

# SOL PLAATJE LOCAL MUNICIPALITY



## SUPPLY CHAIN MANAGEMENT POLICY

Final Reviewed Version of January 2024

Reviewed by Council February 2024  
in terms of Council C79/03/24

**MUNICIPAL SUPPLY CHAIN MANAGEMENT POLICY**  
**LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003**

**SUPPLY CHAIN MANAGEMENT POLICY REVIEW AND ADOPTION PROCESS**

| <b>SUPPLY CHAIN MANAGEMENT POLICY 2023/2024- 2024/2025</b> |  |                         |                              |                         |
|--|--|-------------------------|------------------------------|-------------------------|
| <b>Item No.</b>  | <b>Original Author(s)</b>                      | <b>Policy status</b>    | <b>Council Resolution No</b> | <b>Date of Approval</b> |
| 1  | <b>Mrs. Betty Nkoe</b>                         | 15 <sup>th</sup> Review |                              |                         |
| 2  | Name of Speaker<br><b>Ms. Nomazizi Maputle</b> | 15 <sup>th</sup> Review |                              |                         |
| 3  | Name of Accounting Officer<br>(MM)             | Signature               | Date                         |                         |
| 4  | <b>Mr. SB Matlala</b>                          |                         |                              |                         |

**Council** resolves in terms of section 111 of the Local Government Municipal Finance Management Act (No. 56 of 2003), to adopt the Supply Chain Management Policy of the **Sol Plaatje Municipality**

## TABLE OF CONTENTS

|   | <b>PAGES</b>   |
|---|----------------|
| A. Abbreviations  | 5              |
| B. Definitions  | 6 - 10         |
| <br>  |                |
| <b>CHAPTER 1: INTRODUCTION</b>  | <b>11 - 12</b> |
| 1.1 Adoption of SCM policy  |                |
| 1.2 Review of SCM policy  |                |
| 1.3 Amended history   |                |
| 1.4 Distribution of SCM policy  |                |
| 1.5 Transgression of SCM policy   |                |
| 1.6 Specific Goals  |                |
| <br>  |                |
| <b>CHAPTER 2: IMPLEMENTATION OF SCM POLICY</b>  | <b>13 - 17</b> |
| 2. Supply Chain Management policy   |                |
| 3. Amendment of Supply Chain Management policy  |                |
| 4. Delegation of Supply Chain Management powers and duties  |                |
| 5. Sub-delegations  |                |
| 6. Oversight role of council  |                |
| 7. Supply Chain Management unit   |                |
| 8. Training of Supply Chain Management officials and Bid Committees   |                |
| <br>  |                |
| <b>CHAPTER 3: SUPPLY CHAIN MANAGEMENT SYSTEM</b>  | <b>17- 51</b>  |
| 9. Format of Supply Chain Management system   |                |
| 10. System of Demand and Specification Management   |                |
| 10(a). Framework for Infrastructure Procurement (Gate 1 – 4)  |                |
| 11. System of Acquisition Management  |                |
| 11(a). Framework for Infrastructure Procurement (Gate 5 – 7)  |                |
| 12. Range of procurement processes  |                |
| 13. General preconditions for consideration of written quotations or bids   |                |
| 14. Lists of service providers  |                |
| 15. Petty Cash purchases  |                |
| 16. Sole provider and Accredited agency   |                |
| 17. Formal Written Price Quotations   |                |
| 18. The procedure for the procurement of goods or services through written quotations and formal written price quotations, is as follows: |                |
| 19. Competitive Bidding process   |                |
| 20. Procedures for Competitive Bidding  |                |
| 21. Compilation of bid documentation for Competitive bids   |                |
| 22. Public invitation for Competitive Bids  |                |
| 23. Procedure for handling, opening, and recording of bids  |                |
| 24. Negotiations with preferred bidders   |                |
| 25. Two-stage bidding process   |                |
| 26. Committee system for Competitive Bids   |                |
| 27. Bid Specification Committee   |                |
| 28. Bid Evaluation Committee  |                |
| 29. Bid Adjudication Committee  |                |

- 29(a). High-level responsibilities of Bid Secretariat
30. Procurement of Banking Services
31. Procurement of IT related goods or services
32. Procurement of goods and services under contracts secured by other organs of state
33. Procurement of goods necessitating special safety arrangements
34. Proudly South African Campaign / Locality
35. Appointment of Consultants
36. Deviation from, and ratification of minor breaches of, procurement processes (Refer to SPM Directive 01 of 2021/ 2022)
- 36(a). Conditions/Circumstances that necessitate deviations
37. Unsolicited Bids
- 37(a). Unsolicited Bids (National Treasury Practice Note No.11 of 2008/9)
38. Combating of abuse of Supply Chain management system (bid rigging)
39. Logistics Management
40. Disposal Management
41. Risk Management
42. Performance Management
43. Prohibition on awards to persons whose tax matters are not in order
44. Prohibition on awards to persons in the service of the state
45. Awards to close family members of persons in the service of the state
46. Ethical standards
47. Inducements, rewards, gifts and favours to municipalities and other role players
48. Sponsorships
49. Objections and complaints
50. Resolution of disputes, objections, complaints and queries
51. Contracts providing for compensation based on turnover

#### **CHAPTER 4: OTHER MATTERS**

**52 - 64**

52. Promotion of Environmentally Friendly Procurement
53. Sub-contracting
54. Validity period
55. Evaluation of bids based on functionality as a criterion
56. Extension of Contract
57. Variation of contracts
58. Contract Termination
59. Local Production and Content
60. Joint Venture Companies
61. Single Source / Sole Provider Selection
62. Rejection of Bids/Non-Responsive Bids
63. Close Tenders or Bids
64. Consequence Management
65. Payment through official orders and vouchers.
66. Specific Goals
67. National Treasury: Transversal Account

**A. Abbreviations:**

| ABBREVIATION     | MEANING   |
|------------------|---|
| AC               | Accounting Officer  |
| AG               | Auditor General   |
| B-BBEE           | Board Based Black Economic Empowerment                                |
| B-BBEE Act       | Board Based Black Economic Empowerment, Act No, 53 of 2003            |
| BEE              | Black Economic Empowerment  |
| CFO              | Chief Financial Officer   |
| CIDB             | Construction Industry Development Board 2000 (Act No.38 of 2000)      |
| DTI              | Department of Trade and Industry                                      |
| EMT              | Executive Management Team   |
| GCC              | General Conditions of contract  |
| IDP              | Integrated Development Plan   |
| IT               | Information Technology  |
| ITC              | Information to Consultants  |
| LCC              | Life Cycle costing  |
| MFMA             | Municipal Finance Management Act, act No. 56 of 2003                  |
| MM               | Municipal Manager   |
| MSA              | Municipal Systems Act   |
| MSCM Regulations | Municipal Supply Chain Management Regulations                         |
| MTREF            | Medium Term Revenue and Expenditure Framework                         |
| NIPP             | National Industrial Participation Programme                           |
| NT               | National Treasury   |
| PCCA             | Prevention and Combating of Corrupt Activities Act, Act No.12 of 2004 |
| PPP              | Public -Private Partnership   |
| PPP              | Preferential Procurement Policy                                       |
| PPPFA            | Preferential Procurement Policy Framework Act, Act No. 5 of 2000      |
| PT               | Provincial Treasury   |
| QBS              | Quality Based Selection   |
| QCBS             | Quality and Cost Based Selection                                      |
| RDP              | Reconstruction and Development Programme                              |
| RFI              | Request for Information   |
| RFP              | Request for Proposal  |
| RFQ              | Request for Quotation   |
| SAPS             | South African Police Services   |
| SARS             | South African Revenue Services  |
| SCM              | Supply Chain Management   |
| SCM Unit         | Supply Chain Management Unit  |
| SITA             | State Information Technology Agency                                   |
| SLA              | Service Level Agreement   |
| SPM              | Sol Plaatje Municipality  |
| TCO              | Total Cost of Ownership   |
| TOR              | Terms of Reference  |
| WIP              | Work in Progress  |

## B. Definitions

In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Municipal Finance Management Act and relevant regulations has the same meaning as in the Act and relevant Regulations.

| TERM                   | DEFINITION   |
|------------------------|--|
| Acceptable tender      | Means any tender which, in all respects, complies with the specifications and conditions of tender as set out in the tender document.  |
| Accountability         | The personal responsibility of a person to his senior or higher authority for any act or omission in the execution of his assigned duties (accountability cannot be delegated).  |
| Accounting             | Means the recording of all receipts and issues and continued recording thereof.  |
| Accounting Officer     | Means the Municipal Manager and also means the municipal officer referred to in section 60 of the MFMA.  |
| Accredited agent       | Service provider who is authorized to deliver certain goods/services and can be trading in a specific area, however an accredited agent is not a sole provider.  |
| Accredited             | Goods/services that are officially recognized, are generally accepted or having a guaranteed quality.  |
| Acquisition Management | <p>The process of procurement of goods, work and services and includes the:</p> <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 quotation/bid documentation, including conditions;</li> <li>▪ Determination of evaluation criteria;</li> <li>▪ Publishing of quotes/bids;</li> <li>▪ Receiving and opening of quotes/bids;</li> <li>▪ Evaluation of quotes/bids and tabling of recommendations;</li> <li>▪ Award of quotes/bids;</li> <li>▪ Negotiations;</li> <li>▪ Compilation and signing of contract documents;</li> <li>▪ Access to information;</li> <li>▪ Contract administration</li> </ul> |
| Asset                  | <p>It is a resource controlled by the municipality as a result of past events and from which future economic benefits or service potential is expected to flow to the municipality. It has the following characteristics:</p> <ul style="list-style-type: none"> <li>▪ It possesses service potential or future economic benefit that is expected to flow to the municipality;</li> <li>▪ It is controlled by the municipality;</li> <li>▪ It originates as a result of a past transaction or event.</li> </ul>  |
| Asset Controller       | A person delegated to be in charge of a division/section and to whom non-consumable items are issued. The asset controller will be held responsible for these items, until such times as they are returned to store or are disposed of.  The asset controller may appoint sub asset holders.   |

| TERM                                   | DEFINITION  |
|--|---|
| Authority                              | Authority is the right or power attached to a rank or appointment permitting the holder thereof to make decisions, to take command or to demand action by others.   |
| Black people                           | A generic term which means Africans, Coloureds and Indians as defined in the Broad-Based Black Empowerment Act (No. 53 of 2003).  |
| Black Designated Group                 | Assigned to it in the codes of good practice issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act. In the context of this policy it shall therefore mean black people; women, people with disabilities; or small enterprises, as defined in section 1 of the National Small Enterprise Act, 1996 2.11. (Act No. 102 of 1996).  |
| Broad Based Black Economic Empowerment | <p>Means the economic empowerment of all black people including women, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include, but are not limited to:</p> <ul style="list-style-type: none"> <li>▪ Increasing the number of black people that manage, own and control enterprises and productive assets;</li> <li>▪ Facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and other collective enterprises;</li> <li>▪ Achieving equitable representation in all occupational categories and levels in the workforce;</li> <li>▪ Preferential procurement;</li> <li>▪ Investment in enterprises that are owned or managed by black people.</li> </ul> |
| Chief Financial Officer                | Means a person designated in terms of MFMA section 80(2)(a).  |
| Community or broad-bases enterprise    | Has an empowerment shareholder who represents a broad base of members such as local community or where the benefits support a target group for example black women, people living with disabilities, youth and workers.   |
| Close Family Member                    | Means the spouse, child and 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.   |
| Combative Practices                    | <p>Practices that includes but are not limited to:</p> <ul style="list-style-type: none"> <li>▪ Suggestions to fictitious lower quotations;</li> <li>▪ Reference to non-existent competition;</li> <li>▪ Exploiting errors in bids;</li> <li>▪ Soliciting bids from bidders whose names appear on the list or restricted bidders/suppliers/persons.</li> </ul>  |
| Competitive Bid                        | Bid in terms of a competitive bidding process.  |
| Constitution                           | Republic of South Africa Act, No. 108 of 1996   |
| Contract                               | Agreement that results from the acceptance of a bid by an organ of state.   |
| Contract                               | means the agreement that results from the acceptance of a bid by an organ of state  |
| Designated sector                      | means a sector, sub-sector or industry or product designated in terms of section 8(1)(a) of Preferential Procurement Regulations of 2017;   |
| EME                                    | means an. exempted micro enterprise in terms of a code of   |

| TERM   | DEFINITION  |
|--|---|
|  | good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;  |
| Emergency procurement                                | emergency cases are cases where immediate action is necessary in order to avoid dangerous or risky situation (life threatening) or misery such as floods or fires,  |
| Conditions/Circumstances that necessitate Deviation. | <ul style="list-style-type: none"> <li>o Disastrous situation leading to loss or damage to public or private property.</li> <li>o Life-threatening</li> <li>o Environmental pollution</li> <li>o Loss of revenue by the municipality</li> </ul>   |
| Exceptional / Urgent Cases                           | exceptional cases are cases where early delivery is of critical importance and the invitation of competitive bids is either impossible or impractical it must be shown where and how the market was tested. However, a lack of proper planning should not be constituted as an urgent case subject to the approval of the Accounting Officer. The nature of the urgency and the details of the justifiable procurement must be recorded.  |
| Final award  | in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept;   |
| Formal written price quotation                       | means quotations referred to in paragraph 12 (1) (c) of this Policy;  |
| Highest acceptable tender                            | means a tender that complies with all specifications and conditions of tender and that has the highest price compared to other tenders;   |
| “in the service of the state” means to be –          | <ul style="list-style-type: none"> <li>(a) a member of – <ul style="list-style-type: none"> <li>(i) any municipal council;</li> <li>(ii) any provincial legislature; or</li> <li>(iii) the National Assembly or the National Council of Provinces</li> </ul> </li> <li>(b) a member of the board of directors of any municipal entity;</li> <li>(c) an official of any municipality or municipal entity;</li> <li>(d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999);</li> <li>(e) a member of the accounting authority of any national or provincial public entity; or</li> <li>(f) an employee of Parliament or a provincial legislature;</li> </ul> |
| Irregular expenditure                                | means expenditure, other than unauthorized expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation  |
| Locality   | Means the jurisdiction of the Sol Plaatje Municipality  |
| Long term contract                                   | means a contract with a duration period exceeding one year;   |
| Lowest acceptance tender                             | means a tender that complies with all specifications and conditions of tender and that has lowest price compared to other tenders;  |



| TERM                                     | DEFINITION   |
|--|--|
| List of accredited prospective providers | means the list of accredited prospective providers which the municipality must keep in terms of paragraph 14 of this policy;   |
| Other applicable legislation”            | means any other legislation applicable to municipal supply chain management, including<br>(a) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);<br>(b) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003); and<br>(c) the Construction Industry Development Board Act, 2000 (Act No.38 of 2000);   |
| Military Veteran                         | has the meaning assigned to it in section 1 of the Military Veterans Act, 2011 (Act No. 18 of 2011)  |
| Non-Executive Director                   | A Non-Executive Director is an independent member of the company’s board or committee or tribunal, but he or she does not possess management responsibilities and gets paid a service fee, not a salary. They are not involved in the day-to-day operation, and they have no voting rights over any decision made.   |
| Price                                    | Means an amount of money tendered for goods and services and includes all applicable taxes less all unconditional discounts.   |
| QSE                                      | means a qualifying small business enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;  |
| Rand Value                               | Means the total estimated value of a contract in Rand, calculated at a time of the tender invitation.  |
| Rural area                               | means- a sparsely populated area in which people farm or depend on natural resources, including villages and small towns that are dispersed through the area; area including a large settlement which depends on migratory labour and remittances and government social grants for survival, and may have a traditional land tenure system;  |
| Specific goals                           | means specific goals may include categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender , military veterans, people with disability, locality and including the implementation of programmes of the Reconstruction and Development Programme as published in Government Gazette No. 16085 dated 23 November 1994.<br>Specific goals include |
| Sub-contracting                          | means the primary contractor assigning or leasing or making out work to, or employing another person or contractor with lower CIDB grading with the intention to develop and capacitate such contractor in the execution of part of the project in terms of the contract.  |
| Tender                                   | means a written offer in the form determined by an organ of state in response to an invitation to provide goods or services through price quotations, competitive tendering process or any other method envisaged in legislation;  |

| <b>TERM</b>                              | <b>DEFINITION</b>   |
|--|---|
| Tender for Income generating contracts - | means a written offer in the form determined by an organ of state in response to an invitation for the origination of income-generating contracts through any method envisaged in legislation that will result in a legal agreement between the organ of state and a third party that produces revenue for the organ of state, and includes, but is not limited to, leasing and disposal of assets and concession contracts, excluding direct sales and disposal of assets through public auctions. |
| "the Act"                                | Means the Local Government: Municipal Finance Management Act (Act No. 56 of 2003)   |
| Treasury guidelines                      | means any guidelines on supply chain management issued by the Minister in terms of section 168 of the Act;  |
| The Regulations                          | means the Local Government: Municipal Finance Management Act, 2003, Municipal Supply Chain Management Regulations published by Government Notice 868 of 2005;   |
| Township                                 | means an urban living area that any time from the late 19th century until 27 April 1994, was reserved for black people, including areas developed for historically disadvantaged individuals post 27 April 1994;  |
| Municipality                             | means the Sol Plaatje Local Municipality.   |
| Municipal Entity                         | has the meaning assigned to it by section 1 of the Municipal Systems Act, 2000.   |
| SPLM                                     | means the Sol Plaatje Local Municipality  |
| Sole Provider                            | means a provider of specialized or exclusive goods/services who has a sole distribution/patent/manufacturing rights and copyrights.   |
| Youth                                    | has the meaning assigned to it in section 1 of the National Youth Development Agency Act, 2008 (Act No. 54 of 2008).  |

## **CHAPTER 1. INTRODUCTION**

### **1.1 Adoption of SCM policy**

1.1.1 The Municipal Supply Chain Management (MSCM) Regulations provide that:

- i. Regulations 3 (1) states that the Accounting Officer (AO) who is the Municipal Manager (MM) of the municipality shall:
- ii. promptly prepare and submit a draft Supply Chain Management (SCM) policy, complying with the MSCM regulation 2 to the Council for adoption:
- iii. at least annually review the implementation of the policy and
- iv. When the MM considers it necessary, submit the proposal for the amendment of the policy to the Council.

1.1.2 Regulations 3 (2) states that:

- i. The MM may use any Treasury guidelines determining standards for municipal SCM policies and submit to Council that standard or a modified version thereof, as a draft policy.
- ii. If the MM submit a draft policy to the Council that differs from the National Treasury guideline standard, the MM shall ensure that such draft policy complies with Regulations 2.
- iii. The MM shall report any deviation from the guideline standard to the National Treasury and relevant Provincial treasury.
- iv. Regulations 3 (3) states that when preparing or amending its SCM policy, the municipality shall take account of the need for uniformity in SCM practices, particularly to promote accessibility of SCM systems for small businesses.
- v. Regulations 3 (4) states that the MM shall in terms of section 62 (1) (f) (iv) of the MFMA take all reasonable steps to ensure that the municipality has implemented a SCM Policy as set out in regulation 2.

### **1.2 Review of SCM policy**

1.2.1 The approved supply chain management (SCM) policy shall be reviewed at least annually to ensure that it is aligned with applicable legislation and regulations.

1.2.2 Following each review, if the SCM requires updating, the MM shall submit an updated draft policy to the Council for adoption.

### **1.3 Amended history**

The amendments and reviews are done on an annual basis but in the case of NT instructions, amendments can be done as and when required.

## **1.4 Distribution of SCM policy**

- 1.4.1 All changes shall be distributed to relevant SCM role players.
- 1.4.2 The reviewed policy was sent to the following:
  - The Policy Manager
  - The EMT
  - The Finance Committee
  - The Bid Committee Members
  - The Supply Chain Officials
  - Other Officials
- 1.4.3. This policy is applicable to all SPM Officials and all procurement activities shall be executed in line with this policy.

## **1.5 Transgression of SCM policy**

- 1.5.1. Any SPM official who acts contrary to any provision of this policy, shall be subjected to disciplinary action in line with SPM 's Disciplinary Policy.

## **1.6 Specific Goals**

- 1.6.1. The specific goals emanate from the Preferential Procurement Policy Act 5 of 2000, which its main purpose is to advance the participation of Small Medium and Micro Enterprises (SMME's) as well as historically disadvantaged Individuals (HDIs) in mainstream public procurement. In addition, the RDP makes provision for SMMEs and HDIs to participate effectively in the economy.

This thus gives rise to specific goals as contemplated in section 2(1)(d) of the Act which includes contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender, and disability. The basket of specific goals that the municipality seeks to achieve is outlined in the Municipality Preferential Procurement Policy 2023.

## **CHAPTER 2: IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY**

### **2. Supply Chain Management policy**

1. All relevant role players in the supply chain management system of the Sol Plaatje Municipality must implement this Policy in a way that –
  - (a) gives effect to
    - (i) section 217 of the Constitution; and
    - (ii) Part 1 of Chapter 11 and other applicable provisions of the Act;
  - (b) is fair, equitable, transparent, competitive, and cost-effective;
  - (c) complies with –
    - (i) Chapter 2 of the Regulations Framework; and
    - (ii) any minimum norms and standards that may be prescribed in terms of section 168 of the Act;
  - (d) is consistent with other applicable legislation;
  - (e) does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
  - (f) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.
  
2. The Policy applies when the municipality:
  - (a) procures goods, services or infrastructure deliveries;
  - (b) disposes of goods no longer needed;
  - (c) selects contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or
  - (d) selects external mechanisms referred to in section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.
  
3. The Policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including
  - (a) water from the Department of Water Affairs or a public entity, another municipality or a municipal entity; and
  - (b) electricity from Eskom or another public entity, another municipality or a municipal entity.

### **3. Amendment of the Supply Chain Management policy**

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

### **4. Delegation of Supply Chain Management powers and duties**

1. The council hereby delegates all powers and duties to the Accounting Officer which are necessary to enable the Accounting Officer:
  - (a) to discharge the supply chain management responsibilities conferred on Accounting Officers in terms of:
    - (i) Chapter 8 or 10 of the Act; and
    - (ii) this Policy;
  - (b) to maximize administrative and operational efficiency in the implementation of this Policy;
  - (c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this Policy; and
  - (d) to comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.
  
2. Sections 79 and 106 of the Act apply to the sub-delegation of powers and duties delegated to an Accounting Officer in terms of sub-section (1).
  
3. The Accounting Officer may not sub-delegate any supply chain management powers or duties to a person who is not an official of the municipality or to a committee that is not exclusively composed of officials of the municipality;

4. This section may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in section 26 of this Policy.

**5. Sub-delegations**

1. The Accounting Officer may in terms of section 79 or 106 of the Municipal Finance Management Act and sections 4 and 5 of the Supply Chain Management Regulations as well as the Delegation Register of the municipality sub-delegate any supply chain management powers and duties, including those delegated to the Accounting Officer in terms of this Policy, but any such sub-delegation must be consistent with sub-section (2) of this section and section 4 of this Policy.

2. The power to make a final award:

- (a) above R10 000 000 (VAT included) may not be sub-delegated by the Accounting Officer.
- (b) above R300 000 (VAT included) but not exceeding R10 000 000 (VAT included) must be sub-delegated to the bid adjudication committee.
- (c) above R30 000 (VAT included) but not exceeding R300 000 (VAT included) must be procured by inviting formal written quotations and advertised for minimum of 7 calendar days, to attract as many possible service providers that are registered on the CSD. This must be done in accordance with Preferential Procurement Regulations of 2022 and final evaluations and must be approved by General Manager of supply chain management, or his/her delegate. The Chief Financial Officer must be provided monthly with a list of all procurements.
- (d) Petty cash procurement above R100 but not exceeding R2000, may be sourced from one supplier, however specific goals shall be applied regardless.
- (e) Formal Written Price Quotation (FWPQ) for procurement above R2000.00 (VAT included) but not exceeding R30,000 (VAT included) may be procured by inviting formal written quotations from at least 3 (three) prospective service providers. All quotations invited must be recorded and approved by the Manager Acquisition, or his/her delegate and the specific goals shall be applied. All quotations will be subjected to 80/20 points calculations. The 80 points will be for price, 20 points will be for specific goals.

**The following specific goals and points are applicable:**

| Locality | Women | Youth | Total     |
|----------|-------|-------|-----------|
| 10       | 5     | 5     | <b>20</b> |

3. The bid adjudication committee to which the power to make final awards has been sub-delegated in accordance with subsection (2) must within **seven working days** after each award submit to the Accounting Officer, a written report containing particulars of each final award made by such official or committee during that month, including:

- (a) the amount of the award;
- (b) the name of the person or company to whom the award was made; and
- (c) the reason why the award was made to that person or company.

4. A written report referred to in sub-section 3 must be submitted:
  - (a) to the Accounting Officer, in the case of an award by:
    - (i) the Chief Financial Officer; or his/her delegate.
    - (ii) a Bid Adjudication Committee of which the Chief Financial Officer or his/her delegate; or
5. Sub-sections (3) and (4) of this policy do not apply to procurements out of petty cash. This section may not be interpreted as permitting an official to whom the power to make final awards has been sub-delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in section 26 of this Policy.
6. No supply chain management decision-making powers may be delegated to an advisor or consultant.

#### **6. Oversight role of council**

1. The council reserves its right to maintain oversight over the implementation of this Policy.
2. For the purposes of such oversight the Accounting Officer must:
  - (a) Within 30 days of the end of each financial year, submit a report on the implementation of this Policy and the supply chain management policy of any municipal entity under the sole or shared control of the municipality, to the council of the municipality; and
  - (b) Whenever there are serious and material problems in the implementation of this Policy, immediately submit a report to council.
3. The Accounting Officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the Executive Mayor.
4. The reports must be made public in accordance with section 21A of the Municipal Systems Act as well as section 75 of MFMA.
5. For the purposes of oversight in accordance with MFMA Circular 77 the Accounting Officer must:
  - (a) within **30 days of the end of each financial year**, submit a report on the implementation of this Policy and the equivalent policy to the council;
  - (b) whenever there are serious and material problems in the implementation of the Policy immediately submit a report to the council;
  - (c) within **10 days of the end of each quarter**, submit a report on the implementation of the Policy to the Executive Mayor; and
  - (d) make the reports public in accordance with section 21A of the Municipal Systems Act Of 2000.



## **7. Supply Chain Management unit**

1. A supply chain management unit is hereby established to implement this Policy.
2. The supply chain management unit operates under the direct supervision of the Chief Financial Officer or an official to whom this duty has been delegated in terms of section 82 of the Act.

## **8. Training of Supply Chain Management officials and Bid Committees.**

The Accounting Officer and all other officials of the municipality involved in the implementation of the SCM Policy must meet the prescribed competency levels in terms of the National Treasury Competency Regulations:

- (i) The municipality must provide opportunities and resources for training of officials preferred to meet the relevant prescribed supply chain management competency levels.
- (ii) That National and Provincial Treasury or any other accredited body may assist the municipality in the training of officials in meeting the relevant prescribed supply chain management competency levels.
- (iii) The members of the bid committees must be provided with relevant training in order to effectively and efficiently execute their delegated duties in connection with bids.
- (iv) Refresher training must be provided annually to SCM officials and bid committee members.

## **CHAPTER 3: SUPPLY CHAIN MANAGEMENT SYSTEM**

### **9. Format of Supply Chain Management system**

This Policy provides systems for:

- (i) Demand and Specification Management;
- (ii) Acquisition Management;
- (iii) Logistics and Disposal Management;
- (iv) Risk and Performance Management;

### **10. System of Demand and Specification Management**

1. The Accounting Officer must establish and implement an effective system of demand management in order to ensure that the resources required by the municipality support its operational commitments and its strategic goals outlined in the Integrated Development Plan.
2. The Demand Management system must:
  - (a) be co-ordinated by SCM in consultation with end users.

- (b) Include timely planning and management processes through the proper implementation of the consolidated procurement plan as well as the Quotation Procurement Request Plan.
- (c) Each end user department shall perform an annual needs analysis of strategic objectives and programmes involving SCM and Finance to determine strategic sourcing that will ultimately provide best value for money.
- (d) Consider any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature.
- (e) Provide for the compilation of the required specifications to ensure that its needs are met.
- (f) undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.
- (g) Annually inform Line Managers to submit all Procurement Plans for the new financial year before the 31<sup>st</sup> March annually.

## **10. (a) Framework for Infrastructure Procurement (Gate 1- 4)**

The framework for infrastructure procurement outlines the minimum infrastructure procurement policy requirements for municipal planning and implementation.

The strategic direction set in the Integrated Development Plan (IDP) informs the framework for infrastructure procurement. For example, procurement strategies must be aligned to the municipality's developmental and internal transformation needs, as specified in the IDP.

### **1. Minimum Requirement for Infrastructure Procurement**

- (a) Infrastructure procurement must be undertaken in accordance with all applicable Infrastructure Procurement related legislation and this Framework.
- (b) Infrastructure procurement must be implemented in accordance with the institutional Supply Chain Management System, which promotes differentiated procurement for infrastructure.
- (c) Infrastructure procurement must be implemented in accordance with the procurement gates prescribed in paragraph 11.
- (d) The Accounting Officer must ensure that a budget is available for the duration of the project, in line with MFMA provisions for capital and operating budgets.
- (e) The Accounting Officer must ensure that cash flow management processes are in place to meet payment obligations within the time periods specified in the contract.
- (f) Procurement gates provided in paragraph 11 of this policy must be used, as appropriate, to:
  - (i) Authorise commencement of activities that lead to the next control gate;
  - (ii) Confirm conformity with requirements; and/or
  - (iii) Provide information
- (g) The authorisation to proceed to the next procurement gate must be given by a delegated person or body. The delegated person or body must be able to apply relevant built environment knowledge and skill to achieve the intended results required at the relevant procurement gate. The level of detail contained in the

documentation on which a decision to proceed to the next procurement gate is made, must be sufficient to enable an informed decision.

- (h) The Accounting Officer must develop and implement effective and efficient emergency procurement procedures, including relevant approval delegation, in compliance with relevant legislation.
- (i) The Accounting Officer must develop and implement an effective and efficient infrastructure disposal policy in line with the Municipal Asset Transfer Regulations. The institution may consider disposal strategies aligned to their internal disposal policy, prior to proceeding with the procurement strategy.
- (j) The Accounting Officer must keep records of Procurement Gate Approvals, in a manual or electronic format, with the following minimum requirements:
  - (i) Procurement gate;
  - (ii) Delegated person/s or body;
  - (iii) Date on which the approval request was received;
  - (iv) Date on which the approval was actioned; and
  - (v) Signature of the delegated person or body.
- (k) All assets must be recorded in the municipal asset register as required by the GRAP standards.

#### 1.1. **Infrastructure Procurement Gates (PG1)**

- (a) Initiate a procurement process;  
*(See Annexure C: In order for the initiation to be completed, and the decision to proceed with procurement is effected; the Project Stage Deliverables for Stages 1 and 2 must be completed. In the case of Mega Projects (Projects in excess of R50 million) the Gateway Review requirements must be adhered to as stipulated within Annexure C)*

#### 1.2. Minimum Requirement for PG 1

- (i) Establish and clarify the procurement need, aligned to the municipality's development and transformation priorities specified in the IDP.
  - (ii) Determine a suitable title for the procurement, to be applied as the project description.
  - (iii) Prepare the broad scope of work for the procurement.
  - (iv) Perform market analysis.
  - (v) Estimate the financial value of proposed procurement and contract for budgetary purposes, based on the broad scope of work.
  - (vi) Confirm the budget.
  - (vii) Compliance with section 33 of the MFMA with respect to community and stakeholder consultation.
- (b) PG 1 is complete when a designated person or body makes the decision to proceed/not to proceed, with the procurement of the infrastructure.

### **1.3 Procurement Gate 2 for PG 2:**

- (a) Approve procurement strategy to be adopted.  
*(See Annexure C: In order for the procurement strategy to be adopted, and the decision to proceed with an approved procurement strategy; the Project Stage Deliverables for Stages 3 and 4 must be completed)*

#### **1.3.1 Minimum Requirement for PG 2:**

- (a) Develop a procurement strategy aligned to the institutional procurement strategy:
  - (i) Establish contracting and pricing strategy comprising of an appropriate allocation of responsibilities and risks; and the methodology for contractor payments.
  - (ii) Identify service required for works.
  - (iii) Decide on contracting strategy.
  - (iv) Decide on pricing strategy.
  - (v) Decide on form of contract.
  - (vi) Establish opportunities for promoting preferential procurement in compliance with legislative provisions and the Construction Sector Code.
  
- (b) PG 2 is complete when a delegated person or body approves the procurement strategy that is to be adopted.

### **1.4 Procurement Gate 3 (PG 3)**

- (a) Approve procurement documents.

#### **1.4.1 Minimum requirements for PG 3:**

- (b) Prepare procurement documents that are compatible with:
  - (i) Approved procurement strategies.
  - (ii) Project management design documentation.
- (c) PG 3 is complete when the Bid Specification Committee approves the procurement document.

### **1.5 Procurement Gate 4 (PG 4)**

- (a) Confirm that cash flow processes are in place to meet projected contractual obligations.

#### **1.5.1 Minimum requirement for PG 4**

- (a) Confirm that cash flow processes are in place to meet contractual obligations.
- (b) Establish control measures for settlement of payments within the time period specified in the contract.
- (c) PG 4 is complete when a delegated person or body confirms in writing that cash flow processes are in place; and control measures are established for the procurement to take place.

1.6 Verification of bids in excess of R10 million

**Prior to advertisement:** Verification by the CFO, the senior manager responsible for a vote must submit to the CFO:

- proof that budgetary provision exists for the procurement of the goods/services and / or infrastructure projects;
- any ancillary budgetary implications related to the bid;
- any multi-year budgetary implications;

**11. System of Acquisition management**

1. The Accounting Officer must implement the system of acquisition management set out in this Part in order to ensure:

- (a) that goods and services are procured by the municipality in accordance with authorized processes only;
- (b) that expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Act;
- (c) procurement of goods and services, either through quotations of a bidding processes, shall be within the threshold values as determined by National Treasury; and
- (d) the approval of the thresholds of supply chain officials are set and reviewed annually.

2. When procuring goods or services contemplated in section 110(2) of the Act, the Accounting Officer must inform council and must be made public that such goods or services are procured otherwise than through the municipality supply chain management system, including:

- (a) the kind of goods or services; and
- (b) the name of the supplier.

**11. (a) Framework for Infrastructure Procurement (Gate 5 - 7)**

The framework for infrastructure procurement outlines the minimum infrastructure procurement policy requirements for municipal planning and implementation. The strategic direction set in the Integrated Development Plan (IDP) informs the framework for infrastructure procurement. For example, procurement strategies must be aligned to the municipality's developmental and internal transformation needs, as specified in the IDP.

**1. Procurement Gate 5 (PG 5)**

(a) Solicit tender offers.

Minimum requirements for PG 5

- (i) Invite contractors to submit tender offers.
- (ii) Receive tender offers.

- (iii) Record tender offers.
- (iv) Safeguard tender offers.
- (b) PG 5 is complete when tender offers received are recorded and safeguarded by a delegated person from the SCM unit.

**2. Procurement Gate 6 (PG 6)**

- (a) Evaluate tender offers premised on undertakings and parameters established in procurement documents.

Minimum Requirement for PG 6:

- (i) Determine whether tender offers are complete.
  - (ii) Determine whether tender offers are responsive.
  - (iii) Evaluate tender submissions.
  - (iv) Review minimum compliance requirements for each tender.
  - (v) Perform a risk analysis.
  - (vi) Prepare a report on tender offers received, and on their achievement of minimum compliance.
- (b) PG 6 is complete when the chairperson of the Bid Evaluation Committee approves the BEC report.

**3. Procurement Gate 7 (PG 7)**

- (a) Award the contract.

Minimum Requirement for PG 7:

- (i) Bid adjudication committee review of the BEC evaluation report.
  - (ii) Bid Adjudication Committee makes an award.
  - (iii) Accounting Officer Approval of the tender process.
  - (iv) Notify successful tenderer and unsuccessful tenderers of the outcome.
  - (v) Sign contract document.
  - (vi) Formally accept tender offer.
- (b) PG 7 is complete when the Accounting Officer or the Bid Adjudication Committee where delegated, confirms that the tenderer has provided evidence of complying with all requirements stated in the tender data and formally accepts the tender offer in writing, and issues the contractor with a signed copy of the contract.

**12. Range of procurement processes**

- 1. Goods and services may be procured by way of:

Table: 3

| Description                    | Value (VAT inclusive)  | Advertisement  |
|--------------------------------|--|--|
| Petty cash purchases           | Transaction up to value of R 2000 (SCM no longer have physical cash but generate an official order.) | Request the quotation through an email.  |
| Written quotation              | R 2000 to R 30 000 (Minimum three quotations)  | Request the quotation through email.   |
| Formal written price quotation | R 30 001 to R 300 000 (7 days advertisement quote)   | Advertised on the municipal website, may be advertised on E-tender as attract on re-advertisement basis. |
| Competitive bidding process    | Above R300 000 (Tender)  | Advertised on the municipal website, CSD e-tender, local newspaper and CIDB                              |

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

### 13. General preconditions for consideration of written quotations or bids

1. A written quotation or bid may not be considered unless the provider who submitted the quotation or bid:
- (a) has furnished the municipality with the following details:
    - (i) full name of sole proprietor or company;
    - (ii) identification number, company registration number or other;
    - (iii) Tax Compliance Status (TCS) pin from the SARS;
    - (iv) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears for 90 days or Submit a current Municipal Account or Lease Agreement.
    - (v) Declaration of interest is compulsory (MBD4) to be completed and signed.
    - (vi) Compulsory disclosure of related parties in terms of MBD4 - 3.13.
    - (vii) Full disclosure of business interests on MBD4 - 3.14 must be in line with the CSD report/ CIPC document.
    - (viii) No bid will be accepted from persons in the service of the state.
    - (ix) The Current compliant Central Supplier database report (CSD).
    - (x) CSD report, a valid BBBEE certificate accredited by South African National Accreditation System (SANAS) or an original Sworn Affidavit for EMEs and QSEs or BBBEE certificate for EME's and start up enterprises; to claim points for specific goals.
    - (xi) Medical Certificate where a specific goal for disability is applicable.

- (b) Requirements for construction and engineering-related bids should be awarded according to CIDB Regulations and have indicated or disclosed:
  - (i) If a spouse, child or parent of the provider or of a director, 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;
  - (ii) any person or service provider who fails to disclose his or her employment status with organs of state, his or her contract will be terminated immediately, the service provider shall be deregistered and shall not be allowed to bid for a period not less than three years and shall be reported to National Treasury for blacklisting.
- (c) Any persons or directors in the service of the state, or has been in the service of the state in the previous twelve months are not allowed to do business with the municipality and this excludes non-executive directors as per definition in (d) below.
- (d) A Non-Executive Director is an independent member of the company's board or committee or tribunal, but he or she does not possess the management responsibilities and get paid a service fee not a salary. They are not involved on day to day operations and they have no voting rights over any decision made.

#### **14. Lists of service providers**

- 1. The Accounting Officer must:
  - (a) keep a list of service providers of goods and services that must be used for the procurement requirements through Petty cash written quotations and formal written price quotations;
  - (b) at least once a year through various mode of communication invite service providers to register and update business information as well as commodities or type of business on the municipal database.
  - (c) Failure to update the account will be deactivated (inactive) until renewal has been made.
  - (d) Service providers are allowed to submit applications for listing at any time.
  - (e) specify the minimum listing criteria for service providers:
    - (i) Business or Owner's address;
    - (ii) Bank confirmation letter of the business;
    - (iii) CSD report;
    - (iv) SARS Tax Compliance Status (TCS) pin for tax status;
    - (v) An annual compulsory declaration of interest (MBD4)
    - (vi) Listing criteria stating services provided by bidders;
    - (vii) Municipal rates and taxes not in arrears for more than 90 days, or valid lease agreement stating who is responsible for the municipal account;
    - (viii) No award will be made in terms of this policy to a person whose municipal rates, taxes and service fees are not paid-up or no arrangements have been made with the relevant Municipality to paid-up arrears.



- (ix) BBBEE certificate accredited by SANAS or a Sworn Affidavit for EME'S and QSE'S for ownership and supplier classes.
  - (f) 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, in accordance with the MFMA Circular 46 (as amended from time to time).
2. The commodity must be aligned with the goods and services provided by suppliers as per listing criteria.
  3. In the case where the supplier database is maintained by a government department, in this case, National Treasury, through the Central Supplier Database, the municipality shall keep records of service providers at the level of detail that will ensure minimum compliance requirements in as far as status of the municipal account, declaration of interest, relatedness to people in service of state.

## **15. Petty Cash purchases**

1. The conditions for the procurement of goods by means of petty cash purchases referred to in section 12 (1) (a) of this Policy, are as follows:
  - (a) Council determines the terms on which a manager may delegate responsibility for petty cash to an official reporting to the manager; petty cash threshold to be delegated per month is R2000 per case;
  - (b) The Council determines the maximum number of petty cash purchases or the maximum amounts per month for each manager; the threshold per month is R2000 in total per case;
  - (c) a monthly reconciliation report from the acquisition manager must be provided to the chief financial officer, including:
    - (i) the total amount of petty cash purchases for that month; and
    - (ii) receipts and appropriate documents for each purchase.
  - (d) insert any other conditions determined by the council.

## **16. Sole provider and Accredited agency**

- (a) For the sole provider or accredited agency, the procurement of any class of goods (parts) or services will be procured within the threshold of less than R200 000 for each sole provider or accredited agency as it will be determined by the Supply Chain. This will be selected from the database of accredited agencies and the sole provider. This procurement strategy cannot be viewed as splitting but to improve service delivery. This clause is in line with section 62 of the policy under the sole provider.

**17. Formal Written Price Quotations (FWPQ)**

1. The conditions for the procurement of goods or services through formal written price quotations are as follows:
  - (a) At least three (3) written price quotations must be obtained from three (3) different suppliers registered on the CSD.
  - (b) if it is not possible to obtain at least three (3) written price quotations from three (3) different suppliers registered on the CSD, except where suppliers are exempted from registration on the CSD, the reason should be recorded and approved by the Head of supply chain management and maintained for audit purposes.
  - (c) The Head of supply chain management must ensure that the prices received are market-related by testing the market through requests for quotation and where they are not, negotiations may be entered into or re-advertisement.
  - (d) The Supply Chain Management must record the names of the potential providers and their written quotations.
  - (e) The specific goals are applicable for all quotations and will be subjected to 80/20 points.
  - (f) The 80 points for price, 20 points for specific goals and will be allocated as follows:
  - (g) 10 points for Locality, 5 points for women, and 5 points for youth.

**The following specific goals and points are applicable:**

| Locality | Women | Youth | Total     |
|----------|-------|-------|-----------|
| 10       | 5     | 5     | <b>20</b> |

2. A designated official referred to in sub-section (1) (d) must at the end of each month report to the Chief Financial Officer.

**18. The procedure for the procurement of goods or services through formal written price quotations, is as follows:**

- (a) When using the list of service providers, the Accounting Officer must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis.
- (b) All requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements of section 17, be advertised for at least seven (7) **calendar** days on the website and/or CSD e tender and an official notice board of the municipality; evaluation will be on 80:20-point system where 80 points is for price and 20 points for specific goal as per the Preferential Procurement Regulation of 2022 and SPM Preferential Procurement Policy 2023.
- (c) Offers received must be evaluated on a comparative basis taking into account only unconditional discounts;

- (d) the Chief Financial Officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub-delegation;
- (e) On the second time of re-advertising a bid/quotation, suppliers on the municipal database may be consulted to apply for the bid, this must be construed as supplier relationship.
- (f) The prescripts of the PPP 2023 and its Regulations shall be applied to all procurement below R 50 million (all applicable taxes included) for 80/20;
- (g) The prescripts of the PPP 2023 and its Regulations shall be applied to all procurement above R 50 million (all applicable taxes included) for 90/10 tenders;
- (h) Acceptable offers, which are subject to specific goals in line with PPP 2023 and associated regulations, must be awarded to the bidder whose offer is according to specifications, has got the ability to deliver the required service, has scored the highest points and is compliant with all the SCM requirements and is registered on CSD;
- (i) The delegated officials must ensure that quotations received from bidders, letters of award and any other related relevant documentation are maintained in a standard filing system for proper record keeping purposes.

## **19. Competitive Bidding process**

1. Goods or services above a transaction value of R300 000 (VAT included) and long-term contracts may only be procured through a competitive bidding process, subject to section 11(2) of this Policy.
2. No requirement for goods or services above an estimated transaction value of R300 000 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.
3. Point systems to be used:
  - 3.1 80:20-points
 

|   |
|---|
| 80 points for price   |
| 20 points for specific goals<br>(equal to or below R50 million) |
  - 3.2 90:10-point system
 

|   |
|---|
| 90 points for price                                 |
| 10 points for specific goals<br>(Above R50 million) |
  - 3.3 The specification committee will indicate on a bid document if functionality criteria points need to be used, and the evaluations committee will evaluate based on the functionality criteria for a specific bid.
  - 3.4 For construction projects CIDB Act and Regulations to be used for quotations/bids from the value of R30 000 .

## **20. Procedures for Competitive Bidding**

1. The procedures for the following stages of a competitive bidding process are as follows:
  - (a) Compilation of bidding documentation as required;
  - (b) Public invitation of bids in line with the policy;
  - (c) Site meetings or briefing sessions as and when required.
  - (d) Handling of bids submitted in response to public invitation in line with the policy;
  - (e) Evaluation of bids in line with the policy
  - (f) Award of contracts in line with the policy;
  - (g) Administration of contracts; and
  - (h) Proper record keeping;
  - (i) Original legal copies of written contract agreements should be kept in a secure place for reference purposes.

## **21. Compilation of bid documentation for Competitive bids**

1. In addition to regulation 13 the criteria to which bid documentation for a competitive bidding process must:
  - (a) take into account:
    - (i) the general conditions of contract and any special conditions of contract, if specified;
    - (ii) any Treasury guidelines on bid documentation; and
    - (iii) the requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;
  - (b) include the specific goals to be used, as contemplated in the Preferential Procurement Regulations of 2022, & Preferential Procurement Policy 2023 and evaluation and adjudication criteria, including any criteria required by other applicable legislation;
  - (c) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
  - (d) if the value of the transaction is expected to exceed R10 million (VAT included), require bidders to furnish:
    - (i) if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements:
      - (aa) for the past three years; or
      - (bb) since their establishment if established during the past three year;
    - (ii) 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;
    - (iii) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic; and

- (e) stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation) or when unsuccessful, in a South African court of law. The Accounting Officer reserves the right to stipulate that such a dispute to be settled utilizing a court of law within the jurisdiction of Sol Plaatje municipality.

## **22. Public invitation for Competitive Bids**

1. Supply chain management policy must determine the procedure for the invitation of competitive bids and must stipulate:
  - (a) That any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the municipality **or** any other appropriate ways which may include the Government Tender Bulletin, e-Tender Publication, CIDB i-Tender system for construction-related tenders, and in any other appropriate media.
  - (b) The information contained in a public advertisement, must include:
    - (i) The bid must be advertised a minimum of 30 calendar days, from the date on which the advertisement is placed in a newspaper/municipal website and e-tender.
    - (ii) In exceptional cases the tender will be advertised for 14 calendar days subject to approval by the Accounting Officer, 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.
    - (iii) If the tender is for a period of more than 12 months or value exceeding R10 million VAT inclusive, the tender cannot be advertised for 14 days.
    - (iv) All bids may only be submitted on the bid documentation provided by the municipality; and
    - (v) date, time and venue of any proposed site meetings or briefing sessions must be stipulated on the tender invitation.
2. Bids submitted must be sealed; the envelope must contain the bid number, description of bid and closing date.

## **23. Procedure for Handling, opening and recording of bids.**

1. The time for the bid opening should be the same as the closing of bids, or promptly thereafter and should be announced, together with the place for bid opening, in the invitation to bid. The normal closing time for submission of bids is 10:00 and immediately opening will take place.
2. For RFQ, RFP, emergency, closed tenders closing time as and when will be determined by SCM.
3. All bids must be opened in public at the stipulated place and time, if practical. Notwithstanding the number and volume of the bids received, bidders or their representatives should be allowed to be present at the bid opening meeting immediately after closing.

4. The names of the bidders and if practical, the total price of each bid and of any alternative bids, should be read aloud. Immediately after opening, a current CSD report should be printed to establish compliance to SARS.
5. The procedures for the handling, opening and recording of bids, are as follows:
  - (a) Bids:
    - (i) must be opened in public;
    - (ii) must be opened at the same place and time of the closing of bids; and
    - (iii) bids received after the closing time should be recorded and but will not be considered and will be returned unopened immediately.
  - (b) An opening register must be compiled for all bids received and must be made available for public inspection;
  - (c) No information must be disclosed to bidders before awards.
  - (d) The bidding results will be made available to public on the Municipal website and it is the responsibility of the bidders to regularly visit the municipal website in order to obtain details of successful/unsuccessful information.

#### **24. Negotiations with preferred bidders**

1. For tenders advertised through a competitive bidding process, the necessary approval or mandate to negotiate with any service provider must be obtained in writing from relevant BAC or Accounting Officer or any delegated official, as the case may be.
2. The approval or mandate to negotiate must at least include the following:
  - (a) Reasons for negotiations (price negotiations)
  - (b) Negotiation parameters
  - (c) Objectives of the negotiations
  - (d) Names of identified service providers to negotiate with and
  - (e) Names of the persons authorized to conduct the negotiations - the Adhoc committee appointed by the Accounting Officer.
  - (f) Minutes and attendance register of the negotiating team must be recorded in writing or virtual recording.
3. For RFQ (web quote, deviations, closed tenders below R300 000), and RFP, the General Manager of SCM and SCM team are mandated to negotiate with any service providers in a fairly, equitable transparent, competitive, cost-effective and must be done within the parameters set above and the principles of best practice.
4. The Accounting Officer may, in terms of this Supply Chain Management Policy negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provide that such negotiation:
  - (a) does not allow any preferred bidder a second or unfair opportunity.
  - (b) is not to the detriment of any other bidder; and
  - (c) does not lead to a higher price than the bid as submitted.
5. Minutes of such negotiations must be kept for record purposes.
6. All negotiations must be exercised in a fair, equitable, transparent and competitive manner that will not unduly disadvantage other bidders and comprise integrity of the process.

**25. Two-stage bidding process**

1. A two-stage bidding process is allowed for:
  - (a) large complex projects;
  - (b) projects where it may be undesirable to prepare complete detailed technical specifications; or
  - (c) long term projects with a duration period exceeding three years.
2. In the first stage technical proposals on conceptual design or performance specifications should be invited, subject to technical as well as commercial clarifications and adjustments.
3. In the second stage final technical proposals and priced bids should be invited.

**26. Committee system for Competitive Bids**

1. A committee system for competitive bids shall consist of the following committees:
  - (a) a bid specification committee;
  - (b) a bid evaluation committee; and
  - (c) a bid adjudication committee;
2. The Accounting Officer appoints the members of each committee, taking into account section 117 of the Act; and cannot be sub-delegated except for the CFO in the adjudication committee who can appoint a sub-delegate:
  - (a) All members of the three committees are appointed for 12 months and may be re-appointed for another 12 months (1<sup>st</sup> July to 30<sup>th</sup> June) and must declare their financial interest in line Municipal policies, sign the SCM code of conduct, and also declare business interest(s) as per Regulation 46(2)(e) and (f).
3. Members of all the bid committees are jointly and severally responsible for the decisions made by the committees in which they serve.
4. A neutral or independent observer, appointed by the Accounting Officer, must attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency. Such an observer must ensure there is no conflict of interest and should not participate in any government procurement processes.
5. The committee system must be consistent with:
  - (a) sections 27, 28 and 29 of this Policy; and
  - (b) any other applicable legislation.
6. The Accounting Officer may appoint the committee system to formal written price quotations.
7. Quorum: The Bid Committees cannot undertake business without a quorum present, consisting of 50% plus 1 of its total members with voting powers (rounded to the nearest whole number).

## **27. Bid Specification Committee**

The Accounting Officer / Authority is responsible for the appointment of bid committees and such appointment must be in writing:

1. A bid specification committee must compile the specifications for the procurement of goods or services for infrastructure delivery in accordance with MFMA Circular 77 by the municipality.
2. Determining Specifications/Terms of reference:
  - (a) The Bid Specification Committee shall draw up clear specifications and terms of reference.
  - (b) Include clear evaluation criteria prior to the invitation of the quotation/bid as offers may only be evaluated according to the criteria stipulated in the quotation/bid document.
  - (c) It is the responsibility of the end user through the facilitation of the Cross-Functional Team and the Bid Specification Committee to compile detailed and clear specification with which to source proposals.
  - (d) Specifications should be based on relevant characteristics and/or performance requirements. Reference to brand name, catalogue numbers, or similar classifications to be avoided. If it is necessary to quote a brand name the words "or equivalent "should be added after the reference.
  - (e) The specification should commit the acceptance of office for goods which have similar characteristics, and which provide performance at least equivalent to those specified. The quality required should not be over-specified to the extent that it will be impossible for others to offer such a product.
  - (f) Must indicate the specific goal for each tender before advertisement takes place in line with Preferential Procurement Regulation 2022 and as set out in the Preferential Procurement Policy 2023.
  - (g) The Bid Specification Committee must determine the Bid advert days in line with Supply Chain Policy.
  - (h) The BSC is responsible for approval of Bid specification prior to publication of the invitation for bids in terms of this Policy.
  - (i) The specification committee will indicate on a bid document if functionality criteria points need to be used.
  - (j) The Accounting Officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of their own to preside at the meeting provided they form a quorum.
3. A bid specification committee must be composed of 50% + 1 (one) of the appointed members, for a period as determined by the Accounting Officer; the Chairperson; Engineer (depending on the type of specification); SCM practitioner; official from Finance / Budget Office (BTO) and a Secretariat of the BSC and other officials from any cross functional section depending on the number of members.
4. All committee members must declare their interests during the introduction of the meeting either in writing or virtual.



5. The Line Managers will be invited as and when their items are presented at the Bid Specification Committee for their presentation.
6. Internal or external advisor with no voting rights can form part of the Bid Specification Committee and the number of specialists is not restricted.
7. A legal expert may be required to provide advisory support to the committee.
8. The Risk Manager attending the meeting shall ensure that evaluations are compliant to policy, procedure and process.
9. The specification committee will approve the functionality points that must be used.
10. No person, advisor or corporate entity involved with the bid specification and procurement documentation committee, or director of such a corporate entity, may bid for any resulting contracts.
11. Secretariat of the BSC shall fulfill the professional Secretariat function.
12. For general goods and services that are frequently procured, a specifications library may be compiled, and such specifications revised annually.

## 28. Bid Evaluation Committee

The accounting Officer / Authority is responsible for appointment of bid committees and such appointment must be in writing:

1. Bid Evaluation Committee for infrastructure (construction), **goods and services** must:
  - (a) Evaluate bids in accordance with:
    - (i) The specifications for a specific procurement; and
    - (ii) The point system must be set out in the supply chain management policy of municipality in terms of regulation 27(2) (f) and as prescribed in terms of the Preferential Procurement Policy 2023.
    - (iii) The committee will evaluate each bidder in line with the specific goal setup in the tender document as set out.
  - (b) Evaluate each bidder's technical and financial ability to execute the contract;
  - (c) Check that the bid under the evaluation are compliant as per bid document;
  - (d) Check in respect of the recommended bidder whether municipal rates and taxes are not in arrears for more than 90 days;
  - (e) Check in respect of the recommended bidder if there is a valid lease agreement stating who is responsible for the municipal account;
  - (f) Submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter to the adjudication committee for consideration and/or approval.
  - (g) The BEC may, if necessary, authorise communication where clarification is required with bidders prior to the recommending of the tender to BAC for decision.
  - (h) Such communication must go to all bidders if all bidders are affected but in case where one bidder is required to clarify certain information, only that bidder must be communicated with and such communication must be recorded in the minutes.
  - (i) Any communication authorised by the BEC shall be in the form of a written request for clarification, on any matter affecting the evaluation of the bid offer or that could give rise to ambiguity in the subsequent contract that does not change or affect their competitive position or the substance of their offer, issued to the

applicable bidders by the Head: Supply Chain Management in writing using any means as appropriate.

- (j) A copy of the notice together with a transmission verification report / proof of posting shall be submitted to the BEC and be kept for record purposes.
  - (k) The BEC members are the custodians of the minutes, although SCM are safe keeping the minutes, and the BEC is accountable to the Municipal Manager and the Chairperson must attach his or her signature thereto.
  - (l) The Risk Manager attending the meeting shall ensure that evaluations are compliant to policy, procedure and process.
  - (m) Must present their reports to the bid adjudication committee to clarify uncertainty and shall not have any voting rights on the bid adjudication committee.
  - (n) All committee members must declare their interests during the introduction of the meeting either in writing or virtual.
  - (o) The tenderer is not listed in the National Treasury's Register for tender Defaulters or list of restricted suppliers; and
  - (p) Declaration of interest (MBD 4) to be completed and signed and no bid will be accepted from persons in the service of the state.
  - (q) All bidders must complete the declaration of interest accurately and honestly, failure to do so, your bid will not be acceptable.
  - (r) the Current compliant Central Supplier database report (CSD).
  - (s) CSD report, BBBEE certificate accredited by South African National Accreditation System (SANAS) or Sworn Affidavit for EMEs and QSEs or BBBEE certificate for EME's and start up enterprises; to claim points for specific goals.
  - (t) Medical Certificate where a specific goal for disability is applicable
- (2) A bid evaluation committee composition:
- (a) 50% + 1 (one) as appointed by the Accounting Officer, for period stated and the quorum is constituted by **Chairperson; SCM practitioner, official from Finance division** and **three (3) other officials** from any cross functional section depending on the number of members.
  - (b) Officials including an internal specialist from the department who require the goods and/or services.
  - (c) The Accounting Officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting provided they form a quorum.
  - (d) Members of the committee will be appointed for a period determined by the Accounting Officer.
  - (e) Secretariat of the BEC shall fulfill the professional Secretariat function.
  - (f) A legal expert may be required to provide advisory support to the committee.
  - (g) An official may not be a member of the Bid Evaluation Committee and the Adjudication Committee for the same bid.
  - (h) The Bid Evaluation Committee may, if necessary, authorise communication with bidders prior to the award of the tender.
  - (i) Any communication authorised by the Bid Evaluation Committee shall be in the form of a written request for clarification, on any matter affecting the evaluation of the bid offer or that could give rise to ambiguity in the subsequent contract that

- does not change or affect their competitive position or the substance of their offer, issued to the applicable bidders by the Head: Supply Chain Management in writing using any means as appropriate
- (j) A copy of the notice together with a transmission verification report/proof of posting shall be kept for record purposes.

## 29. Bid Adjudication Committee

The accounting Officer / Authority is responsible for appointment of bid committees and such appointment must be in writing:

1. A bid adjudication committee for infrastructure (construction), **goods and services** must:
  - (a) Consider the report and recommendations of the bid evaluation committee; and either:
    - (i) verify that the procurement process which was followed complies with the provisions of this document;
    - (i) confirm that the report is complete and addresses all considerations necessary to make a recommendation;
    - (ii) depending on its delegations, make a final award or a recommendation to the Accounting Officer to make the final award; or
    - (iii) make another recommendation to the Accounting Officer for the award and on how to proceed with the relevant procurement.
  - (b) A BAC shall ensure that:
    - (i) All bids have been evaluated in a compliant manner.
    - (ii) Disqualifications are justified and that valid and accountable reasons/motivation were furnished for passing over of bids.
    - (iii) Scoring have been fair, consistent and correctly calculated and applied, and
    - (iv) Declarations of interest have been taken into account.
  - (d) A BAC shall ensure, before recommending or awarding a bid, that the bid represents the best value available to the Municipality in terms of price, functionality, local content and specific goals.
  - (e) consider commercial risks and identify any risks that have been overlooked or fall outside of the scope of the report which warrant investigation prior to taking a final decision.
2. A bid adjudication committee composition:  
**50% + 1 (one) as appointed by the Accounting Officer and must consist of at least four senior managers of the municipality which must include-**
  - (i) The Chief Financial Officer or, if the chief financial officer is not available, another manager in the budget and treasury office reporting directly to the chief financial officer and designated by the chief financial officer; and
  - (ii) At least one senior supply chain management practitioner who is an official of the municipality; and any other 3 senior managers.
  - (iii) A technical expert in the relevant field who is an official of the Municipality, if the Municipality has such an expert.

3. Outside technical experts may form part of the adjudication process in case; they must leave the meeting after advice has been given. Only the standing committee members can be involved in final deliberations and recommendations for final approval.
4. A legal expert may be required to provide advisory support to the committee.
5. The risk and compliance officer attending the meeting shall ensure that evaluations are compliant to policy, procedure and process.
6. All committee members must declare their interests during the introduction of the meeting either in writing or virtual.
7. BAC members shall be cleared to the level of “confidential” by the Accounting Officer on an annual basis.
8. The Accounting Officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.
9. An official may not be a member of the Bid Evaluation Committee and the Adjudication Committee for the same bid.
10. (a) If the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid:
  - (i) check in respect of the preferred bidder whether that bidder’s municipal rates and taxes and municipal service charges are not in arrears, and;
  - (ii) notify the Accounting Officer.(b) The Accounting Officer may:
  - (i) after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in section (1a); and
  - (ii) if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration and
  - (iii) refer the report back to the evaluation committee for their reconsideration or make an award of a tender with or without conditions if the value is below R10 million. If above R10 million, make recommendation to the Accounting Officer.
11. The Accounting Officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.
12. The Accounting Officer must comply with section 114 of the MFMA within 10 working days.
13. The Accounting Officer shall appoint an alternative per bid committee member for continuity.
14. The BAC committee shall consider proposals regarding the cancellation, amendment, extension or transfer of contracts that have been awarded.
15. The BAC committee shall consider the merits of an unsolicited offer and make a recommendation Accounting Officer.
16. The BAC committee shall report to the Accounting Officer any recommendation made to award a contract to a bidder other than the bidder recommended by the evaluation committee giving reasons for making such a recommendation.

17. The BAC recommendations must be submitted to the AC after the BAC meeting and the AC on a need's basis may refer the recommendation to the internal audit for quality assurance/ Audit risks to audit the bidding process before the awards in line with circular 62.
18. The BAC committee shall not make a recommendation for an award of a contract or order if the recommended bidder or framework contractor has:
  - (i) made a misrepresentation or submitted false documents in competing for the contract or order; or
  - (ii) been convicted of a corrupt or fraudulent act in competing for any contract during the past five years.
19. The BAC committee may on justifiable grounds and after following due process, disregard the submission of any bidder if that bidder or any of its directors, members or trustees or partners has abused the delivery management system or has committed fraud, corruption or any other improper conduct in relation to such system. The National Treasury and the provincial treasury shall be informed where such tenderers are disregarded.
20. BAC must check the CIDB status of the bidder before an award.
21. BAC can only make an award if the bidder's CIDB status is active.

#### **29. (a) High-level responsibilities of Bid Secretariat**

1. Secretariats of the Bid committees shall fulfil the professional Secretariat function.
2. Prepare submission packs, agendas, signed minutes of bid committees' meeting.
3. Ensure timeous distribution of packs to committees.
4. Coordinate meeting to take place in an orderly fashion.
5. Communicate submissions and decisions.
6. Ensure that documentation is aligned with recommendations from the committees.
7. Keep record of all minutes and recordings and follow up on actions items.
8. Manage proper record keeping of the committees.
9. Ensure that minutes are properly filed for audit purposes.

#### **30. Procurement of Banking Services**

1. A contract for the provision of banking services:
  - (a) must be procured through competitive bids;
  - (b) must be consistent with section 7 or 85 of the Act; and
  - (c) may not be for a period of more than five years at a time.
2. The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.
3. The closure date for the submission of bids may not be less than sixty (60) calendar days from the date on which the advertisement is placed in a newspaper in terms of the section.
4. Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

### **31. Procurement of IT related goods or services**

1. The Accounting Officer may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.
2. The parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.
3. The Accounting Officer must notify SITA together with a motivation of the IT needs of the municipality if:
  - (a) the transaction value of IT related goods or services required by the municipality in any financial year will exceed R50 million (VAT included); or
  - (b) the transaction value of a contract to be procured by the municipality whether for one or more years exceeds R50 million (VAT included).
4. If SITA comments on the submission and the municipality disagree with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National Treasury, the relevant provincial treasury and the Auditor General.

### **32. Procurement of goods and services under contracts secured by other organs of state**

1. The Accounting Officer may procure goods or services for the municipality under a contract secured by another organ of state, but only if:
  - (a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
  - (b) the municipality has no reason to believe that such contract was not validly procured;
  - (c) there are demonstrable discounts or benefits for the municipality to do so; and
  - (d) that other organ of state and the provider have consented to such procurement in writing.
2. Sub-sections (1)(c) and (d) do not apply if:
  - (a) a municipal entity procures goods or services through a contract secured by its parent municipality; or
  - (b) a municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.

### **33. Procurement of goods necessitating special safety arrangements**

1. The acquisition and storage of goods in bulk (other than water), which necessitate special safety arrangements, including gasses and fuel, must be restricted where ever possible.
2. Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership and cost advantages for the municipality.

### 34. Proudly South African Campaign / Locality

The Municipality supports the Proudly South African Campaign to the extent that, as far as possible preference is given to procuring local goods and services from:

- (a) Offices within the jurisdiction of SPM.
- (b) Offices within the jurisdiction of Francis Baard District
- (c) Offices within the Northern Cape Province
- (d) Offices within the Republic of South Africa

Table: 4 Locality

| No# | Criteria  | Minimum Baseline for Points allocation |
|-----|---|--|
| 1.  | Offices within the jurisdiction of SPM                    | 10                                     |
| 2.  | Offices within the jurisdiction of Francis Baard District | 7                                      |
| 3.  | Offices within the Northern Cape Province                 | 5                                      |
| 4.  | Offices within the Republic of South Africa               | 3                                      |

All tenders must comply with locality point scoring and this scoring will vary according to the nature of the tender as and when required by the BSC.

**NB. The bidder must clearly stipulate location of the business. For the above measurement, the business / trading address in the form of municipal account or lease agreement or both will be used as a proof of locality. The inspection will be done by the Municipality where applicable.**

### 35. Appointment of Consultants

- 1. A supply chain management policy may allow the accounting officer to procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.
- 2. A contract for the provision of consultancy services to a municipality must be procured through competitive bids if –
  - (a) The value of the contract exceeds R 300 000 (VAT included); or
  - (b) The duration period of the contract exceeds one year.
- 3. In addition to any requirements prescribed by these Regulations for competitive bids, bidders must furnish the municipality with particulars of:
  - (a) All consultancy services provided to an organ of state in the last five years; and
  - (b) Any similar consultancy services provided to an organ of state in the last five years
- 4. The municipality must ensure that copy right in any document produced, and the patent rights or ownership in any plant, machinery, thing, system process designed or devised by a consultant in the course of consultancy services is vested in the municipality.

**36. Deviation from, and ratification of minor breaches of, procurement processes (Refer to SPM Directive 01 of 2021/ 2022)**

1. The Accounting Officer may:
  - (a) dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only
    - (i) in an emergency;
    - (ii) if such goods or services are produced or available from a single provider only;
    - (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
    - (iv) acquisition of animals for zoos; or
    - (v) in any other exceptional case where it is impractical or impossible follow the official procurement processes; and
  - (b) ratify any minor breaches of the procurement processes by official or committee acting in terms of delegated powers or duties which are purely of a technical nature.
2. The Accounting Officer must record the reasons for any deviations in terms of subsection (1)(a) and (b) of this policy and report them to the next meeting of the council and include as a note to the annual financial statements.
3. Subsection (2) does not apply to the procurement of goods and services contemplated in section 110(2) of the Act.
4. If an accredited agent must be used to perform maintenance services for equipment or vehicles as part of its guarantee or warranty or to obtain genuine parts, a list of such procurements for amounts above R2000.00 must be supplied monthly to the Accounting Officer for information purposes. The type of service, cost, and reason for using one supplier only must be stated.

**36. (a) Conditions/Circumstances that necessitate deviations**

1. There are mandatory and extreme conditions that compels a Line Manager to urgently want to dispense of Supply Chain Management or procurement and these reasons should at least cover the following;
  - (a) Disastrous situation leading to loss or damage to public or private property
  - (b) Life threatening
  - (c) Environmental pollution
  - (d) Loss of revenue by the municipality
2. These circumstances may lead to emergency procurement to mitigate the risk anticipated from the eventuality, and in the case of an eventuality, minimize the impact on life, environment and property.
3. Emergency procurement in its nature is aimed to avert temporarily, whilst permanent strategies must be sought to address the situation and /or an unexpected and sudden event that must be dealt with urgently and where there is an immediate threat to revenue, to property, to life and limb.



4. All reports for deviations submitted by Line Managers and respective ED's are to be checked by all respective the General Managers of Finance Directorate as indicated in the deviation form for any of the following:
  - (a) *Is the motivation valid for the deviation?*
  - (b) *Is the process fair, equitable, transparent and cost effective?*
  - (c) *Is there sufficient reason for not going out to tender?*
  - (d) *Is there no existing tender similar to the request?*
  - (e) *Is there adequate budget?*
5. The administrative process of the deviation must be concluded within 14 working days which relates to the signing off by various parties reflected in the deviation template.
6. Extension of deviation is not allowed since the deviation is regarded as an interim solution while putting a long term solution to the problem.
7. Extension may only be granted under exceptional cases where justifiable grounds are made and it must be recommended by, ED's and approved by the Accounting Officer.
8. The Head of SCM together with other the SCM practitioners (Managers) and the technical experts of user department can negotiate with bidders who responded to RFP for deviation in the best interest of the municipality without any prejudices to bidders.

### **37. Unsolicited Bids**

1. In accordance with section 113 of the Act, the municipality is not obliged to consider unsolicited bids received outside a normal bidding process.
2. If an Accounting Officer decides in terms of section 113(2) of the Act to consider an unsolicited bid, only if:
  - (a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
  - (b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages for the municipality;
  - (c) the person who made the bid is the sole provider of the product or services for the municipality; and
  - (d) the reasons for not going through the normal bidding processes are found to be sound by the Accounting Officer.
3. Where the Accounting Officer decides to consider an unsolicited bid that complies with subsection (2) of this policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with –
  - (a) its reasons as to why the bid should not be open to other competitors;
  - (b) an explanation of the potential benefits if the unsolicited bid were accepted; and
  - (c) an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.
4. Once the Accounting Officer has received written comments, it must submit such comments to the National Treasury and the relevant provincial treasury.

5. The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the Accounting Officer, depending on its delegations.
6. A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
7. When considering the matter, the adjudication committee must take into account –
  - (a) any comments submitted by the public; and
  - (b) any written comments and recommendations of the National Treasury or the relevant provincial treasury.
8. If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the Accounting Officer must submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.
9. Such submission must be made within seven days (7) after the decision on the award of the unsolicited bid is taken, but no contract committing the municipality to the bid may be entered into or signed within 30 days of the submission.

**37. (a) Unsolicited Bids (National Treasury Practice Note No.11 of 2008/9)**

1. Criteria for consideration of an Unsolicited proposal:
  - (a) A comprehensive and relevant project feasibility study has established a clear business case; and
  - (b) The product or service involves an innovative approach to project development and management; or
2. The Accounting Officer must reject the unsolicited proposal if the proposal relates to known institutional requirements that can, within reasonable and practicable limits, be acquired by conventional competitive bidding methods.
3. Use of external consultants. The municipality may seek advice from independent consultants or experts provided that:
  - (a) An appropriate undertaking be obtained from any such person that any confidential material or information provided by the proponent will not be disclosed to anyone other than an employee or agent of such a third party who will, in turn treat the information or material as confidential and give an undertaking to do so; and
  - (b) The cost of obtaining independent advice will be incurred by the institution, unless the proponent withdraws the proposal prior to entering into an unsolicited proposal agreement, in other which event the proponent will be liable to the institution for these costs.

**38. Combating of abuse of Supply Chain management system (bid rigging)**

1. The Accounting Officer must–
  - (a) Take all reasonable steps to prevent abuse of the supply chain management system;

- (b) Investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this Policy, and when justified –
    - (i) take appropriate steps against such official or other role player; or
    - (ii) report any alleged criminal conduct to the South African Police Service;
  - (c) Check the National Treasury’s database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;
  - (d) Reject any bid from a bidder–
    - (i) if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the municipality, or to any other municipality or municipal entity, are in arrears for more than three months; or
    - (ii) who during the last five years has failed to perform satisfactorily on a previous contract with the municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;
  - (e) Reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;
  - (f) Cancel a contract awarded to a person if –
    - (i) the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or
    - (ii) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and
  - (g) Reject the bid of any bidder if that bidder or any of its directors –
    - (i) has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system;
    - (ii) has been convicted for fraud or corruption during the past five years;
    - (v) has wilfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).
2. The Accounting Officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of sub-sections (1)(b)(ii), (e) or (f) of this policy.
  3. Section 4(1)(b)(iii) of the competition act No.89 of 1998, as amended, prohibits any agreement between or concerted practice by firms, or a decision by association of firms, if it is between parties in horizontal relationship and if it involves collusive bidding/ tendering (or bid rigging).
  4. In order to deter any form of collusive bidding (bid rigging), bidders shall confirm that they have not entered into any such practices by completing a certificate to that effect.

5. The standard document pertaining to the certification of the independent bid determination shall accompany all price quotation, advertised competitive bids, limited bids and proposals.
6. SPM is required to utilise the information contained in the Certificate of Independent Bid Documentation (MBD 9) to ensure that when bids are considered all reasonable steps are taken to prevent any form of bid rigging.

### **39. Logistics Management**

1. The Accounting Officer must establish and implement an effective system of logistics management, which must include –
  - (a) No issuing of store items or the commencement of the procurement process may take place without a properly completed requisition form.
  - (b) The monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;
  - (c) The setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
  - (d) The placing of electronic orders for all acquisitions including those from petty cash;
  - (e) Before payment is approved, certification by the responsible Municipal Officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;
  - (f) Appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;
  - (g) Regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes;
  - (h) Monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services; and
  - (i) The maintenance and administration of term contracts is co-managed with acquisition management for general goods/ services.
  - (j) Only orders created via the official SPM mechanism will be deemed valid by SPM.

### **40. Disposal Management**

1. The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets are subject to sections 14 and 90 of the MFMA.
  - (a) Two separate disposal committees may be appointed by the Accounting Officer for the disposal of movable and immovable capital assets for a period so determined by the Accounting Officer.
  - (b) For movable capital assets, the composition would be consistent with the Asset Management Policy;

- (c) Before disposal of immovable assets refer to section 14 of the MFMA and the Municipal Asset Transfer Regulations (no. R.878);
  - (d) Such a disposal committee are advisory committees to the Municipal Manager on the disposal of capital assets and do not replace any of the bidding committees.
2. (a) Assets may be disposed of by:
- (i) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;
  - (ii) transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
  - (iii) selling the asset; or
  - (iv) destroying the asset.
- (b) The Accounting Officer must ensure that:
- (i) immovable property may be sold only at market related prices except when the public interest or the plight of the poor demands otherwise in accordance with section 14 of the MFMA;
  - (ii) movable 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;
  - (iii) in the case of disposable computer equipment, the provincial department of education must first be approached to indicate within 30 calendar days whether any local schools are interested in the equipment; and
  - (iv) in the case of disposable firearms, National Conventional Arms Control Committee has approved any sale or donation of fire arms to any person or institution within or outside the Republic; provided that:
- (c) Immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise; and all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed.
- (d) Ensure that where assets are traded in for other assets, the highest possible trade-in price is negotiated.
3. Competitive bids: The sale and letting of assets:
- (a) 80/20 preference points system for tenders for income-generating contracts with Rand value equal to or below R50 million, shall be evaluated with a specific goal.
  - (b) 90/10 preference point system for tenders for income-generating contracts with Rand value above R50 million, shall be evaluated with specific goals.
  - (c) The sale and letting of assets above a transaction value of R300 000 (VAT included) and long-term contracts may only be procured through a competitive bidding process, subject to subsection 11(2) of this Policy.
  - (d) The sale and letting of assets less than a transaction value of R300 000 (VAT included) may only be procured through a formal written price quotation (7 days web quote).
  - (e) The sale and letting of assets above an estimated transaction value of R300 000 (VAT included), may not be deliberately split into parts or items of lesser value

merely for the sake of selling or letting such assets otherwise than through a competitive bidding process.

#### **41. Risk Management**

1. A Supply Chain Management policy must provide for an effective system of risk management for the identification, consideration and avoidance of potential risks in the Supply Chain Management system.
2. Risk management must include:
  - (a) the identification of risks on a case-by-case basis;
  - (b) the allocation of risks to the party best suited to manage such risks;
  - (c) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
  - (d) the management of risks in a pro-active manner and the provision of adequate cover for residual risks; and
  - (e) the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.
3. The MFMA requires the accounting officer to effectively to manage risk as well as ensure that an effective fraud prevention plan is in place as part of ensuring good governance and effective management of resources of the municipality.
4. A systemic risk management framework which shall incorporate a regular assessment of the relevant risk shall be developed.
5. Risks shall be identified upfront on a case-by-case bases.

#### **42. Performance Management**

1. A Supply Chain Management policy must provide for an effective internal monitoring system in order to determine, on the basis a retrospective analysis, whether the authorised supply chain management processes are being followed.
2. In the monitoring of supply chain management performance, the accounting officer together with the Chief Financial Officer, must set goals and performance criteria for SCM officials against which performance can be measured.
3. Four (4) months (120 days) prior to the expiration of an existing contract, the SCM will notify the end-user department.

**43. Prohibition on awards to persons whose tax matters are not in order**  
(in line with National Treasury circular 90 and NT instruction note no.7 of 2017/18)

1. Municipality may not make any award above R10 000 to a person whose tax matters have not been declared by the South African Revenue Service to be in order until written proof from SARS of their tax compliance status or proof from SARS that they have made an arrangement to meet their outstanding tax obligation.
2. If the recommended bidder is not tax compliant, the bidder should be notified of their non-compliant status and the bidder must be requested to submit to the municipality within 7 working days.
3. The proof of tax compliance status submitted by the bidder to the municipality must be verified via the CSD or E-filing.
4. The accounting officer should reject any bid submitted by the bidder, if such bidder fails to provide proof of tax compliance status within the time frame stated above.
5. Where goods or services have been delivered satisfactorily without dispute, accounting officers should not delay processing of invoices due to outstanding tax matters.

**44. Prohibition on awards to persons in the service of the state**

1. Irrespective of the procurement process followed, no award may be made to a person in terms of this Policy:
  - (a) who is in the service of the state;
  - (b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
  - (c) a person who is an advisor or consultant contracted with the municipality.
  - (d) any persons or directors in the service of the state, or has been in the service of the state in the previous twelve months are not allowed to do business with the municipality and this exclude non-executive directors as per definition in (e) below.
  - (e) a Non-Executive Director is an independent member of the company's board or committee or tribunal, but he or she does not possess the management responsibilities and get paid a service fee not a salary. They are not involved on day to day operations and they have no voting rights over any decision made.
2. Any person or service provider who fails to disclose his or her employment status with organs of state, his or her contract will be terminated immediately, the service provider shall be deregistered and shall not be allowed to bid for a period not less than three years and shall be reported to National Treasury for blacklisting.

**45. Awards to close family members of persons in the service of the state**

1. The Accounting Officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R2000 (incl. VAT) to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including:
  - (a) the name of that person;
  - (b) the capacity in which that person is in the service of the state; and
  - (c) the amount of the award.
2. The SCM relies on the information submitted by the bidder and thus it becomes impractical for the SCM to verify if the close family member of the bidder is in the service of the state, if the bidder did not disclose on MBD4 - 3.13 since the municipality does not have an appropriate system in place. The provision of the POPI Act prohibit search of personal information without proper authorisation.

**46. Ethical standards**

1. A code of ethical standards as set out in the "*SPLM's code of conduct for supply chain management practitioners and other role players involved in supply chain management*" is attached as annexure c in order to promote:
  - (a) mutual trust and respect; and
  - (b) an environment where business can be conducted with integrity and in a fair and reasonable manner.
2. Municipal code of ethical standards must stipulate that an official or other role player involved in the implementation of the supply chain management policy of the municipality
  - (a) Must treat all providers and potential providers equitably
  - (b) May not use her or his position for private gain or to improperly benefit another person
  - (c) May not accept any reward, gift, favour, hospitality or other benefits directly or indirectly, including to any close family members, partner or associate of that person
  - (d) Notwithstanding sub-regulation (2)(c), must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefits promised, offered or granted to that person or to any close family member, partner or associate of that person
  - (e) Must declare to the accounting officer details of any private or business interests which that person or any close family member, partner or associates may have in any proposed procurement or disposal process of, or in any award of a contract by, the municipality
  - (f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person or any close family members, partner or associate has any private or business interest.



- (g) Must be scrupulous in his or her use of property belonging to the Municipality
  - (h) Must assist the Accounting Officer in combating fraud, corruption, favouritism and unfair and irregular practices in the SCM system.
  - (i) Must report to the Accounting Officer any alleged irregular conduct in the SCM system which that person may become aware of including:
    - (i) Any alleged fraud, corruption, favouritism or unfair conduct
    - (ii) Any alleged contravention of regulation 47(1)
    - (iii) Any alleged breach of code of ethical standards
3. A supply chain management policy must:
    - (a) Determine that all declarations in terms of sub-regulation (2) (d) and (e) must be recorded in a register which Accounting Officer must keep for this purpose.
    - (b) Determine that all declaration by the Accounting Officer must be made to the Mayor of the Municipality who must ensure that declarations are recorded in the register, and
    - (c) Contains measures to ensure that appropriate action is taken against any official or other role players who commits a breach of code of ethical standards.
  4. A SCM Policy must take into account the National Treasury code of conduct for SCM practitioners and other role players involved in SCM.
  5. A Municipality may adopt the National Treasury code of conduct for SCM practitioners and other role players involved in SCM. When adopted such code of conduct becomes binding on all officials and other role players involved in the implementation of SCM Policy of the Municipality.
  6. Sub-regulation (2) (c) does not apply to gifts less than R350 in value.
  7. A breach of the code of ethics must be dealt with as follows:
    - (a) in the case of an employee, in terms of the disciplinary procedures of the municipality envisaged in section 67(1)(h) of the Municipal Systems Act;
    - (b) in the case a role player who is not an employee, through other appropriate means in recognition of the severity of the breach.
    - (c) In all cases, financial misconduct must be dealt with in terms of chapter 15 of the Act.
  8. All committee members and SCM practitioners may be vetted by the National Intelligence Agency (N.I.A) as and when required and on the instruction of the Accounting Officer.
  9. A "Confidential" financial declaration of interest form may be completed by all Bid Adjudication members and submitted to the Accounting Officer annually.
  10. A cooling off period for former employees and councillors will apply: they will be prohibited for a period of 12 months after leaving the municipal services to participate in any SCM activities e.g. rendering goods /services or consulting services to the Municipality or its entity if established.

**47. Inducements, rewards, gifts and favours to municipalities and other role players**

1. No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant:
  - (a) any inducement or reward to the municipality for or in connection with the award of a contract; or
  - (b) any reward, gift, favour or hospitality to:
    - (i) any official; or
    - (ii) any other role player involved in the implementation of this Policy.
2. The Accounting Officer must promptly report any alleged contravention of sub-section (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.
3. Sub-section (1) does not apply to gifts less than R350 in value.
4. All supply chain practitioners and bid committee members must disclose annually rewards, gifts and favours to the Accounting Officer or his delegate who will maintain a Gift Register.
5. The Accounting Officer will disclose any such gifts and or favours annually to the Executive Mayor.

**48. Sponsorships**

1. The Accounting Officer must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is –
  - (a) a provider or prospective provider of goods or services; or
  - (b) a recipient or prospective recipient of goods disposed or to be disposed.
2. All sponsorships by the SPM to external organizations or parties shall be subject to such terms and conditions as the Council may determine from time to time, which terms and conditions shall be deemed to be incorporated into this Policy.

**49. Objections and complaints**

1. Municipality must allow persons aggrieved by decisions or actions taken in the implementation of this supply chain management system, may lodge within fourteen (14) calendar days of the decision or action, a written objection or complaint against the decision or action to the Accounting Officer, on the prescribed grievance forms or a letter.
2. Objections and complaint must be in writing addressed to the Accounting Officer of the Municipality.

3. Unsuccessful bidders notice must be published on the website of the Municipality stating reasons for being unsuccessful and it is the responsibilities of bidders to regularly visit the website of the municipality to check such information.
4. Objections received after 14 calendar days will not be considered by the Municipality.

**50. Resolution of disputes, objections, complaints and queries**

1. The Accounting Officer must appoint an independent and impartial person, not directly involved in the supply chain management processes as and when the need arises:
  - (a) to assist in the resolution of disputes between the municipality and other persons regarding:
    - (i) any decisions or actions taken in the implementation of the supply chain management system; or
    - (ii) any matter arising from a contract awarded in the course of the supply chain management system; or
  - (b) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
2. The Accounting Officer, or another official designated by the Accounting Officer, is responsible for assisting the appointed person to perform his or her functions effectively. A complaints register must be implemented and maintained per annum.
3. The person appointed must:
  - (a) strive to resolve promptly all disputes, objections, complaints or queries received; and
  - (b) submit monthly reports to the Accounting Officer on all disputes, objections, complaints or queries received, attended to or resolved.
4. A dispute, objection, complaint or query may be referred to the relevant provincial treasury if:
  - (a) the dispute, objection, complaint or query is not resolved within 60 days; or
  - (b) no response is forthcoming within 60 days.
5. If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.
6. This regulation must not be read as affecting a person's rights to approach a court at any time.

**51. Contracts Providing for compensation based on turnover**

1. If a service provider acts on behalf of a 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) a cap on the compensation payable to the service provider; and
  - (b) that such compensation must be performance based.

## CHAPTER 4: OTHER MATTERS

### 52. Promotion of Environmentally Friendly Procurement

1. The Municipality commits itself to environmentally friendly procurement when procuring goods and services, including, but not limited to:
  - (a) the incorporation of energy efficiency measures when procuring electrical supplies such as bulbs, globes etc.
  - (b) the adoption of an integrated waste management strategy such as investigating recycling options and the handling of hazardous substances.
  - (c) compliance with green building guidelines and standards (SANS).
  - (d) sourcing and using resources that are renewable as far as possible.
  - (e) consider the extent of pollution of using the type, quantity and energy of materials procured.
  - (f) source vehicles and equipment that are more energy efficient and produce less pollution.

### 53. Sub-contracting

1. Subcontracting may be applied to advance designated groups in line with Specific goals as outlined in the PPP.
2. In certain instances:
  - (i) subcontracting may be negotiated after the award of a tender and;
  - (ii) it can also be included in the specifications during the approval of the specifications by BSC and this will differ from project to project.

### 54. Validity period

1. The validity period for the tender is for **one hundred and twenty (120) days**. This period should be sufficient to enable the bid committees to complete the comparison and evaluation of bids, review the recommendations and award the contract.
2. Line Managers must submit a technical report for tenders within fourteen (14) calendar days from the closing date of the tender.
3. The validity period for all contract is 120 days including the once off (once off) procurement except the CIDB Contract.
4. All tenders may not be extended beyond 150 days.
  - (a) An extension must be requested by the line manager in writing before the expiration date.
  - (b) The granted extension should not exceed sixty (30) days to award.
5. The validity period for the CIDB contract is 90 days.
  - (c) Once off contract are generally not complex in nature and procurement maybe for once off delivery and payment.

- (d) Short term contract which are the contract with less than 12 months and may include multiple delivery and payments.
  - (e) Long term contract which are the contract more than 12 months and and may include multiple delivery and payments and could also be complex.
  - (f) In the case of long-term contract, no price adjustment can be made before the first 12 months cycle from the signing of the contract by the successful bidder. The price must hold goods for 12 months before the price adjustments, unless there are prevailing special circumstances, e.g. natural disasters, pandemic, etc.
  - (g) The price increase must not exceed the 15% in terms of the supply and delivery and not exceed 20% in terms of construction project and consultant.
  - (h) The SCM and the Line Manager will agree on the percentage depending on the reason provided, during the request, then recommendations must be approved by the Accounting officer.
  - (i) The minutes of the price adjustment must be recorded.
  - (j) No Cooling off period is applicable for Goods and Services tenders and SCM has to notify all stakeholders through various communication platform, if the tender is withdrawn or cancelled.
  - (k) If the SCM received no bids during the closing date of the tender, the tender will be re-advertised without taking it to other committees.
  - (l) In case one or more bids received and they are non-responsive they must go through all the Bid committees.
  - (m) Cooling off period for CIDB tenders is no longer applicable but when re-advertising for the third time the municipality must obtain approval from National Treasury.
4. The validity period for web quote is for thirty (30) days. It can be extended for 30 days provided that the proof of confirmation from supplier that the price remains the same.
5. Line Managers must submit a technical report for a web quote within five (5) calendar days from the closing date of the web quote.

## **55. Evaluation of bids based on functionality as a criterion**

1. In general, the need to invite bids based on functionality as a criterion depends on the nature of the required commodity or service considering quality, reliability, viability and durability of a service and the bidder's technical capacity and ability to execute a contract.
- (a) In best practice:
    - (i) For infrastructure projects functionality criteria are set at 70 points out of 100 points and this cannot be expressed in percentage. In complex projects can be set as 75 points.
    - (ii) For goods and services, the functionality criteria are set at 65 points out of 100 points.
  - (b) The Sol Plaatje Municipality must state in the tender documents if the tender will be evaluated on functionality.
  - (c) The evaluation criteria for measuring functionality must be objective.
  - (d) The evaluation criterion may include criteria such as the consultant's relevant experience for the assignment, the quality of the methodology; the qualifications of key personnel; transfer of knowledge, etc.

- (e) The weight allocated to each criterion should not be generic but should be determined separately for each bid on a case by case basis.
- (f) The tender documents must specify-
  - (i) the evaluation criteria for measuring functionality;
  - (ii) the points for each criteria and, if any, each sub-criterion; and
  - (iii) the minimum qualifying score for functionality.
- (g) The minimum qualifying score for functionality for a tender to be considered further:
  - (i) must be determined separately for each tender; and
  - (ii) may not be so:
    - (iii) low that it may jeopardise the quality of the required goods or services; or
    - (iv) high that it is unreasonably restrictive.
- (h) Points scored for functionality must be rounded off to the nearest two decimal places.
- (i) A tender that fails to obtain the minimum functionality threshold as indicated in the tender documents is not an acceptable tender, and should be eliminated.
- (j) Each tender that obtained the minimum functionality threshold must be evaluated further in terms of price and the specific goals in line with Preferential Procurement Regulation of 2022 and Preferential Procurement Policy of 2023.

**56. Extension of Contract**

1. The municipality may not extend the contract for more than three months; however, this may occur under circumstances in which clear and justifiable reasons have been provided to the approval authority to extend such contract. Any such extension may not be approved, if the purpose is to circumvent the competitive bidding mechanisms of the procurement policy.
2. Any request for extension must be made by the Line Manager of user department and must be recommended by the Executive Director of the user department and approved by the Municipal Manager
3. The value of the extension may not exceed the original approved value of the contract.
4. Approval for the extension of contract shall be obtained from the delegated structure that approve the original award of the bid.
5. Where prices are amended for the extended period, the reasonableness of prices shall be established and approved by the delegate structure referred above.
6. The extension of the current contract shall be requested in advance 3 months, before the expiring of the contract in writing by the Line Manager of the user department.
7. Where justifiable reasons are provided for extending a contract, the relevant application may be considered favourably and contractors may be approached by the line manager with the request to indicate whether they are prepared to extend the contract period.
8. The system contracts such as financial system and other related software system must be registered with the ICT and there must be an SLA in place.
9. In case of software system, contract may be extended on a month to month basis for a period not exceeding 12 months.

## **57. Variation of contracts**

1. The expansion or variation of orders against the original contract has, however led to a wide scale abuse of the current SCM system.
2. Variation orders for goods and services, construction and consultancy are as follows:
  - (i) For construction and consultancy works it can be expanded or varied by not more than 20% of the value of the contract.
  - (ii) For goods and services, it can be expanded and varied by not more than 15% of the value of the contract.
3. If it is recognised that, in exceptional cases, an accounting officer of a municipality may deem it necessary to expand or vary orders against the original contract.
4. Contracts may be amended/varied/modified according to SPM delegated powers to achieve the original objective of the contract.
5. All contractual parties shall agree to the amendment in writing in exception of the SCM practitioners who can only perform compliance.

## **58. Contract Termination**

1. Municipality may terminate a contract awarded to a supplier of goods and services;
  - (i) If the supplier committed any proven corrupt, and misrepresentation of information or fraudulent act during the bidding process or the execution of the contract.
  - (ii) If any official or other role player committed any corrupt, and misrepresentation of information or fraudulent act during the bidding process or the extension of that contract that benefits the supplier.
  - (iii) Termination of a contract may be considered for a variety of reasons, as stipulated in the general conditions of contract, such as delayed deliveries, failing to perform any other contractual obligation or if the supplier has engaged in corrupt and fraudulent practices and insolvency.
  - (iv) Contract termination may be effected if allowed for in the contractual conditions provided both parties agree to the termination in writing.
  - (v) In case of volunteering termination of the contract, the municipality will determine the merits of the termination of the contract as to whether the service provider can be blacklisted or not.

## **59. Local Production and Content**

1. Local content will be applicable in certain designated group for tenders as determined by the BSC in line with DTI directives when implementing programmes of RDP and this can used for points allocation for specific goals.
2. Local production and content can no longer be used as a disqualification criterion but for point allocation.
3. It is advisable and important that organs of state support government's initiatives in developing and sustaining the local production.

4. The municipality will identify designated sectors, sub-sectors or industries or products for local production and content as outlined by the DTI.
5. The municipality must advertise the tender and specify the minimum threshold required for local content or production.
6. According MFMA circular 62 all local content bids must include Municipal Bid Document (MBD 6.2) 'Declaration Certificate for Local Production and Content for Designated Sectors" All Annexures (A-E).
7. Bidders must complete Declaration B, D, E and consolidate the information on C. Annexure C must be submitted with the tender by the closing date and time as determined by the Municipality. The municipality reserves the right to request that Declarations D and E also be submitted. If the bidders are successful, the bidder must continuously update Declarations C, D and E with actual values for the duration of the contract.

#### **60. Joint Venture Companies**

1. Companies or bidders bidding as Joint venture must include their consolidated:
  - (i) Joint Venture Agreement (must clearly stipulate the name of the lead partner).
  - (ii) Separate Tax compliance status pin for both companies.
  - (iii) Separate CSD report for both companies.
  - (iv) Separate Municipal accounts for both companies or a valid lease agreement.
  - (v) MBD 4,8 & 9 must be completed respectively by both parties and submitted as part of the bid document.

#### **61. Single Source / Sole Provider Selection**

1. National Treasury Guidelines provide for single source / sole provider selection in exceptional cases for services. The justification for single source or sole provider selection must be examined in the context of the overall interests of SPM and the project.
2. A database must be developed and manage for single source (sole provider) by SCM.
3. Single source / sole provider may be appropriate if it presents a clear advantage over competition:
  - (a) For services that represent a natural continuation of the previous work carried out by the consultant, and continuity of downstream work is considered essential provided that the initial appointment was done fairly, equitable, competitive, transparent and value for money.
  - (b) Where rapid selection is essential
  - (c) For very small appointments
  - (d) When only one consultant or service provider is qualified or has experience of exceptional worth for the project
4. The reasons for single source / sole provider selection must be fully motivated in a report and approved by the Head of SCM if an award does not exceed R200 000.
5. Where the amount exceed R200 000 approval will be required from the Bid Adjudication Committee prior to conclusion of the contract.



6. For the sole provider or accredited agency, the procurement of any class of goods (parts) or services will be procured with the value of R200 000 per week for each sole provider or accredited agency.
7. The selection will be done from the data base of accredited agency or the sole provider and this procurement strategy cannot be viewed as splitting but to improve on service delivery.
8. Single source or Sole provider appointments in terms of a single source selection process must be formalized in a written contract which describes the terms and conditions of the contract as well as the scope of services required.
9. For any appointment on a single source or sole provider, a letter of accreditation for being sole provider must be provided as proof or authorised single source agency letter must be produced.
10. Sole provider must be the manufacturer or accredited agent to provide such goods or service which are unique in its nature or requirements.
11. Such goods or services must be already in the value chain of the municipality and are only supplied by original equipment Manufacturer (OEM) or by a licensed agent thereof.
12. This goods must offer the requirements for compatibility, continuity and / or alignment

## **62. Rejection of Bids/Non-Responsive Bids**

1. Bidding documents must provide for the rejection of all bids if and when deemed necessary. This is justified when there is lack of effective competition or bids are not substantially responsive, provided that lack of competition should not be determined solely on the basis of the number of bidders.
2. If all bids were rejected, the SPM must review the causes justifying the rejection and consider revising the specific conditions of contract, design and specifications, scope of the contract, or a combination of these, before inviting new bids.
3. If rejection is due to lack of competition, wider advertising should be considered.
4. If the rejection was due to most or all of the bids being non-responsive, new bids may be invited from the initial bidders, or with the agreement of the Municipal Manager, from only those that submitted bids in the first instance.
5. All bids should not be rejected solely for the purpose of obtaining lower prices to the extent to which the provisions of the Preferential Procurement Regulations, 2022 are complied with.
6. If the lowest evaluated responsive bid exceeds the SPM's pre-bid cost estimates by a substantial margin, the SPM must investigate the causes for the excessive cost and consider requesting new bids as described above.
7. The SPM should negotiate with the identified preferred bidder(s) to try to obtain a satisfactory contract as contemplated in the Preferential Procurement Regulations, 2022.
8. The Municipal Manager's approval (as delegated to bid committees) must be obtained before rejecting all bids, soliciting new bids, or entering into negotiations with the identified preferred bidder. This approval should be recorded for auditing purposes.

9. The SPM should notify to the Provincial Treasury when a bid is cancelled for the second time and when re-advertised for the third time.

### **63. Close Tenders or Bids**

1. A closed tender is appointment made on functionality as pool / panel of service providers, consultants, legal services and contractors and the price are sourced as and when services are required.
2. The SCM request the price from the pool / panel of appointed Service Provider through a RFP from the closed tender.
3. The request for each pool / panel are registered and allocated the project number in the register.
4. The request should be published for 7 calendar days or if less than 7 days the user department must submit a memo approved by the accounting officer.
5. RFP for panel or pool which is less than the value of R 300 000 shall be approved by the Head of SCM as delegated.
6. RFP for a value below R300 000, the SCM team will evaluate RFP received and make recommendation to the CFO and Accounting Officer for approval of the appointment.
7. The appointment of a pool or panel for RFP must be on a rotational basis, if there is rate or the rating price is included in the document in order promote fairness of distribution of work or equal participation within the panels or pools.
8. If there is no rate for the project the tender will be awarded to the highest scoring responsive bidder.
9. In case of urgent or emergency matter, the Accounting Officer can appoint the specific company from the pool in line with their expertise and for that appointment, a memo must be submitted to SCM for record purpose.
10. No Cooling off period is applicable for closed tenders.
11. If no bids received by SCM on the closing date of the closed tender, the SCM will immediately re-advertise without taking it through to bid committee meetings.

### **64. Consequence Management**

In order to prevent the abuse of the SCM processes of the SPM by internal or external parties, the SPM will adopt a system of consequence management.

1. In addition to the stipulations of this section, the Municipal Manager must provide further measures for the combatting of abuse of the SCM system. The Municipal Manager is provided with the authority to:
  - (a) take all reasonable steps to prevent such abuse;
  - (b) refer any allegations of abuse against officials or any other role player for investigation;
  - (c) take appropriate action against officials or other role players, including the reporting of any alleged misconduct to the South African Police Service (SAPS; and
  - (d) must report such cases to Municipal Council.

2. Any officials that have adverse findings against them relating to the abuse of the SCM system will be prohibited from taking part in any procurement processes. This section is not applicable to adverse findings related to mistakes made in good-will during the normal execution of duties.
  - (a) participation by such officials in SCM processes will automatically result in that process being put under review, and the process may be invalidated.
  - (b) participation by such officials will result in further appropriate disciplinary steps:
  - (c) against the offending official if the offending official was found to have misled the party making the decision to include them in the process; or
  - (d) against the offending official and the party that made the decision to include the offending official if the decision-making party should have reasonably known that the offending official must have been excluded from the process.
3. Where the bids exceed a total value in excess of R5 million, the SPM must conduct a correctness process to ensure that:
  - (a) the National Treasury's Database of Restricted Suppliers and Register for Tender Defaulters has been cross-checked for bidders or directors that are prohibited from doing business with the public sector;
  - (b) there has been no abuse of the SCM process;
  - (c) no official with adverse findings against them relating to the abuse of the SCM process was part of the specific SCM process;
  - (d) no councillors exercised any influence over the SCM process;
  - (e) the preferred bidder is not on the SPM's database of underperforming and non-performing bidders; and
  - (f) the bidder or any of its directors have not been found guilty of abuse of any abuse of any SCM system, corruption or fraud in the past five years.
4. The SPM reserves the right to cancel a contract awarded to a bidder if it is found that:
  - (a) the bidder committed any abuse of the SCM system during the bidding process or the execution of the contract; or
  - (b) any official or other role player committed any corrupt or fraudulent act during the bidding or in the execution of the contract that benefited the person.
5. The Municipal Manager must inform National Treasury, in a timely manner, of any decisions taken in terms of Clauses 4 and 5.
6. Sureties or performances guarantees 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 set for construction works below.

The performance guarantees required for construction works are as follows:

| <b>Amount (incl. VAT)</b> | <b>Percentage</b> |
|---------------------------|-------------------|
| Up to R1 000 000          | 0%                |
| R1 000 000 to R10 000 000 | 2.5%              |
| Above R10 000 000         | 5%                |

6.1 The above indicative thresholds may be increased depending on the complexity and risk of the project.

**65. Payment through official orders and vouchers.**

1. Payment of invoices will be made within 30 days of receiving the relevant invoice or statement, unless otherwise prescribed for certain categories of expenditure or specific contractual requirements in accordance with any other applicable policies of the SPM.
2. Payments through vouchers must be submitted with a fully motivated application directly to the General Manager: Expenditure not General Manager: SCM.
3. Expenditure Section must perform all compliance checks such as SARS Tax Compliance, CSD and SOLAR supplier number for all payments through vouchers.
4. In case where the service provider is non-compliant or inactive, the expenditure will refer the documentation to supply chain to perform relevant activities.

**66. Specific Goals:**

**Procurement of Goods and Services and Infrastructure projects**

In this SCM policy the specific goals must be referred to the approved Preferential Procurement Policy of SCM as revised below.

1. Specific Goal 1: Ownership as specific goal

A maximum of 20 points (80/20 preference points system) or 10 (90/10) preference points system), may be allocated. Bidder may score specific goal points based on company ownership.

If Municipality applies ownership as specific goal, the Municipality must advertise the tender with such a specific goal in order for a tenderer to claim 20 / 10 points for specific goals.

The maximum of 10 points will be allocated for ownership and another 10 points will be allocated for locality for 80/20.

The maximum of 5 points will be allocated for ownership and another 5 points will be allocated for locality for 90/10.

| 80/20 equal to or below R50 million<br>90/10 above R50 million |           |           |
|--|-----------|-----------|
| Ownership - Black  |           |           |
| % Ownership  | 80/20     | 90/10     |
| <51%   | 4         | 2         |
| >51% <100%   | 6         | 3         |
| 100%   | 10        | 5         |
| *Locality  | 10        | 5         |
| <b>Total Points</b>  | <b>20</b> | <b>10</b> |

2. Specific Goal 2: Gender as specific goal

The maximum of 10 points will be allocated for black women and another 10 points will be allocated for locality for 80/20.

The maximum of 5 points will be allocated for Black women and another 5 points will be allocated for locality for 90/10.

| 80/20 equal to or below R50 million<br>90/10 above R50 million |           |           |
|--|-----------|-----------|
| Gender – Black women   |           |           |
| % Ownership  | 80/20     | 90/10     |
| <51%   | 4         | 2         |
| >51% <100%   | 6         | 3         |
| 100%   | 10        | 5         |
| *Locality  | 10        | 5         |
| <b>Total Points</b>  | <b>20</b> | <b>10</b> |

3. Specific Goal 3: Youth as specific goal

The maximum of 10 points will be allocated for youth and another 10 points will be allocated for locality for 80/20.

The maximum of 5 points will be allocated for youth and another 5 points will be allocated for locality for 90/10.

| 80/20 equal to or below R50 million<br>90/10 above R50 million |           |           |
|--|-----------|-----------|
| Youth – Black  |           |           |
| % Ownership  | 80/20     | 90/10     |
| <51%   | 4         | 2         |
| >51% <100%   | 6         | 3         |
| 100%   | 10        | 5         |
| *Locality  | 10        | 5         |
| <b>Total Points</b>  | <b>20</b> | <b>10</b> |

4. Specific Goal 4: Disability as specific goal

The maximum of 10 points will be allocated for disability and another 10 points will be allocated for locality for 80/20.

The maximum of 5 points will be allocated for disability and another 5 points will be allocated for locality for 90/10.

| 80/20 equal to or below R50 million<br>90/10 above R50 million |           |           |
|--|-----------|-----------|
| Disability   |           |           |
| % Ownership  | 80/20     | 90/10     |
| <51%   | 4         | 2         |
| >51% <100%   | 6         | 3         |
| 100%   | 10        | 5         |
| *Locality  | 10        | 5         |
| Total Points   | <b>20</b> | <b>10</b> |

5. Specific Goal 5: Combination of any other goals

The Bid Specification Committee (BSC) shall set combination of any specific goals as determine by the Committee during meeting which must form part of the invitation to tender, set as out in the bid document, where appropriate.

**Table 1: Indicative calculation**

|  |
|--|
| <p>To appropriate total number of points to remain within 80/20 and 90/10 benchmarks</p> <p><b>Formulae:</b></p> <p><b>In 80/20 Allocation</b></p> $= \text{Total Number of Points} \times \frac{20}{\text{Total Numer of Points}} = 80/20 \text{ allocation}$ <p><b>In 90/10 Allocation</b></p> $= \text{Total Number of Points} \times \frac{10}{\text{Total Numer of Points}} = 90/10 \text{ allocation}$ |
|--|

In combination of any specific goals, locality will be considered once.

**Specific Goals for Tenders which Generate Income or Dispose or Lease Assets**

- (a) Documents required for claiming of specific goal points on income or sale or lease of property/land are the following;

- i) Municipal account or lease agreement or letter from the tribal authority.
- ii) Official South African Identity will be used to established whether the individual falls below of the age of 35 and can be classified as youth.
- iii) Official South African Identity will be used to established whether the gender in line with specific goal.
- iv) Medical certificate will be used to determine the status in line with disability of individual.
- v) Force number, Identity number and full names (confirm with dept of Military veterans).

(b) Specific goal for **Youth**: Income generating project

| <b>80/20 equal to or below R50 million<br/>90/10 above R50 million</b> |           |           |
|--|-----------|-----------|
| <b>Youth – Black</b>   |           |           |
| Age of participant   | 80/20     | 90/10     |
| Above 35 of age  | 4         | 2         |
| 35 and below of age  | 10        | 5         |
| Locality   | 10        | 5         |
| <b>Total Points</b>  | <b>20</b> | <b>10</b> |

(c) Specific goal for **Women**: Income generating project

| <b>80/20 equal to or below R50 million<br/>90/10 above R50 million</b> |           |           |
|--|-----------|-----------|
| <b>Women</b>   |           |           |
| Gender of participant  | 80/20     | 90/10     |
| Other  | 4         | 2         |
| Women  | 10        | 5         |
| Locality   | 10        | 5         |
| <b>Total Points</b>  | <b>20</b> | <b>10</b> |

(d) Specific goal for **Disability**: Income generating project

| 80/20 equal to or below R50 million<br>90/10 above R50 million |           |           |
|--|-----------|-----------|
| <b>Disability</b>  |           |           |
| Disability of participant                                      | 80/20     | 90/10     |
| None   | 4         | 2         |
| Disability   | 10        | 5         |
| Locality   | 10        | 5         |
| <b>Total Points</b>  | <b>20</b> | <b>10</b> |

(e) Specific goal for **Military Veteran**: Income generating project.

| 80/20 equal to or below R50 million<br>90/10 above R50 million |           |           |
|--|-----------|-----------|
| <b>Veteran</b>   |           |           |
| Certificate of Veteran status                                  | 80/20     | 90/10     |
| Non-Veteran  | 4         | 2         |
| Veteran  | 10        | 5         |
| Locality   | 10        | 5         |
| <b>Total Points</b>  | <b>20</b> | <b>10</b> |

#### 67. National Treasury: Transversal Account

- Municipality may procure from the NT: Transversal account after received the approval to participate in the account with the guidance form the NT.
- The Transversal account differs from one account to another. Currently the municipality receives the approval for the following accounts.
  - Fuel contract.
  - Lubricants account
  - Vehicles account
  - Tracker account

The following contract will be procured after the municipality applied and received an approval to participate.

- PPE for fire department
- Prepaid meter – once is awarded by NT.



## ANNEXURE A

**SUPPLY CHAIN MANAGEMENT POLICY REVIEW AND ADOPTION PROCESS**

| <b>Version No</b> | <b>Adoption and Review</b> | <b>Council Resolution Date</b> | <b>Council Resolution Number</b> |
|-------------------|----------------------------|--------------------------------|----------------------------------|
| <b>1</b>          | Original adoption          | 17 November 2005               | CR500                            |
| <b>2</b>          | Reviewed and amended       | 08 February 2006               | C26                              |
| <b>3</b>          | Reviewed and amended       | 17 February 2010               | C75/10                           |
| <b>4</b>          | Reviewed and amended       | 02 March 2011                  | C85/11                           |
| <b>5</b>          | Reviewed and amended       | 29 August 2012                 | C214/12                          |
| <b>6</b>          | Reviewed and amended       | 07 August 2013                 | C175/08/13                       |
| <b>7</b>          | Reviewed and amended       | 04 November 2014               | C265/11/14                       |
| <b>8</b>          | Reviewed and amended       | 24 February 2016               | C68/2/16                         |
| <b>9</b>          | Reviewed and amended       | 31 May 2018                    | C38/05/18                        |
| <b>10</b>         | Reviewed and amended       | 12 March 2019                  | C31/04/19                        |
| <b>11</b>         | Reviewed and amended       | 30 June 2020                   | C129/06/20                       |
| <b>12</b>         | Reviewed and amended       | 30 March 2021                  | C36/03/21                        |
| <b>13</b>         | Reviewed and amended       | 07 June 2022                   | C74/06/22                        |
| <b>14</b>         | Reviewed and amended       | 04 March 2023                  |                                  |
| <b>15</b>         | Reviewed and amended       | March 2024                     |                                  |