

**SENQU MUNICIPALITY**  
**Supply Chain**  
**Management Policy**  
*(Incorporating Infrastructure, Construction and Preferential  
Procurement)*

**APPROVED BY COUNCIL: .....**

**RESOLUTION NUMBER: .....**

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## PART 1: DEFINITIONS

1. In this Supply Chain Management Policy, unless the context indicates otherwise:
  - 1.1. "Abuse" in terms of the Municipality's Supply Chain Management System means conduct by an official or person that is tantamount to:
    - i. fraud;
    - ii. corruption;
    - iii. favouritism;
    - iv. unfair, irregular and unlawful practices;
    - v. misrepresentation on information submitted for the purposes of procuring a contract with the Municipality; misrepresentation regarding the supplier's specific goals expertise and capacity to perform in terms of a contract procured via the supply chain management system;
    - vi. breach of a contract procured via the supply chain management system;
    - vii. failure to comply with the supply chain management system; or
    - viii. any other conduct referred to under the heading of "Combatting Abuse of the Supply Chain Management System".
  - 1.2. "Acceptable Bid" means any bid which, in all respects, complies with the specifications and bid conditions. Also referred to as a "Responsive Bid";
  - 1.3. "Adjudication points" means the points for price and points for Specific Goals contribution referred to in the Preferential Procurement Regulations, 2022 and the Preferential Procurement section of this policy, also referred to as "evaluation points";
  - 1.4. "Affected person" means a person whose rights may be materially and or adversely affected if the Municipal Manager takes any of the steps contemplated in this policy in order to combat abuse of the Supply Chain Management System;
  - 1.5. "Alternative Bid" means a bid which is submitted in accordance with clauses 164 to 170 and which materially or substantially deviates from the specification and/or bid conditions;
  - 1.6. "Alternative Bidder" means a bidder, identified at the time of awarding a bid, that will be considered for award should the contract be terminated for any reason whatsoever
  - 1.7. "All applicable taxes" includes value-added tax, pay as you earn, income tax, unemployment insurance fund contributions and skills development levies;
  - 1.8. "Appropriate steps" as contemplated in regulation 38(1)(b)(i) of the Supply Chain Management Regulations, means the registering of an affected person on the Municipality's Register of Tender and Contract Defaulters for a period

not exceeding 5 (five) years and include the actions listed in Regulation 38(1)(d), (e), (f) and (g) of the Supply Chain Management Regulations;

- 1.9. "Asset" means a tangible or intangible resource capable of ownership;
- 1.10. "B-BBEE" means broad-based black economic empowerment as defined in section 1 of the Broad-Based Black Economic Empowerment Act, 2003, (Act 53 of 2003);
- 1.11. "B-BBEE Status Level of Contributor" means the B-BBEE status of an entity 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, 2003, (Act 53 of 2003);
- 1.12. "Black Designated Groups" has the meaning assigned to it in the codes of good practice issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act, 2003, (Act 53 of 2003);
- 1.13. "Black People" has the meaning assigned to it in section 1 of the Broad-Based Black Economic Empowerment Act;
- 1.14. "Bid" means a written offer in a prescribed or stipulated form in response to an invitation by the Municipality for the provision of goods, services or construction works through price quotations, advertised competitive bidding processes or proposals, or any other proposition for business with the Municipality whether solicited or not;
- 1.15. "Bidder" means any person submitting a bid;
- 1.16. "Broad-Based Black Economic Empowerment Act" means the Broad-Based Black Economic Empowerment Act, 2003, (Act 53 of 2003);
- 1.17. "Capital Asset" means:
  - i. any immovable asset such as land, property or buildings; or
  - ii. any movable asset that can be used continuously or repeatedly for more than one year in the production or supply of goods or services, for rental to others or for administrative purposes, and from which future economic benefit can be derived, such as plant, machinery and equipment;
- 1.18. "Municipality" means the Municipality of Senqu, a municipality established by the Local Government: Municipal Structures Act, 1998, (Act 117 of 1998) or any structure or employee of the Municipality acting in terms of delegated authority;
- 1.19. "Municipal Manager" means the Accounting Officer of the Municipality as defined in the MFMA;
- 1.20. "Municipality's Register of Tender and Contract Defaulters" means any list compiled by the Municipality for purposes of the combating of Abuse of the Supply Chain Management System in terms of which the persons reflected on the list are prohibited from being awarded any contract by the Municipality for the specified period reflected on the list.

- 1.21. "Closing Time" means the time and day specified in the bid documents for the receipt of bids;
- 1.22. "Collusive Bids" means where bidders bid conclude an arrangement between themselves to obtain the highest possible points in the evaluation and or the award of a bid whereby competitive bids are eliminated;
- 1.23. "Competition Act" means the Competition Act, 1998, (Act 89 of 1998, and any regulations pertaining thereto);
- 1.24. "Competitive Bidding Process" means a competitive bidding process referred to in Regulation 12(1)(d) of the Supply Chain Management Regulations;
- 1.25. "Competitive Bid" means a bid in terms of a competitive bidding process;
- 1.26. "Community Based Supplier" means a supplier of goods, services and/or construction works who resides and operates in a specific area or community, who meets the criteria for Community Based Suppliers as determined by the Manager: Supply Chain Management from time to time, and who is registered as such on the Municipality's Supplier Database (see clause 1.53 below);
- 1.27. "Consortium" also referred to as a "Joint Venture" (see clause 1.53 below);
- 1.28. "Construction Industry Development Board (CIDB) Act" means the Construction Industry Development Board Act, 2000, (Act 38 of 2000) and includes the regulations pertaining thereto;
- 1.29. "Construction Works" means any work in connection with:
- i. the erection, maintenance, alteration, renovation, repair, demolition or dismantling of or addition to a building or any similar structure;
  - ii. the installation, erection, dismantling or maintenance of a fixed plant;
  - iii. the construction, maintenance, demolition or dismantling of any bridge, dam, canal, road, railway, sewer or water reticulation system or any similar civil engineering structure; or
  - iv. the moving of earth, clearing of land, the making of an excavation, piling or any similar type of work;
- 1.30. "Consultant" means a person or entity providing services requiring knowledge-based expertise, and includes professional service providers (see also supplier);
- 1.31. "Contract" means the agreement which is concluded when the Municipality accepts, in writing, a bid;
- 1.32. "Contractor" means any person or entity whose bid for construction works has been accepted by the Municipality (see also supplier);
- 1.33. "Co-operative" means a co-operative registered in terms of section 7 of the Co-operatives Act, 2005 (Act no. 14 of 2005);
- 1.34. "Day(s)" means calendar days unless the context indicates otherwise;



- 1.35. "Delegated Authority" means any person or committee delegated with authority by the Municipality in terms of the provisions of the MFMA;
- 1.36. "Designated Group" means black designated groups, black people, women, people with disabilities or small enterprises as defined in section 1 of the National Small Enterprises Act, 1996 (Act no. 102 of 1996);
- 1.37. "Designated sector" means a sector, sub-sector or industry or product that has been designated in terms of the Department of Trade and Industry (DTI);
- 1.38. "Director" in terms of this policy means a director of a company as defined in the Companies Act, 1973 and 2008 (Act No. 61 of 1973 and Act No. 71 of 2008); a member of a close corporation as defined in the Close Corporations Act, 1984 (Act No. 69 of 1984); a trustee of a trust or a person holding an equivalent position in a firm.
- 1.39. "e-Procurement"; is the electronic implementation of the procurement methodology;
- 1.40. "Evaluation Points" also referred to as "Adjudication Points" (see clause 1.3 above);
- 1.41. "Exempted Capital Asset" means a municipal capital asset which is exempted by section 14(6) or 90(6) of the MFMA from the other provisions of that section;
- 1.42. "Exempted Micro Enterprise (EME)" means an exempted micro 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;
- 1.43. "Final Award" in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept;
- 1.44. "Firm Price" means the price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the change, imposition, or abolition of customs or excise duty and any other duty, levy, or tax, which, in terms of the law or regulation, is binding on the supplier and demonstrably has an influence on the price of any supplies, or the rendering costs of any service, for the execution of the contract;
- 1.45. "Formal Written Price Quotation" means a written or electronic offer to the Municipality in response to an invitation to submit a quotation. "Formal Written Price Quotation", "Written Price Quotation", "Quotation" or "Quote" shall have a similar meaning. Also referred to as "Bids";
- 1.46. "Framework Agreement Bid/ Term Bid / Panels / Rates Based Bid" means a bid for the supply of goods, services or construction works, which are of an ad-hoc or repetitive nature on an "as instructed basis" where the terms are approved for use over a predetermined period of time without guaranteeing any quantum of expenditure utilising the contract;

1.47. "Fronting Practice (Also referred to as Tokenism or Window dressing)" means a transaction, arrangement or other act or conduct that directly or indirectly undermines or frustrates the achievement of the objectives of the B-BBEE Act or the implementation of any of the provisions of the B-BBEE Act, including but not limited to practices in connection with a B-BBEE initiative:

- i. in terms of which black persons who are appointed to an enterprise are discouraged or inhibited from substantially participating in the core activities of that enterprise;
- ii. in terms of which the economic benefits received as a result of the broad-based black economic empowerment status of an enterprise do not flow to black people in the ratio specified in the relevant legal documentation;
- iii. involving the conclusion of a legal relationship with a black person for the purpose of that enterprise achieving a certain level of broad-based black economic empowerment compliance without granting that black person the economic benefits that would reasonably be expected to be associated with the status or position held by that black person; or
- iv. involving the conclusion of an agreement with another enterprise in order to achieve or enhance broad-based black economic empowerment status in circumstances in which:
  - a. there are significant limitations, whether implicit or explicit, on the identity of suppliers, service providers, clients or customers;
  - b. the maintenance of business operations is reasonably considered to be improbable, having regard to the resources available;
  - c. the terms and conditions were not negotiated at arm's length and on a fair and reasonable basis.

1.48. "Functionality" means the ability of a tenderer to provide goods or services in accordance with specifications as set out in the tender documents. This is determined by the measurement according to predetermined norms, as set out in the bid documents, of the totality of features and characteristics of the goods or services that bears on the ability of thereof to satisfy the stated or implied needs. "Functionality" is also referred to as "Quality";

1.49. "Granting of Rights" means the granting by the Municipality of the right to use, control or manage capital assets in circumstances where sections 14 and 90 of the MFMA and Chapters 2 and 3 of the Municipal Asset Transfer Regulations do not apply. In other words, where the granting of such rights does not amount to "transfer" or "disposal" of the asset and which includes leasing, letting, hiring out, etc., of the capital asset;

1.50. "Green Procurement" is defined as taking into account environmental criteria for goods and services to be purchased in order to ensure that the related environmental impact is minimised;

1.51. "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;

1.52. "Influencing the Bid Process" means directly, indirectly or tacitly influencing or interfering with the work of relevant Municipality Officials involved in the bid process in order to influence the process in order to inter alia:

- i. influence the process and/or outcome of a bid;

- ii. incite breach of confidentiality and/or the offering of bribes;
- iii. cause over and under invoicing;
- iv. influence the choice of procurement method or technical standards; or
- v. influence any Municipality Official in any way which may secure an unfair advantage during or at any stage of the procurement process.

1.53. "In the service of the state" means:

- i. a member of any municipal council, any provincial legislature or the National Assembly or the National Council of Provinces;
- ii. an official of any municipality or municipal entity;
- iii. 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 1 of 1999);
- iv. a member of the board of directors of any municipal entity;
- v. an executive member of the accounting authority of any national or provincial public entity; or
- vi. an employee of Parliament or a provincial legislature;

1.54. "Joint Venture or Consortium" means an association of persons, formalised by agreement between such persons, formed for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract;

1.55. "Lowest Acceptable Tender" means a tender that complies with all specifications and conditions of tender and that has lowest price compared to other tenders;

1.56. "Military Veteran" has the meaning assigned to it in section 1 of the Military Veterans Act, 2011 (Act No. 18 of 2011);

1.57. "Municipal Asset Transfer Regulations" means the Municipal Asset Transfer Regulations published in Government Gazette 31346 of 22 August 2008;

1.58. "Municipal Council (Council)" means the council referred to in Section 18 of the Local Government Municipal Structures Act 117 of 1998;

1.59. "Municipal Entity" means an entity as defined in the Municipal Systems Act;

1.60. "Municipal Finance Management Act" (MFMA): means the Local Government: Municipal Finance Management Act, 2003, (Act 56 of 2003);

1.61. "Municipal Structures Act" means Local Government Municipal Structures Act, 1998 (Act 117 of 1998);

1.62. "Municipal Systems Act" means Local Government Municipal Systems Act, 2000 (Act 32 of 2000)

- 1.63. "National Treasury" has the meaning assigned to it in section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999);
- 1.64. "Non-compliant Contributor" means a person who does not meet the minimum score to qualify as a status level 8 B-BBEE Contributor, or a person who is not verified in terms of the applicable codes of good practise;
- 1.65. "Non-exempted Capital Asset" means a municipal capital asset which is not exempted by section 14(6) or 90(6) of the MFMA, from the other provisions of that section;
- 1.66. "Non-firm Prices" means all prices other than "firm" prices;
- 1.67. "Person" includes a natural or legal entity;
- 1.68. "People with Disabilities" has the meaning assigned to it in section 1 of the Employment Equity Act, 1998 (Act No. 55 of 1998);
- 1.69. "Preferred Bidder" means a bidder with whom negotiations may be entered into to conclude the final terms of a contract;
- 1.70. "Preferential Procurement Policy Framework Act" (PPPFA) means the Preferential Procurement Policy Framework Act, 2000, (Act 5 of 2000);
- 1.71. "Preferential Procurement Regulations" means the regulations pertaining to the PPPFA;
- 1.72. "Price" means an amount of money tendered for goods or services, and includes all applicable taxes less all unconditional discounts;
- 1.73. "Prime Supplier" shall have the same meaning as "Contractor" (see also Supplier);
- 1.74. "Promotion of Access to Information Act (PAIA)" means Promotion of Access to Information Act, 2000 (Act 2 of 2000);
- 1.75. "Proof of B-BBEE Status Level of Contributor" means the B-BBEE status level certificate issued by an authorised body or person, a sworn affidavit as prescribed by the B-BBEE Codes of Good Practice or any other requirement prescribed in terms of the Broad-Based Black Economic Empowerment Act;
- 1.76. "Policy" means this Supply Chain Management Policy as amended from time to time;
- 1.77. "Promotion of Administrative Justice Act (PAJA)" means the Promotion of Administrative Justice Act, 2000, (Act 3 of 2000);
- 1.78. "Qualifying Small Enterprise (QSE)" means a qualifying small 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;

- 1.79. "Quality" also referred to as "Functionality" (see clause 1.48 above);
- 1.80. "Rand Value" means the total estimated value of a contract in Rand, calculated at the time of bid invitation;
- 1.81. "Representative" means any representative of a supplier in relation to the relevant tender, whether authorized or not, including but not limited to directors, members, employees and agents and include Legal Representatives.
- 1.82. "Republic" means the Republic of South Africa;
- 1.83. "Responsible Agent" means either an internal project manager (being an employee of the Municipality) or an external consultant (appointed by the Municipality), as the case may be, who is responsible for the implementation of a project or part thereof;
- 1.84. "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 or an area including a large settlement which depends on migratory labour and remittances and government social grants for survival, and may have a traditional land tenure system;
- 1.85. "SARS" means the South African Revenue Services;
- 1.86. "Specific Goals" means specific goals as contemplated in section 2(1)(d) of the Act which may include contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender and disability including the implementation of programmes of the Reconstruction and Development Programme as published in Government Gazette No. 16085 dated 23 November 1994;
- 1.87. "Stipulated Minimum Threshold" means the minimum threshold stipulated in terms of the Department of Trade and Industry (DTI);
- 1.88. "Sub-contract" means the prime supplier's assigning, leasing, making out work to, or employing, another person to support such prime supplier in the execution of part of a contract;
- 1.89. "Sub-contractor" means any person that is assigned, leased, employed or contracted by the prime supplier to carry out work in support of the prime supplier in the execution of a contract;
- 1.90. "Supplier/Vendor" are generic terms which may include suppliers of goods and services, contractors and/or consultants and must be applied as the context requires;
- 1.91. "Supply Chain Management (SCM) Regulations" means the Municipal Supply Chain Management Regulations published in terms of the Municipal Finance Management Act, 2003, (Act 56 of 2003);
- 1.92. "Targeted Labour" means those individuals employed by a supplier, or sub-contractor, in the performance of a contract, who are defined in the contract as the target group, and who permanently reside in the defined target area;

- 1.93. "Targeted Enterprises" means those enterprises (suppliers, manufacturers, service providers or construction works contractors) that own, operate or maintain premises within the target area defined in the contract, for the purposes of carrying out their normal business operations;
- 1.94. "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;
- 1.95. "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 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.
- 1.96. "Township" means an urban living area that at 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;
- 1.97. "Transaction Value" means the actual contract value (the bid sum or price) in South African currency, inclusive of all applicable taxes in respect of the goods, services or construction works that are contracted for;
- 1.98. "Treasury" has the meaning assigned to it in section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999);
- 1.99. "Treasury Guidelines" means any guidelines on supply chain management issued by the Minister in terms of section 168 of the MFMA;
- 1.100. "Trust" means the arrangement through which the property of one person is made over or bequeathed to a trustee to administer such property for the benefit of another person;
- 1.101. "Trustee" means any person, including the founder of a trust, to whom property is bequeathed in order for such property to be administered for the benefit of another person; and
- 1.102. "Unsolicited Bid" means an offer submitted by any person at its own initiative without having been invited by the Municipality to do so;
- 1.103. "Youth" has the meaning assigned to it in section 1 of the National Youth Development Agency Act, 2008 (Act No. 54 of 2008).
2. Words importing the singular shall include the plural and vice versa and words importing the masculine gender shall include females and words importing persons shall include companies, close corporations and firms, unless the context clearly indicates otherwise.

3. Unless otherwise indicated, all amounts/limits stated in this document shall be deemed to be inclusive of all applicable taxes.

## **PART 2: INSTITUTIONALISATION ARRANGEMENTS**

4. Section 111 of the MFMA requires each municipality and municipal entity to adopt and implement a supply chain management policy, which gives effect to the requirements of the Act.
5. In addition, the PPPFA requires an Organ of State to determine its Preferential Procurement Policy and to implement it within the framework prescribed. This requirement is given effect to in the Preferential Procurement Part of this Policy.

### ***Desired Outcomes***

6. The desired outcome of this Policy is to provide a mechanism to ensure sound, sustainable and accountable supply chain management within the Municipality, whilst promoting black economic empowerment, which includes general principles for achieving the following socio-economic objectives:
  - (i) to stimulate and promote local economic development in a targeted and focused manner;
  - (ii) to promote resource efficiency and reduce the negative environmental impact of daily operations of the Municipality;
  - (iii) to facilitate creation of employment and business opportunities for the people of Senqu municipal area with particular reference to the specific goals;
  - (iv) to promote the competitiveness of local businesses;
  - (v) to increase the small business sector access, in general, to procurement business opportunities created by Council;
  - (vi) to implement e-Procurement as an alternative to a manual process, to enhance efficiency and service delivery;
  - (vii) to support green procurement initiatives as far as is reasonably possible.
7. This Policy will also strive to ensure that the objectives for uniformity in supply chain management systems between organs of state, in all spheres, is not undermined and that consistency with national economic policy on the promotion of investments and doing business with the public sector is maintained.

### ***Regulatory Context***

8. The objectives of this Policy are:
  - (i) To give effect to the sections 152(1)(c) and 152(2) of the Constitution that local government must promote social and economic development and that the municipality must strive within its financial and administrative capacity, to achieve the objects set out in subsection 152(1);
  - (ii) To give effect to section 217 of the Constitution that an organ of state must contract for goods or services in accordance with a procurement system which is fair, equitable, transparent, competitive and cost effective and to implement a policy to grant preferences within a framework prescribed by National Legislation;

- (iii) To give effect to the National Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)-[PPPPFA] which was promulgated in response to the Constitutional provision and allow for an organ of state to develop a preferential procurement policy and to implement such policy within the PPPFA framework;
- (iv) To comply with all applicable provisions of the MFMA including the Municipal Supply Chain Management Regulations published under GN868 in Government Gazette 27636 30 May 2005 and to comply with any National Treasury Circulars/Guidelines specifically adopted by Council, in terms of the MFMA;
- (v) To ensure consistency with all other applicable legislation and any regulations pertaining thereto, including:
  - a. Broad-Based Black Economic Empowerment Act.
  - b. Construction Industry Development Board Act.
  - c. Local Government: Municipal Systems Act.
  - d. Promotion of Administrative Justice Act.
  - e. Promotion of Access to Information Act.
  - f. Cost Containment regulations, 2019.

### ***Oversight***

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

### ***Commencement and Review***

- 15. This Policy is effective from the date on which it is adopted by Council. Should any Legislation be enacted or be amended that conflicts with any part of this Policy, such Legislation will take precedence and will be implemented by the Municipality without amending this Policy. Such amendment of the Policy as may be required would be done as expeditiously as possible.



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

### ***Application of Policy***

17. This Policy applies to:

- (i) the procuring of goods or services, including construction works and consultant services;
- (ii) the disposal by the Municipality of goods no longer needed;
- (iii) the selection of suppliers to provide assistance in the provision of municipal services otherwise than in circumstances where chapter 8 of the Municipal Systems Act applies;
- (iv) the selection of 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;
- (v) the procurement of goods and services under a current contract secured by another organ of state, provided that the relevant supplier has agreed to such procurement.

18. Unless specifically stated otherwise, this Policy does not apply if the Municipality contracts with another organ of state for:

- (i) the provision of goods or services to the Municipality;
- (ii) the provision of a municipal service, or assistance in the provision of a municipal service; or
- (iii) any other contractual agreements between organs of state for whatever reasons

*A report shall be submitted to the appropriate delegated authority seeking authority to contract with another organ of state.*

19. The Policy provides for the following supply chain management systems:

- (i) demand management system;
- (ii) acquisition management system;
- (iii) logistics management system;
- (iv) disposal management system;
- (v) risk management system;
- (vi) performance management system;
- (vii) contract management system;
- (viii) ethics, appeals, objections, disputes, complaints, abuse and consequence manage system; and
- (ix) preferential procurement system.

20. These systems must be adhered to in all supply chain management activities undertaken by the Municipality.

### ***Delegations***

21. The Municipal Manager has the statutory power to delegate or sub-delegate to a staff member any power conferred on the Municipal Manager in terms of the MFMA and the Supply Chain Management Regulations relating to supply chain management.

22. No decision-making in terms of any supply chain management powers and duties may be delegated to an advisor or consultant who is not a Municipal official.

### ***Competency***

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

### ***Supply Chain Management Unit***

25. The Municipality has established a Supply Chain Management Unit to assist the Municipal Manager to implement this Policy.
26. The Supply Chain Management Unit operates under the direct supervision of the Chief Financial Officer.

### ***Communication with the Municipality***

27. All correspondence with regard to this Policy shall be addressed to the Manager: Supply Chain Management.

### ***Availability of Supply Chain Management Policy***

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

### ***e-Procurement***

29. The implementation and use of an e-Procurement system is at the sole discretion of the Manager: Supply Chain Management.

### ***Payment Terms***

30. 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 Municipality.
31. More frequent payment to suppliers is not a right in terms of this policy. A supplier may submit a fully motivated application in this regard to the Director Expenditure or their delegated authority for consideration. Requests for more frequent payments will be considered at the sole discretion of the delegated authority.
32. Notwithstanding anything contained above, the Municipality shall not be liable for payment of any invoice that pre-dates the date of delivery of any goods or services, or the date of certification for construction works, unless specifically included as a condition of tender ad approved by the Municipal Manager prior to payment.

## **PART 3: DEMAND MANAGEMENT SYSTEM**

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

### ***Major Activities***

36. Demand management is the beginning of the supply chain management process and the major activities associated with identifying demand are:
- (i) establishing requirements;
  - (ii) determining needs; and
  - (iii) deciding on appropriate procurement strategies.
37. Demand management accordingly shall involve the following activities:
- (i) understanding the future needs;
  - (ii) identifying critical delivery dates;
  - (iii) identifying the frequency of the need;
  - (iv) linking the requirement to the budget;
  - (v) conducting expenditure analyses based on past expenditure;
  - (vi) determining requirements (including the internal capacity to implement),
  - (vii) conducting commodity analyses in order to check for alternatives; and
  - (viii) conducting industry analyses.

### ***Procurement planning***

38. The Manager: Supply Chain Management will compile and maintain the annual procurement plan with inputs from the users. The minimum input into the procurement plan will entail the following:

- (i) The name of the tender;
- (ii) The estimated value;
- (iii) The tender strategy;
- (iv) The date of the tender advertisement;
- (v) The planned dates for bid committee sessions; and
- (vi) The planned date for tender award.

### ***Strategic sourcing***

39. The rationale for applying Strategic Sourcing principles is to lower cost and improve service delivery.
40. The Manager: Supply Chain Management be present in all strategic planning processes to advise the project managers on how they can procure the goods and services required to meet the objectives identified in the strategic plan of the Municipality.
41. The Manager: Supply Chain Management will manage the Municipal strategic sourcing which will be inclusive of matters such as a Framework, Standard Operating Procedures, and templates, addressing the following, at a minimum:
- (i) Determine future needs.
  - (ii) Identification of critical delivery dates and times.
  - (iii) Frequency of the need.
  - (iv) Linking the requirement to the budget.
  - (v) Conducting an expenditure analysis (based on past experience).
  - (vi) Determining the specification.
  - (vii) Conducting a commodity analysis (checking for alternatives).
  - (viii) Conducting an industry analysis.
  - (ix) Compiling a detailed list of goods and services required to execute the function/project.
  - (x) The cost benefit analysis in respect of buying or leasing and the long-term benefits or disadvantages that can be derived from such agreements.
  - (xi) The challenges that the timing of purchases holds with particular emphasis on the risks attached to rates of exchange, the cost of inflation pertaining to specific industries and the impact thereof on the budget of the Municipality.
  - (xii) Be innovative; look at new ways of doing business.
  - (xiii) Utilise the latest technology to ensure a productive and professional approach within the Municipality.

### ***Cost containment measures***

42. As per the Cost Containment Regulations of 2019, the Municipality will annually review cost-containment as part of their strategic and/or annual performance planning exercises, which sets out specific measures to be taken to improve cost-efficiencies, the effectiveness of supply chain management processes and procedures, the elimination of wasteful expenditure as well as to ensure that value for money is achieved in the delivery of programmes and services.

43. Matters to be considered within the cost-containment plan should also include the following:

- (i) Consultants;
- (ii) Catering;
- (iii) Entertainment;
- (iv) Alcohol;
- (v) Corporate branding;
- (vi) Social functions;
- (vii) Newspapers and other publications;
- (viii) Telephone and cell-phones;
- (ix) Advertising;
- (x) Hiring of venues;
- (xi) Hosting and attending conferences;
- (xii) Travel and subsistence;
- (xiii) Inventory management;
- (xiv) Water and electricity consumption;
- (xv) Communication; and
- (xvi) Reporting requirements.

#### **PART 4: ACQUISITION MANAGEMENT SYSTEM**

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

- (i) that goods and services, including construction works and consultant services are procured by the Municipality only in accordance with the authorised procedures incorporated herein;
- (ii) that expenditure on goods and services, including construction works and consultant services is incurred in terms of an approved budget;
- (iii) that the threshold values of the different procurement procedures are complied with;
- (iv) that bid documentation, evaluation and adjudication criteria, and general conditions of contract are in accordance with the requirements of relevant legislation including, the PPPFA and its Regulations, and any conditions of the CIDB Act and its Regulations where applicable; and
- (v) that procurement circulars/guidelines issued by the National Treasury and specifically adopted by Council are taken into account.

#### ***Application***

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

#### ***Compliance with Legislative Requirements***

46. Compliance with all legislative requirements not related to the supply chain management system must be adhered to by the Line Department.

### ***Compliance with Other Procedures***

47. Compliance with other procedures not related to the supply chain management system such as project selection, feasibility, justification and approval processes, planning approvals and budget approvals must be adhered to by the Line Department.

### ***Supplier database***

#### **The Municipality's Supplier Database**

48. The Municipality's Supplier Database is the database which lists the details of all suppliers who have registered to do business with the Municipality.
49. The Municipal Manager shall ensure that the Municipality's Supplier Database is updated at least quarterly and shall at least once per year, through newspapers commonly circulating locally, the website of the Municipality, and any other appropriate ways, invite prospective suppliers of goods and services, construction works and consultant services to register on the Municipality's Supplier Database.
50. Prospective suppliers shall however be allowed to submit applications for registration and amendments for listing on the Municipality's Supplier Database at any time.
51. The listing criteria for suppliers are as indicated on the Supplier Registration Application and only those suppliers that have fully complied with these requirements will be registered.
52. The registration process for the submission of e-Procurement bids is a separate process administered through a web-based portal in addition to registration on the Municipality's Supplier Database.
53. The Municipal Manager shall disallow the registration of any prospective supplier on the Municipality's Supplier Database who does not comply with the requirements of the Supplier Registration Application.
54. The Municipal Manager shall disallow the registration of any prospective supplier whose name appears on the Municipal Tender Defaulter Register or the National Treasury's Database of Restricted Suppliers and/or Register for Tender Defaulters and who is therefore prohibited from doing business with the public sector.
55. Bidders who are not registered on the Municipality's Supplier Database are not precluded from submitting bids but must however register when called upon to do so.
56. All persons forming part of a Joint Venture or Consortium must comply with the requirements of clause 55 above.

#### **National Treasury's Web Based Central Supplier Database (CSD)**

57. In addition to the requirements of the Municipality's Supplier Database, it is a requirement for all Suppliers to be registered on the National Treasury Web Based Central Supplier Database (CSD) that can be accessed at <https://secure.csd.gov.za>.

58. The CSD is the national standardised and centralised electronic supplier database administered by the National Treasury which provides information to an organ of state.
59. Prospective suppliers shall be allowed to submit applications for registration and amendments for listing on the CSD at any time and agree to the terms and conditions of the CSD.
60. Bidders who are not registered on the CSD are not precluded from submitting bids but must however register when called upon to do so.
61. Prospective suppliers must notify the Municipality immediately upon receipt of their CSD Reference Number (MAAA....) for this to be captured onto the Municipality Supplier Database.

### ***Appointment of Observer***

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

### ***Contracts Having Budgetary Implications beyond Three Financial Years (Section 33 of MFMA)***

63. The Municipality may only enter into a contract that will impose financial obligations beyond the three years covered in the annual budget for that financial year if section 33 of the MFMA has been fully complied with.

### ***Proudly South African Campaign***

64. The Municipality supports the Proudly South African Campaign and may, where appropriate, aside from stipulating minimum local content thresholds determined by the Department of Trade and Industry in respect of designated sectors, determine minimum thresholds in respect of other sectors as well.

### ***Specialised Forms of Procurement***

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

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

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

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

#### **Acquisition of Banking Services**

67. Subject to section 33 of the MFMA, any contract for the provision of banking services:

- (i) shall be procured through a competitive bidding process;
- (ii) shall be consistent with section 7 of the MFMA; and
- (iii) may not be for a period longer than five years.

68. The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.
69. The closure date for the submission of bids for banking services may not be less than 60 days from the date on which the advertisement is placed in newspaper commonly circulating locally.
70. Bids shall be restricted to banks registered in terms of the Banks Act, 94 of 1990.

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

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

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

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

#### **Public-Private Partnerships**

76. Part 2 of Chapter 11, section 120 of the MFMA applies to the procurement of public-private partnership agreements.
77. Section 33 also applies if the agreement will have multi-year budgetary implications for the Municipality within the meaning of that section.



### **External Mechanisms for Municipal Service Delivery**

78. The principles contained, including the procurement mechanisms, in Sections 76 to 81 Of the Municipal Systems Act applies when the Municipality elects to supply any municipal services through any external mechanisms.
79. Section 33 of the MFMA also applies if the agreement will have multi-year budgetary implications for the Municipality within the meaning of that section.

### **List of Accredited Prospective Suppliers**

80. The Municipal Manager shall ensure that a list of accredited prospective suppliers of goods and services is kept, for the procurement requirements of the Municipality through any applicable bidding process.
81. The list of accredited prospective suppliers refers to suppliers who are accredited to do business with the Municipality in respect of particular commodities, services or construction.
82. The Manager: Supply Chain Management will determine the procedure for the procurement of goods and services through written and formal written price quotations (up to and including R200'000) when using the List of Accredited Suppliers in order to promote ongoing competition amongst providers, including by inviting providers to submit quotations on a rotation basis.
83. The list of accredited prospective suppliers must be compiled per commodity and per type of service. The listing criteria for accredited prospective suppliers are as set out in clause 51 above, along with any additional criteria the Municipality may stipulate from time to time as it relates to the relevant commodity or type of service.
84. This list must be updated at least quarterly to include any additional prospective suppliers and any new commodities or types of service. Prospective suppliers shall, however, be allowed to submit applications for listing at any time.
85. The provisions related to registration on the relevant databases shall also apply to suppliers listed on the list of accredited prospective suppliers.

### **Advertisements, Notices and Communications to Local Community**

86. When anything must be notified by Council through the media to the local community the procurement of such notices, advertisements or media campaigns must be done (where possible) in accordance with the applicable official procurement process. Where it is impractical or impossible to follow the official procurement process or where the services are available from a single provider only, then the deviation process as contained in clause 322 will be applicable.

### **Community Based Suppliers**

87. The Manager: Supply Chain Management may request quotations directly from Community Based Suppliers in a specific area or from a specific community for the procurement of goods and services for amounts less than R30 000 (including construction works) in accordance with procedures as determined by the Manager: Supply Chain Management from time to time.

### **Range of Procurement Processes and Thresholds**

88. Goods and services, including construction works and consultant services shall be procured through the range of procurement processes set out below in clauses 96 to 343.

<b>PROCUREMENT METHOD</b>	<b>THRESHOLD</b>	<b>RELEVANT CLAUSES</b>
<b>Petty Cash Purchases</b>	Where the transaction value is less than or equal to R2 0000.	<b>96 to 97</b>
<b>Written Price Quotations</b>	Where the estimated transaction value exceeds R2 000 and is less than or equal to R30 000.	<b>98 to 102</b>
<b>Formal Written Price Quotations</b>	Where the estimated transaction value exceeds R30 000 and is less than or equal to R200 000	<b>103 to 119</b>
<b>Competitive Bids</b>	Where the estimated transaction value exceeds R200 000, or for any contract exceeding one year in duration	<b>120 to 302</b>
<b>Framework Agreement Bids</b>	For the supply of goods and services or construction works that is of an ad-hoc or repetitive nature for a predetermined period of time whether awarded to a single supplier or the establishment of panels requiring secondary competitive procedures.	<b>303 to 317</b>
<b>Procurement of Consulting Services</b>	Any value procurement as stipulated in Policy	<b>318 to 321</b>
<b>Deviations</b>	As approved by the Municipal Manager and may include: <ul style="list-style-type: none"><li>• Single or sole source provider</li><li>• Emergency procurement</li><li>• Unsolicited bids</li><li>• Procurement from abroad</li></ul>	<b>322 to 343</b>

### **Reduction in Threshold Values**

89. The Municipal Manager may:

- (i) lower, but not increase, the different threshold values specified in the acquisition management system of this Policy; or
- (ii) direct that:
  - a. written price quotations be obtained for any specific procurement of a transaction value lower than R2 000;
  - b. formal written price quotations be obtained for any specific procurement of a transaction value less than R30 000; or
  - c. a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000.

### **Deliberate Splitting of Orders**

90. The provision of goods, services or construction works may not deliberately be split into parts, or items of a lesser value, merely to avoid complying with the requirements of this policy.

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

91. The Municipality may not consider a bid or quote unless the bidder who submitted the bid or quote:

- (i) has furnished the Municipality with that bidder's:
  - a. full name;
  - b. identification number or company or other registration number; and
  - c. tax reference number; and
  - d. VAT registration number, if any;

- (ii) has attended a compulsory site inspection, where applicable;
- (iii) has submitted a valid tax clearance certificate certifying that the provider's tax matters are in order and provided the Municipality with their SARS Compliance Status PIN; and
- (iv) has indicated whether:
  - a. the provider is in the service of the state, or has been in the service of the state in the previous twelve months;
  - b. if the provider is not a natural person, whether any of the directors, managers, principal shareholders or stakeholders is in the service of the state, or has been in the service of the state in the previous twelve months; or
  - c. whether 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.

92. Irrespective of the procurement process, the Municipality may not make any award above R15 000, to a person whose tax matters have not been declared by the SARS to be in order.

93. Before making an award the Municipality must verify the bidder's tax compliance status. Where the recommended bidder is not tax compliant, the bidder should be notified of the non-compliant status and be requested to submit to the Municipality, within 7 working day, written proof from SARS that they have made arrangement to meet their outstanding tax obligations. The proof of tax compliance submitted by the bidder must be verified by the Municipality via CSD or e-Filing. The Municipality should reject a bid submitted by the bidder if such bidder fails to provide proof of tax compliance within the timeframe stated herein.

94. Irrespective of the procurement process followed:

- (i) the Municipality is prohibited from making an award to a person
  - a. who is in the service of the state;
  - b. if the person is not a natural person, of which any director, manager or principal shareholder or stakeholder is in the service of the state;
  - c. who has been in the service of the Municipality during the twelve months after the Municipality employee has left the employ of the Municipality;
  - d. if the person is not a natural person, of which any director, manager or principal shareholder or stakeholder has been in the service of the Municipality during the twelve months after the Municipality employee has left the employ of the Municipality;
  - e. or an entity who has employed a former Municipality employee who was at a level of T14 of higher at the time of leaving the Municipality's employ and involved in any of the Municipality's bid committees for the bid submitted, if:
    - i. the Municipal employee left the Municipality's employment voluntarily, during a period of 12 months after the Municipal employee has left the employ of the Municipality;
    - ii. the Municipal employee left the Municipality's employment whilst facing disciplinary action by the Municipality, during a period of 24 months after the Municipal employee has left the employ of the

Municipality, or any other period prescribed by applicable legislative provisions, after having left the Municipality's employ; or

- f. who is an advisor or consultant contracted with the Municipality whose prior or current obligations creates any conflict of interest or unfair advantage; and
- (ii) the Municipality reserves its rights not to make an award, revoke an award already made or cancel a contract where the implementation of the contract may result in reputational risk or harm to the Municipality as a result of (inter alia):
  - a. reports of poor governance and/or unethical behaviour;
  - b. association with known family of notorious individuals;
  - c. poor performance issues, known to the Municipality;
  - d. negative social media reports; and
  - e. adverse assurance (e.g. due diligence) report outcomes.

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

- (i) the name of the person;
- (ii) the capacity in which the person is in the service of the state; and
- (iii) the amount of the award.

### ***Petty Cash Purchases***

96. Where there is a need to purchase any goods or services using a petty cash system, which involves a transaction value up to R2000, the Municipality's Procedures and Guidelines for Petty Cash Purchases shall be adhered to.

97. The delegated departmental official responsible for petty cash must compile monthly reconciliation report for the Chief Financial Officer, which must include the total amount of petty cash purchases for that month and receipts and appropriate documents for each purchase.

### ***Written Price Quotations***

98. Where the Municipality intends to procure any goods or services, which involves a transaction value over R2 000 and up to R30 000, written price quotations shall be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the Municipality's Supplier Database, and if applicable, are listed on the List of Accredited Prospective Suppliers in accordance with clauses 80 to 85. Quotations may be obtained from providers who are not listed on the Municipality's Supplier Database, provided that such providers must meet the listing criteria referred to in this Policy.

99. The Municipality may request and accept written price quotations in electronic format.

100.If it is not possible to obtain at least three written quotations, the reasons must be recorded and approved, prior to proceeding with the procurement, by the Manager: Supply Chain Management who must, within three days of the end of the month, report to the Chief Financial Officer on any approvals given during that month in this regard.

101.The names of the potential providers requested to provide quotations and their written quotations must be recorded.

102.All orders in respect of written price quotations shall be approved and released by the Municipal Manager, or his delegated authority.

### **Formal Written Price Quotations**

103.Where the Municipality intends to enter into any contact which is for the supply of any goods or services, or the execution of any construction work which involves or is likely to involve a transaction value over R30 000 and up to R200 000, then a minimum of three written quotes shall be obtained from providers who are suitably qualified and experienced, having the necessary resources, and who are registered on the Municipality's Supplier Database, and if applicable, are listed on the List of Accredited Prospective Suppliers in accordance with clauses 80 to 85. Quotations may be obtained from providers who are not listed on the Municipality's Supplier Database, provided that such providers must meet the listing criteria referred to in this Policy.

104.The Municipality may request and accept formal written price quotations in electronic format.

105.A preference point system, as described in the preferential procurement section of this Policy, must be applied to all procurement thresholds envisaged in the legislation. The Manager: Supply Chain Management may determine the appropriate preferential procurement pre-qualification criteria applicable to such bids.

106.Any request for a formal written quotation which is likely to be in excess of R30 000 must be advertised for at least 7 (seven) days on the Municipality's official website and an official notice board as applicable.

107.If quotations have been invited on the Municipality's official website, no additional quotes need to be obtained should the number of responses be less than three.

108.If it is not possible to obtain at least three written quotations, the reasons must be recorded and approved by the Manager: Supply Chain Management who must, within three days of the end of the month, report to the Chief Financial Officer on any approvals given during that month in this regard.

109.The names of the potential providers and their written quotations must be recorded.

### **Quotation Documentation**

110.All quotation documentation, where practicable, shall comply with the requirements of bid documentation contained in the acquisition management system for competitive bids.

### **Validity Periods**

111.The provisions of clauses 191 to 193 of this Policy shall apply *mutatis mutandis* with regard to quotations.

### **Quotation Prices**

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

### **Submission of Quotations**

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

### **Closing of Quotations**

114. Quotations shall close on the date and at the time stipulated on the request for quotations.

115. The closing date for quotations less than or equal to R30 000 in value must be at least 2 (two) days after publication of the request for quotations. This period may be shortened upon approval by the Manager: SCM.

116. The closing date for quotations greater than R30 000 in value must be at least 7 (seven) days after publication of the request for quotations.

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

### **Opening of Quotations (where lodged in a quotation box)**

118. The provisions of clauses 210 to 217 of this Policy shall apply with regard to quotations that are required to be lodged in a quotation box.

### **Consideration and Acceptance of Quotations**

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

### **Competitive Bids**

120. Competitive bids must be called for any procurement of goods or services, construction works, or consultant services above a transaction value of R200 000, or for any contract exceeding one year in duration.

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

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

123. To this end, the Municipality will prepare a suite of standard documentation and, where appropriate, simplified bid/contract documents for use in the Municipality's procurement process as and where applicable.

124. Where standard bid/contract documentation is prescribed in terms of legislation (*the CIDB Standard for Uniformity, for example*) such standard documentation must be used for the procurement of goods, services and/or construction works, as applicable.

### ***Bid Specifications***

125. Bid specifications must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services.

126. Bid specifications must take account of any accepted standards such as those issued by South African National Standards, the International Standards Organisation, or any authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply.

127. Bid specifications shall, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design.

128. Bid specifications may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification.

129. Bid specifications may not make any reference to any particular trade mark, name, patent, design, type, specific origin or producer, unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the words "or equivalent".

130. Bid specifications must be approved by the Municipal Manager or his delegated authority prior to publication of the invitation for bids.

131. Where specifications are based on standard documents available to bidders, a reference to those documents is sufficient.

### ***Bid Specification Committee***

132. All bid specifications and bid documentation must be compiled by an ad-hoc bid specification committee constituted for each tender or procurement activity.

133. The Bid Specification Committee shall be comprised of at least two Municipal officials as members, consisting of an appointed Chairperson and a responsible technical official.

134. The Bid Specification Committee cannot undertake business without a quorum present, consisting of half plus one of its total membership with voting power (rounded to the nearest whole number).

135. The Supply Chain Management Practitioner serves in an advisory capacity. No bid committee meeting shall proceed without an SCM practitioner.

136. Disagreements on the advice provided by the Supply Chain Management Practitioner must be dealt with in terms of the Rule of Order for Bid Committees and be recorded accordingly.
137. Where appropriate a representative of Internal Audit and/or Legal Services and/or other specialist advisors (internal or external) may form part of this committee.
138. Green procurement should be considered for all specifications of goods, services and construction works.
139. In the development of bid specifications, innovative mechanisms should be explored to render the service or product more resource and energy efficient.
140. The Municipal Manager, or his delegated authority, shall, taking into account section 117 of the MFMA, appoint the members of the Bid Specification Committees.
141. No person, advisor or corporate entity involved with the bid specification committee, or director of such corporate entity, may bid for any resulting contracts.
142. Bid Specification Committee meetings must be conducted in accordance with the applicable Terms of Reference and Guide and Rules of Order for Members of the Municipality's Bid Committees.

#### ***Compilation of Bid Documentation***

143. If the bid relates to construction works as contemplated by the Construction Industry Development Board Act, then the requirements of that Act must be taken into account in the bid documentation together with any Circulars published by National Treasury and the National Treasury Standard for Infrastructure Delivery Management System (SIPDMS) to the extent adopted by Council.
144. General conditions of contract and supply chain management circulars / guidelines of the National Treasury in respect of goods and services must be taken into account when compiling bid documents.
145. Bid documentation must clearly indicate the terms and conditions of contract, specifications, criteria for evaluation and adjudication procedures to be followed where applicable and include where site inspections are compulsory.
146. Appropriate penalties should be specified for failure to comply with specific terms and conditions of all contracts.
147. An appropriate contract and/or delivery period should be specified for all contracts.
148. The requirements of the preferential procurement section of this Policy must be clearly set out in the bid documentation.
149. The bid documentation and evaluation criteria shall not be aimed at hampering competition, but rather to ensure fair, equitable, transparent, competitive and cost effective bidding, as well as the protection or advancement of persons, or categories of persons, as embodied in the preferential procurement section of this Policy.



150. The bid documentation must require a bidder to furnish the following:

- (i) the bidder's full name;
- (ii) the identification number or company or other registration number;
- (iii) the bidder's Municipality Supplier Database Registration Number;
- (iv) the bidder's National Treasury Central Supplier Database Registration Number;
- (v) the bidder's tax reference number and VAT registration number, if any; and
- (vi) a valid tax clearance from the South African Revenue Services stating that the bidder's tax matters are in order and the bidder's SARS Tax Compliance Status PIN.

151. Bid documentation must stipulate that disputes must be settled by means of mutual consultation, mediation (*with or without legal representation*), adjudication or, as a final measure, in a court of South African law.

152. A provision for the termination/cancellation of the contract in the case of non- or under-performance must be included in the bid documentation.

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

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

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

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

157. Where the acquisition in question is likely to involve an imported component which will be subject to foreign exchange rate adjustments, the bid documentation must specify that the supplier take out a forward exchange contract in order to fix the Rand based price as soon as possible after the award.

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

159. The bid documentation must require bidders to disclose:

- (i) whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;
- (ii) if the bidder is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months;
- (iii) whether a spouse, child or parent of the bidder or of a director, manager, shareholder or stakeholder referred to in sub-clause (ii) above;
- (iv) is in the service of the state; or
- (v) has been in the service of the state in the previous twelve months.

160. Bid documentation must:

- (i) require bidders to complete, sign and submit, together with their bid, a certificate of independent bid determination;
- (ii) stipulate that if it is found that the certificate of independent bid determination is not true and complete in every respect, that the bid may be rejected/declared non-responsive.

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

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

163. Bid documentation must state that the responsibility for registration and verification on the Municipality's Supplier and National Treasury's Central Supplier Databases rests solely with the bidder.

### ***Bids exceeding R10 million***

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

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

### ***Alternative Bids***

165. Alternative bids can be submitted provided that an acceptable bid, which complies with the bid conditions and specifications and submitted strictly in accordance with the bid documents, is also submitted.

166. An alternative bid shall be submitted on a separate complete set of bid documents or in accordance with such conditions as may be set out in the bid document and shall be clearly marked "Alternative Bid" to distinguish it from the acceptable bid referred to above.

167. All acceptable bids (*excluding alternative bids*) shall first be evaluated in accordance with the bid conditions and ranked in terms of the preference point system described in the Preferential Procurement section of this policy. Only the alternative of the highest ranked acceptable bid (*that is, submitted by the same bidder*) may be considered, and if appropriate, recommended for award.

168. Alternative bids of any but the highest ranked acceptable bid, shall not be considered.

169. If the alternative bid of the highest ranked acceptable bid is considered to have merit, then the alternative bid shall be ranked along with all of the acceptable bids received.

170. An alternative of the highest ranked acceptable bid that is priced higher than the first ranked bid may be recommended for award, provided that the ranking of the alternative bid is higher than the ranking of the next ranked acceptable bid.

171. The Municipality will not be bound to consider alternative bids.

### ***Public Invitation for Competitive Bids***

172. On completion of the bid specification process the Municipality shall publicly invite bids.

173. Bid invitation shall be by notice published in the media and / or any electronic platform that may be applicable or suitable.

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

175. The notice may require payment of a non-refundable bid fee by bidders wanting to collect bid documents. This bid fee shall be determined by the Manager: Supply Chain Management from time to time.

176. The notice contemplated above shall specify:

- (i) the title of the proposed contract and the bid or contract reference number;
- (ii) such particulars of the contract as the Municipality deems fit;
- (iii) the date, time and location of any site inspection, if applicable;
- (iv) the place where the bid documentation is available for collection and the times between which bid documentation may be collected;
- (v) that bids may only be submitted on the bid documentation provided by the Municipality;
- (vi) where activity schedules or bills of quantities are to be submitted as part of the bid documentation, printed schedules, in the same format as those issued, will be accepted.
- (vii) the non-refundable bid fee payable, if any;
- (viii) the place where bids must be submitted;
- (ix) the closing date and time for submission of bids; and
- (x) the appropriate CIDB contractor grading for construction work.

177. The notice shall further state that all bids for the contract must be submitted in a sealed envelope on which it is clearly stated that such envelope contains a bid and the contract title and contract or bid reference number for which the bid is being submitted.

178. Bid documentation shall be available for collection until the closing date of bids.

### ***Issuing of Bid Documents***

179. Bid documents and any subsequent notices may only be issued by officials designated by the Manager: Supply Chain Management from time to time.

180. Details of all prospective bidders who have been issued with bid documents must be recorded by the issuing office but shall remain confidential for the duration of the bid period.

181. Details of prospective bidders must, wherever possible, include the full name of the person drawing documents, a contact person, a contact telephone and fax number and a postal and email address.

### ***Site Inspections/Bid Clarification Meetings***

182. Site inspections/clarification meetings in respect of bids exceeding R200 000 will, in general, not be compulsory. A site inspection/clarification meeting may be made compulsory with the approval of the Manager: Supply Chain Management. If required, the minimum bid period can be extended by at least 7 (seven) days with the approval of the Manager: Supply Chain Management (refer to clauses 211 to 213 in this regard).

183. If site inspections/clarification meetings are to be held, full details must be included in the bid notice, including whether or not the site inspection/clarification meeting is compulsory.

184. Where site inspections/clarification meetings are made compulsory, the date for the site inspection/clarification meeting shall be at least 14 (fourteen) days after the bid has been advertised.

185. If at a site meeting/clarification meeting, any additional information is provided or clarification of vague points is given, such additional information or clarification must be conveyed to all bidders in accordance with clauses 218 to 220 of this Policy.

### ***Two-stage (Pre-qualification) Bidding Process***

186. In a two-stage (pre-qualification) bidding process, bidders are first invited to prequalify in terms of predetermined functionality criteria, without being required to submit detailed technical proposals (where applicable) or a financial offer.

187. In the second stage, all bidders that qualify in terms of the predetermined functionality criteria will be shortlisted and invited to submit final technical proposals (where applicable) and/or a financial offer.

188. This process may be applied to bids for large complex tenders of a specialist or long term nature or where there are legislative, design, technological and/or safety reasons to restrict bidding to firms who have proven their capability

and qualification to meet the specific requirements of the bid, including tenders where it may be undesirable to prepare complete detailed technical specifications or long term contracts with a duration exceeding three years.

189. The notice inviting bidders to pre-qualify must comply with the provisions of public invitation for competitive bids (clauses 120 to 124 refer).

190. Once bidders have pre-qualified for a particular tender, they shall be given a minimum of 7 (seven) days to submit a final technical proposal (where applicable) and/or a financial offer.

### ***Two Envelope System***

191. A two-envelope system differs from a two-stage (prequalification) bidding process in that a technical proposal and the financial offer are submitted in separate envelopes at the same place and time. The financial offers will only be opened once the technical proposals have been evaluated (clauses 241 to 248 refer).

### ***Validity Periods***

192. The period for which bids are to remain valid, irrevocable and open for acceptance must be indicated in the bid documents.

193. Bids shall remain valid for acceptance for a period of twelve (12) months after the expiry of the original validity period, unless the Municipality is notified in writing of anything to the contrary by the bidder.

194. The validity of bids may be further extended by a period of not more than six months subject to mutual agreement and administrative processes and upon approval by the Municipal Manager.

### ***Contract Price Adjustment***

195. In general, if contract periods do not exceed twelve (12) months, the bid shall be a fixed price bid and not subject to contract price adjustment.

196. A Bid Specification Committee may however request approval from the Manager: Supply Chain Management to allow contract price adjustment for contract periods less than twelve (12) months. In such instances an appropriate contract price adjustment formula must be specified in the bid documents.

197. For all contract periods exceeding twelve (12) months in duration, contract price adjustment will be applicable. An appropriate contract price adjustment formula must be specified in the bid documents.

198. If as a result of an award of a contract beyond the original tender validity period, the contract execution will be completed beyond a period of twelve (12) months from the expiry of the original tender validity period, then the contract may be subject to contract price adjustment for that period beyond such twelve (12) months. An appropriate contract price adjustment formula will be determined by the Manager: Supply Chain Management if such was not included in the bid documents.

199.If as a result of any extension of time granted the contract execution will be completed beyond a period of twelve (12) months from the expiry of the original tender validity period, then contract price adjustment may apply to that period beyond such twelve (12) months. An appropriate contract price adjustment formula will be determined by the Manager: Supply Chain Management if such was not included in the bid documents.

200.If the award of a contract is delayed beyond the original tender validity period any additional conditions proposed by any bidder may be considered provided it is reasonable and does not prejudice any other bidder.

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

201.If a supplier acts on behalf of the Municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the supplier is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the supplier and the Municipality must stipulate;

- (i) a cap on the compensation payable to the supplier; and
- (ii) that such compensation must be performance based.

### ***Provisional Sums and Prime Cost or Sub-Contract Allowances***

202.Provision for monetary allowances shall as far as possible be avoided. Where these are unavoidable, the total value of such allowances shall not exceed 20% of the total estimated value of the tender unless otherwise approved by the Manager: Supply Chain Management.

203.Where monetary allowances in excess of R300 000 in respect of provisional sums or prime cost items have been included in the bid documents, and where the work or items to which the sums relate are to be executed/supplied by sub-contractors/suppliers, then one of the following processes, as determined by the Bid Specification Committee, shall be followed in respect of these allowances:

- (i) An open competitive bidding process in which bid documents are prepared by the Responsible Agent in consultation with and to the approval of the supplier, invitations to bid are advertised in the media, and whereby the selected sub-contractor/supplier is chosen by the Responsible Agent together with the supplier from the responses received. The supplier must satisfy him/herself that the selected sub-contractor/supplier can meet the requirements of the sub-contract/supply agreement and assumes the risk for the performance of the sub-contractor/supplier. The supplier may, on reasonable grounds, elect not to employ a particular sub-contractor/supplier.
- (ii) A two-stage selection process, whereby the Responsible Agent will advertise (in the media) for expressions of interest from suitably qualified sub-contractors/suppliers. From the responses received, the Responsible Agent and the supplier, in conjunction, shall compile a list of at least three (unless less than three responses were received) suitable sub-contractors/suppliers who will then be asked to submit prices for the works/items required. The supplier will assume the risk for the performance of the selected sub-contractor/supplier identified through this process.
- (iii) A nominated process, whereby the Municipality instructs the supplier to appoint a particular (typically specialist) sub-contractor/supplier. In this process the sub-contractor/supplier is a nominated sub-contractor/supplier, and

the risk is transferred from the supplier to the Municipality. The use of this process must therefore be motivated to, and approved by, the Manager: Supply Chain Management prior to its implementation.

204. A preference point system (as described later in this policy) must be applied in respect of the processes described in clause 202 above.

205. When monetary allowances of less than R 300 000 have been included in the bid documents, and where the work or items to which the sums relate are to be executed/supplied by sub-contractors/suppliers, the supplier must be required to request a minimum of three written quotations for approval by the Responsible Agent.

### ***Samples***

206. Where samples are called for in the bid documents, samples (marked with the bid and item number as well as the bidder's name and address) shall be delivered separately (to the bid) to the addressee mentioned in the bid documents.

207. Bids may not be included in parcels containing samples.

208. If samples are not submitted as required in the bid documents or within any further time stipulated by the Municipality in writing, then the bid concerned may be declared non-responsive.

209. Samples shall be supplied by a bidder at his/her own expense and risk. The Municipality shall not be obliged to pay for such samples or compensate for the loss thereof, unless otherwise specified in the bid documents, and shall reserve the right not to return such samples and to dispose of them at its own discretion.

210. If a bid is accepted for the supply of goods according to a sample submitted by the bidder, that sample will become the contract sample. All goods/materials supplied shall comply in all respects to that contract sample.

### ***Closing of Bids***

211. Bids shall close on the date and at the time stipulated in the notice.

212. For bids for goods and services the bid closing date must be at least 14 (fourteen) days after the date of publication of the notice.

213. For bids for construction works the bid closing date must be at least 21 (twenty-one) days after the date of publication of the notice.

214. Notwithstanding the above, if the estimated contract value exceeds R10 million, or if the contract is of a long-term nature with a duration period exceeding one year, then the bid closing date must be at least 30 (thirty) days after the date of publication of the notice.

215. For banking services, the bid closing date must be at least 60 (sixty) days after publication of the notice.

216. For proposal calls using a two-envelope system, the bid closing date must be at least 30 (thirty) days after the date of publication of the notice.

217. The bid closing date may be extended by the Manager: Supply Chain Management if circumstances justify this action, provided that all bidders that have drawn bid documents are notified of this decision in accordance with clauses 218 to 220 below, and that the notice to this effect is attached to all bid documents subsequently issued. Any amendment to the bid closing date shall also be published on the Municipality's official website.

218. The Municipal Manager may determine a closing date for the submission of bids which is less than any of the periods specified in clauses 210 to 217 above, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.

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

219. The Bid Specification Committee may, if necessary, authorise communication with bidders prior to bids closing.

220. Any communication authorised by the Bid Specification Committee, which has implications of consequence for all tenderers, shall be in the form of a written notice issued to all bidders by the Manager: Supply Chain Management, or his nominee, by either e-mail, facsimile, or registered post as appropriate. A copy of the notice together with a transmission verification report/proof of posting shall be kept for record purposes. Notices should be issued at least one week prior to the bid closing date, where possible.

221. Notwithstanding a request for acknowledgement of receipt of any notice issued, the bidder will be deemed to have received such notice if the procedures in clause 219 have been complied with.

### ***Submission of Bids***

222. Bids must be submitted before the closing time, at the address and in accordance with the directives in the bid documents.

223. Each bid must be in writing using non-erasable ink and must be submitted on the official Form of Bid/Offer issued with the bid documents.

224. The bid must be submitted in a separate sealed envelope with the name and address of the bidder, the bid number and title, the bid box number (where applicable), and the closing date indicated on the envelope. The envelope may not contain documents relating to any bid other than that shown on the envelope. Only sealed bids will be accepted.

225. The onus shall be on the bidder to place the sealed envelope in the official, marked and locked bid box provided for this purpose, at the designated venue, not later than the closing date and time specified in the bid notice.

226. No bids forwarded by email, telegram, facsimile or similar apparatus shall be considered unless:

- (i) the bid documentation specifically provides for this method of submission;



- (ii) in the event of photostat copies of bids or facsimiles which are submitted in the prescribed manner will be considered, provided the original Forms of Bid/Offer can be shown to have been posted or couriered prior to the close of bids.

227. Electronic bids will not be accepted, unless the bid documentation specifically provides for this method of submission, either for the entire bid or any portion thereof.

228. The bidder shall choose a *domicilium citandi et executandi* in the Republic and unless notice of the change thereof has duly been given in writing, it shall be the address stated in the bid.

229. No person may amend or tamper with any bids or quotations after their submission. Where an e-Procurement system is used, the system must ensure that bids cannot be altered or tampered with after submission by the bidder.

### **Late Bids**

230. A bid is late if it is not placed in the relevant bid box by the closing time for such bid.

231. A late bid shall not be admitted for consideration and shall be returned to the bidder upon request.

### **Opening of Bids**

232. At the specified closing time on the closing date the applicable bid box shall be closed.

233. The bid box shall be opened in public as soon as practical after the closing time.

234. Immediately after the opening of the bid box, all bids shall be opened in public.

235. The official opening the bids shall read out, where possible, the name of the bidder, the amount of the bid and the preference indicated.

236. Where an e-Procurement system is used, the bid information shall be published on the Municipality's official website as soon as practical after the closing time.

237. All rates, with the exception of rates only bids, and proprietary information are confidential and shall not be disclosed.

238. As soon as a bid or technical proposal has been opened:

- (i) the bid/proposal shall be stamped with the official stamps, and endorsed with the opening official's signature;
- (ii) the name of the bidder and the bid sum shall, where possible, be recorded in a bid opening record kept for that purpose; and
- (iii) the responsible official who opened the bid shall forthwith place his/her signature on the bid opening record.

239. Bids found to be inadvertently placed in the incorrect bid box will be redirected provided that the applicable bids either closed on the same day at the same time or are still open.

240. Bids received in sealed envelopes in the bid box without a bid number or title on the envelope will be opened at the bid opening and the bid number and title ascertained. If the bid was in the correct bid box it will be read out. If the bid is found to be in the incorrect bid box, it will be redirected provided that the applicable bids either closed on the same day at the same time or are still open. If the bid closes at a later date, the bid will be placed in a sealed envelope with the bid number and title endorsed on the outside, prior to being lodged in the applicable box. The Municipality however disclaims any responsibility for seeing that the bid is in fact lodged in the correct box.

241. The official opening the bids shall record, in the bid opening record:

- (i) any action taken in terms of clauses 239 to 240 above;
- (ii) any unsealed bids received.

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

242. If a two-envelope system is followed, only the technical proposal will be opened at the bid opening.

243. The unopened envelope containing the financial proposal shall be stamped and endorsed with the opening official's signature and be retained by him/her for safekeeping.

244. When required the financial offers/bids corresponding to responsive technical proposals, shall be opened by the opening official in accordance with clauses 234 and 237.

245. All bidders who submitted responsive technical proposals must be invited to attend the opening of the financial offers/bids.

246. Envelopes containing financial offers/bids corresponding to non-responsive technical proposals shall be returned unopened along with the notification of the decision of the Bid Adjudication Committee in this regard (clause 288 refers).

247. After being recorded in the bid opening record, the bids/technical proposals shall be handed over to the official responsible for the supervision of the processing thereof and that official shall acknowledge receipt thereof by signing the bid opening record.

248. Where an e-Procurement system is used, the names of the bidders that have submitted proposals shall be published on the Municipality's official website as soon as practical after the closing time.

249. When the financial offers/bids are opened they shall be published on the Municipality's official website as soon as practical thereafter, and all bidders shall be notified accordingly.

***Bid Evaluation***

***Bid Evaluation Committee***

250. A standing/ad-hoc Bid Evaluation Committee shall be constituted as determined by the Municipal Manager.

251. The Municipal Manager, or his delegated authority, shall, taking into account section 117 of the MFMA, appoint the members of the Bid Evaluation Committee[s].
252. The Bid Evaluation Committee shall be comprised of at least two Municipal officials as members, consisting of an appointed Chairperson (who may be the same person as the Chairperson of the Bid Specification Committee), a responsible technical official and a Supply Chain Management Practitioner.
253. The Bid Evaluation Committee cannot undertake business without a quorum present, consisting of half plus one of its total membership with voting power (rounded to the nearest whole number).
254. No bid committee meeting shall proceed without an SCM practitioner.
255. Disagreements on the advice provided by the Supply Chain Management Practitioner must be dealt with in terms of the Rule of Order for Bid Committees and be recorded accordingly.
256. A representative of Internal Audit and/or Legal Services may form part of this committee where necessary as well as other internal/external experts/specialists. As relevant to the content of the tender, relevant internal/external specialists must be included in an advisory capacity to the Bid Evaluation Committee.
257. Where the scoring of functionality forms part of a bid process, each member of the Bid Evaluation Committee must individually score functionality. The individual scores must then be interrogated and calibrated if required where there are significant discrepancies. The individual scores must then be added together and averaged to determine the final score.
258. Bid Evaluation Committee meetings must be conducted in accordance with the applicable Terms of Reference and Guide and Rules of Order for Members of the Municipality's Bid Committees.

### ***Bid Evaluation***

259. The Responsible Agent may carry out a preliminary assessment of all bids received and may submit an assessment report to the Bid Evaluation Committee for consideration.
260. The Bid Evaluation Committee may, if necessary, authorise communication with bidders prior to the award of the tender. 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 Manager: Supply Chain Management in writing using any means as appropriate. A copy of the notice together with a transmission verification report/proof of posting shall be kept for record purposes.
261. The Bid Evaluation Committee shall consider the bids received and shall note for inclusion in the evaluation report, a bidder:
- (i) who is barred or prohibited from participating in a bid process in terms of abuse of this Policy;

- (ii) who has failed to submit a Certificate of Independent Bid determination, either with the bid, or within such time for submission stated in the Municipality's written request to do so.
- (iii) whose bid does not comply with the general conditions applicable to bids and quotations of this Policy;
- (iv) whose bid is not in compliance with the specification;
- (v) whose bid does meet the minimum score for functionality, if applicable;
- (vi) whose bid is not in compliance with the terms and conditions of the bid documentation;
- (vii) who is not registered and verified on the Municipality's Supplier and National Treasury's Central Supplier Databases;
- (viii) who, in the case of construction works acquisitions, does not comply with the requirements of the CIBD Act regarding registration of contractors;
- (ix) whose tax matters are not in order, and
- (x) who, or any of its directors, has any undisputed municipal rates, taxes or municipal service charges in arrears for more than three months.

262. Bids shall be evaluated according to the following as applicable:

- (i) bid price, including VAT (corrected if applicable and considering all unconditional discounts where applicable),
- (ii) the unit rates and prices,
- (iii) the bidder's ability to execute the contract,
- (iv) any qualifications to the bid,
- (v) the bid ranking as determined by the adjudication points allocated to the bid in accordance with the formulas as set out in the Preferential Procurement Section of this Policy,
- (vi) the financial standing of the bidder,
- (vii) any other criteria specified in the bid documents.

263. Where a two-stage (prequalification) bidding process has been followed, the minimum requirements for prequalifying, as well as the bidders' compliance or scoring in respect thereof, must be included in the report to the Bid Adjudication Committee making a recommendation for award (one report to the Bid Adjudication Committee is required, only once the second stage evaluation has been completed).

264. The Bid Evaluation Committee shall check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears.

265. An alternative bid may be considered subject to clauses 1464 to 170 of this policy.

266. If a bidder submits a fully motivated request in writing, after the closing of bids, that his/her bid be withdrawn, then such a request may be considered and reported in the bid evaluation report for decision by the Bid Adjudication Committee.

267. Adjudication points calculated in terms of the preference point system described in this policy must be rounded off to the nearest two decimal places.

268. The responsive bid that scores the highest number of adjudication points must be recommended for acceptance unless objective criteria, in addition to those specific goals contemplated in section 2 of the PPPFA, justify the acceptance of another bid. Such objective criteria include whether the recommended bidder:

- (i) has not demonstrated that it has the necessary resources and skills required to fulfil its obligations in terms of the bid document;
- (ii) poses any material risk to the Municipality;
- (iii) is a supplier to whom notice has been served regarding abuse of the supply chain management system.

269. If two or more bidders score an equal number of adjudication points, the recommended bidder shall be the one scoring the highest number of preference points for specific goals.

270. When functionality is part of the evaluation process and two or more bids have scored equal points, including equal preference points for specific goals, the recommended bidder shall be the one scoring the highest score for functionality.

271. If two or more bids are equal in all respects, the Bid Evaluation Committee shall draw lots to decide on the recommendation for award, or may, in the case of goods and services, recommend splitting the award proportionately, where applicable.

272. All disclosures of a conflict of interest in respect of the recommended bidder shall be considered by the Bid Evaluation Committee and shall be reported to the Bid Adjudication Committee.

### ***Recommendation to Bid Adjudication Committee***

273. The Bid Evaluation Committee shall submit a report, including recommendations regarding the award of the bid, the nomination of an alternative bidder, or any other related matter, to the Bid Adjudication Committee for award.

274. In the event that a contract is not concluded after an award has been made by the Bid Adjudication Committee, the Bid Evaluation Committee may reconsider all remaining bids received and may submit further reports to the Bid Adjudication Committee for consideration.

275. In the event that a contract is terminated during the execution thereof, the Bid Evaluation Committee may submit a report to the Bid Adjudication Committee recommending the award, or non-award, of the contract to the alternative bidder. Should any revised terms, rates or conditions be negotiated, a report detailing these must be submitted to the Bid Adjudication Committee.

### ***Bid Adjudication***

276. The Municipality shall not be obliged to accept any bid and accordingly reserves the right to not make any final award or, when an alternative bidder has been nominated, not to make an award to such a bidder.

277. For goods and services bids, the Municipality shall have the right to accept the whole bid or part of a bid or any item or part of an item or accept more than one bid.

278. The Bid Adjudication Committee may accept non-compliance with mandatory procedures or conditions, but only if such non-compliance is not material.

### ***Bid Adjudication Committee***

279. The Bid Adjudication Committee shall comprise at least four senior managers, and shall include:

- (i) the Chief Financial Officer or a Manager designated by the Chief Financial Officer;
- (ii) at least one senior supply chain management practitioner of the Municipality; and
- (iii) a technical expert in the relevant field who is an official of the Municipality, if the Municipality has such an expert.
- (iv) The Municipal Manager shall appoint the members and chairperson of the Bid Adjudication Committee. If the chairperson is absent from a meeting, the members of the committee who are present shall elect one of the committee members to preside at the meeting.

280. The Bid Adjudication Committee cannot undertake business without a quorum present, consisting of half plus one of its total membership with voting power (rounded to the nearest whole number).

281. As per the MFMA exemption notice promulgated on 5 May 2020, in Government Gazette No. 4328, in relation to the composition of a Bid Adjudication Committee, Senior Managers who are members of the bid adjudication committee is allowed to sub-delegate, in writing, their responsibilities to competent staff members in cases where they cannot attend specific sittings of the committee. These sub-delegations must be communicated to the SCM Unit and Chairperson of the Committee.

282. Neither a member of a Bid Evaluation Committee, nor an advisor or person assisting such committees, may be a member of a Bid Adjudication Committee.

### ***Adjudication and Award***

283. The Bid Adjudication Committee shall consider the report and recommendations of the Bid Evaluation Committee and make a final award or make another recommendation to the Municipal Manager on how to proceed with the relevant procurement including not making an award.

284. The Bid Adjudication Committee may make an award to a preferred bidder(s), pursuant to the Municipal Manager, or his delegated representative, successfully negotiating with the preferred bidder(s) in terms of clause 293 of this Policy.

285. In the event that a contract is not concluded after an award has been made by the Bid Adjudication Committee, the Bid Adjudication Committee may consider any further recommendations made by the Bid Evaluation Committee in a subsequent report.

286. In the event that a contract is terminated during the execution thereof, the Bid Adjudication Committee may consider any recommendations made by the Bid Evaluation Committee in a subsequent report for the award of the contract, or non-award, to the alternative bidder.

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

### ***Approval of Bid not Recommended***

288. If a Bid Adjudication Committee decides to award a bid other than the one recommended by the Bid Evaluation Committee, the Bid Adjudication Committee must, prior to awarding the bid:

- (i) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears;
- (ii) check in respect of the preferred bidder that it has the necessary resources and skills required to fulfil its obligations in terms of the bid document; and
- (iii) notify the Municipal Manager.

289. The Municipal Manager may:

- (i) after due consideration of the reasons for the deviation ratify or reject the decision of the Bid Adjudication Committee referred to in clause 284 above; and
- (ii) if the decision of the Bid Adjudication Committee is rejected, refer the decision of the adjudication committee back to that committee for consideration.

290. If a bid other than the one recommended in the normal course of implementing this Policy is approved, then the Municipal Manager must, in writing and within ten working days, notify the Auditor-General, the Provincial Treasury and the National Treasury of the reasons for deviating from such recommendation.

291. The requirement of clause 284 does not apply if a different bid was approved in order to rectify an irregularity.

### ***Notification of Decision***

292. The successful and unsuccessful bidders shall be notified in writing once a Final Award has been made.

293. The successful bidder shall, in addition, be advised of the 21-day appeal period, and be notified that no rights accrue to him/her until the bid is formally accepted in writing.

294. Where a preferred bidder has been identified and is referred to the Municipal Manager by the Bid Adjudication Committee in order to authorize the negotiation of the final terms of a contract in terms of clause 293 below, the preferred bidder shall be notified of its preferred bidder status.

295. Every notification of decision shall be faxed or sent via electronic mail to the address chosen by the bidder, with a copy of proof of transmission kept for record purposes, or shall be delivered by hand, in which case acknowledgement of receipt must be signed and dated on a copy of such notification and kept for record purposes.

### ***Negotiations with Preferred Bidders***

296. A report, setting out the preferred bidder(s) identified through a competitive bidding process, shall be submitted by the Bid Evaluation Committee to the Bid Adjudication Committee for approval.

297. The Municipal Manager may authorise the negotiation of the final terms of a contract, including the authority to terminate such negotiations, with bidders identified through a competitive bidding process as preferred bidders provided that such negotiation:

- (i) does not allow any preferred bidder a second or unfair opportunity;
- (ii) is not to the detriment of any other bidder; and
- (iii) does not lead to a higher price than the bid as submitted.

298. Minutes of such negotiations must be kept for record purposes.

299. If negotiations fail to result in acceptable contract terms, the Municipal Manager, or the person authorised in terms of clause 293, may terminate the negotiations and invite the next ranked bidder(s) for negotiations. The original preferred bidder(s) should be informed of the reasons for termination of the negotiations. Once negotiations have been terminated, they may not be re-opened. If negotiations eventually fail with the tenderer scoring the third highest points, the tender must be cancelled.

### ***Cancellation and re-invitation of Bids***

300. A bid may be cancelled, prior to the award of the contract, if:

- (i) due to changed circumstances, there is no longer a need for the goods, services or construction works requested;
- (ii) funds are no longer available to cover the total envisaged expenditure;
- (iii) no acceptable bids are received;
- (iv) there is a material irregularity in the tender process; or
- (v) if negotiations have failed with the tenderers up to and including the tenderer scoring the third highest points where the prices offered is not market related.

301. If it becomes necessary to cancel or re-advertise formal bids, then a report to this effect shall be submitted to the Bid Adjudication Committee for decision. A tender may only be cancelled for a second time with the prior approval of the relevant treasury. Such approval must be attached to the report submitted to the Bid Adjudication Committee.

302. If a bid has been cancelled, then all bidders must be notified in writing.

303. A decision to cancel a bid in terms of clause 296 above must be published in the media in which the original bid invitation was advertised.

304. It is not necessary to notify original bidders when calling for new bids, which will be advertised in accordance with clause 172.

305. Unless no acceptable bids have been received, no bid may be re-advertised before the Bid Adjudication Committee has resolved to cancel the original bid, and all bidders have been notified accordingly.



***Expansion or variation in Contract Period or Contract Sum (Increase in Contract Sum or Period)***

306. Any expansion or variation of the contract, contract period or contract value must be submitted to and approved by the delegated authority in compliance with the latest directive in this regard as issued by the Municipal Manager.

***Framework Agreement Bid***

307. It is permissible to invite bids for the supply of goods and services or construction works that is of an ad-hoc or repetitive nature, for a predetermined period of time (commonly referred to as a framework agreement bid).

308. The period of a framework agreement that is of repetitive nature for services that the Municipality has an obligation to provide on an ongoing basis for the duration of the resulting contract(s), cannot extend beyond the three years covered in the annual budget for the financial year in which the contract is entered into, unless all related legislative and procedural processes are complied with. The period of a framework agreement that is of an ad hoc nature cannot exceed a period of 36 months from the commencement of the contract unless all related legislative and procedural processes are complied with.

309. The general acquisition procedure for framework agreement bids shall comply with procedures contained in the acquisition management system of this Policy.

310. The method by which the price will be determined must be stated in the bid documentation. The detailed formulation of the calculations that will determine the financial offer must be agreed to by the Bid Specification Committee prior to the advertisement of the bid.

311. The Rand value that will determine the applicable preference system for framework agreement bids in terms of clause 440 will be the estimated overall value of the tender.

312. Bid documentation shall state that the acceptance of framework agreement bids will not impose any obligation on the Municipality to avail itself of the goods and services or construction works offered by the bidders.

313. Bid documentation shall state the processes by which allocations will be made arising from any resulting contract.

314. Material for repairs and maintenance can be purchased on a framework agreement bid where circumstances warrant it.

315. Additional items included in a framework agreement bid by any bidder which are clearly not an alternative to any of the items specified shall not be considered.

316. Orders for goods may be raised up until the expiry of the framework agreement bid, provided that the goods can be delivered within 30 days of expiry of the framework contract.

317. All orders, other than for goods in terms of clause 312, must be completed prior to the expiry of the framework contract period.

318. Upon request, the Manager: Supply Chain Management may approve the use of existing framework agreements by other departments in accordance with the Municipality's procedures.

#### **Evaluation and Adjudication of Framework Agreement Bids**

319. The process for considering framework agreement bids shall be in terms of the evaluation and adjudication procedures as described in the bid documents and in accordance with the principles contained in this Policy.

320. Subsequent to award, where different selections of items are required in terms of the same framework agreement bid and it is not possible or practical to separate orders for different items from different suppliers then a selection process will have to be carried out in respect of each application by the Responsible Agent. Individual orders will then be placed (or contracts awarded) on the basis of the highest total adjudication points received, per application.

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

#### **Appointment of Consultants**

322. In the procurement of consulting services cognisance should be taken of any circulars/guidelines that have been adopted by Council and the requirements of all statutory bodies and councils relevant to such services as well as the Cost Containment Regulations promulgated in 2019.

#### **Procurement Process (over R200 000)**

323. Where the estimated value of the fees exceeds R200 000, or where the duration of the appointment will exceed one year, consulting services shall be procured through a competitive bidding process.

#### **Procurement Process (up to R200 000)**

324. Where the estimated value of the fees is less than or equal to R200 000 and the duration of the appointment is less than one year, the selection of a consultant to provide the required service shall follow a written price quotation or a formal written price quotation procedure as described in this Policy.

325. A preference point system, as described in the preferential procurement section of this Policy, must be applied to such quotations.

#### **Deviation from the Established Procurement Processes**

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

- (i) any contract relating to an emergency (as described in clauses 331 to 333 below) where it would not be in the interests of the Municipality to invite bids,

- (ii) any goods or services which are available from a single provider only,
- (iii) the acquisition of animals for zoos, or
- (iv) the acquisition of special works of art or historical objects where specifications are difficult to compile; or
- (v) any other exceptional circumstances where it is impractical or impossible to follow the official procurement process, including, but not limited to:
  - a. any purchase on behalf of the Municipality at a public auction sale;
  - b. any contract in respect of which compliance therewith would not be in the public interest;
  - c. ad-hoc repairs to plant and equipment where it is not possible to ascertain the nature or extent of the work required in order to call for bids;
  - d. in the event of a major system failure; or
  - e. in the event where the delivery of a municipal service would be significantly restricted.

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

328. The Municipal Manager may condone a deviation from the procurement processes, provided that such deviation is limited to the circumstances referred to in clause 322.

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

330. Any procurement activity approved in terms of a deviation process must be formalised in a written contract which describes the terms and conditions of contract as well as the scope of work or services, or the specification, as applicable.

### **Single-source Selection**

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

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

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

333. The reasons for single-source selection must be fully motivated in a report and approved by the Bid Adjudication Committee prior to conclusion of a contract, provided that if the award is for an amount of R200 000 or less, such award shall be approved by the Manager: Supply Chain Management.

334. Consultant appointments approved in terms of a single-source selection process must be formalised in a written contract which describes the terms and conditions of contract, as well as the scope of services required.

### **Emergency Dispensation**

335. The conditions warranting Emergency dispensation should include the existence of one or more of the following:

- (i) the possibility of human injury or death;
- (ii) the prevalence of human suffering or deprivation of rights;
- (iii) the possibility of damage to property, or suffering and death of livestock and animals;
- (iv) the interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the Municipality as a whole;
- (v) the possibility of serious damage occurring to the natural environment;
- (vi) the possibility that failure to take necessary action may result in the Municipality not being able to render an essential community service; and
- (vii) the possibility that the security of the state could be compromised.

336. The prevailing situation, or imminent danger, should be of such a scale and nature that it could not readily be alleviated by interim measures, in order to allow time for the formal procurement process. Emergency dispensation shall not be granted in respect of circumstances other than those contemplated in clause 331.

337. The procurement procedure to be followed in an emergency situation shall be determined by the Municipal Manager.

### **Unsolicited Bids**

338. Municipality is not obliged to consider any unsolicited bids received outside of the normal bidding process.

339. The Municipality may only consider an unsolicited bid if the following have been complied with:

- (i) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
- (ii) the product or service offered will be exceptionally beneficial to, or have exceptional cost advantages for, the Municipality;
- (iii) the person or entity that made the bid is the sole provider of the product or service; and
- (iv) the reasons for not going through the normal bidding processes are found to be sound by the Municipal Manager. In this regard a report must be submitted to the Municipal Manager seeking approval to take the unsolicited bid process further.

340. If the Municipal Manager considers the unsolicited bid worthy of pursuing, the decision to consider such bid shall be made public in accordance with section 21A of the Municipal Systems Act together with:

- (i) reasons as to why the bid should not be open to other competitors;
- (ii) an explanation of the potential benefits for the Municipality were it to accept the unsolicited bid; and
- (iii) an invitation to the public and other potential suppliers to submit their written comments within 30 (thirty) days of the notice being published.

341. Details of the unsolicited bid, together with any written comments received pursuant to clause 336(iii) as well as any responses from the bidder, shall be submitted to the Provincial and National Treasury for comment.

342. The unsolicited bid shall then be submitted to the Bid Adjudication Committee, together with any written comments submitted by the public and any written comments or recommendations of the provincial or National Treasury, for consideration.

343. The Bid Adjudication Committee may award the bid in respect of any amount.

344. Any meeting of the Bid Adjudication Committee to consider an unsolicited bid shall be open to the public.

345. If any recommendations of the Provincial or National Treasury are rejected or not followed, the Municipal Manager shall submit to the Auditor-General, the Provincial Treasury and the National Treasury the reasons for rejecting or not following those recommendations. Such submission shall be made within 7 (seven) days of the decision to award the unsolicited bid. No contract committing the Municipality to the bid may be entered into or signed within 30 (thirty) days of the submission.

#### **Procurement from abroad**

346. For procurement outside the boundaries of South Africa, the same bidding processes is followed as for the procurement within South Africa, with the following additional considerations:

- (i) Determining international advertising mechanisms.
- (ii) The price should be reflected in South African currency.
- (iii) Conditions related conversion factors.

347. Where the procurement is from the European Union or WorldBank, such procurement will be conducted via a deviation procurement process as described in clauses 322 to 326 above.

### **PART 5: LOGISTICS MANAGEMENT SYSTEM**

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

#### ***General Logistics***

##### **Placing of Orders**

349. Purchase orders will be created with reference to requisitions where the supply source is either bids or quotations.

350. All purchase orders will be captured on the Municipality's financial system exclusive of VAT.

351. Standing orders may be used in cases where longer term arrangements, necessitating interim payments, are required.

352. Purchase order approvals will be systems based and shall be authorized by the Procurement Section only.

353. In respect of goods and services no work shall commence, or goods be delivered before an official order has been placed with the supplier.

354. The Municipality shall not be liable for payment for any goods delivered or services rendered in contravention of clause 349 above.

### **Receiving of Goods**

355. Goods received will be captured on the Municipality's financial system via a Goods Received Note with reference to the relevant purchase order. Where applicable, the Treasury Department's Assets Section (for asset creation) and Insurance Section (for claims) will be informed of the purchase via the Municipality's financial system, at the end of the procurement process, in terms of other applicable policies.

356. Deliveries of goods may not exceed the order quantity. Short deliveries will keep the purchase order open until the balance of the order is received or cancelled.

### **Expediting Orders**

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

358. Reminder letters can be communicated automatically to suppliers based on the reminder levels (days before delivery due date) that are set in the purchase order.

### **Transport Management**

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

### **Supplier Performance**

360. The Municipal Supplier Development and Performance Management Procedure will enable system-based evaluation, based on the suppliers' performance with regard to certain pre-determined criteria.

361. This information will be available for future evaluation purposes, contract negotiations and regular feedback to the suppliers.

### **Stock Logistics**

#### **Valuation of Stock**

362. Stock is valued on the weighted average costing method per plant and is VAT exclusive. Stock is valued in terms of the generally recognized accounting procedures as adopted by the Municipality.

#### **Setting of Inventory Levels**

363. Stock items shall be systematically replenished using the re-order point planning strategy.

364. Open reservations shall be taken into account during the replenishment run.

### **Issuing of Stock**

365. Goods will be issued from stock with reference to reservations. Goods can be issued for consumption against internal orders, cost centres, projects and assets under construction.

### **Stock Replenishment**

366. Purchase orders will be created, where applicable, with reference to replenishment requisitions in respect of term supply contracts for goods.

367. Replenishment requisition approvals will be systems based.

368. All replenishment will be affected via the Acquisition Management System.

### **Stores Management**

369. The stores function shall be centralised/decentralised in different districts and will operate under the jurisdiction of the Supply Chain Management Unit.

370. The Supply Chain Management Unit must ensure proper financial and budgetary control; uphold the principle of effective administration, proper stock holding and control, product standardisation, quality of products and a high standard of service levels.

371. The Manager: Supply Chain Management will develop and implement appropriate stock management procedures.

372. The Chief Financial Officer is the only delegated authority to write off stock.

## **PART 6: DISPOSAL MANAGEMENT SYSTEM**

373. Subject to sections 14 and 90 of the MFMA and any other applicable legislation, to give effect to:

- (i) Regulation 40 of the Supply Chain Management Regulations which requires an effective system for the disposal or letting of assets including unserviceable, redundant or obsolete assets, and
- (ii) the Municipal Asset Transfer Regulations.

374. As far as possible, assets to be disposed of must be made available to recycling. Disposal to landfill is not allowed unless no recycling options are available.

### **Disposal Management System**

375. Subject to the provisions of the Municipal Asset Transfer Regulations:

- (i) moveable assets may be sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous to the Municipality;
- (ii) immovable property may:
  - a. be sold only at market related prices except when the public interest or the plight of the poor demands otherwise;

- b. let only at market related rates except when the public interest or the plight of the poor demands otherwise and provided that all charges, rates, tariffs, scales of fees or other charges relating to the letting of immoveable property are annually reviewed;
- (iii) in the case of the free disposal of computer equipment, the provincial department of education must first be approached to indicate within 30 days whether any of the local schools are interested in the equipment;
- (iv) in the case of firearms, the National Conventional Arms Control Committee must approve any sale or donation of firearms to any person within or outside the Republic.

376. Together with the Asset Management Unit, the Manager: Supply Chain Management will develop and maintain processes related to disposal management dealing with the disposal options and related processes, such as:

- (i) Competitive bidding
- (ii) Direct negotiation
- (iii) Unsolicited bid
- (iv) Auctions
- (v) Donations
- (vi) Exchange
- (vii) Leasing-out
- (viii) Demolition
- (ix) Decommissioning
- (x) Transfer

### ***Transfer or Permanent Disposal of Assets and the Granting of Rights***

377. Non-exempted capital assets shall be transferred or permanently disposed of strictly in accordance with Chapter 2 of the Municipal Asset Transfer Regulations and all other relevant Municipality Policies.

378. Exempted capital assets shall be transferred strictly in accordance with Chapter 3 of the Municipal Asset Transfer Regulations and all other relevant Municipality Policies.

379. The granting of rights (*where sections 14 and 90 of the MFMA do not apply*) by the Municipality, shall be executed strictly in accordance with Chapter 4 of the Municipal Asset Transfer Regulations and all other relevant Municipality Policies.

### ***Revenue from disposals***

380. The Municipal Manager and Chief Financial Officer will decide on the application of revenue generated from the disposal of assets.

## **PART 7: RISK MANAGEMENT SYSTEM**

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



382. Risk Management shall provide for an effective system for the identification, consideration and avoidance of potential risks in the Municipality's supply chain management system.

383. Managing risk must be part of the Municipality's philosophy, practices and business plans and should not be viewed or practiced as a separate activity in isolation from line managers.

384. Risk Management shall be an integral part of effective management practice.

### ***The Risk Management Process***

385. The risk management process shall be applied to all stages of supply chain management, be it the conceptual stage, project scope definition, specification preparation, acquisition approval or implementation to completion.

386. Risk management is an integral part of good management of acquisition activities and cannot be effectively performed in isolation from other aspects of acquisition management.

387. Appropriate risk management conditions should therefore be incorporated in contracts.

### ***Key Principles***

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

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

### ***Guarantees for Due Performance***

389. Performance guarantees for the procurement of goods and services (including consultant services) will not generally be required, but in exceptional circumstances, can be called for. Where required, the value of such guarantee shall be determined in consultation with the Manager: Supply Chain Management.

390. Unless otherwise provided for in the standard conditions of contract prescribed, the performance guarantees that may be required are as follows:

- (i) In respect of a Rand value less than or equal to R1 000 000: **waived** (that is, no performance guarantee is required);
- (ii) In respect of a Rand value exceeding R1 000 000, but less than or equal to R10 000 000: **5%** of the bid sum;
- (iii) In respect of a Rand value exceeding R10 000 000: **7%** of the bid sum;

- (iv) For Framework Agreement Tenders the Bid Specification Committee must assess the Municipality's anticipated risk exposure at any given time during the contract execution and then, based on the clauses above, determine and specify the monetary value of the required performance guarantee.

391. The value of a performance guarantee required may be varied with approval of the Manager: Supply Chain Management.

392. An amount, equal to the value of the required performance guarantee, may be provided in cash (interest free) in accordance with the processes as prescribed by the delegated authority from time to time.

### ***Advance Payment Guarantees***

393. Advance payments in respect of specific materials or services may, where justified in accordance with rules determined by the Manager: Supply Chain Management from time to time, be made to a supplier only upon submission by the supplier of an acceptable advance payment guarantee to the Municipality. No such advance payment guarantee may be accepted unless the authenticity thereof has been verified by the Municipality's Treasury Department.

394. Advance payments may not be used as a mechanism for providing a supplier with an interest free loan for working capital.

### ***Retention***

395. Retention in respect of the procurement of goods and services (including consultant services) will not generally be applied, but where required, can be called for. Where required, the value of retention to be deducted shall be determined in consultation with the Manager: Supply Chain Management.

396. Unless otherwise provided for in the standard conditions of contract prescribed, the value of retention to be deducted in respect of construction works contracts shall be as follows:

- (i) In respect of a Rand value less than or equal to R200 000: No retention is called for;
- (ii) In respect of a Rand value exceeding R200 000, but less than or equal to R1 000 000: 10% of the value of work carried out with no limit, reducing by half for the duration of the defects liability period;
- (iii) In respect of a Rand value exceeding R1 000 000: 5% of the value of work carried out with no limit, reducing by half for the duration of the defects liability period;

397. The value of retention to be deducted in respect of construction works may be varied with the approval of the Manager: Supply Chain Management.

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

399. Financial guarantees in lieu of retention are, in general, not acceptable. Any motivation for the acceptance of a retention guarantee must be approved by the Manager: Supply Chain Management.

## **PART 8: PERFORMANCE MANAGEMENT SYSTEM**

400. The Municipal Manager must establish and implement an internal monitoring system in order to determine the basis of a retrospective analysis whether the authorised Supply Chain Management processes were followed and whether the objectives of this Policy were achieved.

401. Performance management shall accordingly be characterised by a monitoring process and retrospective analysis to determine whether:

- (i) value for money has been attained;
- (ii) proper processes have been followed;
- (iii) desired objectives have been achieved;
- (iv) there is an opportunity to improve the process;
- (v) suppliers have been assessed and what that assessment is; and
- (vi) there has been deviation from procedures and, if so, what the reasons for that deviation are.

402. The performance management system shall accordingly focus on, amongst others:

- (i) achievement of goals;
- (ii) compliance to norms and standards;
- (iii) savings generated;
- (iv) cost variances per item;
- (v) non-compliance with contractual conditions and requirements; and
- (vi) the cost efficiency of the procurement process itself.

## **PART 9: CONTRACT MANAGEMENT SYSTEM**

403. Contract management includes all activities and administrative duties associated with a contract that has arisen through one of the acquisition/procurement processes described in this policy.

404. Line departments are fully responsible for contract management and administration. Departmental Heads (Directors) shall be responsible to ensure that a contract manager who will be an internal official and is assigned to ensure the effective management of the contract. The contract manager will typically be the internal project manager assigned to the contract as a whole but may also be a cost centre owner or other responsible official.

405. The contract manager's duties and powers shall be governed by the applicable conditions of contract, this Supply Chain Management Policy, any Policies, Frameworks and Procedures relating to contract management adopted by the Municipality and the general law.

406. Departmental Heads (Directors) shall ensure that contract managers are assigned to each contract within the Department Head's area of responsibility and, where possible, should ensure that such contract manager be involved from the earliest stages of the acquisition process.

407. Departmental Heads (Directors) shall further be responsible for ensuring that contract managers:

- (i) take all reasonable steps to ensure that a contract procured through the provisions of this policy is properly enforced;
- (ii) are adequately trained so that they can exercise the necessary level of responsibility in the performance of their duties;
- (iii) in administering a contract, adhere to applicable legislation and legal precedent, regulations, policy and formalised guidelines.

408. In discharging his duties, the contract manager shall:

- (i) ensure that all the necessary formalities in signing up the contract and/or issuing the purchase order(s) are adhered to;
- (ii) ensure that contracts related to the procurement of goods and services are captured on the Municipality's financial system in the form of a price schedule when appropriate;
- (iii) ensure that all original contract documentation is lodged with the Supply Chain Management Unit for record purposes;
- (iv) monitor, update and report, on a monthly basis, the cost status and delivery forecast of the contract and the performance of the supplier in order to ensure that all of the terms and conditions of the contract are met, including the supplier's obligations as regards preferential procurement, targeted labour and/or resources and local production and content, as applicable;
- (v) where necessary, take appropriate action where a supplier is underperforming or is in default or breach of the contract;
- (vi) where appropriate, authorise payments due in terms of the contract by processing payment certificates (if applicable), and ensuring that the necessary Service Entry Sheets or Goods Received Notes are captured on the Municipality's financial system;
- (vii) manage contract variation or amendment procedures in compliance with the latest directive in this regard as issued by the Municipal Manager and approved by the applicable delegated authority;
- (viii) administer disputes where necessary, in terms of this policy and the applicable Conditions of Contract;
- (ix) maintain adequate records in sufficient detail on an appropriate contract file to provide an audit trail;
- (x) ensure that contractual actions relating to supplier liquidation proceedings are correctly and timeously taken to ensure the Municipality's rights are protected and any negative impact on service delivery is mitigated, such options should include inter alia:
  - a. supplier proposal (via the liquidator) is deemed acceptable, by the relevant Executive Director, to the Municipality utilising the appropriate contractual mechanisms; or
  - b. cancelling the contract, as the liquidator proposed supplier is deemed unacceptable to the Municipality, and the Municipality appointing an alternate supplier (via appropriate procurement mechanisms);

- (xi) act with care and diligence and observe all accounting and legal requirements; and
- (xii) for construction contracts, ensure that all contract administrative requirements of the CIDB is complied with.

409. The Manager: Supply Chain Management will developed and issued a Framework, SOP and templates related to contract management and administration dealing with the following matters as well as matters incidental thereto:

- (i) Contract planning activities.
- (ii) Collaboration and creation activities.
- (iii) Execution activities, providing for the following:
  - a. Contract Administrator duties.
  - b. Contract Manager duties.
  - c. General contract matters, such as:
    - i. Rectification of contracts.
    - ii. Placing orders.
    - iii. Emergency purchases.
    - iv. Payments.
    - v. Over-and under deliveries.
    - vi. Insolvency, liquidation, death, sequestration or judicial management.
    - vii. Transfer or cession.
    - viii. Contract variations/amendments.
    - ix. Unsatisfactory performance and contract termination.
    - x. Service provider assessment.
- (iv) Contract close-out activities.
- (v) Reporting.
- (vi) Monitoring and Evaluation.

## **PART 10: SCM ETHICS, APPEALS, OBJECTIONS, DISPUTES, COMPLAINTS, ABUSE AND CONSEQUENCE MANAGEMENT**

### ***Compliance with Ethical Standards***

410. In order to create an environment where business can be conducted with integrity and in a fair and reasonable manner, this Policy will strive to ensure that the Municipal Manager and all representatives of the Municipality of *[insert municipal name]* involved in supply chain management activities shall act with integrity and in accordance with the highest ethical standards.

411. All officials or role players involved in the implementation of the Supply Chain Management Policy shall adhere to the code of conduct of municipal staff contained in schedule(s) of the Municipal Systems Act, and this Policy's Code of Ethical Standards.

412. In addition to this Code of Ethical Standards, the codes of conduct for municipal councillors and municipal staff members, contained in the Municipal Systems Act, shall apply in the application of this Supply Chain Management Policy.

413. A code of ethical standards is hereby established for officials and all role players in the supply chain management system in order to promote:

- (i) mutual trust and respect; and
- (ii) an environment where business can be conducted with integrity and in a fair and reasonable manner.

414. An official or other role player involved in the implementation of the supply chain management policy:

- (i) must treat all providers and potential providers equitably;
- (ii) may not use his or her position for private gain or to improperly benefit another person;
- (iii) may not accept any reward, gift, favour, hospitality or other benefit to a value of more than R350 directly or indirectly from any provider or potential provider including any close family member, partner or associate of that person;
- (iv) notwithstanding the clause above, must declare to the Municipal Manager details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
- (v) must declare to the Municipal Manager details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the Municipality;
- (vi) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
- (vii) must be scrupulous in his or her use of property belonging to the Municipality;
- (viii) must assist the Municipal Manager in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system;
- (ix) may not render any services in any capacity representing a supplier on any contracts the supplier may have with the Municipality for a period of 12 months after having left the employment of the Municipality upon a decision in this regard by the delegated authority; and
- (x) must report to the Municipal Manager any alleged irregular conduct in the supply chain management system which that person may become aware of, including:
  - a. any alleged fraud, corruption, favouritism or unfair conduct;
  - b. any alleged contravention of this policy; or
  - c. any alleged breach of this code of ethical standards;
  - d. any breach of the codes of conduct for municipal staff and for councillors.

415. Declarations in terms of clause 410(v) must be recorded in a register which the Municipal Manager must keep for this purpose.

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

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

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

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

419. 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:

- (i) any inducement or reward to the Municipality for or in connection with the award of a contract; or
- (ii) any reward, gift, favour or hospitality to any official or any other role player involved in the implementation of the supply chain management policy.

420. The Municipal Manager must promptly report any alleged contravention of clause 415 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.

421. Clause 415 does not apply to gifts less than R350 in value or gifts from a single source in any calendar year that does not exceed R350 in value.

### ***Sponsorships, Donations and Grants***

422. The Municipality may not give or receive any sponsorship, donation or grant which is not in terms of any Council Policy or System of Delegations.

423. The delegated authority must comply with all reporting requirements contained in these Policies and any other Regulations

### ***Objections and Complaints***

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

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

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

- (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
- (iii) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

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

427. The person appointed must;

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

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

- (i) the dispute, objection, complaint or query is not resolved within 60 days; or
- (ii) no response is forthcoming within 60 days.

429. 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.

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

### ***Right of Appeal***

431. In terms of Section 62 of the Municipal Systems Act, a person whose rights are affected by a decision taken by the Municipality may appeal against that decision by giving written notice of the appeal and reasons to the Municipal Manager within 21 days of the date of receipt of the notification of the decision.

432. Bid documents must state that any appeal in terms of clause 427 must be submitted to the Municipal Manager at the address stated, and must contain the following:

- (i) must be in writing;
- (ii) reasons for the appeal;
- (iii) the way in which the appellant's rights have been affected;
- (iv) the remedy sought by the appellant; and
- (v) copy of the notification advising the person of the decision.

### ***Combating Abuse of the Supply Chain Management System and consequence management***

433. The Municipal Manager provides measures for the combating of abuse of the supply chain management system and is able to:

- (i) take all reasonable steps to prevent such abuse;
- (ii) investigate any allegations against an official, or other role player, of abuse and when justified, to:
  - a. take appropriate steps against such official or other role player; or
  - b. report any alleged criminal conduct to the South African Police Service or any other recognised authority;



- (iii) check the National's Treasury's Database of Restricted Suppliers and Register for Tender Defaulters 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.

434. The steps referred to in clause 429 above which the Municipal Manager may take include:

- (i) reject any bid from a bidder:
  - a. if any municipal rates and taxes or municipal service charges owed by the bidder, or any of its directors, to the Municipality or any of the Municipality's municipal entities, or any other municipality or municipal entity, are in arrears for more than three months; or
  - b. who during the last five years has failed to perform satisfactorily on a previous contract with the Municipality or its municipal entities or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;
- (ii) reject a recommendation for the award of a contract if:
  - a. the recommended bidder, or any of its directors has committed any abuse of the supply chain management system in competing for the particular contract.
- (iii) cancel a contract (and enforce all contractual remedies) awarded to a person if:
  - a. the person committed any abuse of the supply chain management system during the bidding process or the execution of the contract;
  - b. an official or other role player committed any corrupt or fraudulent act during the bidding or in the execution of the contract that benefited that person;
  - c. a material irregularity vitiates the procurement process leading to the conclusion of the contract, rendering the procurement process and the conclusion of the resulting contract unfair, inequitable, non-transparent, uncompetitive or not cost-effective, provided the Municipal Manager
    - i. affords the person a reasonable opportunity to make representations on whether the contract should be cancelled; and
    - ii. takes into account all relevant considerations in exercising his discretion whether to cancel the contract, including the following factors (none in itself necessarily determinative):
      - a) the commercial consequences of cancellation for the parties to the contract;
      - b) the extent of the parties' reliance on the lawfulness of the procurement process, the award of the tender, and the conclusion of the contract;
      - c) the degree to which the successful bidder is implicated in the irregularity invoked for cancelling the contract, or has been an innocent victim of irregularity attributable to public officials or third parties;
      - d) any adverse consequences for the general public or to the public interest consequent on the cancellation of the contract;
      - e) the extent and duration of the contract concerned;
      - f) whether the Municipality is likely to conclude a similar agreement with another person within a specific time frame;

- g) the extent to which the agreement has been executed;
  - h) the urgency of the services to be delivered or supplied in terms of the contract;
  - i) whether extreme costs will result from cancellation; and
  - j) any other factor which, in the opinion of the Municipal Manager, is relevant to the cancellation of the contract.
- (iv) automatically reject the bid of any bidder or any of its directors who:
- a. abused the supply chain management system of the Municipality or its municipal entities, or has committed any improper conduct in relation to this system;
  - b. has been convicted of fraud or corruption during the past five years;
  - c. wilfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years;
  - d. has been listed on the National Treasury's Register for Tender Defaulters in terms of the Prevention and Combating of Corrupt Activities Act, 12 of 2004;
  - e. has been listed on the National Treasury's Database for Restricted Suppliers as a person prohibited from doing business with the public sector;
  - f. has been found guilty of contravening the Competition Act; and/or
  - g. any other basis listed in the Supply Chain Management Policy.
- (v) invalidate any recommendations or decisions that were unlawfully or improperly made, taken or influenced, including recommendations or decisions that were made or in any way influenced by:
- a. Councillors in contravention of item 5, 6 or 9 of the Code of Conduct for Councillors set out in Schedule 1 of the Municipal Systems Act; or
  - b. Municipal officials in contravention of item 4, 5 or 8 of the Code of Conduct for Municipal Staff Members set out in Schedule 2 of the Municipal Systems Act;
- (vi) list a person or any of its representatives (if applicable) on the Municipality's Register of Tender and Contract Defaulters (subject to the procedures and for periods as described in this Policy)

435. The Manager: Supply Chain Management, must inform the Municipal Manager and the National and Provincial Treasury of any actions taken.

436. Any action against and/or listing of a person in terms of clause 430 shall, at the discretion of the Municipal Manager, also be applicable to any other enterprise or any director or other person who wholly or partly exercises or exercised or may exercise control over the enterprise of the first mentioned person, and with which enterprise or person the first-mentioned person, is, or was actively associated.

437. The Municipal Manager shall revoke access to the e-Procurement system in the event that the supplier is restricted in terms of the Supply Chain Management Policy.

438. The procedures applicable to the application of the measures that are available to the Municipal Manager for the combating of abuse of the supply chain management system is contained in the Municipality's Abuse System and Procedure.

## **PART 11: PREFERENTIAL PROCUREMENT**

439. Where this Policy does not provide for a matter regulated by the Preferential Procurement Regulations, 2022 the provisions of the regulations will prevail in respect of a "tender" as defined in the regulations.

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

- (i) the application of a preference point system for Exempted Micro Enterprises (EME), Qualifying Small Enterprises (QSE) and specific goals in terms of the Preferential Procurement Regulations, 2022.
- (ii) the stipulation, in bid documentation, of minimum thresholds for local production and content in accordance with directives issued by the National Treasury and Department of Trade and Industry.
- (iii) the unbundling of large projects, where appropriate, into smaller contracts to ensure that a spread of opportunities are made available to suppliers of various sizes.
- (iv) the use of functionality/quality, where appropriate, in procurement processes in order to ensure that goods supplied are fit for purpose, or that a minimum level of experience and competence in respect of suppliers is attained.
- (v) the increase of employment opportunities by encouraging the use of labour-intensive technologies.
- (vi) continue to redress the skewed employment and ownership patterns in the greater municipal area.
- (vii) achieve the above by providing procurement and employment opportunities to B-BBEE- and SMME- enterprises and disadvantaged communities.
- (viii) enable local- and socio-economic transformation objectives to be linked to fair, transparent, equitable, competitive and cost-effective procurement practices that will encourage the entry of emerging business into the municipal area.
- (ix) the targeting of labour and/or enterprises from specific areas within the boundaries of the municipal area.

441. Preferential procurement is further enhanced by provisions aimed at improved access to information, simplification of documentation, reduced performance guarantee requirements, reduced retention, reduced payment cycles in accordance with this Policy and good governance.

### ***Aim***

442. The aim of this section of the Municipality's Supply Chain Management Policy is to give effect to, and to ensure compliance with, all applicable legislation and national directives in respect of preferential procurement and broad-based black economic empowerment.

### ***Performance Management***

443. The level of B-BBEE contribution achieved by the Municipality through the application of this policy will be monitored in terms of the Supply Chain Management performance management system.

### ***Preferential Procurement System - Key Principles***

444. The key principles of this system are:

- (i) the application of an **80/20** preference point system for procurement (competitive bids or quotations) with a **Rand value equal or below R50 000 000**;
- (ii) the application of a **90/10** preference point system for procurement (competitive bids) with a **Rand value greater than R50 000 000**;
- (iii) if it is unclear which preference point system will be applicable, that either the 80/20 or 90/10 preference point system will apply and that the lowest acceptable tender will be used to determine the applicable preference point system;
- (iv) that bids may be declared non-responsive if:
  - a. they fail to meet any pre-qualifying criteria if stipulated in the bid documents;
  - b. they fail to meet the minimum stipulated threshold for local production and content if stipulated in the bid documents;
  - c. they fail to achieve compulsory subcontracting requirements if stipulated in the bid documents;
  - d. they fail to meet objective criteria if stipulated in the bid documents;
  - e. they fail to achieve a minimum qualifying score for functionality (quality) if indicated in the bid documents.

445. The preference point system shall be used in the evaluation of responsive bids for the purposes of determining preferred/recommended bidders, and for the adjudication thereof.

446. The preference point system is not applicable to petty cash purchases.

### ***Planning and Stipulation of Preference Point System***

447. Prior to embarking on any procurement process, the Responsible Agent must properly plan for, and, as far as possible, accurately estimate the cost of the goods, services or construction works for which bids are to be invited.

448. The Bid Specification Committee shall, immediately prior to advertising, determine the appropriate preference point system to be used in the evaluation and adjudication of bids in accordance with clause 440 of this Policy, and shall ensure that such is clearly stipulated in the bid documentation.

449. The Municipality shall further determine whether:

- (i) pre-qualification criteria are applicable to the tender, in which case the requirements of clauses 446 to 447 shall be followed.
- (ii) the goods or services which are to be procured, are in a designated sector for local production and content, in which case the requirements of clauses 485 to 490 shall be followed.
- (iii) compulsory subcontracting is applicable to the tender, in which case the requirements of clauses 491 to 493 shall be followed.
- (iv) Other goals to be pursued, in which case clauses 494 to 511 shall be followed.

### ***Pre-qualification criteria for preferential procurement***

450.If the Municipality decides to apply pre-qualifying criteria to advance certain designated groups, the Municipality must advertise the tender with a specific tendering condition that only one or more of the following tenderers may respond:

- (i) a tenderer having a stipulated minimum points for specific goals;
- (ii) an EME or QSE;
- (iii) a tenderer subcontracting a minimum of 30% to:
  - a. an EME or QSE which is at least 51% owned by black people;
  - b. an EME or QSE which is at least 51% owned by black people who are youth;
  - c. an EME or QSE which is at least 51% owned by black people who are women;
  - d. an EME or QSE which is at least 51% owned by black people with disabilities;
  - e. an EME or QSE which is at least 51% owned by black people living in rural or undeveloped areas or townships;
  - f. a co-operative which is at least 51% owned by black people;
  - g. an EME or QSE which is at least 51% owned by black people who are military veterans;
  - h. an EME or QSE.

451.A tender that fails to meet any pre-qualifying criteria stipulated in the tender documents is an unacceptable tender and will be declared non-responsive.

### ***Evaluation of Bids on Functionality (Quality)***

452.Functionality (otherwise known as quality) may be included in the bid evaluation process as a qualifying (eligibility) criterion.

453.If a bid is to be evaluated on functionality, this must be clearly stated in the invitation to submit a bid, and in the bid documentation.

454.The evaluation criteria for measuring functionality must be objective.

455.The following must be clearly stipulated in the bid document when evaluating bids on functionality the:

- (i) evaluation criteria for measuring functionality;
- (ii) the points for each criteria and, if any, each sub-criterion;
- (iii) the minimum qualifying score for functionality rounded off to the nearest two decimal places (if applicable),

456.The minimum qualifying score for functionality for a tender to be responsive must be determined separately for each tender. The norm for the minimum qualifying score for functionality shall be 60% of the total possible score. For more specialised or complex tenders the minimum score may, at the discretion of the Bid Specification Committee, be increased to up to 70% of the total possible score. The setting of a minimum score any higher than 70% of the total possible score must be motivated to, and approved by, the Manager: Supply Chain Management prior to use and must not be unreasonably restrictive.

457.If a bid fails to achieve the minimum qualifying score for functionality as indicated in the bid document, it must be regarded as non-responsive, and be rejected (*not considered any further in the evaluation process*).

458.Bids that have achieved the minimum score for functionality, and passed any other responsiveness tests, must be evaluated further in terms of the preference point system prescribed below.

### **Evaluation and Adjudication of Bids**

459.An 80/20 preference point system is stipulated for bids with a Rand value equal to or below R50 000 000, and a 90/10 preference point system of procurement with a Rand value of greater than R50 000 000. If it is unclear which preference point system will be applicable, that either the 80/20 or 90/10 preference point system will apply and that the lowest acceptable tender will be used to determine the applicable preference point system;

460.This means that either 80 or 90 points, depending on the Rand value of the bid, will be awarded to the person who offers the lowest price, and proportionately fewer points are awarded to those with higher prices. Either 20 or 10 points are then available as preference points for EME's, QSEs or specific goals, as applicable.

461.Irrespective of the preference point system used, the following will be applicable:

- (i) Points for preference must be awarded to Exempted Micro Enterprises, Qualifying Small Enterprises or to bidders having attained points for specific goals in accordance to Preferential Procurement Regulations, 2022.
- (ii) A tenderer failing to submit proof to substantiate the specific goals may not be disqualified but may only score points for price and must be awarded zero points for preference.
- (iii) The points for preference scored by a bidder must be added to the points for price scored, in order to obtain the total number of adjudication points scored for each responsive bid. The points scored must be rounded off to the nearest two decimal places (if applicable).
- (iv) Subject to clause 244, the contract must be awarded to (and/or order placed with) the bidder that scores the highest total number of adjudication points.
- (v) If the price offered by a tenderer scoring the highest points is not market related, the Municipality may not award the contract to that tenderer. The Municipality may however:
  - (vi) negotiate a market related price with the tenderer scoring the highest points in accordance with clauses 292 to 295 of this Policy, or cancel the tender;
  - (vii) if the tenderer does not agree to a market related price, negotiate a market related price with the tenderer scoring the second highest points in accordance with clauses 292 to 295 of this Policy, or cancel the tender;
  - (viii) if the tenderer scoring the second highest points does not agree to a market related price, negotiate a market related price with the tenderer scoring the third highest points in accordance with clauses 292 to 295 of this Policy, or cancel the tender;
- (ix) apply the foregoing principles to all written and formal written price quotations but upon the approval of Manager: Supply Chain Management or his delegated official.

462.If a market related price is not agreed as envisaged in clause 457(v) of this Policy, the Municipality must cancel the tender.

463.The criteria applicable to break any deadlock where tenderers score equal number of points, will be in accordance with clauses 267 to 270 of this Policy.

464.The remedies for any breach detected for the submission of any false information by a bidder are contained in clause 429 of this Policy.

### ***Cancellation of Bids***

465.The Municipality may cancel bids before the award of such bid in accordance with clauses 296 to 301 of this Policy.

### ***The 80/20 Preference Point System for the Procurement (Acquisition) of Goods, Services or Construction Works up to a Rand Value of R50 000 000***

466.The following formula must be used to calculate the points out of 80 for price in respect of bids (including price quotations) with a Rand value equal or below R50 000 000 (all applicable taxes included):

$$P_s = 80 [1 - (P_t - P_{min})]$$

Where :

$P_s$  = Points scored for price of tender under consideration;

$P_t$  = Price of tender under consideration; and

$P_{min}$  = Price (corrected, if applicable, inclusive of VAT) of lowest acceptable tender.

### ***The 90/10 Preference Point System for the Procurement (Acquisition) of Goods, Services or Construction Works with Rand Value above R50 000 000***

467.The following formula must be used to calculate the points for price in respect of bids with a Rand value above R50 000 000 (all applicable taxes included):

$$P_s = 90 [1 - (P_t - P_{min})]$$

Where :

$P_s$  = Points scored for price of tender under consideration;

$P_t$  = Price (corrected, if applicable, inclusive of VAT) of tender under consideration; and

$P_{min}$  = Price (corrected, if applicable, inclusive of VAT) of lowest acceptable tender.

***The 80/20 Preference Point System for tenders for income-generating contracts with Rand Value equal to or below R50 000 000***

468. The following formula must be used to calculate the points for price in respect of an invitation for tender for income-generating contracts; with a Rand value equal to or below R50 000 000, inclusive of all applicable taxes;

$$P_s = 80 \left[ 1 + \frac{(P_t - P_{max})}{P_{max}} \right]$$

Where :

$P_s$  = Points scored for price of tender under consideration;

$P_t$  = Price of tender under consideration; and

$P_{max}$  = Price of highest acceptable tender

***The 90/10 Preference Point System for tenders for income-generating contracts with Rand Value above R50 000 000***

469. The following formula must be used to calculate the points for price in respect of a tender for income-generating contracts; with a Rand value equal above R50 000 000, inclusive of all applicable taxes;

$$P_s = 90 \left[ 1 + \frac{(P_t - P_{max})}{P_{max}} \right]$$

Where :

$P_s$  = Points scored for price of tender under consideration;

$P_t$  = Price of tender under consideration; and

$P_{max}$  = Price of highest acceptable tender

***Evidence that Substantiates Specific Goals***

470. In order to qualify for preference points in terms of this Policy, bidders must submit documentary proof of specific goals in accordance with the applicable codes of good practise as specified in the tender documents.

471. The submission of such documentary proof must comply with the requirements of instructions and circulars / guidelines issued by the National Treasury and be in accordance with notices published by the Department of Trade and Industry in the Government Gazette.

472. Bidders who fail to submit the required documentary proof, or certified copies thereof, will be deemed to be non-compliant contributors.

473. Where specific sector charters have been gazetted in terms of the B-BBEE Act, bid documentation for procurement from within such sectors, must specify that only bidders verified, or who are Exempted Micro Enterprises or Qualifying Small Enterprises, in terms of the particular sector charter (or Code of Good Practice), will qualify for a



preference. A status level of contributor in respect of generic Codes of Good Practice will not, in such circumstances, qualify for any preference.

474. Where no specific sector charter has been gazetted, the gazetted generic Codes of Good Practice will be applicable to all bidders in order to qualify for a preference.

475. For the purposes of transparency, bidders shall be required to indicate, in their bid submission, their B-BBEE status level of contribution.

476. Notwithstanding what is contained in the bid submission, preference points will be allocated during the bid evaluation process in accordance with the verified specific goals as at the closing date of the bid.

### ***Conditions Relating to the Granting of Preferences***

477. Bidders must, in the manner stipulated in the bid documentation, declare that:

- (i) the information provided is true and correct;
- (ii) the signatory to the bid document is duly authorised; and
- (iii) documentary proof regarding any bidding issue will, when required, be submitted to the satisfaction of the Municipality.

478. Only bidders who have completed and signed the necessary declarations may be considered for the granting of preference points.

479. The Bid Evaluation Committee must, when calculating prices, take into account any discounts which have been offered unconditionally.

480. A discount which has been offered conditionally must, despite not being taken into account for evaluation purposes, be implemented when payment is effected.

481. A trust, joint venture or co-operative will qualify for verified specific goals of contributor as a legal entity, provided that the entity has submitted the required documentary proof (or certified copy thereof) to the Municipality.

482. A bidder may not be awarded points for verified specific goals if the bid documents indicate that such a bidder intends sub-contracting more than 25% of the value of the contract to any other person not qualifying for at least the points that the bidder qualifies for, unless the intended sub-contractor is an EME that has the capability and ability to execute the sub-contract.

483. A person awarded a contract may not sub-contract more than 25% of the value of the contract to any other enterprise that does not have an equal or higher verified specific goals of contributor than the person concerned, unless the contract is sub-contracted to an EME that has the capability and ability to execute the sub-contract. Compliance with this particular requirement must be monitored by the Responsible Agent during the execution of the contract.

484.A person awarded a contract may only enter into a subcontracting arrangement with the approval of the Municipality.

485.If a service is required that can only be provided by tertiary institutions, such services must be procured through a bidding process from the identified tertiary institutions.

486.The tertiary institutions referred to in clause 481 above, must submit their verified specific goals

487.If a service is required that can be provided by one or more tertiary institutions or public entities and enterprises from the private sector, the appointment of a supplier/ must be done by means of a competitive bidding process.

488.Public entities must submit their verified specific goals

### ***Local Production and Content***

489.The Department of Trade and Industry may, in consultation with the National Treasury designate a sector, sub-sector or industry or product in accordance with the national development and industrial policies for local production and content, where only locally produced services or goods or locally manufactured goods meet the stipulated minimum threshold for local production and content taking into account economic and other relevant factors and stipulate a minimum threshold for local production and content. The National Treasury must inform the Municipality of any designations made through the issue of a circular.

490.In the case of designated sectors, such bids must be advertised with a specific condition of bidding that only locally produced goods or locally manufactured goods, meeting the stipulated minimum threshold for local production and content will be considered.

491.Any instructions, circulars and guidelines issued by National Treasury in the above regard must be complied with.

492.Where there is no designated sector, bids may include, as a specific condition of bidding, that only locally produced goods or locally manufactured goods with a stipulated minimum threshold for local production and content, will be considered, on condition that such prescript and threshold(s) are in accordance with the specific directives issued for this purpose by the National Treasury in consultation with the Department of Trade and Industry.

493.A person awarded a contract in relation to a designated sector, may not sub-contract in such a manner that the local production and content of the overall value of the contract is reduced to below the stipulated minimum threshold.

494.A bid that fails to meet the minimum stipulated threshold for local production and content is an unacceptable bid.

### ***Subcontracting as condition of a bid***

495.If feasible to subcontract for a contract above R30 million, the Municipality must apply subcontracting to advance designated groups.

496.If the Municipality applies subcontracting as a condition of a bid, the Municipality must advertise the bid with a specific bid condition that the successful bidder must subcontract a minimum of 30% of the value of the contract to:

- (i) an EME or QSE;
- (ii) an EME or QSE which is at least 51% owned by black people;
- (iii) an EME or QSE which is at least 51% owned by black people who are youth;
- (iv) an EME or QSE which is at least 51% owned by black people who are women;
- (v) an EME or QSE which is at least 51% owned by black people with disabilities;
- (vi) an EME or QSE which is at least 51% owned by black people living in rural or undeveloped areas or townships;
- (vii) a co-operative which is at least 51% owned by black people;
- (viii) an EME or QSE which is at least 51% owned by black people who are military veterans; or
- (ix) more than one of the categories referred to in this clause.

497.The Municipality must make available the list of all suppliers registered on a database approved by the National Treasury to provide the required goods or services in respect of the applicable designated groups mentioned in the preceding clause from which the bidder must select a supplier.

### ***Other Specific Goals***

#### **Unbundling Strategies**

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

499.Unbundling must however be considered in the context of:

- (i) economies of scale being lost;
- (ii) abortive work becoming necessary;
- (iii) additional demands (not only financial) being placed on the Municipality's resources; and
- (iv) the risk of later phases not being completed as a result of budget cuts becoming necessary in the future.

500.Unbundling, and all of its associated implications, must therefore be carefully considered at the planning stage of any project and the budgets for, and design thereof, should be structured accordingly.

501.It is important to note that while it is the Municipality's policy to procure goods, services or construction works in the smallest practicable quantities, the practice of parcelling such procurement in order to avoid complying with the requirements of the different range of procurement processes described in this policy is not permitted.

502.Unbundling strategies can be afforded to the full spectrum of businesses, from those operating as labour only contractors to those operating as prime contractors. Some of these strategies can be summarised as follows:

- (i) Providing third-party management support to enterprises which are not capable of operating as prime contractors.
- (ii) Providing training to new entrants.
- (iii) Promoting learner-ships, intern-ships, pupil-ships, etc.

- (iv) Obligating main contractors or service providers to engage targeted enterprises in the performance of their contracts incorporating resource specifications;
- (v) Foster joint ventures that are formed between large businesses and targeted enterprises (*termed as Structured Joint Ventures*);
- (vi) Encourage and involve funding institutions to assist small businesses with access to finance and negotiate for credit lines;
- (vii) Encourage local manufacturing and procurement from small businesses within the municipal area.
- (viii) Unbundling of big projects and identifying opportunities and areas/scope of works that can be carried out by emerging contractors bar those from the main assignment shall be pursued vigorously.

### **Increasing Employment Opportunities**

503. One of the Municipality's key socio-economic objectives is to facilitate the creation of employment for the people within the municipal area.

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

505. It is up to Responsible Agents to thoroughly investigate the options available in the above regard, to evaluate the positive versus negative impact of any proposals, and to specify labour intensive technologies and/or methods where appropriate.

506. All labour earning less than a threshold wage, determined in accordance with National Guidelines, that is employed for the provision of services or construction works for the Municipality, shall be reported in the prescribed format, on a monthly basis, to the Municipal EPWP Unit.

### **Targeted Labour and/or Targeted Enterprises**

507. The targeting of labour and/or enterprises from specific areas within the boundaries of the Municipal area may be achieved, where appropriate, by specifying in the bid documents, a minimum level of participation (a contract participation goal) that must be achieved in respect of targeted labour and/or targeted enterprises in the performance of the contract.

508. Specified contract participation goals must be measurable and achievable, and the performance in respect of which must be monitored by the Responsible Agents during the execution of the contract.

509. Where a minimum contract participation goal has been specified in respect of targeted labour and/or enterprises, the supplier is obliged to meet that goal, and must be penalised if he or she does not.

510. Contract participation goals in respect of targeted labour and/or enterprises may not be introduced into the preference point system used for the evaluation of bids.

## **CSI – Corporate Social Investment**

511. Corporate social investment (CSI) is defined as contributions (either employee time and/or resources) which bring benefits over and above those directly associated with the Municipal core business activities.

512. Depending on the principles of fairness and cost-effectiveness, the relevant commodity required and the profile of the supply industry, the Municipality may require that specific CSI contributions are made in line with the Municipal Grant-in-Aid Policy.

513. The suppliers shall be expected to indicate or provide an outline of socio-economic projects to be implemented through its Corporate Social Responsibility in the Stellenbosch Municipal area. Proposed projects must be measurable with specific focus on vulnerable groups. Bidders can suggest or explore the following socio-economic project practices for consideration:

- (i) On the job training and development of staff (learnerships), particularly for the unemployed or young people including the recruitment of long-term job seekers and handicapped people;
- (ii) Young women / mother's upliftment / leadership programme;
- (iii) Skills development initiatives (technical and soft skills) must be accredited with recognised institutions;
- (iv) Youth leadership and empowerment projects;
- (v) Early childhood development;
- (vi) Projects can be in collaboration with local CBO's, NGO's and relevant institutions;
- (vii) Business skills and enterprise support including mentoring of local enterprises; and/or
- (viii) Development of Parks and open spaces.

514. It is specifically recorded that NO CSI financial contributions will be required or accepted.

515. The Municipality will adopt a uniform standard in acknowledging, monitoring and reporting on CSI contributions.

## **Remedies**

### **Actions in Respect of Fraud**

516. The Municipal Manager will act against a bidder or person awarded the contract upon detecting that the B-BBEE status level of contribution has been indicated or obtained on a fraudulent basis in terms of clauses 429 to 434 relating to the Abuse of this Supply Chain Management System.

### **Actions in Regard of Non-performance**

517. The specific penalties referred to in this section of the SCM Policy will be applicable to breaches of the contractual conditions relating to preferential procurement that were found to be non-fraudulently committed. If any of these breaches are found to be fraudulently committed, the conditions relating to the Abuse of the Supply Chain Management System will be applicable.

518. If a successful bidder subcontracts a portion of the tender to another person without making such disclosure and obtaining approval from the Municipality, a penalty of up to 10% of the value of the contract will be imposed.

## PART 12: TRANSITIONAL AND MISCELLANEOUS MATTERS

### *Phased implementation of processes and procedures*

519. It is accepted that not all processes and procedures of the full SCM System could be immediately effective.

520. After consideration of the current capacity and maturity, it is recorded that certain processes and procedures related to this Policy will only become effective when it is formally issued as Municipal SCM Instructions/Circulars. The delayed implementation elements are listed in Annexure A, attached hereto and will be maintained by the Manager: Supply Chain Management.

521. Note that these processes and procedures will be in the format of frameworks, standard operating procedures and templates and will not prevail over this Policy.

### *Exemptions*

522. Any exemptions from the Municipal SCM Policy may be solicited by prior approval from the Municipal Manager, unless it relates to a matter prescribed by the relevant Treasury, then exemption must be requested as prescribed.

### *Non-compliance*

523. Non-compliance with this Policy may result in appropriate disciplinary procedures being considered and instituted against the relevant officials where deemed necessary.

## DOCUMENT DEFINITION

Version	
Date	
Summary	This document is the Senqu Municipal SCM Policy, including Infrastructure, Construction and Preferential Procurement.
Signature	Date:
Effective date	ACCOUNTING OFFICER .....
Next revision date	.....

## AMENDMENT HISTORY

No	Amendment reference	Effective date	Chapter	Paragraph	Short description

1					
2					
3					

**Annexure A: The Table provides for an example of the phases of commencement of the Municipal SCM Policy, 2023/2024:**

<b>PART</b>	<b>TOOLS/Frameworks/SOP's AND TEMPLATES</b>	<b>PLANNED EFFECTIVE DATE</b>
<b>2. INSTITUTIONALISATION</b>	Bid Committee Rules of Order and SOP	2023/24
	SCM delegation framework and system	
<b>3. DEMAND MANAGEMENT</b>	Demand management SOP	
	Procurement planning SOP	
	Strategic sourcing strategies and mechanisms	
	Cost containment framework	
<b>4. ACQUISITION MANAGEMENT</b>	Acquisition management SOP	
	Bid procedures SOP	
	Alternative procurement mechanisms/SOP's, e.g.:	
	(i) Deviation procurement (ii) Emergency procurement (iii) Unsolicited bids (iv) Piggy-back contracts (v) Rotations/roster mechanism for panels (vi) Framework contracts	
<b>5. LOGISTICS MANAGEMENT</b>	Logistics management SOP	
	Inventory management SOP	
<b>6. DISPOSAL MANAGEMENT</b>	Disposal management SOP	
<b>7. RISK MANAGEMENT</b>	SCM enterprise risk management system	
	SCM risk management on a case-by-case basis SOP	
<b>8. PERFORMANCE MANAGEMENT</b>	Performance management system framework	
	Supplier performance and development framework	
	Reporting management system SOP	
<b>9. CONTRACT MANAGEMENT</b>	Contract management and administration system SOP	
	Contract management and commitment register	
<b>10. ETHICS, APPEALS, OBJECTIONS, COMPLAINTS, ABUSE AND CONSEQUENCE MANAGEMENT</b>	Code of Conduct for SCM mechanism	
	SCM complaints, dispute, objections and appeal mechanism/SOP	
	SCM abuse and consequence management mechanism/ SOP	
<b>11. PREFERENTIAL PROCUREMENT</b>	Small contractor development programme	
	Sub-contracting feasibility determination mechanism	



