Committee if required.
- ❖ The delegated official or the Bid Award and Adjudication Committee shall approve the recommendation submitted and award the contract if delegated to do so.
- ❖ If the award structures other than the Municipal Manager are not delegated to award a specific bid, they shall comment on the recommendations made and forward it together with the report to the Municipal Manager who shall finally award the contract.
- ❖ All award structures shall refer the recommendation back when they do not agree with the recommendation to endeavour to sort out the differences if they are process related.
- ❖ Should the award structures other than the Municipal Manager not agree with the recommendations made by the Bid Evaluation Committee, only the Municipal Manager may make the final award.

- 7.46.1. The Bid Adjudication Committee shall comprise at least four senior managers, and shall include:
- ❖ the Chief Financial Officer or a Manager designated by the Chief Financial Officer;
  - ❖ at least one senior supply chain management practitioner of the Municipality; and
  - ❖ a technical expert in the relevant field who is an official of the Municipality, if the Municipal has such an expert.
- 7.46.2. The Municipal Manager shall appoint the members and chairperson of the Bid Adjudication Committee. If the chairperson is absent from a meeting, the members of the committee who are present shall elect one of the committee members to preside at the meeting.
- 7.46.3. Neither a member of a Bid Specification Committee, Bid Evaluation Committee, nor an advisor or person assisting such committees, may be a member of a Bid Adjudication Committee.

## 7.47. Adjudication and Award

### POLICY

- ❖ The Municipal Manager shall establish the necessary award structures to perform the award/adjudication of quotations and bids. The following award structures must be provided for:
  - A delegated official for awards up to the quotation threshold.
  - At least one standing Bid Award and Adjudication Committee for awards above the quotation threshold and as delegated by the Municipal Manager.
  - The Municipal Manager for awards not formally delegated to any other award structure.
- ❖ The award structure for a specific quotation/bid cannot be an official who:
  - Performed the evaluation or made a recommendation in respect of that quotation/bid.
  - Served on the Bid Evaluation Committee, which processed that quotation/bid.
- ❖ No advisor may form part of the final decision-making process regarding the award of bids.
- ❖ The Municipal Manager may utilise the services of any other institution $\S$  Bid Adjudication Committee if and when required.
- ❖ The Bid Award and Adjudication Committee may not be established for a period exceeding 2 years with the option to extend each member $\S$  individual appointment for a period not longer than another one year.
- ❖ Each member shall have a secundus where feasible.
- ❖ A quorum for the meeting shall be half of the members plus one.

- 7.47.1.1. The Bid Adjudication Committee shall consider the report and recommendations of the Bid Evaluation Committee and make a final award or make another recommendation to the Municipal Manager on how to proceed with the relevant procurement.
- 7.47.1.2. The Bid Adjudication Committee may make an award to a preferred bidder, subject to the Municipal Manager negotiating with the preferred bidder in terms of this Policy.
- 7.47.1.3. The Municipal Manager may at any stage of the bidding process, refer any recommendation made by the Bid Evaluation or Bid Adjudication Committee back to that committee for reconsideration of the recommendation.

## 7.48. Approval of Bid not recommended

- 7.48.1.1. If a Bid Adjudication Committee decides to award a bid other than the one recommended by the Bid Evaluation Committee, the Bid Adjudication Committee must, prior to awarding the bid:
  - ❖ check in respect of the preferred bidder whether that bidder $\S$  municipal rates and taxes and municipal service charges are not in arrears;
  - ❖ check in respect of the preferred bidder that it has the resources and skills required to fulfil its obligations in terms of the bid document.
  - ❖ notify the Municipal Manager.
- 7.48.2. The Municipal Manager may:

- ❖ after due consideration of the reasons for the deviation ratify or reject the decision of the Bid Adjudication Committee referred to in clause 7.49.1.1. above.
  - ❖ If the decision of the Bid Adjudication Committee is rejected, refer the decision of the adjudication committee back to that committee for consideration.
- 7.48.3. If a bid other than the one recommended in the normal course of implementing this Policy is approved, then the Municipal Manager must, in writing and within ten working days, notify the Auditor-General, the Provincial Treasury and the National Treasury of the reasons for deviating from such recommendation.
- 7.48.4. The requirement of clause 7.49.1.1. does not apply if a different bid was approved in order to rectify an irregularity.

## **7.49. Reconsideration of Recommendations**

- 7.49.1. The Municipal Manager may, at any stage of a bidding process, refer any recommendation made by the Bid Evaluation Committee or Bid Adjudication Committee back to that Committee for reconsideration of the recommendation.

## **7.50. Notification of Decision and Award of Contract**

- 7.50.1. If the Bid Adjudication Committee or other delegated official has resolved that a bid be accepted, the successful and unsuccessful bidders shall be notified in writing of this decision.
- 7.50.2. Every notification of decision and/or formal acceptance/award of a bid must be in writing and shall:
- ❖ be delivered by hand on the day that it was signed and dated; or
  - ❖ be faxed to the address chosen by the bidder on the day that it was signed and dated, with a copy of the transmission verification report kept for record purposes.

## **7.51. Negotiations with Preferred Bidders**

- 7.51.1. The Municipal Manager may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders provided that such negotiation:
- ❖ does not allow any preferred bidder a second or unfair opportunity;
  - ❖ is not to the detriment of any other bidder; and
  - ❖ does not lead to a higher price than the bid as submitted.
- 7.51.2. Minutes of such negotiations must be kept for record purposes.

## **7.52. Cancellation of Bids**

- 7.52.1. If it becomes necessary to cancel or re-advertise formal bids, then a report to this effect shall be submitted to the Bid Adjudication Committee for decision.
- 7.52.2. If bids have been cancelled, then all bidders must be notified in writing.
- 7.52.3. It is not necessary to notify original bidders when calling for new bids, which will be advertised in accordance with clause 7.24.

- 7.52.4. No bid may be re-advertised before the expiry of the validity period of the original bid, or any extended validity period.
- 2.48.5. Where no valid bids are received or where all bidders have indicated in writing that they have no objection to the re-advertisement of the bid, then the bid may be re-advertised forthwith.
- 2.48.6. In the case of bids for construction related works, and where the Bid Adjudication Committee resolved that there were no responsive tenders received, then the bid may be re-advertised forthwith.

### **7.53. Increase in Approved Contract Sum or Contract Period**

- 7.53.1. Any increase in the approved contract sum or contract period (in respect of annual bids) that may become necessary as a result of exceptional circumstances during the contract period, must be approved by the Bid Adjudication Committee.
- 7.53.2. Where community participation has been a part of the project, the community must be advised of the proposed increase and be invited to provide written comment.
- 7.53.3. Any unapproved increase in the contract sum or contract period as a result of exceptional circumstances must be explained in a report to the Bid Adjudication Committee requesting condonation for such unapproved increase.

### **7.54. Annual Bids**

#### **General**

- 7.55.1. It is permissible to invite bids for the supply of goods and services or construction works that is of an ad-hoc or repetitive nature, for a predetermined period of time (commonly referred to as an annual bid).
- 7.55.2. The general acquisition procedure for annual bids shall comply with procedures contained in the acquisition management system for competitive bids.
- 7.55.3. Bid documentation, where applicable, shall state that the acceptance of annual bids based on a schedule of rates will not necessarily guarantee the bidder any business with the Municipality.
- 7.55.4. The practice of using annual bids to circumvent the bid process in respect of what should be planned project work is not permissible.
- 7.55.5. Material for repairs and maintenance can be purchased on annual tender where circumstances warrant it.
- 7.55.6. Additional items included in an annual bid by any bidder which are clearly not an alternative to any of the items specified shall not be considered.

### **7.56. Evaluation and Adjudication of Annual Bids**

- 7.56.1. The process for considering annual bids shall be in terms of the evaluation and adjudication procedures for conventional competitive bids.
- 7.56.2. Subsequent to award, where different selections of items are required in terms of the same annual bid and it is not possible or practical to separate orders for different items from different suppliers, service providers or



contractors (in the case of construction works, for example), then the adjudication process will have to be carried out in respect of each application by the Responsible Agent. Individual orders will then be placed (or contracts awarded) on the basis of the highest total adjudication points received, per application.

- 7.56.3. If the selected supplier, contractor or service provider, in terms of the selection process specified in the annual bid documentation, is unable to provide the required goods, services or construction works at the required time and confirms as such in writing then the bidder with the next highest adjudication points shall be selected. If after a contract is awarded, or an order is placed in terms of an annual bid, the supplier, contractor or service provider fails to supply the goods or service required, then the remedies in terms of the contract shall apply.

## **7.57. Formal Written Price Quotations**

### **General**

- 7.57.1. Where the Municipality intends to enter into any contact which is for the supply of any goods or services, or the execution of any construction work which involves or is likely to involve a transaction value over R10 000.00 and up to R200, 000.00 (VAT inclusive), then a minimum of three written quotes shall be obtained from providers who are suitably qualified and experienced, having the necessary resources, and who are preferably registered and verified on the Municipality supplier database. If quotations are obtained from providers who are not listed on the Municipality supplier database, such providers must meet the listing criteria referred to in this Policy and must register on the database before they may be recommended for award.
- 7.57.2. Any request for a formal written quotation which is likely to be in excess of R30 000.00 must be advertised for at least 7 (seven) days on the Municipality official website and an official notice board as applicable.
- 7.57.3. Notwithstanding clause 7.24, if quotations have been invited via an Electronic Bulletin Board, no additional quotes need to be obtained should the number of responses be less than three.
- 7.57.4. If it is not possible to obtain at least three written quotations, the reasons must be recorded and approved by the Manager: Supply Chain Management who must, within three days of the end of the month, report to the Chief Financial Officer on any approvals given during that month in this regard.
- 7.57.5. The names of the potential providers and their written quotations must be recorded.

The practice of breaking out projects in order to circumvent the competitive bid process is not permissible.

## **7.58. Quotation Documentation**

7.58.1. All quotation documentation shall comply with the requirements of bid documentation contained in the acquisition management system for competitive bids.

### **7.59. Validity Periods**

7.59.1. The provisions of sub-section 7.29 of this Policy shall apply *mutatis mutandis* with regard to quotations.

### **7.60. Quotation Prices**

7.60.1. In general, all quotations should be submitted on a fixed price basis (not subject to contract price adjustment). Only in exceptional circumstances may contract price adjustment be applied.

7.60.2. Notwithstanding clause 7.59.1. above, if the quotation validity period is extended, then contract price adjustment may be applied on a proven, fair and reasonable basis.

### **7.61. Issuing and Submission of Documentation**

7.61.1. Documents pertaining to quotations (including the quotation itself) may be issued by either the originating office or a designated issuing office, but submissions shall be placed into the official marked and locked bid box provided for this purpose.

7.61.2. Quotation documents issued by the Municipality shall clearly state the place where such documents must be submitted and the date and time by when they must be submitted.

7.61.3. No quotations submitted after any stipulated closing date and time shall be considered.

### **7.62. Opening of Quotations**

7.62.1. The provisions of subsection 7.38. of this Policy shall apply *mutatis mutandis* with regard to quotations.

### **7.63. Consideration and Acceptance of Quotations**

7.63.1. All orders in respect of formal written price quotations shall be approved and released by the Municipality Manager or his delegated authority.

## **7.64. Written Price Quotations**

### **General**

- 7.64.1. Where the Municipality intends to procure any goods or services, which involves a transaction value over R2 000.00 (VAT inclusive) and up to R10 000.00 (VAT inclusive), written price quotations shall be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the supplier database, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria referred to in this Policy. However it must be noted that the Municipality may request verbal quotes and obtain 1 quote for purchases transaction to the value of R5000 (Vat inclusive) from the different providers listed from, but not limited to, providers whose names appear on the supplier database.
- 7.64.2. If it is not possible to obtain at least three written quotations, the reasons must be recorded and approved by the Manager: Supply Chain Management who must, within three days of the end of the month, report to the Chief Financial Officer on any approvals given during that month in this regard.
- 7.64.3. The names of the potential providers and their written quotations must be recorded.  
The practice of breaking out purchases in order to circumvent the formal written price quotation process is not permissible.
- 7.64.4. All orders in respect of written price quotations shall be approved and released by the Municipal Manager, or his delegated authority.

## **7.65. Petty Cash Purchases**

### **General**

- 7.65.1. Where there is a need to purchase any goods or services using a petty cash system, which involves a transaction value up to R2 000.00 (VAT inclusive), the Municipality's Procedures and Guidelines for Petty Cash Purchases shall be adhered to.
- 7.65.2. The delegated official responsible for petty cash must compile monthly reconciliation report for the Chief Financial Officer, which must include the total amount of petty cash purchases for that month and receipts and appropriate documents for each purchase.
- 7.65.3. The practice of breaking out purchases in order to circumvent the formal written price quotation and written price quotation processes is not permissible.

## **7.66. Appointment of Consultants**

### **General**

7.66.1. In the procurement of consulting services cognisance should be taken of any National Treasury guidelines in this respect or of Construction Industry Development Board Guidelines in respect of services relating to the built environment and construction works.

### **7.67. Procurement Process (over R200, 000.00)**

7.67.1. Where the estimated value of the fees exceeds R200, 000.00 (VAT inclusive), or where the duration of the appointment will exceed one year, consulting services shall be procured through a competitive bidding process.

7.67.2. The practice of breaking out (parcelling) consultant appointments in order to circumvent the competitive bidding process is not permitted.

### **7.68. Procurement Process (up to R200, 000.00)**

7.68.1. Where the estimated value of the fees is less than or equal to R200, 000.00 (VAT inclusive) and the duration of the appointment is less than one year, the selection of a consultant to provide the required service shall follow a written price quotation or a formal written price quotation procedure as described in this Policy.

7.68.2. Responsible agents must endeavour to ensure that there is rotation in respect of inviting suitably qualified consultants to quote.

7.68.3. A price/preference points system, as described in the preferential procurement section of this Policy, must be applied to such quotations.

7.68.4. Where it is in the interests of the Municipality to follow an advertised process, a formal competitive bidding process in accordance with the requirements of this policy may be followed.

### **7.69. Single-source Selection**

7.69.1. National Treasury Guidelines provide for single-source selection in exceptional cases. The justification for single-source selection must be examined in the context of the overall interests of the Municipality and the project.

7.69.2. The reasons for single-source selection must be fully motivated in a report and approved by the Bid Adjudication Committee prior to conclusion of a contract, provided that if the award is for an amount of R200, 000.00 (VAT inclusive) or less, such award shall be approved by the Manager : Supply Chain Management.

Single-source selection may be appropriate only if it presents a clear advantage over competition:

- ❖ for services that represent a natural continuation of previous work carried out by the consultant, and continuity of downstream work is considered essential.
- ❖ where rapid selection is essential.
- ❖ for very small appointments.
- ❖ when only one consultant is qualified, or has experience of exceptional worth for the project.

7.69.3

**Delegation of authority**

The authority to contract on behalf of the Municipality shall be delegated by Council as follows:

PRICE RANGE	QUOTE/TENDER	DELEGATION
R0 ó R5 000	Verbal/One Quote	Section Supervisor
R 5 001 - R 29 999	3 Written Quotes	Section Supervisor
R30 000 - R119 999	3 Written Quotes Points Allocation	HOD
R120 000 ó R199 999	3 Written Quotes Points Allocation	HOD
R200 000 ó R10 000 000	Tender Process	Bid Committee
R10 000 000 and above	Tender Process	Municipal Manager, sec 7.22 of this policy applies.

**7.70. Deviation from the Procurement Processes**

**General**

2.59.1. The Municipality Manager may dispense with the official procurement processes established by this Policy, and procure any required goods or services through any convenient process, which may include direct negotiation, but only in respect of:

- ❖ any contract relating to an emergency where it would not be in the interests of the Municipality to invite bids,
- ❖ any goods or services which are available from a single provider only,
- ❖ the acquisition of animals for zoos, or
- ❖ the acquisition of special works of art or historical objects where specifications are difficult to compile;
- ❖ any other exceptional circumstances where it is impractical or impossible to follow the official procurement process, including:
  - ❖ any purchase on behalf of the Municipality at a public auction sale;
  - ❖ any contract in respect of which compliance therewith would not be in the public interest;
  - ❖ ad-hoc repairs to plant and equipment where it is not possible to ascertain the nature or extent of the work required in order to call for bids; and
- ❖ The Municipality Manager may condone a deviation from the procurement processes, provided that such deviation is limited to the circumstances referred to in clause 2.74.

## **7.71. Emergency Dispensation**

- 7.71.1. The conditions warranting Emergency dispensation should include the existence of one or more of the following:
- ❖ the possibility of human injury or death;
  - ❖ the prevalence of human suffering or deprivation of rights;
  - ❖ the possibility of damage to property, or suffering and death of livestock and animals;
  - ❖ the interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the Municipality as a whole;
  - ❖ the possibility of serious damage occurring to the natural environment;
  - ❖ the possibility that failure to take necessary action may result in the Municipality not being able to render an essential community service; and
  - ❖ the possibility that the security of the state could be compromised.
- 7.71.2. The prevailing situation, or imminent danger, should be of such a scale and nature that it could not readily be alleviated by interim measures, in order to allow time for the formal procurement process. Emergency dispensation shall not be granted in respect of circumstances other than those contemplated above.
- 7.71.3. Where possible, in an emergency situation, three quotes in accordance with general acquisition management principles should be obtained and a report submitted to the Municipality Manager for approval. However, where time is of the essence, the emergency shall be immediately addressed and the process formalised in a report to the Municipality Manager as soon as possible thereafter.

## **7.72. Unsolicited Bids**

- 7.72.1. The Municipality is not obliged to consider any unsolicited bids received outside of the normal bidding process.
- 7.72.2. The Municipality may only consider an unsolicited bid if the following have been complied with:
- ❖ the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
  - ❖ the product or service offered will be exceptionally beneficial to, or have exceptional cost advantages for, the Municipality;
  - ❖ the person or entity that made the bid is the sole provider of the product or service; and
  - ❖ the reasons for not going through the normal bidding processes are found to be sound by the Municipal Manager. In this regard a report must be submitted to the Municipality Manager seeking approval to take the unsolicited bid process further.
- 7.72.3. If the Municipal Manager considers the unsolicited bid worthy of pursuing, the decision to consider such bid shall be made public in accordance with section 21A of the Systems Act together with:
- ❖ reasons as to why the bid should not be open to other competitors;
  - ❖ an explanation of the potential benefits for the Municipality were it to accept the unsolicited bid; and
  - ❖ an invitation to the public and other potential suppliers to submit their written comments within 30 (thirty) days of the notice being published.
- 7.72.4. Details of the unsolicited bid, together with any written comments received pursuant to clause 7.61.1. as well as any responses from the bidder, shall be submitted to the provincial and National Treasury for comment.

- 7.72.5. The unsolicited bid shall then be submitted to the Bid Adjudication Committee, together with any written comments submitted by the public and any written comments or recommendations of the provincial or National Treasury, for consideration.
- 7.72.6. Any meeting of the Bid Adjudication Committee to consider an unsolicited bid shall be open to the public.
- 7.72.7. If any recommendations of the Provincial or National Treasury are rejected or not followed, the Municipality Manager shall submit to the Auditor General, the Provincial Treasury and the National Treasury the reasons for rejecting or not following those recommendations. Such submission shall be made within 7 (seven) days of the decision to award the unsolicited bid. No contract committing the Municipality to the bid may be entered into or signed within 30 (thirty) days of the submission.
- 7.72.8. The Bid Adjudication Committee may award the bid in respect of any amount.

### **7.73. Ratification of Minor Breaches of the Bid Processes**

- 7.73.1. The Municipality Manager may ratify any minor breaches of the procurement processes, which are purely of a technical nature, by an official or committee acting in terms of delegated powers or duties.

### **7.74. Condonation of Irregular Expenditure**

- 7.74.1. The Municipal Manager may condone any irregular expenditure incurred in contravention of, or that is not in accordance with, a requirement of this Policy, provided that such condonation and the reasons therefore shall be reported to Council at the next ensuing meeting and provided further that this power may not be sub-delegated by the Municipality Manager. Such condonation shall not preclude the taking of disciplinary steps against the responsible official.

### **7.75. *Obligation to Report***

- 7.75.1. The reasons for all deviations shall be recorded and reported by the Municipality Manager to Council at the next Council meeting, and shall be included as a note to the annual financial statements.

## **8. LOGISTICS MANAGEMENT SYSTEM.**

### **8.1. Introduction**

- 8.1.1. Logistics management must provide for an effective system in order to provide for the setting of inventory levels, placing of orders, receiving and distribution of goods, stores and warehouse management, expediting orders, transport management, vendor performance, and maintenance and contract administration.

## **8.2. Setting of Inventory Levels**

- 8.2.1. Stock items shall be systematically replenished using the re-order point planning strategy in conjunction with minimum and maximum levels.
- 8.2.2. Open reservations shall be taken into account during the replenishment run.

## **8.3. Placing of Orders**

- 8.3.1. Purchase orders will be created with reference to requisitions where the supply source is contract or quotations (where sourcing had to take place).
- 8.3.2. All purchase orders which are for imported goods and which are subject to rate and exchange adjustments must specify that the vendor must take out a forward exchange contract in order to fix the Rand based price in the purchase order.
- 8.3.3. All purchase orders will be captured on the Municipal Accounting System exclusive of VAT.
- 8.3.4. Standing orders (also known as %framework orders-) will be used in cases where a longer term arrangement, such as after hour services and copier contracts, are required.
- 8.3.5. Purchase order approvals will be systems based and will involve the procurement department only.
- 8.3.6. The assets section (for asset creation) and the insurance section (for claims) will be informed after the purchase order approval.

## **8.4. Receiving and Distribution of Goods**

- 8.4.1. Goods will be received on the Municipality's Accounting System system with reference to purchase orders.
- 8.4.2. No over receipt of stock will be allowed. Under receipts will keep the purchase order open for the outstanding delivery quantity.
- 8.4.3. Goods will be issued from stock with reference to reservations. Goods can be issued for consumption against internal orders, cost centres, projects and assets under construction.

## **8.5. Stores and Warehouse Management**

- 8.5.1. The stores and warehousing function shall be decentralised in different districts and will operate under the jurisdiction of the Supply Chain Management Directorate.
- 8.5.2. The Supply Chain Directorate must ensure proper financial and budgetary control; uphold the principle of effective administration, proper stock holding and control, product standardisation, quality of products and a high standard of service levels.

## **8.6. Expediting Orders**

- 8.6.1. The purchasing expeditor will be required to monitor and expedite outstanding purchase orders.



- 8.6.2. Reminder letters can be faxed automatically to vendors based on the reminder levels (days before delivery due date) that are set in the purchase order.

## **8.7. Transport Management**

- 8.7.1. The Municipality's fleet management policy must be adhered to at all times.

## **8.8. Vendor Performance**

- 8.8.1. The Accounting System will enable system-based evaluation based on the vendors' performance with regard to certain pre-determined criteria.
- 8.8.2. The information will be available for contract negotiations and regular feedback to the vendors.

## **8.9. Contract Management**

### **8.9.1. Application**

- 8.9.1.1 The contract management provisions below are applicable only to contracts for the provision of goods or services (excluding construction work contracts).

### **8.9.2. Competency**

- 8.9.2.1. All contracts must be administered by an official(s) having the necessary competencies to ensure effective management of the contract.

## **8.10. Maintenance and Contract Administration**

- 8.10.1. Contracts related to the procurement of goods and services will be captured on the Municipality's Accounting system in the form of a price schedule.
- 8.10.2. Value (where the maximum value of the contract is restricted) and volume (where the maximum units procured are restricted) based contracts will be used.
- 8.10.3. The use of fixed price, fixed term contracts will be promoted and expenditure will be driven towards contracts versus once-off purchases. Consolidated (municipal wide) procurement volumes have to drive down the negotiated contract prices.
- 8.10.4. Contract price adjustments shall be processed only in accordance with contract terms and conditions. Price adjustments shall be made on the procurement contract and any current purchase orders shall be changed to reflect the new price.

## **8.11. Contract Administration**

- 8.11.1. Contract administration is the last stage of the tendering and contract cycle, and includes all administrative duties associated with a contract after it is executed, including contract review.
- 8.11.2. The effectiveness of contract administration will depend on how thoroughly the earlier steps were completed. Changes can be made far more readily early in the tendering cycle than after contract management has commenced.
- 8.11.3. Some of the key early stages, which influence the effectiveness of contract administration, include:
  - ❖ Defining the output, that is, writing specifications which identify what the aims and outputs of a contract will be;
  - ❖ assessing risk;
  - ❖ researching the market place (including conducting pre-tender briefings);
  - ❖ formulating appropriate terms and conditions of contract;
  - ❖ identifying appropriate performance measures and benchmarks so that all parties know in advance what is expected, and how it will be tested;
  - ❖ actively creating competition, so the best possible suppliers bid for contracts; and
  - ❖ evaluating bids competently, to select the best contractor, with a strong customer focus and good prospects of building a sound relationship.

## **8.12. Levels of Contract Administration**

- 8.12.1. There are three levels of contract administration:
  - ❖ The first operational level is for standard contracts for goods and services. Day to day contract administration should become no more than a monitoring, record keeping and price adjustment authorization role.
  - ❖ The second or intermediate level is for more complex contracts for services. An example would be a contract to outsource cleaning services. This type of contract will require a more active role for the contract administrator in developing the relationship between the Municipality and the contractor.
  - ❖ The third level is for strategic contracts involving complex partnerships and outsourcing arrangements. These contracts need more active management of the business relationships between the supplier and the users, for example to manage outputs and not the process. Sufficient resources need to be dedicated by all parties to successfully manage these contractor relationships and, where feasible, to achieve partnership. A partnership is the result of mutual commitment to a continuing co-operative relationship, rather than parties working on a competitive and adversarial basis.

## **8.13. Appointing a Contract Administrator**

- 8.13.1. A contract administrator should be appointed by the senior official in charge of the project prior to the execution of the contract.
- 8.13.2. Where it is practical to do so, the contract administrator should be involved at the earliest stage of the acquisition, which is the time of writing the specification. Contract

administration arrangements should be identified and planned including who, how, delegations, reporting requirements and relationships and specific task responsibilities.

8.13.3. Departments shall be responsible for ensuring that contract administrators:

- ❖ prepare the contract administration plan;
- ❖ monitor the performance of the contractor;
- ❖ are appointed with appropriate responsibility and accountability;
- ❖ are adequately trained so that they can perform and exercise the responsibility; and
- ❖ act with due care and diligence and observe all accounting and legal requirements.

## **8.14. Duties and Powers of Contract Administrator**

8.14.1. The contract administrator's duties and powers shall be governed by the conditions of contract and the general law.

8.14.2. The contract administrator shall also be required to form opinions and make decisions, and in doing so is expected to be even-handed and prudent.

## **8.15. Contract Guidelines**

8.15.1. A guideline, which provides a description of the roles and responsibilities of a contract administrator during the contract administration stage, shall be documented.

8.15.2. The following is not an exhaustive description of contract administrative activities, and some tasks may not be carried out in the sequence presented, may be done concurrently with other tasks, or may not be necessary in some circumstances.

## **8.16. Delegating to Contract Administrator**

8.16.1. Where appropriate, a contract administrator may delegate some contract administration duties to a contract administrator.

8.16.2. The contract administrator would usually be required to perform duties related to processes for record keeping and authorising payment and collecting data on the contractor performance.

8.16.3. The contract administrator will however remain ultimately responsible for the performance of the contract.

## **8.17. Contract Management Process**

8.17.1. The contract administrator shall ensure the contractor fulfils its obligations and accepts its liabilities under the contract and must also ensure the contractors are treated fairly and honestly.

8.17.2. Both parties adhering to the agreed terms will result in:

- ❖ value for money;
- ❖ timeliness;

- ❖ cost effectiveness; and
- ❖ contract performance.

### **8.18. Document Retention**

- 8.18.1. The need exists to retain documents on a contract file for information and audit purposes, and in order to comply with the requirements of the Records Office.
- 8.18.2. Proper records regarding all aspects of the contract must accordingly be maintained.

### **3.19. Guidelines on Contract Administration**

- 3.19.1. The responsibilities of a contract administrator may include the following:
- ❖ establishing a contract management plan for the project;
  - ❖ reviewing the contract management process (including the plan) on a regular basis;
  - ❖ providing liaison between internal managers and users, and suppliers to identify and resolve issues as they arise;
  - ❖ monitoring the contractor's continuing performance against contract obligations;
  - ❖ providing the contractor with advice and information regarding developments within the department, where such developments are likely to affect the products provided;
  - ❖ determining if staged products should continue, and providing a procurement process for additional stages which meet the principle of obtaining value for money;
  - ❖ providing accurate and timely reporting to the senior management in charge of the project, highlighting significant performance issues or problems;
  - ❖ ensuring insurance policy(s) terms and conditions provide adequate protection for the Municipality and are maintained throughout the contract period;
  - ❖ ensuring all products provided are certified as meeting the specifications before the supplier is paid;
  - ❖ maintaining adequate records (paper and/or electronic) in sufficient detail on an appropriate contract file to provide an audit trail;
  - ❖ managing contract change procedures;
  - ❖ resolving disputes as they arise;
  - ❖ conducting post contract reviews; and
  - ❖ pursuing remedies in the event of contract breach.

## **9. DISPOSAL MANAGEMENT SYSTEM**

### **POLICY**

- ❖ A Disposal Committee should consist of at least three officials. It must comprise of at least the Commodity Manager, an official proficient in Logistics management, Legal specialist, Finance specialist and the relevant user of the commodity.

### **9.1. General**

- 9.1.1. Disposal management provides for an effective system for the disposal or letting of assets no longer needed, including unserviceable, redundant or obsolete assets.
- 9.1.2. Disposal of assets shall be subject to sections 14 and 90 of the Municipal Finance Management Act and any other applicable legislation.
- 9.1.3. Assets may be disposed of in the following ways:
  - ❖ transferring the asset to another organ of state in accordance with the provisions of the Municipal Finance Management Act;
  - ❖ transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
  - ❖ selling the asset; or
  - ❖ destroying the asset.
- 9.1.4. Moveable assets may be sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous to the Municipality.
- 9.1.5. In the case of the free disposal of computer equipment, the provincial department of education must first be approached to indicate within 30 days whether any of the local schools are interested in the equipment.
- 9.1.6. In the case of fire arms, the National Conventional Arms Control Committee must approve any sale or donation of firearms to any person within or outside the Republic.
- 9.1.7. Immovable property may be:
  - ❖ sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
  - ❖ let only at market related rates except when the public interest or the plight of the poor demands otherwise and provided that all charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed.
- 9.1.8. Council must ensure that where assets are traded in for other assets, the highest possible trade-in price is negotiated.

## **9.2. Major Activities**

- 9.2.1. The major activities associated with disposal management shall accordingly include, but not be limited to:
  - ❖ establishing requirements;
  - ❖ establishing market value;
  - ❖ obsolescence planning;
  - ❖ depreciation;
  - ❖ identifying where all redundant material is kept or located; and
  - ❖ identifying appropriate strategies relating to the manner in which items are to be disposed of.

## **10. RISK MANAGEMENT SYSTEM**

The risks pertaining to Supply Chain Management should at all times comply with the criteria laid down in the risk management policies of the municipality.

### **10.1. General**

- 10.1.1. Risk Management shall provide for an effective system for the identification, consideration and avoidance of potential risks in the Municipality's supply chain management system.
- 10.1.2. Managing risk must be part of the Municipality's philosophy, practices and business plans and should not be viewed or practiced as a separate activity in isolation from line managers.
- 10.1.3. Risk Management shall be an integral part of effective management practice.

## **11.2. The Risk Management Process**

- 11.2.1. The risk management process shall be applied to all stages of supply chain management, be it the conceptual stage, project definition, specification preparation, acquisition approval or implementation to completion.
- 11.2.2. Risk management is an integral part of good management of acquisition activities and cannot be effectively performed in isolation from other aspects of acquisition management.
- 11.2.3. Appropriate risk management conditions should therefore be incorporated in contracts.

## **12.3. Key Principles**

12.3.1. The key principles on managing risk in supply chain management include:

- ❖ early and systematic identification of risk on a case-by-case basis, analysis and assessment of risks, including conflicts of interest and the development of plans for handling them;
- ❖ allocation and acceptance of responsibility to the party best placed to manage risk;
- ❖ management of risks in a pro-active manner and the provision of adequate cover for residual risks;
- ❖ assignment of relative risks to the contracting parties through clear and unambiguous contract documentation;
- ❖ acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it; and
- ❖ ensuring that the costs incurred in managing risks are commensurate with the importance of the purchase and the risks to the Municipality's operations.

## **12.4. PERFORMANCE MANAGEMENT SYSTEM**

- 12.4.1. The Municipal Manager must establish and implement an internal monitoring system in order to determine the basis of a retrospective analysis whether the authorized Supply Chain Management processes were followed and whether the objectives of this Policy were achieved.
- 12.4.2. Performance management shall accordingly be characterised by a monitoring process and retrospective analysis to determine whether:
  - ❖ value for money has been attained;
  - ❖ proper processes have been followed;

- ❖ desired objectives have been achieved;
  - ❖ there is an opportunity to improve the process;
  - ❖ suppliers have been assessed and what that assessment is; and
  - ❖ there has been deviation from procedures and, if so, what the reasons for that deviation are.
- 12.4.3. The performance management system shall accordingly focus on, amongst others:
- ❖ achievement of goals;
  - ❖ compliance to norms and standards;
  - ❖ savings generated;
  - ❖ cost variances per item;
  - ❖ non-compliance with contractual conditions and requirements; and
  - ❖ the cost efficiency of the procurement process itself.

## **13. CODE OF ETHICAL STANDARDS**

### **13.1. General**

- 13.1.1. In addition to this Code of Ethical Standards, the codes of conduct for municipal councillors and employees shall apply in the application of this Supply Chain Management Policy.
- 13.1.2. A code of ethical standards is hereby established for officials and all role players in the supply chain management system in order to promote:
- ❖ mutual trust and respect; and
  - ❖ an environment where business can be conducted with integrity and in a fair and reasonable manner.
- 13.1.3. An official or other role player involved in the implementation of the supply chain management policy:
- ❖ must treat all providers and potential providers equitably;
  - ❖ may not use his or her position for private gain or to improperly benefit another person;
  - ❖ may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350.00;
  - ❖ must declare to the Municipality Manager details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
  - ❖ must declare to the Municipal Manager details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the Municipality;
  - ❖ must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
  - ❖ must be scrupulous in his or her use of property belonging to the Municipality;
  - ❖ must assist the Municipal Manager in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and

- ❖ must report to the Municipal Manager any alleged irregular conduct in the supply chain management system which that person may become aware of, including;
- 13.1.4. any alleged fraud, corruption, favouritism or unfair conduct;
- 13.1.5. any alleged contravention of this policy; or
- 13.1.6. any alleged breach of this code of ethical standards.

Declarations must be recorded in a register which the Municipal Manager must keep for this purpose.

The Municipality has adopted the National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management. This code of conduct is binding on all officials and other role players involved in the implementation of the supply chain management policy.

A copy of the National Treasury code of conduct is available on the website [www.treasury.gov.za/mfma](http://www.treasury.gov.za/mfma) located under %legislation+

A breach of the code of conduct adopted will be dealt with in accordance with schedule 2 of the Systems Act.

## **13.2. Inducements, Rewards, Gifts and Favours**

- 13.2.1. No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant:
  - ❖ any inducement or reward to the Municipality for or in connection with the award of a contract; or
  - ❖ any reward, gift, favour or hospitality to any official or any other role player involved in the implementation of the supply chain management policy.
- 13.2.2. The Municipal Manager must promptly report any alleged contravention of clause 13.2.1. above to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.
- 13.2.3. Clause 13.2.1. above does not apply to gifts less than R350.00 in value or gifts from a single source in any calendar year that does not exceed R350.00 in value.

## **13.3. Sponsorships**

- 13.3.1. The Municipal Manager must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is:
  - ❖ a provider or prospective provider of goods or services; or
  - ❖ a recipient or prospective recipient of goods disposed or to be disposed.



## **13.4. Objections and Complaints**

13.4.1. Persons aggrieved by decisions or actions taken in the implementation of this supply chain management system, may lodge within 21 days of the decision or action, a written objection or complaint against the decision or action.

## **13.5. Resolution of Disputes, Objections, Complaints and Queries**

13.5.1. The Municipal Manager shall appoint an independent and impartial person not directly involved in the supply chain to assist in the resolution of disputes between the Municipality and other persons regarding:

- ❖ any decisions or actions taken in the implementation of the supply chain management system; or
- ❖ any matter arising from a contract awarded in the course of the supply chain management system; or
- ❖ to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

13.5.2. The Municipal Manager, or another official designated by the Municipal Manager, is responsible for assisting the appointed person to perform his or her functions effectively.

13.5.3. The person appointed must;

- ❖ strive to resolve promptly all disputes, objections, complaints; or
- ❖ queries received; and
- ❖ submit monthly reports to the Municipal Manager on all disputes, objections, complaints or queries received, attended to or resolved.

13.5.4. A dispute, objection, complaint or query may be referred to the relevant provincial treasury if;

- ❖ the dispute, objection, complaint or query is not resolved within 60 days; or
- ❖ no response is forthcoming within 60 days.

13.5.5. If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.

13.5.6. The provisions above must not be read as affecting a person's rights to approach a court at any time.

## **14. PREFERENTIAL PROCUREMENT**

### **14.1. Introduction**

14.1.1. The following procurement strategies are addressed in this section:

- ❖ the unbundling of large projects into smaller contracts;
- ❖ increasing employment opportunities by adopting labour friendly technologies;
- ❖ the development of a preference system for enterprises owned by Historically Disadvantaged Individuals; and
- ❖ the targeting of other specific goals.

- 14.1.2. In terms of the legislation other specific goals may be regarded as a contribution towards achieving the goals of the Reconstruction and Development Program, and as such may be granted preference points in the adjudication of bids.
- 14.1.3. Preferential procurement is further enhanced with provisions aimed at improved access to information, simplification of documentation, reduced performance guarantee requirements, reduced payment cycles and good governance.
- 14.1.4. Preferential Procurement allows for the establishment of procurement initiatives such as joint-venture partnerships, public-private partnerships and unbundling as well as other best practices of procuring Goods, Services and Construction Works.

## **14.2. Aim**

- 14.2.1. It is the Municipality's aim to spend a minimum of 40% (forty percent) of its annual procurement budget with Historically Disadvantaged Individuals and Small Medium Micro Enterprises in the Region, through the application of preferential procurement.

## **14.3. Performance Management**

- 14.3.1. To ensure that preferential procurement attains its objectives, performance will be monitored in terms of the Supply Chain Management performance management system.

## **14.4. Other Specific Goals**

- 14.4.1. The following activities may be regarded as a contribution towards achieving the goals of the Reconstruction and Development Program, and as such may be granted preference points in the adjudication of bids:
  - a. the promotion of South African owned enterprises;
  - b. the promotion of export orientated production to create jobs;
  - c. the promotion of SMMEs;
  - d. the creation of new jobs or the intensification of labour absorption (which has been interpreted, for the purposes of this policy, to include the employment of local labour);
  - e. the promotion of enterprises located in a specific province for work to be done or services to be rendered in that province;
  - f. the promotion of enterprises located in a specific region for work to be done or services to be rendered in that region;
  - g. the promotion of enterprises located in a specific municipal area for work to be done or services to be rendered in that municipal area (the municipal area may, for the purposes of this guide, be narrowed down to smaller local areas such as suburbs or wards);
  - h. the promotion of enterprises located in rural areas;
  - i. the empowerment of the work force by standardising the level of skill and knowledge of workers;
  - j. 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 (formal

training of the work force undertaken on an enterprise's own initiative, shall for the purposes of this policy, be recognised in this category); and

- k. The upliftment of communities through, but not limited to, housing, transport, schools, infrastructure donations and charity organisations.

14.4.2. From the Municipality's perspective, the important goals above, although it is clearly not feasible to target all of these goals in each and every contract. In recognition therefore, that each Directorate or Department may have its own priorities or objectives in this regard, it is expected that each Directorate or Department (as appropriate) will identify specific goals from the list above that it may target over and above HDI equity ownership. Depending on the particular circumstances, one, or at most, two of these goals may be targeted in any contract, for which bidders will receive up to 5 preference points in the adjudication of bids.

14.4.3. The targeting of other specific goals in contracts may be achieved by requiring bidders to either bid a contract participation goal from within a specified minimum range and from which preference points may be calculated; or by inviting contractors to claim preference points based on an appropriate predetermined empowerment indicator; or by simply specifying a minimum contract participation goal in the contract documentation, which the contractor will be required to meet in the execution of the project, but for which no additional preference points will be granted.

14.4.4. Contract participation goals for goals should be related to the percentage of the contract value which is carried out by the various target groups. Empowerment indicators could be the percentage of the wage bill spent on training and education of HDI's in the case of goal or the percentage of turnover contributed to the upliftment of communities.

14.4.5. Specified contract participation goals (for all classes of contract) must be measurable, quantifiable and achievable. Responsible Agents must monitor the execution of the contract for compliance with the specified or tendered goals.

## 14.5. Preferential Procurement System

### 14.5.1. Classes of Contract

14.5.1.1. For the purposes of implementing a preferential procurement system for Goods and Service including Construction Works, the following classes of contract have been identified:

- a. the **Micro Contract** where the estimated bid value/quotation amount is greater than R10 000 but is less than or equal to R200, 000.00;
- b. the **Minor Contract (up to R500,000.00)** where the estimated contract value is greater than R200, 000.00, but is less than or equal to R500,000.00;
- c. the **Minor Contract (over R500,000.00)** where the estimated contract value is greater than R500,000.00, but is less than or equal to R1, 000,000.00; and
- d. the **Major Contract** where the estimated contract value is greater than R1,000,000.00.

14.5.1.2. For the purposes of implementing a preferential procurement system for consultants, the following classes of contract have been identified:

- a. The **Consultant Contract (up to R200, 000.00)** where the estimated contract value is greater than R10 000, but is less than or equal to R200, 000.00, and the duration of the contract is less than one year;

- b. The **Consultant Contract (over R200, 000.00)** where the estimated contract value is greater than R200, 000.00, and/or the duration of the contract is greater than one year.
- c. Preference points for equity ownership for any of the above classes of contract may only be claimed by individual owners or shareholders who are actively involved in the management of the enterprise/business, and who exercise control over the enterprise/business, commensurate with their degree of ownership at the closing date of the bid. Public companies and tertiary institutions do not qualify for preference points in their own right.
- d. In all classes of contract other specific goals may be targeted where appropriate.

## **14.5.2. Key Principles**

14.5.2.1. The key principles of this policy are:

- a. the application of an **80/20 preference point system** for procurement (bids/quotations) with a **Rand value of greater than R10 000 but less than or equal to R1,000,000.00**
- b. the application of a **90/10 preference point system** for procurement (bids) with a **Rand value greater than R1,000,000.00**
- c. Annexure A1 summarises the procurement strategies that may be applied at each stage of a project namely; project planning, project design and project implementation. Annexure A2 then process to map out the preferential procurement strategies for each of the six classes of contract identified. The preference system applicable to each class of contract is discussed in greater detail below.
- d. Prior to the invitation of bids, the appropriate preference system must be established.

## **14.5.3. Target Groups and Other Specific Goals**

### **14.5.3.1. Micro and Minor Contracts**

- a. For Micro (up to R500, 000.00) and Minor (over R500, 000.00) contracts, the target group is HDI $\phi$  with equity ownership in enterprises/businesses performing as prime contractors. This includes Joint Venture Partnerships which are established with a view to contracting with the Municipality and which tender in the capacity of a prime contractor.
- b. Other specific goals may also be targeted, for which preference points will be given. While it is up to the Implementing Agent to determine his/her objectives in line with the applicable legislation, and to identify a list of other goals that may be considered priorities, it is suggested that, in the interests of simplicity, only one other goal, or at most two, be targeted per contract.
- c. Where other specific goals are targeted, realistic minimum (for which no preference points will be given) and maximum (for which maximum preference points will be given) values must be specified in the bid documentation. Bidders must bid at least the minimum goal in order for their bid to be evaluated further.
- d. Alternatively, where appropriate, it is permissible for Implementing/ Responsible Agents to specify a minimum contract participation goal (in respect of other specific goals) to be achieved by the prime contractor in the execution of a contract, but for which no

preference points are given. Care must; however, be taken not to exclude any particular group or groups from the bid process as a result of specifying such a minimum goal.

#### **14.5.3.2. Major Contracts**

- a. For Major contracts the target group is HDI $\phi$  with equity ownership in enterprises/businesses performing as prime contractors, joint venture partnerships, sub-contractors, suppliers, manufacturers, and/or service providers.
- b. Other specific goals may also be targeted, for which preference points will be given. While it is up to the Implementing Agent to determine his/her objectives in line with the applicable legislation, and to identify a list of other goals that may be considered priorities, it is suggested that, in the interests of simplicity, only one other goal, or at most two, be targeted per contract.
- c. Where other specific goals are targeted, realistic minimum (for which no preference points will be given) and maximum (for which maximum preference points will be given) values must be specified in the bid documentation. Bidders must bid at least the minimum goal in order for their bid to be evaluated further.

#### **14.5.3.3. Consultant Contracts**

- a. For Consultant contracts, the target group is HDI $\phi$  with equity ownership in enterprises/businesses performing as prime contractors only. This includes Joint Venture Partnerships which are established with a view to contracting with the Municipality in the capacity of a prime contractor. This is a direct preferencing approach, where no preference points are given for subcontracting with, or employing the services of sub-consultants or other service providers, regardless of the HDI equity ownership of these entities.
- b. Where bid documentation calls for the formation of a multidisciplinary team to provide the required service, the team, how-so-ever constituted, shall for the purposes of the calculation of any preference points, be regarded as the prime contractor. The HDI status of the team shall be calculated by summing the product of the individual team members' HDI status and the proportionate value of their share of the bid sum.
- c. It is permissible, where appropriate, for Implementing/Responsible Agents to specify a minimum contract participation goal (in respect of other specific goals) to be achieved by the prime contractor (consultant) in the execution of a contract, but for which no preference points are given. However, care must be taken not to exclude any particular group or groups from the bid process as a result of specifying such a minimum goal.

#### **14.5.3.4. Adjudication of Bids**

##### **General**

- a. An 80/20 preference point system is stipulated for procurement with an estimated value of greater than R10 000, but less than or equal to R1,000,000.00 and a 90/10 preference point system of procurement with an estimated value of greater than R1,000,000.00.

- b. This means that either 80 or 90 points, depending on the class of contract, are awarded to the person who bids/quotes the lowest price, and proportionately fewer points are awarded to those with higher prices. Either 20 or 10 points are then available as preference points for HDI equity ownership and other specific goals.
- c. The points for price will normally be fixed, unless there is an element of functionality (quality) brought into the adjudication process.
- d. There is some flexibility within the preference points to weigh HDI equity ownership against other specific goals, although, for the purposes of the Municipality's preferential procurement system, not more than half of the preference points may be granted for other specific goals.
- e. Adjudication points calculated for both price and preference shall be rounded off to the nearest two decimal places.
- f. The symbols used in the formulae below may be varied to comply with those used in prescribed standard documentation (in respect of the CIDB's Standard for Uniformity in Construction Procurement, for example). The formulae themselves, however, should not be varied.

#### 14.5.3.5. Cancellation and Re-invitation of Bids

It is a requirement that in the event of:

- a. an **80/20 preference point system** having been stipulated in the bid/quote documents, and all bids received **exceed a value of R1,000,000.00**; or
- b. a 90/10 preference point system having been stipulated in the bid documents, and all bids received **are equal to, or below a value of R1,000 000.00**, then the bid/quote must be cancelled and new bids must be invited.
- c. If new bids/quotes are invited, a revised preference point system, either 90/10 or 80/20 as applicable, must be clearly stipulated in the bid documents. Points for Price (where no points are granted for functionality)

#### 14.5.3.6. Micro, Minor and Consultant Contracts (up to R1, 000, 000.00)

A maximum of 80 points is allocated to price on the following basis:

$$N_p = 80 [1 - (P - P_m)/P_m]$$

Where:  $N_p$  = the number of adjudication points awarded for price.  
 $P$  = the bid/quoted sum (corrected if applicable) of the bid/quote under consideration.  
 $P_m$  = the bid/quoted sum (corrected if applicable) of the lowest bid/quote.

A maximum of 80 points is allocated to price on the following basis:

$$N_p = 80 [1 - (P - P_m)]/P_m$$

Where:  
 $N_p$  = the number of bid adjudication points awarded for price.  
 $P$  = the bid sum (corrected if applicable) of the bid under consideration.  
 $P_m$  = the bid sum (corrected if applicable) of the lowest bid. Points for Preference

### 14.5.3.8. Micro, Minor and Consultant Contracts (up to R500, 000.00)

A maximum of 20 points is allocated to preference on the following basis:

$$N_g = 20 (\% \text{ HDI})/100$$

Where:

$N_g$  = the number of bid adjudication points awarded for preference.  
 $\% \text{ HDI}$  = the percentage of HDI ownership of the bidder under consideration (see Notes 2(a) & (b) below).

- a) It is only the equity ownership of the bidder in the capacity of prime contractor that is considered in this formula.
- b) If a joint venture partnership bids as a prime contractor, the joint venture agreement must state the percentage of the contract value to be managed or executed by the parties thereto. The adjudication points for HDI equity ownership shall then be calculated on the pro rata contribution of each of the parties to the joint venture partnership.

Where preference points are also granted for other specific goals. The formula given shall be used for the calculation of the number of bid adjudication points awarded for preference where:  $\% \text{ HDI}$  = the equity ownership of the bidder under consideration;

<b>A</b>	<b>= minimum 10 points</b>
<b>b + c</b>	<b>= maximum 10 points</b>
<b>b and/or c may</b>	<b>= zero</b>
<b>a + b + c</b>	<b>= 20</b>

### 14.6. Minor and Consultant Contracts (up to R1, 000,000.00)

A maximum of 10 points is allocated to preference on the following basis:

$$N_g = 10 (\% \text{ HDI})/100$$

Where:  $N$  = the number of bid adjudication points awarded for preference.  
 $\% \text{ HDI}$  = the percentage of HDI ownership of the bidder under consideration (see Notes a & b below).

- b. If a joint venture partnership bids as a prime contractor, the joint venture agreement must state the percentage of the contract value to be managed or executed by the parties thereto. The adjudication points for HDI equity ownership shall then be calculated on the pro rata contribution of each of the parties to the joint venture partnership.
- c. Where preference points are also granted for other specific goals. The formula shall be used for the calculation of the number of bid adjudication points awarded for preference where:

$\% \text{ HDI}$	= the equity ownership of the bidder under consideration
<b>A</b>	<b>= minimum 5 points</b>
<b>b + c</b>	<b>= maximum 5 points</b>
<b>b and/or c may</b>	<b>= zero</b>
<b>a + b + c</b>	<b>= 10</b>

## 14.7. Major Contracts

A maximum of 10 points is allocated to preference on the following basis:

$$N_g = a (\%HDI)/100 + b(CPG - CPG^1 \text{ min}) + c(CPG^2 - CPG^2 \text{ min})/100 (CPG^1 \text{ max} - CPG^1 \text{ min}) (CPG^2 \text{ max} - CPG^2 \text{ min})$$

Where:

$N_g$  = the number of bid adjudication points awarded for preference.

a, b and c are the preference points available for allocation to target groups and other specific goals.

<b>a</b>	<b>= minimum 5 points</b>
<b>b + c</b>	<b>= maximum 5 points</b>
<b>b and/or c may</b>	<b>= zero</b>
<b>a + b + c</b>	<b>= 10 points</b>
<b>%HDI</b>	<b>= the percentage of HDI equity ownership claimed by the bidder under consideration (see Note 1 below).</b>
<b>CPG</b>	<b>= the Contract Participation Goal bid by the bidder (see Note 2 below). [Where more than one other specific goal has been targeted in the bid documents the goals will be differentiated as CPG1 and CPG2].</b>
<b>CPGmin</b>	<b>= the minimum specified Contract Participation Goal, which must be achieved for a bidder to be considered further in the evaluation process.</b>
<b>CPGmax</b>	<b>= the maximum specified Contract Participation Goal, above which no further adjudication points will be awarded.</b>

- 1) HDI equity ownership may be claimed for the prime contractor (which may be a joint venture partnership) and/or any sub-contractors suppliers, manufacturers, service providers engaged by the prime contractor, in proportion to the value of their contribution (excluding provisional sums, contingencies and VAT). Contributing proportionate values may only be claimed once (that is, either as part of the prime contractors contribution or as part of the subcontractors contribution).
- 2) In cases where preference points are to be granted on the bases of an empowerment indicator, as opposed to a contract participation goal, then an appropriate target indicator must be specified in the bid documentation. Maximum points will be granted to those bidders who meet the target, or proportionately less, to those that claim any amount less than the target. The relevant portion of the equation above would therefore be substituted by the following:

$$N_g = \dots + c \times I_c / I_t$$

Where  
 $I_c$  = indicator claimed  
 $I_t$  = target indicator



With c being the maximum number of preference points that may be claimed.  
*Points for Functionality (Quality)*

#### **14.8. Goods, Services and Construction Contracts**

- 1) Adjudication points may be granted for functionality (otherwise known as quality), at the expense of points for price.
- 2) For Goods, Services and Construction Contracts, not more than 45% of the combined points for functionality and price may be granted for functionality.
- 3) Bids/quotes which include points for functionality will be the exception rather than the rule, and will generally apply to only those projects of a more complex nature and/or of a higher value. Design and construct projects, for example, may include points for functionality of design proposals.
- 4) The manner in which functionality will be evaluated, and how adjudication points will be granted, must be clearly indicated in the bid documentation.
- 5) The bid/quotation conditions may stipulate that a bidder must score a specified minimum number of points for functionality in order to qualify for further evaluation.

#### **14.9. Consultant Contracts (over R200, 000.00)**

Adjudication points must be granted for functionality (otherwise known as quality), at the expense of points for price.

- 1) For consultants contracts (over R200, 000.00), a minimum of 50% of the combined points for functionality and price must be granted for functionality.
- 2) This percentage may however be increased to a maximum of 85% pursuant to clause 421 below.
- 3) Where the scope of work is of a routine (straightforward) nature with easily defined outputs, price should be made a more significant component of the selection process (up to 50% of the combined points available for functionality and price). In complex projects requiring considerable innovation, creativity, expertise, and characterised by ill-defined inputs and outputs, price can be made a less significant component of the selection process (but not less than 15% of the combined points available for functionality and price). The application of a price functionality ratio of 15/85 should be the exception and not the norm.
- 4) The manner in which functionality will be evaluated, and how adjudication points will be granted, must be clearly indicated in the bid documentation.
- 5) The bid/quotation conditions must stipulate that a bidder must score a specified minimum number of points for functionality in order to qualify for further evaluation.

#### **14.10. Consultants Contracts (under R200, 000.00)**

For consultant contracts under R200, 000.00 in value, adjudication points may, if deemed necessary, be granted for functionality on the same basis as for consultants contracts over R200, 000.00.

#### 14.11. Calculation of Combined Points for Functionality (Quality) and Price

The combined points for functionality and price shall be calculated as follows:

$$W_c = W^3 \times [1 + (S - S_m)] / S_m$$

Where;

$W_c$  = the total number of bid adjudication points awarded for functionality and price.

$W^3$  = the combined number of points available for functionality and price, which is:

**80** (for contracts with an estimated value of less than or equal to R1, 000,000.00)

or

**90** (For contracts with an estimated value of more than R1, 000,000.00).

$S$  = the sum of the percentage score for functionality and price of the bid under consideration ( $S_f + S_p$ )

$S_m$  = the sum of the percentage score for functionality and price of the highest scoring bid.

The percentage score for functionality ( $S_f$ ) shall be calculated as follows:

$$S_f = W^2 \times N_s$$

$N_q$

Where  $W^2$  = the percentage of combined points available for functionality, which is: not more than **45** for Goods, Services and Construction Contracts, or not more than **85** for Consultant Contracts.

$N_s$  = the score for functionality awarded to the bid under consideration.

$N_q$  = the maximum possible score for functionality in respect of each bid.

The percentage score for price ( $S_p$ ) shall be calculated as follows:

$$S_p = W^1 \times P_m$$

$P$

Where

$W^1$  = the percentage of combined points available for price, which is:

$100 \cdot W^2$ .

$P =$  the bid sum (corrected if applicable) of the bid under consideration.

#### **14.11.1. Reporting Format and Examples**

Standard formats for presenting the bid adjudication results should be in accordance with Annexures B, C and D (attached to this Policy) for the Micro and Minor, Major and Consultant classes of contract respectively.

The data presented in Annexures B, C and D is based on real examples and by applying the formulae above (or on the standard format), the total number of bid adjudication points for each bidder may be calculated.

#### **15. Action in respect of Fraud or Non-performance**

The Municipal Manager must, upon detecting that a preference in terms of the PPPFA and the regulations there under have been obtained on a fraudulent basis, or any specified goals are not attained in the performance of the contract, act against the person awarded the contract. The Municipal Manager may in addition to any other remedy:

recover all costs, losses or damages it has incurred or suffered as a result of that person's conduct;

cancel the contract and claim any damages it has suffered as a result of having to make less favourable arrangements due to such cancellation;

impose a financial penalty more severe than the theoretical financial preference associated with the claim which was made in the tender; and

restrict the contractor, its shareholders and directors from obtaining business from the Municipality for a period not exceeding 10 years.

#### **16. Calculation of Penalties**

Penalties for failure to comply with specified or bid participation goals must be specified in each particular contract document and must be applied should the goals not be met.

Where, in terms of the bid documentation, preference points are granted in respect of contract participation goals offered, the offered goals of the successful bidder become the contractual goals which must be met.

The penalty to be applied for non-compliance with offered goals shall be as provided for in any prescribed standard contract documentation, failing which the following formula shall be applied:

$$\text{Penalty} = (\text{Ng} - \text{Ng}^*) \times \text{Pt} \times 100$$

Where a minimum participation goal has been specified, the contractor is simply obliged to meet that goal, and must be penalised if it does not.

The penalty to be applied for non-compliance with a specified participation goal, is as follows:

$$\text{Penalty} = (\text{CPGS} - \text{CPG}^a) \times \text{Pt}^*$$

Where:

**CPGS** = the minimum Contract Participation Goal specified (expressed as a percentage).

**CPG<sup>a</sup>** = the Contract Participation goal achieved (expressed as a percentage).

**Pt<sup>\*</sup>** = Bid/quote sum less provisional sums, contingencies and VAT.

## 16.1. Unbundling Strategies

In order to encourage increased participation and the sustainable growth of the small business sector, the unbundling of larger projects into smaller, more manageable, contracts is encouraged.

Unbundling must however be considered in the context of: Where:

**Ng** = the number of bid adjudication points awarded for preference.

**Ng<sup>\*</sup>** = the number of preference points achieved, that is, preference points calculated in terms of actual goals achieved in the performance of the contract.

**Pt<sup>\*</sup>** = Bid sum less provisional sums, contingencies and VAT.

- ❖ the risk of later phases not being completed as a result of budget cuts becoming necessary in the future.
- ❖ Unbundling, and all of its associated implications, must therefore be carefully considered at the planning stage of any project and the budgets for, and design thereof, should be structured accordingly.
- ❖ It is important to note that while it is the Municipal policy to procure works in the smallest practicable quantities, the practice of breaking out projects in order to circumvent the formal bid process is not permitted.

## 16.2. Increasing Employment Opportunities

One of the municipality's objectives is to create viable SMMEs and assist them benefit from procurement opportunities in the region.

Increasing employment opportunities through procurement may be achieved by specifying labour friendly technologies and/or labour intensive methods of construction in the tender documents.

### 16.3. Documentation

Within the context of preferential procurement, one of the strategies to encourage and assist entry into Local Government procurement by emerging businesses is to simplify and/or standardise contract documentation wherever possible.

To ensure that the Municipality's interests are protected, simplified documents should only be adopted for relatively low risk contracts, such as the Micro and Minor classes of contract.

By virtue of their scale and value (and more often than not, their complexity) standard contract documentation should be applied to Major contracts.

### 16.4. Sureties for Due Performance

Sureties for the procurement of goods and services (including consultant services) will not generally be called for, but in exceptional circumstances, where required, will be in accordance with the limits described below.

The sureties required for each class of contract are as follows:

- ❖ **Micro:** waived (that is, no surety is required);
- ❖ **Minor (up to R500 000):** waived to promote SMMEs;
- ❖ **Minor (up to R1,000 000):** waive to promote SMMEs;
- ❖ **Major: (R1, 000,000.00 to R3, 000,000.00),** 5% of the bid sum; unless otherwise provided for in the standard conditions of contract prescribed by the CIDB in respect of construction work.
- ❖ **Major: (R3, 000,000.00 to R5, 000,000.00),** 7, 5% of the bid sum; unless otherwise provided for in the standard conditions of contract prescribed by the CIDB in respect of construction work.
- ❖ **Major: (R5, 000,000.00 and above),** 10% of the bid sum; unless otherwise provided for in the standard conditions of contract prescribed by the CIDB in respect of construction work.

#### 16.4.1. Retention

Retention for procurement of goods and services (including consultant services) will not generally be called for, but where required, will be in accordance with the limits described below.

The value of retention to be deducted shall be as follows:

**Micro and Minor (under and over R500 000):** 10% of the value of work carried out with no limit, reducing to 5% for the duration of the maintenance period;

**Major:** 10% of the value of the work carried out, up to a limit of 5% of the bid sum, with no reduction for the duration of the maintenance period; unless otherwise provided for in the standard conditions of contract prescribed by the CIDB in respect of construction work.

Where consultant services are to be completed at the end of the maintenance (defects liability) period in respect of a construction contract, the value of this work (typically 5%) may be invoiced at the end of the construction period, but shall be held as retention until the completion of the service (typically, an end of maintenance inspection and the preparation of the final account). Alternatively, the value of this work must be budgeted for in the following financial year.

For turnkey/design and construct projects, the above retention limits may be reviewed by the Implementing Agent.

Financial guarantees may be submitted in lieu of retention.

## **16.5. Payment Terms**

The Municipality determines all closing dates for receipt of documentation for payment and the payment run dates.

## **16.6. Standard Payment Terms**

All invoices received for goods and services whereby the invoices are dated on or before the 20th of a particular month, will be paid between the 23rd and 26th of the ensuing month.

## **16.7. Payments to SMME/HDI Suppliers**

In order to qualify for more frequent or earlier payments, a supplier must be classified as a SMME with an HDI equity ownership of not less than 50%, on the City's supplier database.

Early or more frequent payment to SMME/HDI suppliers is not a right in terms of this policy. SMME/HDI suppliers may request such payments which may be made at the discretion of the Municipality.

In order to give effect to the above, an additional mid-month payment run has been introduced. The payment run dates will be:

- ❖ between the 10th and the 13th; and
- ❖ between the 23rd and the 26th of each calendar month,
- ❖ depending on the number of days of the month and the influence of public holidays.

All invoices received by the Municipality or its Agents whereby the invoices are dated between the 25th of the previous month and the 10th of the current month will be paid between the 23rd and the 26th of the current month.

All invoices received by the Municipality or its Agents whereby the invoices are dated between the 10th and the 25th of a particular month, will be paid between the 10th and the 13th of the ensuing month.

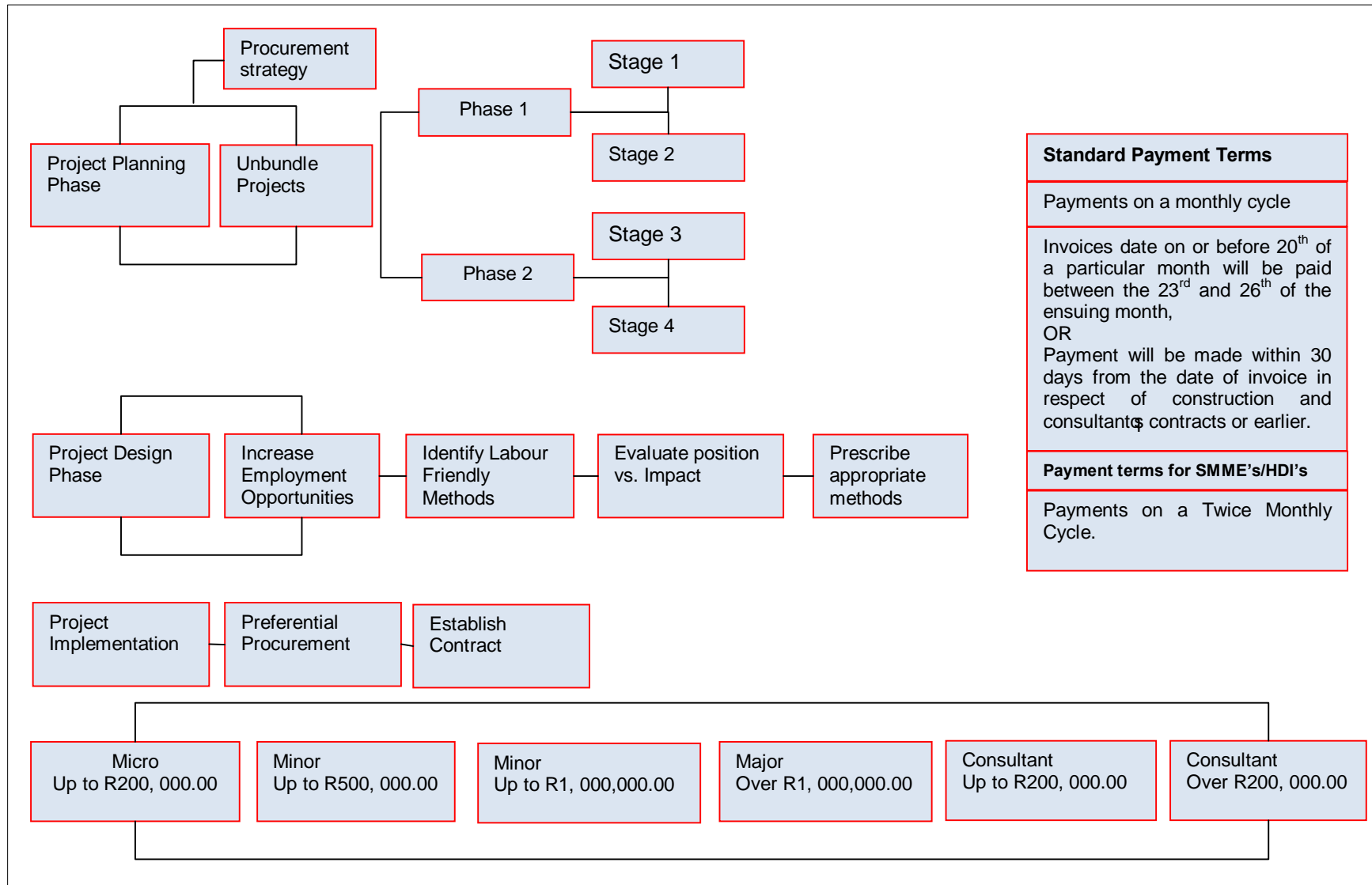
## **16.8. Restriction of Suppliers**

Notwithstanding the imposition of any penalties that may be applied under this Policy, if a supplier is found guilty of misrepresenting any facts in respect of either ownership or

empowerment indicator, either in a bid submission, quote, or on the supplier database, in order to effect the outcome of a bid/quote, either before or after the award of a contract, then that supplier shall, with the approval of the Director: Supply Chain Management, be restricted on the supplier database for a period of twelve months and shall be notified accordingly.

The affect of such restriction is that absolutely no further work may be awarded to that supplier for the duration of the restriction.

## Annexure A1: Procurement Implementation Process



Standard Payment Terms
Payments on a monthly cycle
Invoices date on or before 20 <sup>th</sup> of a particular month will be paid between the 23 <sup>rd</sup> and 26 <sup>th</sup> of the ensuing month, OR Payment will be made within 30 days from the date of invoice in respect of construction and consultant contracts or earlier.
Payment terms for SMME's/HDI's
Payments on a Twice Monthly Cycle.



Class.	Micro Up to R200, 000.00	Minor Up to R500, 000.00	Minor Up to R1, 000,000.00	Major Over R1, 000,000.00	Consultant Up to R200, 000.00	Consultant Over R200, 000.00
Procurement Procedure	3 Quotations	Formal Bid	Formal Bid	Formal Bid	3 Quotes	Formal Bid
Target groups	HDI SMMEs	HDI SMMEs	HDI SMMEs	HDI Ownership of: Prime contractors; Joint venture partners; Subcontractors; Suppliers; Manufacturers; Service providers.	HDI SMMEs	HDI Ownership of Prime Service Provider
Other specific goals	Specify minimum goals to be achieved or targets as per contract	Specify minimum goals to be achieved or targets as per contract	Specify minimum goals to be achieved or targets as per contract	Specify minimum goals to be achieved or targets as per contract	Specify minimum goals to be achieved or targets as per contract	Specify minimum goals to be achieved or targets as per contract
Tender adjudication	80 Points for Price & Functionality: 20 Points for HDI Ownership & other specific goals	80 Points for Price & Functionality: 20 Points for HDI Ownership & other specific goals	80 Points for Price & Functionality: 20 Points for HDI Ownership & other specific goals	90 Points for Price & Functionality: 10 Points for HDI Ownership & other specific goals	80 Points for Price & Functionality: 20 Points for HDI Ownership & other specific goals	80 Points for Price & Functionality: 20 Points for HDI Ownership & other specific goals
					80 Points for Price & Functionality: 20 Points for HDI Ownership & other specific goals for all contracts up to R1, 000,000.00	90 Points for Price & Functionality: 10 Points for HDI Ownership & other specific goals for all contracts above R1, 000,000.00