THEMBISILEHANI LOCAL MUNICIPALITY

SUPPLY CHAIN MANAGEMENT POLICY

2026/2027

APPROVED POLICY

TABLE OF CONTENTS

CHAPTER 1

1. Definitions

CHAPTER 2

ESTABLISHMENT AND IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

2. Supply chain management policy
3. Amendments of supply chain management policy
4. Delegation of supply chain management powers and duties
5. Sub-delegations
6. Oversight role of council
7. Supply chain management unit

CHAPTER 3

FRAMEWORK FOR SUPPLY CHAIN MANAGEMENT

8. Format of supply chain management

PART 1: DEMAND MANAGEMENT

9. System of demand management

PART 2: ACQUISITION MANAGEMENT

10. System of acquisition management
11. Range of procurement processes
12. General preconditions for consideration of written quotations or bids
13. Preferential Procurement
14. Remedies action in respect of fraud or non-performance
15. Guarantees for due performance main contract must ensure insurance
16. Retention
17. Payment terms
18. Petty cash purchases
19. Written quotations
20. Formal written price quotations
21. Competitive bids
22. Process for competitive bidding
23. Bid documentation for competitive bids
24. Public invitation for competitive bids
25. Procedure for handling, opening and recording of bids
26. Two-stage bidding process

APPROVED SCM POLICY

27. Two envelope system
28. Validity periods
29. Cancellation of tenders
30. Contract Price Adjustment
31. Samples
32. Closing of bids
33. Communication with bidders before bid closing
34. Late bids
35. Amendment of bids before closing
36. Dealing with bids and quotations if the closing date thereof has been extended
37. Amendments after closing date
38. Bid Sum
39. Committee system for competitive bids
40. Bid specification committees
41. Bid evaluation committees
42. Bid evaluation
43. Bids shall be evaluated according to the following as applicable
44. Recommendation to bid adjudication committee
45. Bid adjudication
46. Bid adjudication committee
47. Adjudication and award
48. Negotiation with preferred bidders
49. Approval of Bid not recommended
50. Notify the accounting officer
51. Municipal Manager Powers over adjudication
52. Procurement of banking services
53. Procurement of IT related goods or services
54. Procurement of Accommodation for seminars and conferences
55. Travel and accommodation
56. Domestic accommodation
57. Procurement of goods and services under contracts secured by other organs of state
58. Procurement of goods necessitating special safety arrangements
59. Public-private partnerships
60. Contracts having budgetary implications beyond three financial years
61. Publications in the media
62. Community based vendors
63. Range of procurement processes
64. Deviation from, and ratification of minor breaches of, procurement processes
65. Emergency dispensation
66. Unsolicited bids

APPROVED SCM POLICY

67. Combating of abuse of supply chain management system 68. Rotation of service providers appointed in panel contracts

APPROVED SCM POLICY

PART 3: LOGISTICS, DISPOSAL, RISK AND PERFORMANCE MANAGEMENT

69. Logistics management
70. Transport management
71. Vendor performance
72. Contract Administration
73. Disposal Management
74. Transfer or Permanent Disposal of Assets and the Granting of Right
75. Performance management
76. Roles and responsibilities of officials

PART 4: OTHER MATTERS

77. Prohibition on awards to persons whose tax matters are not in order
78. Prohibition on awards to persons in the service of the state
79. Roles and responsibilities
80. Awards to close family members of persons in the service of the state
81. Ethical standards
82. Declaration to be made to the Accounting Officer
83. Inducements, rewards, gifts and favours
84. Sponsorships, events and catering
85. Communication
86. Conferences, meetings and study tours
87. Other related expenditure
88. Objections and complaints
89. Resolution of disputes, objections, complaints and queries
90. Contracts providing for compensation based on turnover
91. Payment of sub-contractors / Joint Venture Partners
92. Extending or varying a contract
93. Policy reviews
94. Budget and resources
95. Implementation
96. Penalties

APPROVED SCM POLICY

CHAPTER 1

DEFINITIONS

1.1 **"Adjudication points":** means the points for price and specific goals points for contribution referred to in the Preferential Procurement Regulations, 2022 and the Preferential Procurement section of this policy, also referred to as "evaluation points".

1.2 **"All applicable taxes":** includes value-added tax, pay as you earn, income tax, unemployment insurance fund contributions and skills development levies.

1.3 **"Asset":** means a tangible or intangible resource capable of ownership.

1.4 **"B-BBEE":** means broad-based black economic empowerment as defined in section 1 of the Broad-Based Black Economic Empowerment Act.

1.5 **"B-BBEE Status Level of Contributor":** means the B-BBEE status received by a measured entity based on its overall performance using the relevant scorecard contained in the Codes of Good Practice on Black Economic Empowerment, issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act.

1.6 **"Black people"** is a generic term which means Africans, Coloureds and Indians;

1.7 **"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.

1.8 **"Bidder":** means any person submitting a competitive bid or a quotation.

1.9 **"Broad-Based Black Economic Empowerment Act":** means the Broad-Based Black Economic Empowerment Act, 53 of 2003 and Codes of Good Practice pertaining thereto.

1.10 **"Capital Asset":** means:

1.10.1 any immovable asset such as land, property, or buildings; or

1.10.2 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 benefit can be derived, such as plant, machinery and equipment.

1.11 **"Closing Time":** means the time and day specified in the bid documents for the receipt of bids.

1.12 **"Comparative Price":** means the price after the factors of a non-firm price and all unconditional discounts that can be utilized have been taken into consideration.

1.13 **"Competitive Bidding Process":** means a competitive bidding process referred to in Regulation 12 (1) (d) of the Supply Chain Management Regulations.

1.14 **"Competitive Bid":** means a bid in terms of a competitive bidding process.

APPROVED SCM POLICY

1.15 **"Community Based Vendor":** means a supplier of goods, services and/or construction works who resides in a target area or community, who meets the criteria for communitybased vendors as determined by the Director: Supply Chain Management from time to time, and who is registered as such on the municipality's Supplier database.

1.16 **"Consortium":** an association or grouping of institutions, business, or financial organization, usually set up for a common purpose that would be beyond the capabilities of a single member of the group.

1.17 **"Construction Industry Development Board (CIDB) Act":** means the Construction Industry Development Board Act, 38 of 2000 and includes the regulations pertaining thereto.

1.18 **"Construction Works":** means any work in connection with:

1.18.1 the erection, maintenance, alteration, renovation, repair, demolition or dismantling of or addition to a building or any similar structure;

1.18.2 the installation, erection, dismantling or maintenance of a fixed plant;

1.18.3 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

1.18.4 the moving of earth, clearing of land, the making of an excavation, piling or any similar type of work.

1.19 **"Consultant":** means a person or entity providing services requiring knowledge-based expertise and includes professional service providers.

1.20 **"Contract":** means the agreement, which is concluded when the municipality accepts, in writing, a competitive bid or quotation submitted by a supplier.

1.21 **"Contractor":** means any person or entity whose competitive bid or quotation has been accepted by the municipality.

1.22 **"Contract participation goal":** the value of the participation of a specific target group that a contractor must achieve in the performance of a contract, expressed as a percentage of the bid sum less provisional sums, contingencies and VAT.

1.23 **"Day(s)":** means calendar days unless the context indicates otherwise.

1.24 **"Delegated Authority":** means any person or committee delegated with authority by the municipality in terms of the provisions of the Municipal Finance Management Act.

1.25 **"Designated sector":** means a sector, sub-sector or industry that has been designated by the Department of Trade and Industry in line with national development and industrial policies for local production, where only locally produced services, works or goods or locally manufactured goods meet the stipulated minimum threshold for local production and content.

1.26 **"Designated group"** means:

a) Black designated groups;
b) Black people;
c) Women;

APPROVED SCM POLICY

d) People with disabilities; or

e) Small enterprises, as defined in section 1 of the National Small Enterprise Act, 1996 (Act No. 102 of 1996);

1.27 **"Disability"** means, in respect of a person, a permanent impairment of a physical, intellectual, or sensory function, which results in restricted, or lack of, ability to perform an activity in the manner, or within the range, considered normal for a human being.

1.28 **"Evaluation of Bids":** in respect of bids that exceed R200 000, shall be deemed to take place when the Bid Evaluation Committee meets to make a recommendation to the Bid Adjudication Committee.

1.29 **"Evaluation Points":** also referred to as "Adjudication Points" (see clause 1.1 above).

1.30 **"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.

1.31 **"Exempted Micro Enterprise (EME)":** means a bidder with an annual total revenue of R5 million or less (in terms of the Broad-Based Black Economic Empowerment Act).

1.32 **"EPWP"** means an Expanded Public Works Programme.

1.33 **"Final Award":** in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept.

1.34 **"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 contractor and demonstrably has an influence on the price of any supplies, or the rendering costs of any service, for the execution of the contract.

1.35 **"Formal Written Price Quotation", "Written Price Quotation", "Quotation" or "Quote":** means a written or electronic offer to the municipality in response to an invitation to submit a quotation. Also referred to as "Bids".

1.36 **"Functionality":** means the measurement according to predetermined norms, as set out in the bid or quotation documents, of a service or commodity that is designed to be practical and useful, working or operating, considering, among other factors, the quality, reliability, viability and durability of a service and the technical capacity and ability of a bidder. **"Functionality"** is also referred to as **"Quality".**

1.37 **"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

APPROVED SCM POLICY

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.

1.38 **"Green Procurement":** is defined as taking into account environmental criteria for goods and services to be purchased to ensure that the related environmental impact is minimized.

1.39 **"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;**

1.40 **"Historically Disadvantaged Individual (HDI)"** means a South African citizen:

- who, due to the apartheid policy that had been in place, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa Act 110 of 1983 or the Constitution of the Republic of South Africa Act 200 of 1993 ("the Interim Constitution"); and / or
- who is a female; and / or
- who has a disability;

Provided that a person who obtained South Africa citizenship on or after the coming into effect of the Interim Constitution is deemed not to be an HDI.

1.41 **"Imported Content":** means that portion of the bid price represented by the cost of components, parts or materials which have been or are still to be imported (whether by the supplier or its sub-contractors) and which costs are inclusive of the costs abroad, plus freight and other direct importation costs, such as landing costs, dock dues, import duty, sales duty or other similar tax or duty at the South African port or entry.

1.42 **"In the service of the state":** means:

1.42.1 a member of any municipal council, any provincial legislature or the National Assembly or the National Council of Provinces;

1.42.2 an official of any municipality or municipal entity;

1.42.3 an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1 of 1999;

1.42.4 a member of the board of directors of any municipal entity;

1.42.5 a member of the accounting authority of any national or provincial public entity; or

1.42.6 an employee of Parliament or a provincial legislature.

1.43 **"Joint Venture or Consortium":** means an association of persons formed for the purpose of combining their expertise, property, capital, efforts, skill and knowledge

APPROVED SCM POLICY

in an activity for the execution of a contract or contracts. The Joint Venture must be formalized by agreement between the parties.

1.44 **"Local Content":** means that portion of the bid price, which is not included in the imported content, provided that local manufacture does take place.

1.45 **"Learner Contractor":** an entity established by the NDM and enrolled within its Expanded Public Works Programme (EPWP)

1.46 **"Locality"** means a business enterprise located within the boundaries of Thembisile Hani Local Municipality to score points for locality.

1.47 **"Long term Contract":** means a contract with a duration period exceeding one year.

1.48 **"lowest acceptable tender"** means a tender that complies with all specifications and

conditions of tender and that has lowest price compared to other tenders"

1.49 **"Municipality":** means the municipality of the Thembisile Hani Municipality or any person(s) or committee delegated with the authority to act on its behalf.

1.50 **"Municipal Manager":** means the Accounting Officer as defined in the Municipal Finance Management Act.

1.51 **"Municipal Asset Transfer Regulations":** means the Municipal Asset Transfer Regulations published in Government Gazette 31346 of 22 August 2008.

1.52 **"Municipal Entity":** means an entity as defined in the Systems Act.

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

1.54 **"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 required Sector Charter.

1.55 **"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.

1.56 **"Non-firm Prices":** means all prices other than "firm" prices.

1.57 **"Person":** includes a natural or legal entity.

1.58 **"Policy":** means this Supply Chain Management Policy as amended from time to time.

1.59 **"Preference points**": mean the points for preference referred to in this Policy.

1.60 **"Preferential Procurement Policy Framework Act" (PPPFA):** means the Preferential Procurement Policy Framework Act, 5 of 2000.

1.61 **"Preferential Procurement Regulations" (PPR):** means the regulations pertaining to the PPPFA.

APPROVED SCM POLICY

1.62 **"price" means an amount of money tendered for goods or services, and includes all applicable taxes less all unconditional discounts;**

1.63 **"Prime Contractor":** shall have the same meaning as "Contractor".

1.64 **"Promotion of Administrative Justice Act**": means the Promotion of Administrative Justice Act, 3 of 2000.

1.65 **"Quality":** also referred to as "Functionality" (see clause 1.34 above).

1.66 **"Rand Value":** means the total estimated value of a contract in Rand, calculated at the time of tender invitation.

167 **"Reconstruction and development Programme as published in Government Gazette No. 16085 dated 23 November 1994"** means in terms of Section 2(1) of the PPPFA of 2000 an organ of state must implement the programmes of the RDP and provide for points to be awarded for specific goals. In particular, some of the RDP goals that need to be considered in developing the Preferential Procurement policies include:

- Previously Disadvantaged Individuals;
- Women;
- Disabled Persons;
- Youth; and
- Local Labour.

1.68 **"Republic":** means the Republic of South Africa.

1.69 **"Retention":** refers to the practice of holding back a percentage of payment to a contractor or supplier until certain conditions are met.

1.70 **"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.

1.71 **"SARS":** means the South African Revenue Services.

1.72 **"SITA":** means the State Information Technology Agency.

1.73 **"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;**

1.74 **"Stipulated Minimum Threshold":** means that portion of local production and content as determined by the Department of Trade and Industry.

1.75 **"Sub-contract":** means the prime contractor's assigning, leasing, making out work to, or employing, another person to support such prime contractor in the execution of part of a project in terms of the contract.

APPROVED SCM POLICY

1.76 **"Sub-contractor":** means any person that is assigned, leased, employed or contracted by the prime contractor to carry out work in support of the prime contractor in the execution of a contract.

1.77 **"Supplier/Vendor":** are generic terms which may include suppliers of goods and services, contractors and/or consultants.

1.78 **"Central Supplier Database":** means the list of accredited prospective providers which is kept national in terms of Regulation 14 of the Supply Chain Management Regulations.

1.79 **"Supply Chain Management (SCM) Regulations":** means the Municipal Supply Chain Management Regulations published in terms of the Municipal Finance Management Act.

1.80 **"Systems Act":** means the Local Government: Municipal Systems Act, 32 of 2000.

1.81 **"Targeted Labour":** means those individuals employed by a contractor, or subcontractor, 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.

1.82 **"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.

1.83 **"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;**

1.84 **"Tenderer": means "bid/bidder".**

1.85 **"tender for income-generating contracts" means a written offer in the form determined by an organ of state in response to an invitation for the origination of income-generating contracts through any method envisaged in legislation that will result in a legal agreement between the organ of state and a third party that produces revenue for the organ of state, and includes, but is not limited to, leasing and disposal of assets and concession contract, excluding direct and disposal of assets through public auctions.**

1.86 **"Term Bid":** means a rates-based bid for the supply of goods, services or construction works, which are of an ad-hoc or repetitive nature where the individual rates are approved for use over a predetermined period.

1.87 **"Total Revenue":** bears the same meaning assigned to this expression in the Codes of Good Practice on Black Economic Empowerment, issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act and promulgated in the Government Gazette on 9 February 2007.

1.88 **"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.

APPROVED SCM POLICY

1.89 **“Treasury Guidelines”:** means any guidelines on supply chain management issued by the Minister in terms of section 168 of the MFMA;

1.90 **“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.

1.91 **“Unsolicited Bid”:** means an offer submitted by any person at its own initiative without having been invited by the municipality to do so.

1.92 **“Women equity”** means an organisation or company which has at least 51% (fifty-one) percent of women ownership.

1.93 **"Youth"** means persons between the ages of 14 and 35.

1.94 **“Military Veteran”** means a South African citizen who rendered military service to any of the non-statutory military organisations which were involved in South Africa’s Liberation War from 1960 to 1994, as recognised in national legislation and policy.

APPROVED SCM POLICY

CHAPTER 2 ESTABLISHMENT AND IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

2. **SUPPLY CHAIN MANAGEMENT POLICY**

2.1 The principles of the supply chain management policy are that it

2.1.1 gives effect to –

2.1.1.1 section 217 of the Constitution; and

2.1.1.2 Part 1 of Chapter 11 and other applicable provisions of the MFMA;

2.1.2 is fair, equitable, transparent, competitive and cost effective;

2.1.3 complies with –

2.1.3.1 the regulatory framework prescribed in Chapter 2 of the Regulations; and

2.1.3.2 any minimum norms and standards that may be prescribed in terms of section 168 of the MFMA;

2.1.4 is consistent with other applicable legislation including;

2.1.4.1 the Preferential Procurement Policy Framework Act

2.1.4.2 the Broad-Based Black Economic Empowerment Act;

2.1.4.3 the Construction Industry Development Board Act;

2.1.4.4 the Local Government: Municipal Systems Act; and

2.1.4.5 the Promotion of Administrative Justice Act

2.1.5 does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and

2.1,6 is consistent with national economic policy concerning the promotion of investments and doing business with the public sector

2.2 The provisions of the supply chain management policy must be followed when –

2.2.1 procuring goods or services and construction works and consultant services;

2.2.2 disposing of goods no longer needed;

2.2.3 selecting contractors to provide assistance in the provision of municipal services, otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or

2.2.4 selecting 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.

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

2.3.1 the provision of goods or services to the Municipality;

2.3.2 the provision of a municipal service; or

APPROVED SCM POLICY

2.3.3 the procurement of goods and services under a contract secured by that other organ of state, provided that the relevant supplier has agreed to such procurement. A report shall nevertheless be submitted to the Bid Adjudication Committee seeking authority to contract with another organ of state.

3 AMENDMENTS OF THE SUPPLY CHAIN MANAGEMENT POLICY

3.1 The accounting officer must –

3.1.1 at least annually review the implementation of this policy; and

3.1.2 when the accounting officer considers it necessary, submit proposals for the amendment of this policy to the council.

3.2 If the accounting officer submits a draft policy to the council that differs from the model policy, the accounting officer must ensure that such draft policy complies with the Regulations. The accounting officer must report any deviation from the model policy to the National Treasury and the relevant provincial treasury.

3.3 When amending this supply chain management policy, the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses, must be taken into account.

3.4 The accounting officer of the municipality must take all reasonable steps to ensure that this supply chain management policy is implemented.

4. DELEGATION OF SUPPLY CHAIN MANAGEMENT POWERS AND DUTIES

4.1 The powers and duties to be performed in respect of the implementation of supply chain management are delegated to the accounting officer –

4.1.1 to discharge the supply chain management responsibilities conferred on accounting officers in terms of Chapter 8 or 10 of the MFMA; and the supply chain management policy;

4.1.2 to maximise administrative and operational efficiency in the implementation of the supply chain management policy;

4.1.3 to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism, and unfair and irregular practices in the implementation of the supply chain management policy; and

4.1,4 to comply with the accounting officer's responsibilities in terms of section 115 and other applicable provisions of the MFMA.

APPROVED SCM POLICY

4.2 The accounting officer may not delegate or sub-delegate any supply chain management powers or duties to a person who is not an official of the municipality or to a committee which is not exclusively composed of officials of the municipality.

4.3 The Accounting Officer shall ensure that all persons involved in the implementation of this Policy meet the prescribed competency levels, and where necessary, shall provide relevant training.

5 SUB-DELEGATIONS

5.1 The accounting officer may, in terms of section 79 of the MFMA, sub-delegate any supply chain management powers and duties, including those delegated to the accounting officer in terms of this policy, but any such sub- delegation must be consistent with paragraph 4 and sub-paragraph 5.2 of this policy.

5.2 The power to make a final award –

5.2.1 above **R10 000 000.00 [Ten Million Rand]** (VAT included) may not be sub-delegated by the accounting officer;

5.2.2 above **R2 000 000.00 [Two Million Rand]** (VAT included), but not exceeding **R10 000 000.00 [Ten Million Rand]** (VAT included), may be sub-delegated but only to -

5.2.2.1 the chief financial officer;

5.2.2.2 a senior manager; or

5.2.2.3 a bid adjudication committee of which the chief financial officer or a senior manager is a member;

5.2.3 not exceeding **R2 000 000.00 [Two Million Rand]** (VAT included) may be sub delegated but only to –

5.2.3.1 the chief financial officer;

5.2.3.2 a senior manager;

5.2.3.3 a manager directly accountable to the chief financial officer or a senior manager; or

5.2.3.4 a bid adjudication committee.

5.3 An official or bid adjudication committee to which the power to make final awards has been sub-delegated, must within 10 working days of the end of each month submit to the accounting officer a written report containing particulars of each final award made by such official or committee during that month, including –

5.3.1 the amount of the award;

5.3.2 the name of the person to whom the award was made; and

5.3.3 the reason why the award was made to that person.

APPROVED SCM POLICY

5.4 This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub-delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 39 of this policy.

5.5 No supply chain management decision-making powers may be delegated to an advisor or consultant.

5.6 The accounting officer may not delegate or sub-delegate the authority to enter into negotiations in terms of paragraph 48 of this policy.

6 OVERSIGHT ROLE OF COUNCIL

6.1 The council retains the right to oversee the implementation of this supply chain management policy.

6.1.1 Section 117 of the Municipal Finance Management Act 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.

6.1.2 The Executive 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 Municipality Manager and chief financial officer in terms of the Municipal Finance Management Act.

6.2 For the purposes of such oversight the accounting officer must –

6.2.1 within 30 days of the end of each financial year, submit a report on the implementation of the supply chain management policy of the municipality to the council of the municipality: or

6.2.2 whenever there are serious and material problems in the implementation of the supply chain management policy, immediately submit a report to the council.

6.3 The accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the executive mayor.

6.4 The reports must be made public in accordance with section 21A of the Municipal Systems Act.

7. SUPPLY CHAIN MANAGEMENT UNIT

7.1 A supply chain management unit was established to implement this supply chain management policy.

7.2 The supply chain management unit operates under the direct supervision of the chief financial officer or an official to whom this duty has been delegated in terms of section 82 of the MFMA

APPROVED SCM POLICY

CHAPTER 3 FRAMEWORK FOR SUPPLY CHAIN MANAGEMENT

8 FORMAT OF SUPPLY CHAIN MANAGEMENT

This supply chain management policy provides systems for –

8.1 demand management;

8.2 acquisition management;

8.3 logistics management;

8.4 disposal management; and 8.5 performance management.

PART 1: DEMAND MANAGEMENT

9 SYSTEM OF DEMAND MANAGEMENT

9.1 To ensure that the resources required to support the strategic and operational commitments are delivered at the correct time, at the right price and at the right location and that the quantity and quality satisfy needs, the system of demand management includes the following:

9.2 Acquisition and disposal of all goods required to meet the strategic goals outlined in the Integrated Development Plan must be quantified, budgeted, and planned to ensure timely and effective delivery, appropriate quality at a fair cost to meet the needs of the municipality and community.

9.2.1 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.

9.2.2 Critical delivery dates must be determined and adhered to as set out in the service delivery and budget implementation plan contemplated in section 69(3)(a) of the MFMA.

9.3 If the requirement is of a repetitive nature and there are benefits of economies of scale, a contract for a specific commodity should be arranged.

9.4 In order to compile the correct specifications industry analysis / research must be regularly undertaken to ensure future needs and technology benefits are maximised.

9.5 In order to achieve effective demand management, **the Divisional Manager**: Supply Chain Management shall continuously ensure:

9.5.1 That efficient and effective provisioning and procurement systems and practices are implemented to enable the Municipality to deliver the required quantity and quality of services to the communities.

APPROVED SCM POLICY

9.5.2 The establishment of uniformity in policies, procedures, documents and contract options and the implementation of sound systems of control and accountability.

9.5.3 The development of a world-class professional supply chain management system which results in continuing improvement in affordability and value for money, based on total cost of ownership and quality of procurement as competition amongst suppliers is enhanced.

9.5.4 In dealing with suppliers and potential suppliers that the Municipality shall respond promptly, courteously, and efficiently to enquiries, suggestions and complaints.

9.6 Major Activities

9.6.1 Demand management lies at the beginning of the supply chain and the major activities associated with identifying demand are:

9.6.1.1 establishing requirements;

9.6.1.2 determining needs; and

9.6.1.3 deciding on appropriate procurement strategies.

9.6.2 Demand management accordingly shall involve the following activities:

9.6.2.1 understanding the future needs;

9.6.2.2 identifying critical delivery dates;

9.6.2.3 identifying the frequency of the need;

9.6.2.4 linking the requirements to the budget;

9.6.2.5 conducting expenditure analyses based on past expenditure;

9.6.2.6 determining requirements;

9.6.2.7 conducting commodity analyses in order to check for alternatives; and

9.6.2.8 conducting industry analyses.

9.7 SUBMISSION OF PROCUREMENT PLANS

9.7.1 All Assistant Managers must submit as part of the Budget Approval process a procurement plan containing all planned procurement. This procurement plan must be approved by the SENIOR MANAGER prior to its submission before end of March of each financial year. Furthermore, a central contracts register is to be maintained for all contracts within the municipality. Items/projects will only be permitted onto the register if contained within an approved procurement plan. Emergencies are excluded.

9.7.2 The relevant information must be furnished in the format contained in a standardized Procurement Plan Template to be issued by the Head: Supply Chain Management.

9.7.3 The appropriate method of procurement of goods, services and engineering & construction works for all contracts greater than the quotation threshold shall be approved by the Bid Specification Committee. Further, all contracts exceeding R10 million (VAT inclusive) must be accompanied by

APPROVED SCM POLICY

project-specific procurement and BEE strategies when presented to the Bid Specification Committee. These should be discussed and agreed at Contract Management Committee Session beforehand.

9.7.4 Failure to submit a properly approved Procurement Plan by the end of March each financial year will have significant consequences for the department or unit. Crucially, the department will be unable to procure any items or initiate any projects *not* included in the approved plan. This restriction applies to *all* non-emergency procurements.

9.7.5 Any attempt to procure items or projects *after* the approved Procurement Plan has been submitted requires a formal request to the Municipal Manager, signed off by the Senior Manager. This request must clearly articulate:

(a) **Funding:** How will the item/project be funded? Provide specific details about the budget allocation.

(b) **Justification for Omission:** Why was the item/project not included in the initial Procurement Plan? Explain the rationale behind the oversight.

(c) **Municipal and Community Benefit:** How will the item/project benefit both the municipality and the community it serves? Demonstrate a clear positive impact.

PART 2: ACQUISITION MANAGEMENT

10. SYSTEM OF ACQUISITION MANAGEMENT

10.1 Through operational procedures, an effective system of acquisition management is to be established to ensure: -

10.1.1 that goods and services are procured in accordance with authorised processes only;

10.1.2 that expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the MFMA;

10.1.3 that the threshold values for the different procurement processes are complied with;

10.1.4 that bid documentation, evaluation and adjudication criteria as well as general conditions of contract, are in accordance with any applicable legislation;

10.2 APPLICATION

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

APPROVED SCM POLICY

10.3 SUPPLIER DATABASE

10.3 The Accounting Officer shall ensure that the Municipality's suppliers are registered on Central Suppliers Database, through newspapers commonly circulating locally, the website of the Municipality, and any other appropriate ways, invite prospective suppliers of goods and services, and any new commodities or types of services, construction works and consultant services to apply for listing as an accredited prospective supplier.

10.4 The Accounting Officer shall disallow any prospective supplier to do business with the Municipality if they do not comply with the accreditation requirements based on standards, set by any relevant control bodies that govern or regulate the category of service or industry.

10.5 The Accounting Officer shall disallow the listing of any prospective supplier whose name appears on the National Treasury's List of Restricted Suppliers and/or Register for Tender Defaulters and who is therefore prohibited from doing business with the public sector.

10.6 For quotations (up to and including **R300 000.00 [Three Hundred Thousand Rand]**) bidders are required to be registered on the Central Supplier Database (CSD)prior to the acceptance of their quotation (the issue of an official order) in respect of the goods or services required. Procurements above **R300 000.00 [Three Hundred Thousand Rand]** go through a competitive bidding process

10.7 Where bids exceed **R300 000.00 [Three Hundred Thousand]**, bidders who are not registered on the Central Suppliers Database are not precluded from submitting bids.

10.8 All parties to a Joint Venture or Consortium must individually comply with the requirements of clauses 10.4 and 10.5 above.

11. RANGE OF PROCUREMENT

11.1 The procurement of goods and services through this policy is executed by way of –

11.1.1 petty cash purchases, up to a transaction value of **R2 000.00 [Two Thousand Rand]** (VAT included);

11.1.2 written quotations by the proposed supplier for procurement of a transaction value over **R2 000.00 [Two Thousand Rand]** but less than **R30 000.00 [Thirty Thousand Rand]** (VAT included);

11.1.3 formal written price quotations for procurement of a transaction value over R30 001 (VAT included) but less than **R300 000.00 [Three Hundred Thousand Rand]** (VAT included); and

11.1.4 a competitive bidding process for–

11.1.4.1 procurement above a transaction value of **R300 000.00 [Three Hundred Thousand Rand]** (VAT included);

11.1.4.2 the procurement of long-term contracts;

APPROVED SCM POLICY

11.1.4.3 allocation of projects to leaner contractors on the EPWP programme;

11.1.4.4 allocation of projects through the cooperatives policy

11.2 The accounting officer may, in writing: -

11.2.1 lower, but not increase, the different threshold values specified in sub-paragraph 11.1; or

11.2.2 direct that –

11.2.2.1 written, or formal written price quotations be obtained for any specific procurement of a transaction value lower than **R2 000.00 [Two Thousand Rand]** (VAT included);

11.2.2.2 formal written price quotations be obtained for any specific procurement of a transaction value lower than **R30 000.00 [Thirty Thousand Rand]** (VAT included); or

11.2.2.3 a competitive bidding process be followed for any specific procurement of a transaction value above **R300 000.00 [Three Hundred Thousand Rand]** (VAT included).

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

12 GENERAL PRECONDITIONS FOR CONSIDERATION OF WRITTEN QUOTATIONS, FORMAL WRITTEN PRICE QUOTATIONS OR BIDS

12.1 A written quotation, formal written price quotation or bid may not be considered unless the provider who submitted the quotation or bid –

12.1.1 has furnished that provider's –

12.1.1.1 full name;

12.1.1.2 identification number or company or other registration number;

12.1.1.3 tax reference number and VAT registration number, if any; and

12.1.1.4 tax clearance from the South African Revenue Services that the provider's tax matters are in order; and

12.2.1 has indicated-

12.2.1.1 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;

12.2.1.2 if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or

12.2.1.3 whether a spouse, life partner, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to is in the service of the state or has been in the service of the state in the previous twelve months.

APPROVED SCM POLICY

13. PREFERENTIAL PROCUREMENT AIM

13.1 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.

13.1.2 The following procurement strategies are addressed in this section:

13.1.2.1 the application of a preference point system in terms of the revised Preferential Procurement Regulations (PPR), 2022.

13.1.2.2 the unbundling of large projects, where appropriate, into smaller contracts to ensure that a spread of opportunities is made available to suppliers, service providers and construction contractors of various sizes.

13.1.2.3 the use of functionality/quality, where appropriate, in procurement processes to ensure that goods supplied are fit for purpose, or that a minimum level of experience and competence in respect of service providers or construction contractors is attained.

13.1.2.4 the increase of employment opportunities by ensuring the use of labour-intensive technologies.

13.1.2.5 the targeting of labour and/or enterprises from specific areas within the boundaries of the Nkangala Municipal area.

13.1.3 Preferential procurement is further enhanced by provisions aimed at improved access to information, simplification of documentation; deduct performance from payment invoices, reduced payment cycles and good governance.

13.2 KEY PRINCIPLES OF THE PREFERENTIAL PROCUREMENT SYSTEM

13.2.1 The key principles of this system are:

13.2.2. Identification of preference point system;

13.2.2.1 The application of 80/20 preference point system for acquisition of goods or services with Rand value equal to or below **R50 million;**

13.2.2.2 The application of 90/10 preference point system for acquisition of goods or services with Rand value **above R50 million;**

13.2.2.3 The application of 80/20 preference points system for tenders to generate income or to dispose of or lease assets with Rand value equal to or **below R50 million;**

13.2.2.4 The application of 90/10 preference point system for tenders to generate income or to dispose of or lease assets with Rand value **above R50 million;**

13.2.3 That bids may be declared non-responsive if they fail to achieve a minimum score for functionality (quality), if indicated in the bid documents.

APPROVED SCM POLICY

13.2.4 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.

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

13.3 PLANNING AND IDENTIFICATION OF PREFERENCE POINT SYSTEM

13.3.1 Prior to embarking on any procurement process, the responsible Department 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.

13.3.2 The Bid Specifications Committee shall determine the appropriate preference point system to be used in the evaluation and adjudication of bids and shall ensure that such is clearly stipulated in the bid documentation as contemplated in section 2 of the Preferential Procurement Policy Framework Act (PPPFA), 2000 including the implementation of programmes of the Reconstruction and Development Programme as published in Government Gazette No. 16085 dated 23 November 1994.

13.3.3 An organ of state must, in the tender documents, stipulate—

13.3.3.1 the applicable preference point system as envisaged in Preferential Procurement Regulations (PPR) 2022, section 4, 5, 6 or 7;

13.3.3.2 The specific goal in the invitation to submit the tender for which a point may be awarded, and the number of points that will be awarded to each goal, and proof of the claim for such goal.

13.3.3.3 If it is unclear whether the 80/20 or 90/10 preference point system applies, an organ of state must, in the tender documents, stipulate in the case of—

13.3.3.4 an invitation for tender for income-generating contracts, that either the 80/20 or 90/10 preference point system will apply and that the highest acceptable tender will be used to determine the applicable preference point system; or

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

13.3.4 That the bid specifications and the advert must be approved by the Accounting Officer or his/her delegate before it can be advertised.

13.4 EVALUATION OF BIDS BASED ON FUNCTIONALITY (QUALITY)

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

APPROVED SCM POLICY

13.4.2 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.

13.4.3 The evaluation criteria for measuring functionality must be objective. When evaluating bids on functionality the:

13.4.3.1 evaluation criteria for measuring functionality;

13.4.3.2 weight of each criterion;

13.4.3.3 applicable values; and

13.4.3.4 minimum qualifying score for functionality, must be clearly stipulated in the bid document.

13.5 CLOSED BIDDING MAY BE CONSIDERED FOR CONTRACT MANAGEMENT FOR SPECIALIZED PROJECTS

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

13.5.2 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.

13.5.2.1 The municipality is allowed to request documents from bidders for completeness of compliance purposes which may not provide an added advantage/ standing above other bidders.

13.6 EVALUATION OF BIDS BASED ON THE PREFERENTIAL POINTS SYSTEM

13.6.1 The municipality must, in the tender documents, stipulate -

13.6.1.1 The applicable preference point system applicable to the tender as envisaged in Preferential Procurement Regulations (PPR) 2022, section 4, 5, 6 or 7;

13.6.1.2 the specific goal in the invitation to submit the tender for which a point may be awarded, and the number of points that will be awarded to each goal, and proof of the claim for such goal.

13.6.2 If it is unclear whether the 80/20 or 90/10 preference point system applies, an organ of state must, in the tender documents, stipulate in the case of—

13.6.2.1 an invitation for tender for income-generating contracts, that either the 80/20 or 90/10 preference point system will apply and that the highest acceptable tender will be used to determine the applicable preference point system; or

APPROVED SCM POLICY

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

13.7 THE APPLICATION OF 80/20 PREFERENCE POINT SYSTEM FOR ACQUISITION OF GOODS OR SERVICES WITH RAND VALUE EQUAL TO OR BELOW R50 MILLION

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

$$Ps = (80(1 - \frac{PT - Pmin}{Pmin})$$

Where-

Ps = Points scored for price of tender under consideration;

Pt = Price of tender under consideration; and Pmin

= Price of lowest acceptable tender.

13.7.2 A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender in the tender document as follows:

Goals	Percentage	Points
Woman	20%	05
Youth	20%	05
Disability	20%	05
Military Veteran	20	05
Bidder within Mpumalanga	20%	05
Bidder from another Province	10%	02

13.7.3 The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.

13.7.4 Subject to section 2(1)(f) of the Preferential Procurement Policy Framework Act (PPPFA), 2000 the contract must be awarded to the tenderer scoring the highest points.

APPROVED SCM POLICY

13.8 THE APPLICATION OF90/10 PREFERENCE POINT SYSTEM FOR ACQUISITION OF GOODS OR SERVICES WITH RAND VALUE ABOVE R50 MILLION

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

$$Ps = (90(1 - \frac{PT - Pmin}{Pmin})$$

Where-

Ps = Points scored for price of tender under consideration.

Pt = Price of tender under consideration; and Pmin

= Price of lowest acceptable tender.

13.8.2 A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender in the tender document as follows:

Goals	Percentage	Points
Woman	20%	2
Youth	20%	2
Disability	20%	2
Military Veteran	20	2
Bidder within Mpumalanga	20%	2
Bidder from another Province	10%	1

13.8.3 The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.

13.8.4 Subject to section 2(1)(f) of the Preferential Procurement Policy Framework Act (PPPFA), 2000 the contract must be awarded to the tenderer scoring the highest points.

APPROVED SCM POLICY

13.9 THE APPLICATION OF 80/20 PREFERENCE POINTS SYSTEM FOR TENDERS FOR INCOME-GENERATING CONTRACTS WITH RAND VALUE EQUAL TO OR BELOW R50 MILLION

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

$$Ps = (80(1 + \frac{PT - Pmax}{Pmax})$$

Where-

Ps = Points scored for price of tender under consideration;

Pt = Price of tender under consideration; and Pmax

= Price of highest acceptable tender.

13.9.2 A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender in the tender document as follows:

Goals	Percentage	Points
Woman	20%	2
Youth	20%	2
Disability	20%	2
Military Veteran	20	2
Bidder within Mpumalanga	20%	2
Bidder from another Province	10%	1

13.9.3 The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.

13.9.4 Subject to section 2(1)(f) of the Preferential Procurement Policy Framework Act (PPPFA), 2000 the contract must be awarded to the tenderer scoring the highest points.

APPROVED SCM POLICY

13.10 THE APPLICATION OF 90/10 PREFERENCE POINT SYSTEM FOR TENDERS FOR INCOME-GENERATING CONTRACTS WITH RAND VALUE ABOVE R50 MILLION

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

$$Ps = (90(1 + \frac{PT - Pmax}{Pmax})$$

Where-

Ps = Points scored for price of tender under consideration;

Pt = Price of tender under consideration; and Pmax

= Price of highest acceptable tender.

13.10.2 A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender in the tender document as follows:

Goals	Percentage	Points
Woman	20%	2
Youth	20%	2
Disability	20%	2
Military Veteran	20	2
Bidder within Mpumalanga	20%	2
Bidder from another Province	10%	1

13.10.3 The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.

13.10.4 Subject to section 2(1)(f) of the Preferential Procurement Policy Framework Act (PPPFA), 2000 the contract must be awarded to the tenderer scoring the highest points.

13.11 CRITERIA FOR BREAKING OF DEADLOCK IN SCORING

13.11.1 If two or more tenderers score an equal total number of points, the contract must be awarded to the tenderer that scored the highest points for specific goals.

13.11.2 If two or more tenderers score equal total points in all respects, the award must be decided by the drawing of lots.

APPROVED SCM POLICY

13.12 **REMEDIES**

13.12.1 If an organ of state is of the view that a tenderer submitted false information regarding a specific goal, it must—

13.12.1.1 inform the tenderer accordingly, and

13.12.1.2 give the tenderer an opportunity to make representations within 14 days as to why the tender may not be disqualified or, if the tender has already been awarded to the tenderer, the contract should not be terminated in whole or in part.

13.12.2 After considering the representations referred to in subregulation 13.13.1.2, the organ of state may, if it concludes that such information is false—

13.12.2.1 disqualify the tenderer or terminate the contract in whole or in part; and

13.12.2.2 if applicable, claim damages from the tenderer.

13.13 SUBCONTRACTING

13.13.1 If feasible to subcontract for a contract above R30 Million, an organ of state must apply subcontracting to advance designated groups;

13.13.2 If the municipality applies subcontracting as contemplated in sub-regulation 13.13.1, the municipality must advertise the tender with a specific tendering condition that the successful bidder must subcontract a minimum of 30% of the value of the contract to an EME or QSE with at least 51% owned by black people, youth, women, people with disabilities, people living in under-developed areas of townships.

13.14 CONDITIONS RELATING TO THE GRANTING OF PREFERENCES

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

13.14.1.1 the information provided is true and correct;

13.14.1.2 the signatory to the bid document is duly authorised; and

13.14.1.3 documentary proof regarding any bidding issue will, when required, be submitted to the satisfaction of the Municipality.

13.14.2 Only bidders who have completed and signed the necessary declarations may be considered.

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

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

APPROVED SCM POLICY

13.15 CODES OF GOOD PRACTICE

13.15.1 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 service provider/contractor must be done by means of a competitive bidding process.

13.16 OTHER SPECIFIC GOALS UNBUNDLING STRATEGIES

13.16.1 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.

13.16.2 Unbundling must however be considered in the context of:

13.16.2.1 economies of scale being lost;

13.16.2.2 abortive work becoming necessary;

13.19.2.3 additional demands (not only financial) being placed on the Municipality's resources; and

13.16.2.4 the risk of later phases not being completed as a result of budget cuts becoming necessary in the future.

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

13.16.4 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 to avoid complying with the requirements of the different range of procurement processes described in this policy is not permitted

13.17 INCREASING EMPLOYMENT OPPORTUNITIES

13.17.1 One of the Municipality's key socio-economic objectives is to facilitate the creation of employment for the people of Nkangala District.

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

13.17.3 It is up to Responsible Department 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.

13.17.4 All labour earning less than a threshold wage, determined in accordance with department of labour ministerial determination, which 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 Corporate EPWP Unit.

APPROVED SCM POLICY

13.18 TARGETED LABOUR AND/OR TARGETED ENTERPRISES

13.18.1 The targeting of labour and/or enterprises from specific areas within the boundaries of the Nkangala District 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. The allocation of targeted enterprises will be as follows: 30% women, 30% youth, 30% disability and 10% others.

13.18.2 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.

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

13.18.4 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

13.19 CALCULATION OF PENALTIES

13.19.1 Penalties for failure to comply with specific terms and conditions of the contract must be clearly stipulated in the bid/contract document and must be applied should the terms or conditions not be met.

13.19.2 The penalty to be applied for sub-contracting more than 25% of the value of a contract to enterprises that do not qualify for at least the preference points that the prime contractor qualified for (unless the sub-contractors are Exempted Micro Enterprises) shall be as provided for in any prescribed standard contract documentation, failing which the following formula shall be stipulated: Penalty = 0.5 × E (%) × P* Where:

E = The value of work (excluding VAT), executed by sub-contractors that do not qualify for at least the preference points that the prime contractor qualified for, expressed as a percentage of P*, less 25%

P* = Accepted bid sum less provisional sums, contingencies and VAT.

The penalty to be applied for non-compliance with a specified contract participation goal, is as follows: Penalty = (CPG – CPG) x P* s a Where:

CPG = The minimum Contract Participation Goals specified (expressed as a percentage).

CPG[a] = The Contract Participation Goal achieved (expressed as a percentage).

P* = Accepted bid sum less provisional sums, contingencies and VAT. Documentation

APPROVED SCM POLICY

13.19.3 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.

13.19.4 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.

13.19.5 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.

14. REMEDIES ACTION IN RESPECT OF FRAUD OR NON-PERFORMANCE

14.1 The Accounting Officer must upon detecting that the specified goals have been claimed on or obtained on a fraudulent basis, or that any of the conditions of the contract have not been fulfilled, act against the bidder or person awarded the contract.

14.2 The Accounting Officer may, in addition to any other remedy that he may have against the bidder or person awarded the contract:

14.2.1 cancel the contract and claim any damages which the Municipality has

14.2.2 disqualify the person from the bidding process;

14.2.3 recover all costs, losses or damages it has incurred or suffered as a result of that person's conduct; suffered as a result of having to make less favourable arrangements due to such cancellation; Expanded Public Works Programme;

14.2.4 restrict the bidder or contractor, its shareholders and directors, or only the shareholders and directors who acted on a fraudulent basis and or non-performance, from obtaining business from the Municipality for a period not exceeding 10 years, after the audi alteram partem (hear the other side) rule has been applied; and

14.2.5 forward the matter for criminal prosecution.

15. GUARANTEES FOR DUE PERFORMANCE MAIN CONTRACTORS MUST ENSURE INSURANCE

15.1 Performance guarantees for the procurement of goods and services (including consultant services) will not generally be called for, but in exceptional circumstances, where required, will be in accordance with the limits set for construction works below.

15.2 Main contractors must ensure that when performance guarantee is required, such guarantee should covers the subcontractor(s)

15.3 The performance guarantees required for construction works are as follows:

APPROVED SCM POLICY

15.3.1 In respect of a Rand value less than or equal to **R 500 000: 2, 5%** may be waived in respect of **PE/EME** (that is, no performance guarantee is required);

15.3.2 In respect of a Rand value exceeding **R 500 000,** but less than or equal to **R1 000 000: 5%** of the bid sum;

15.3.3 In respect of a Rand value exceeding **R1 000 000,** but less than or equal to **R 10 000 000: 10%** of the bid sum; unless otherwise provided for in the standard conditions of contract prescribed.

15.3.4 In respect of Goods/ Services and professional services exceeding the **R10 000 000,** a **12%** professional indemnity will be required

15.3.5 The value of the performance guarantee for projects above **R 10 000 000** may be increased with the approval of the Accounting Officer

16. RETENTION

16.1 Retention for procurement of goods and services (including consultant services) will not generally be called for, but where required, will be in accordance with the limits set for construction works below. The value of retention to be deducted in respect of construction works contracts shall be as follows:

16.1.1 In respect of a Rand value less than or equal to **R0 - R500 000**: No retention is called for;

16.1.2 In respect of a Rand value exceeding **R500 000**, but less than or equal to **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;

16.1.3 In respect of a Rand value exceeding **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; unless otherwise provided for in the standard conditions of contract prescribed.

16.2 Where consultant services are to be completed at the end of the defects liability period in respect of a goods/and or services rendered, the value of this work **(typically 5%)** may be invoiced at the end of the project 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.

16.3 The above retention limits may be increased with the approval of the Accounting Officer.

16.4 Financial guarantees in lieu of retention are, in general, not acceptable and an Insurance of works shall be provided for all works carried out or services rendered.

16.5 No interest shall be paid or claimed on retentions monies kept by the municipality on behalf of service providers

APPROVED SCM POLICY

16.6 **Surety**

Surety guarantees the performance of the contractor according to the plans and specifications. The client is guaranteed compensation for any financial losses should the contractor fail to construct according to the contract.

a) THLM shall request the prospective bidder to provide a surety in all their infrastructure project in line with the CIDB requirements.
b) For goods and or services the municipality will also require surety the requirements will be determine by the municipality

17. PAYMENT TERMS

17.1 Payments for works undertaken or Goods and services rendered be paid upon receipt of correct payment Certificate in terms of the Cash and Investment Policy of Council.

18. PETTY CASH PURCHASES

18.1 Petty cash purchases means that minor items up to **R2 000.00 [Two Thousand Rand]** (VAT included) may be purchased where it is impractical, impossible or not cost-effective to follow the official procurement process.

18.2 Cash advances may only be granted for petty cash expenses for delegated representatives of the municipality or upon a written quotation but in all instances a petty cash voucher should be approved by the relevant departmental head.

18.3 Officially delegated persons must agree to the deduction from his/her next remuneration any cash advances of which no proof of expenditure is presented on return from the attended event.

18.4 No road toll fees or entertainment expenses may be paid from petty cash.

18.5 A monthly reconciliation report must be provided to the chief financial officer by the official responsible for petty cash, including –

18.5.1 the total amount of petty cash purchases for that month; and

18.5.2 receipts and appropriate documents for each purchase.

18.6 On an ad-hoc basis, the chief financial officer shall perform reconciliations with the personnel responsible for petty cash

19. WRITTEN QUOTATIONS

19.1 The conditions for the procurement of goods or services from **R2 001.00 [Two Thousand and One Cent]** to **R30 000.00 [Thirty Thousand Rand]** through written quotations, are as follows –

19.1.1 quotations must be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the

APPROVED SCM POLICY

municipality, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria in this supply chain management policy;

19.1.2 providers must be requested to either submit or confirm such quotations in writing;

19.1.3 if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the accounting officer:

19.1.4 the accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices.

20. FORMAL WRITTEN PRICE QUOTATIONS

20.1 The conditions for the procurement of goods or services through formal written price quotations valued from **R30 001.00 [Thirty Thousand and One Cent]** to **R300 00.00 [Three Hundred Thousand Rand]**, are as follows-

20.1.1 There must be an advertisement for at least **seven (7)** days on the website and notice board of the Municipality;

20.1.2 Evaluation must then be done based on the 80/20 principle in paragraph 13 of this policy

20.2 When using the list of accredited prospective providers the accounting officer must promote ongoing competition amongst providers, including by inviting providers to submit quotations on a rotation basis.

20.3 The accounting officer must take all reasonable steps to ensure that the procurement of goods and services through written quotations or formal written price quotations is not abused.

20.4 The accounting officer or chief financial officer must on a monthly basis be notified in writing of all written quotations and formal written price quotations accepted by an official acting in terms of a sub-delegation.

20.5 The chief financial officer must set requirements for proper record-keeping of written quotations and final written price quotations.

21. COMPETITIVE BIDS

21.1 Goods or services above a transaction value of **R300 000.00 [Three Hundred Thousand Rand]** (VAT included) and long-term contracts may only be procured through a competitive bidding process, with reference to paragraphs 13 of this policy on Preferential Procurement; and

21.2 No requirement for goods or services above an estimated transaction value of **R300 000.00 [Three Hundred Thousand Rand]** (VAT included), may deliberately

APPROVED SCM POLICY

be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.

22. PROCESS FOR COMPETITIVE BIDDING

The procedures for a competitive bidding process are as follows:

22.1 the compilation of bidding documentation;

22.2 the public invitation of bids;

22.3 site meetings or briefing sessions, if applicable;

22.4 the handling of bids submitted in response to public invitation;

22.5 the evaluation of bids;

22.6 the award of contracts;

22.7 the administration of contracts; and

22.8 proper record-keeping

23. BID DOCUMENTATION FOR COMPETITIVE BIDS

23.1 The criteria to which bid documentation for a competitive bidding process must comply, must –

23.1.1 take into account –

i. the general conditions of contract; ii. any Treasury guidelines on bid documentation; iii. the requirements of the Construction Industry Development Board (CIDB), in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure; and

iv. that the offer must be within range

23.1.2 include evaluation and adjudication criteria, including any criteria required by other applicable legislation.

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

23.1.4 if the value of the transaction is expected to exceed **R10 000 000.00 [Ten Million Rand]** (VAT included), require bidders to furnish–

i. if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements for the past three years or 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;

APPROVED SCM POLICY

iii. particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;

iv. a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic and, if so, what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic; and

23.1.5 stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.

23.2 A non-refundable charge as determined by the accounting officer shall be raised for bid forms, plans, specifications, samples and any other bid documentation, depending on the nature, magnitude and value of technical information or samples provided by the municipality.

23.3 Auditing of bidding processes for bids in excess of **R 10 000 000.00 [Ten Million Rand]** (all applicable taxes included).

23.4 The competitive bidding process for all bids in excess of **R10 000 000.00 [Ten Million Rand]** must be audited to ensure its compliance with the prescribed norms and standards.

23.5 The auditing process may be performed by the internal or external auditors and the audit is aimed at minimizing the risk of possible fraud, corruption and/or litigation.

23.6 A certificate must be issued by the auditors to the effect that all prescribed requirements have been adhered to before the contract is awarded.

24. PUBLIC INVITATION FOR COMPETITIVE BIDS

24.1 The procedure for the invitation of competitive bids, are as follows:

24.1.1 Any invitation to prospective providers to submit bids must be by means of a e-TENDER PUBLICATION PORTAL, the website of the municipality and the municipal notice board and must at least contain the following information:

i. bid description; ii. bid number;

iii. name of municipality;

iv. the physical local where the goods, services or works specified in the bid are required; v. the closing date and time of the bid; vi. municipal conduct details; vii. physical location where hard copies can be collected; viii. physical location where bids should be delivered; and ix. the bid documents (MBD's, terms of reference, GCC and any other relevant documents.

APPROVED SCM POLICY

24.2 Publication of notices of bid awards, cancellations, deviations, variations and extensions on the e tender publication portal.

24.3 The municipality must publish the following information on the successful bids within 7 working days of awarding the bids;

24.3.1 names of the successful bidders and preference points;

24.3.2 contract prices, contract period, contract details, name of directors and date of award;

24.3.3 the names of unsuccessful bidders and contact details;

24.3.4 the information contained in a public advertisement, must include –

i. the closing date for the submission of bids, which may not be less than 30 days in the case of transactions over **R10 000 000.00 [Ten Million Rand]** (VAT included), or which are of a long-term nature, or 14 days in any other case, from the date on which the advertisement is placed on the e-tender publication portal;

ii. a statement that bids may only be submitted on the bid documentation provided by the municipality; and

iii. the date, time and venue of any proposed site meetings or briefing sessions.

24.4 The Accounting Officer may determine a closing date for the submission of bids which is less than the 30- or 14-days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.

24.5 The closing date may be extended if requested by a minimum of 50% of the bidders on approval by the Municipal Manager.

24.6 Bids submitted must be sealed.

24.7 No faxed or emailed bid will be accepted.

24.8 Circular 110 states that accounting officers of municipalities must refrain from charging excessive fees for tender documents, as it goes against the spirit and letter of the SCM regulatory framework. Accounting Officers may decide to charge a refundable or nonrefundable fee for bidding documents if and when necessary, provided that:

24.8.1 The fee should be reasonable and reflect only the cost of their printing and delivery to prospective bidders; and

24.8.2 All monies received for the sale of bidding documents must be dealt with in accordance with section 8(2) and 85(2) of the MFMA in the case of municipalities and municipal entities.

APPROVED SCM POLICY

25. PROCEDURE FOR HANDLING, OPENING AND RECORDING OF BIDS

The procedures for the handling, opening and recording of bids, are as follows:

25.1 Due to the Covid-19 Pandemic and the National Disaster Regulations, Thembisile Hani Local Municipality will no longer be opening tenders in public. Tenders will be kept in the tender box for a period of 7 days thereafter they will be opened, recorded and the tender opening register uploaded on the municipality's website for public notice.

25.2 The above process will be implemented until it has been declared that the Covid-19 Pandemic is no longer active. Thereafter the below procedure will continue.

25.3 The bid/proposal shall be stamped with the official stamps and endorsed with the opening official's signature.

25.4 The name of the bidder, and where possible, the bid sum shall be recorded in a bid opening record kept for that purpose.

25.5 The responsible official who opened the bid shall forthwith place his/her signature on the bid opening record. 25.6 The accounting officer must –

i. record in a register all bids received in time;

ii. make the register available for public inspection; and

iii. publish the entries in the register and the bid results on the website.

26. TWO-STAGE BIDDING PROCESS

26.1 A two-stage bidding process is allowed for –

26.1.1 large complex projects;

26.1.2 projects where it may be undesirable to prepare complete detailed technical specifications; or

26.1.3 long term projects with a duration period exceeding three years.

26.2 In the first stage technical proposals on conceptual design or performance specifications should be invited, subject to technical as well as commercial clarifications and adjustments.

26.3 In the second stage final technical proposals and priced bids should be invited.

27. ENVELOPE SYSTEM

A two (2) 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.

APPROVED SCM POLICY

28. VALIDITY PERIODS

28.1 The period for which bids are to remain valid and binding must be **90** days with a maximum of **120 days** for **infrastructure** procurement and must be indicated in the bid documents.

28.2 The validity period is calculated from the bid closure date and bids shall remain in force and binding until the end of the final day of that period.

28.3 This period of validity may be extended by the Accounting Officer, provided that the original validity period has not expired, and that all bidders are given an opportunity to extend such period. Any such extension shall be agreed to by a bidder in writing

28.4 Bidders who fail to respond to such a request before the validity of their bid expires, or who decline such a request shall not be considered further in the bid evaluation process.

28.5 The Accounting Officer must ensure that all bidders are requested to extend the validity period of their bids where necessary in order to ensure that the bids remain valid throughout the 21 [Twenty-One] Day appeal period.

28.6 If an appeal is received, the validity period is deemed to be extended until finalization of the appeal.

29. CANCELLATION OF TENDERS

29.1 The municipality may, before the award of a tender, cancel a tender invitation if-

29.1.1 due to changed circumstances, there is no longer a need for the goods or services specified in the invitation;

29.1.2 funds are no longer available to cover the total envisaged expenditure;

29.1.3 no acceptable tender is received; or

29.1.4 there is a material irregularity in the tender process.

29.2 The decision to cancel a tender invitation in terms of sub-regulation (29.1.1) must be published on the same way the original tender invitation was advertised.

29.3 the municipality may only with the prior approval of the relevant treasury cancel a tender invitation for the second time.

30. CONTRACT PRICE ADJUSTMENT

30.1 Contract price adjustment shall only be applicable if specified in the contract and only for long term contract and must be specified in the bid documents.

30.2 In general, if contract periods do not exceed one year, the bid shall be fixed price bid and not subject to contract price adjustment.

30.3 If the bid validity period is extended, then contract price adjustment may be applied.

APPROVED SCM POLICY

30.4 Contract price adjustment shall be implemented in accordance with the general conditions of contract.

31. SAMPLES

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

31.2 Bids may not be included in parcels containing samples.

31.3 If samples are not submitted as required in the bid documents or by the closing date within any further time stipulated by the Chairperson of the Bid Evaluation Committee in writing, then the bid concerned may be declared non-responsive.

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

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

32. CLOSING OF BIDS

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

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

32.3 For bids (excluding quotations) for construction works the bid closing date must at least be 14 (Fourteen) days after publication of the notice.

32.4 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 publication of the notice.

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

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

32.7 The bid closing date may be extended by the Accounting Officer if circumstances justify this action; provided that the closing date may not be extended unless a notice is published in the print media and website of the municipality prior to the original bid closing date. This

APPROVED SCM POLICY

notice shall also be posted on the official notice boards designated by the Accounting Officer, and a notice to all bidders to this effect shall be issued.

32.8 The Accounting Officer may determine a closing date for the submission of bids which is less than any of the periods specified in clauses 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.

2

33. COMMUNICATION WITH BIDDERS BEFORE BID CLOSING

33.1 The Accounting Officer or his/her nominee may, if necessary, communicate with bidders prior to bids closing.

33.2 Such communication shall be in the form of a notice issued to all bidders by the Accounting Officer, by e-mail. 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.

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

34. LATE BIDS

34.1 Bids or quotations arriving after the specified closing time and date shall not be considered and where practicable and cost effective shall be returned to the bidder unopened with a letter explaining the circumstances.

34.2 Where it's necessary to open a late bid or quotation to obtain the name and address of the sender, each page of the document shall be stamped "late bid" before the bid is returned to the bidder. The envelope must be stamped and initialled in like manner and must be retained for record purposes

35. AMENDMENT OF BIDS BEFORE CLOSING

35.1 The Municipality is entitled to amend any bid condition, validity period, specifications, or plan, or extend the closing date of such a bid or quotation before the closing date, provided that such amendments or extensions are advertised and/or that all bidders to whom bid documents have been issued, are advised in writing by e-mail of such amendments or of the extension clearly reflecting the new closing date and time. For this reason, employees

APPROVED SCM POLICY

issuing bids shall keep a record of the names, email addresses and contact numbers of the persons or enterprises to whom bid documents have been issued

36. DEALING WITH BIDS AND QUOTATIONS IF THE CLOSING DATE THEREOF HAS BEEN EXTENDED

36.1 Where the closing date of a bid or quotation is extended, the notice which makes known such extensions shall also mention the bids or quotations already received, will be retained unopened in the bidding box and be duly considered after the expiry of the extended period, unless the bidder requests that such bid or quotation to be returned to the bidder or unless the bidder cancels it by submitting a later dated bid or quotation before the extended closing date.

37. AMENDMENTS AFTER CLOSING DATE

37.1 No amendments after the closing date allowed. The municipality is not entitled to amend any bid condition, validity period, specification, or plan after the closing date of the bid and before the acceptance of a bid or quotation has been notified.

37.2 Opening of Bids where a Two Envelope System (consisting of a technical proposal and a financial proposal) is followed if a two-envelope system is followed, only the technical proposal will be opened at the bid opening

37.3 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.

37.4 When required the financial offers/bids corresponding to responsive technical proposals, shall be opened by the opening official.

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

37.6 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

37.7 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.

38. BID SUM

38.1 A bid will not necessarily be invalidated if the amount in words and the amount in figures do not correspond, in which case the amount in words shall be read out at the bid opening.

APPROVED SCM POLICY

38.2 All rates, except for rates only bids and proprietary information are confidential and shall not be disclosed.

39. COMMITTEE SYSTEM FOR COMPETITIVE BIDS

39.1 The following committees should be in place

39.1.1 Bid Specification Committee.

39.1.2 Bid Evaluation Committee; and

39.1.3 Bid adjudication committee.

39.2 The Accounting Officer appoints the members of each committee, considering Section 117 of the Municipal Finance Management Act.

39.3 The Accounting Officer must provide for an attendance or oversight process by a neutral or independent observer, appointed by the accounting officer, when this is appropriate for ensuring fairness and promoting transparency.

39.4 The committee system must be consistent with the provisions of this policy and with any other applicable legislation.

39.5 The Accounting Officer may apply the committee system to formal written price quotations.

40. BID SPECIFICATION COMMITTEE

40.1 The appropriate bid specification committee must, depending on the department involved, compile the specifications for each procurement of goods or services by the municipality.

40.2 Specifications –

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

40.2.2 must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organization, or an authority accredited or recognized by the South African National Accreditation System with which the equipment or material or workmanship should comply;

40.2.3 where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;

40.2.4 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;

40.2.5 may not make reference to any particular trademark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of

APPROVED SCM POLICY

describing the characteristics of the work, in which case such reference must be accompanied by the word “equivalent”;

40.2.6 must indicate each specific goal for which points may be awarded 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.

40.2.7 must be approved by the accounting officer prior to publication of the invitation for bids in terms of paragraph 21 of this policy.

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

40.4 The bid specification committee appointed by the accounting officer or his delegated authority, considering section 117 of the MFMA, must be composed of one or more officials of the municipality, preferably the manager responsible for the function involved as well as at least one Supply Chain Management practitioner of the municipality, and may, when appropriate, include external specialist advisors.

40.5 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.

40.6 No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.

40.7 Green procurement must be incorporated as far as reasonable possible, for all specifications of goods, services and construction works.

40.8 In the development of bid specifications, innovative mechanisms should be explored to render the service or product more resource and energy efficient.

40.9 Bid Specification Committee meetings must be conducted in accordance with the applicable Terms of Reference, Rules of Order and Implementation Guidelines Regulating the Conduct of Meetings of Bid Specification, Evaluation and Adjudication Committees.

41. BID EVALUATION COMMITTEES

41.1 The Bid Evaluation Committee shall be comprised of at least three (03) Municipality Officials, an appointed Chairperson (who may be the same person as the Chairperson of the Bid Specification Committee), a responsible official and at least one Supply Chain Management Practitioner of the Municipality.

APPROVED SCM POLICY

41.2 The Municipal Manager, or his/her delegated authority, shall, considering Section 117 of the MFMA, appoint the members of the Bid Evaluation Committee.

41.3 Bid Evaluation Committee meetings must be conducted in accordance with the applicable. Terms of Reference, Rules of Order and Implementation Guidelines Regulating the Conduct of Meetings of Bid Specification, Evaluation and Adjudication Committees

42. BID EVALUATION

42.1 The Supply Chain unit shall carry out a preliminary evaluation of all valid bids received and shall submit a draft bid evaluation report to the Bid Evaluation Committee for consideration.

42.2 Any evaluation committee of a bid shall consider the bids received and shall note for inclusion in the evaluation report, a bidder:

42.2.1 whose bid was endorsed as being invalid by the Municipality official presiding over the bid opening;

42.2.2 whose bid does not comply with the provisions for combating abuse of this policy;

42.2.3 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;

42.2.4 whose bid does not comply with the general conditions applicable to bids and quotations of this Policy;

42.2.5 whose bid is not in compliance with the specification;

42.2.6 whose bid is not in compliance with the terms and conditions of the bid documentation;

42.2.7 who is not registered and verified on the Municipality's supplier database;

42.2.8 who, in the case of construction works acquisitions, does not comply with the requirements of the Construction Industry Development Board Act regarding registration of contractors;

42.2.9 who is not registered on the Central Supplier Database (CSD); and

42.2.10 who has failed to submit a valid tax compliance status from the South African Revenue Services (SARS) certifying that the taxes of the bidder are in order or that suitable arrangements have been made with SARS, and who fails to comply with any applicable Bargaining Council agreements.

43. BIDS SHALL BE EVALUATED ACCORDING TO THE FOLLOWING AS APPLICABLE

43.1.1 bid price, excluding VAT (corrected if applicable and brought to a comparative price where necessary),

43.1.2 the unit rates and prices,

43.1.3 any qualifications to the bid,

43.1.4 the bid ranking obtained in respect of preferential procurement as required by this Policy,

APPROVED SCM POLICY

43.1.5 the financial standing of the bidder, including its ability to furnish the required institutional guarantee, where applicable,

43.1.6 any other criteria specified in the bid documents.

43.2 No bidder may be recommended for an award unless the bidder has demonstrated that it has the necessary resources and skills required to fulfil its obligations in terms of the bid document.

43.3 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.

43.4 Additional information or clarification of bids may be called for if required but only in writing.

43.5 Provide an overview of the procurement process, indicating the eligibility criteria that were applied and the evaluation criteria. State specific goals and points relating to preferences, as well as any quality evaluation criteria, prompts for judgement and weightings relating thereto.

43.6 The Bid Evaluation Committee shall compare tender submissions received against list of returnable documents. State if any tender submissions received were incomplete and indicate what was not complete. Indicate what steps were taken to make incomplete tenders complete, only where this does not affect the competitive position of the tenderer in question. Request incomplete tenders to resubmit. List all communications with tenderers.

43.7 Alternative bids may be considered, provided that a bid free of qualifications and strictly in accordance with the bid documents is also submitted. The Municipality shall not be bound to consider alternative bids.

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

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

43.10 All disclosures of a conflict of interest shall be considered by the Bid Evaluation Committee and shall be reported to the Bid Adjudication Committee.

44. RECOMMENDATION TO BID ADJUDICATION COMMITTEE

44.1 The Bid Evaluation Committee shall, having considered the Supply Chain unit's draft bid evaluation report, submit a report, including recommendations regarding the award of the bid or any other related matter, to the Bid Adjudication Committee for award.

APPROVED SCM POLICY

45. BID ADJUDICATION

45.1 The Municipality shall not be obliged to accept any bid.

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

46. BID ADJUDICATION COMMITTEE

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

46.1.1 the Chief Financial Officer or, if the chief financial officer is not available, another senior finance official heading either of the budget or treasury offices, reporting directly to the chief financial officer and designated by the chief financial officer; and

46.1.2 at least one senior supply chain management practitioner of the Municipality; and

46.1.3 a technical expert in the relevant field who is an official of the Municipality, if the Municipality has such an expert.

46.2 The Accounting Officer 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.

46.3 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.

47. ADJUDICATION AND AWARD

47.1 The Bid Adjudication Committee shall consider the report and recommendations of the Bid Evaluation Committee and make a recommendation to the Accounting Officer on how to proceed with the relevant procurement.

48. NEGOTIATIONS WITH PREFERRED BIDDERS

48.1 The accounting officer may, subject to paragraph 4 of this policy, negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation –

48.1.2 does not allow any preferred bidder a second or unfair opportunity; is not to the detriment of any other bidder; and

48.1.3 does not lead to a higher price than the bid as submitted. Minutes of such negotiations must be kept for record purposes

APPROVED SCM POLICY

49 APPROVAL OF BID NOT RECOMMENDED

49.1 If a Bid Adjudication Committee decides to recommend a bid other than the one recommended by the Bid Evaluation Committee, the Bid Adjudication Committee must, prior to recommending the bid:

49.1.2 check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears;

49.1.3 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.

50. NOTIFY THE ACCOUNTING OFFICER

50.1 The Accounting Officer may:

50.1.1 after due consideration of the reasons as pointed per clause 39.1. above, accept or reject the decision of the Bid Adjudication Committee referred to above.

50.1.2 If the decision of the Bid Adjudication Committee is rejected, refer the decision of the adjudication committee back to that committee for consideration.

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

50.2 The requirement of above does not apply if a different bid was approved in order to rectify an irregularity.

51. RECONSIDERATION OF RECOMMENDATIONS

51.1 The Accounting Officer may, at any stage of a bidding process, refer any recommendation made by the Bid Evaluation Committee or Bid Adjudication Committee back to that Committee for reconsideration of the recommendation.

52. PROCUREMENT OF BANKING SERVICES

52.1 Subject to Section 33 of the Municipal Finance Management Act, any contract for the provision of banking services: –

52.1.1 must be procured through competitive bids;

52.1.2 must be consistent with Section 7 or Section 85 of the MFMA; and

52.1.3 may not be for a period of more than 5 years at a time.

52.2 Bids shall be restricted to banks registered in terms of the Banks Act, 94 of 1990.

APPROVED SCM POLICY

52.3 The process for procuring a contract for banking services must commence at least 9 [Nine] months before the end of an existing contract.

52.4 The closure date for the submission of bids may not be less than 60 [Sixty) days from the date on which the advertisement is placed in a newspaper in terms of paragraph 21.1. Bids must be restricted to banks registered in terms of the Banks Act 94 of 1990.

53. PROCUREMENT OF IT RELATED GOODS OR SERVICES

53.1 The Accounting Officer may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.

53.2 Both parties must enter into a written agreement to regulate the services rendered by, as well as the payments to be made to, SITA.

53.3 The Accounting Officer must notify SITA together with a motivation of the IT needs if –

53.3.1 the transaction value of IT related goods or services required in any financial year will exceed **R50 000 000.00 [Fifty Million]** (VAT included); or

53.3.2 the transaction value of a contract to be procured whether for one or more years exceeds **R50 000 000.00 [Fifty Million Rand]** (VAT included).

53.4 If SITA comments on the submission and the municipality disagrees with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National Treasury, the relevant provincial treasury and the Auditor General.

54. PROCUREMENT OF ACCOMMODATION FOR SEMINARS AND CONFERENCES

The Accounting Officer may procure accommodation for Council business on attendance of conferences/seminars/workshop/meetings outside the District, in the following manner: -

54.1 where feasible, 3 [Three] quotations must be sought for accommodation within a reasonable radius from the seminar/meeting/workshop or conference venue.

54.2 the ruling is in the spirit of not getting a venue that is too far from the conference venue as this can result in getting accommodation too far from the venue.

55. TRAVEL AND ACCOMMODATION

55.1 The accounting officer-

55.1.1 may approve the purchase of economy class tickets for all officials or political office bearers where the flying time for the flights is five hours or less; and

APPROVED SCM POLICY

55.1.2 may only approve the purchase of business class tickets for officials, political office bearers and persons reporting directly to the accounting officer for flights exceeding five hours.

55.1.3 In the case of the accounting officer, the mayor may approve the purchase of economy class tickets where the flying time is five hours or less and business class tickets for flights exceeding five hours.

55.1.4 Notwithstanding sub-section (55.3.1) or (55.3.2), the accounting officer, or the mayor in the case of an accounting officer, may approve the purchase of business class tickets for an official or a political office bearer with a disability or a medically certified condition.

55.1.5 The cost containment policy must limit international travel to meetings or events that are considered critical. The number of officials or political office bearers attending such meetings or events must be limited to those officials or political office bearers directly involved in the subject matter related to such meetings or events.

55.2. The accounting officer, or the mayor in the case of the accounting officer, may approve accommodation costs that exceed an amount as determined from time to time by the National Treasury through a notice only -

55.2.1 during peak holiday periods; or

55.2.2 when major local or international events are hosted in a particular geographical area that results in an abnormal increase in the number of local and/or international guests in that particular geographical area.

55.3. An official or a political office bearer of a municipality or municipal entity must-

55.3.1 utilise the municipal fleet, where viable, before incurring costs to hire vehicles;

55.3.2 make use of available public transport (if public transport is safe to use) or a shuttle service if the cost of such a service is lower than-

i. the cost of hiring a vehicle;

ii. the cost of kilometres claimable by the official or political office bearer; and

iii. the cost of parking

55.3.3 not hire vehicles from a category higher than Group B or an equivalent class; and

55.3.4 where a different class of vehicle is required for a particular terrain or to cater for the special needs of an official, seek the written approval of the accounting officer before hiring the vehicle.

55.3.5 A municipality or a municipal entity must utilise the negotiated rates for flights and accommodation as communicated from time to time by the National Treasury through a notice or any other available cheaper flight and accommodation.

APPROVED SCM POLICY

56. DOMESTIC ACCOMMODATION

56.1 The accounting officer must ensure that costs incurred for domestic accommodation and meals are in accordance with the maximum allowable rates for domestic accommodation and meals as communicated from time to time by the National Treasury through a notice.

56.2 Overnight accommodation may only be booked where the return trip exceeds 500 kilometres (except in winter months with a high fog occurrence or in an event that trip requires an official or public office bearer to leave his/her home before their normal office hours).

57. PROCUREMENT OF GOODS AND SERVICES UNDER CONTRACTS SECURED BY OTHER ORGANS OF STATE

57.1 The Accounting Officer may procure goods or services under a contract secured by another organ of state, but only if –

57.1.1 the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;

57.1.2 there is no reason to believe that such contract was not validly procured;

57.1.3 there are demonstrable discounts or benefits to do so; and

57.1.4 that other organ of state and the provider have consented to such procurement in writing.

Circular 96 Published by National Treasury with regards to the procurement of goods and services under contracts secured by other organs of state and adopted by the Council is to be implemented.

57.2 SALIENT REQUIREMENTS APPLICABLE TO REGULATION 32

57.2.1 Over and above the requirements stated in Regulation 32, there are also other salient requirements which must be considered by the participating municipality or municipal entity as well as the organ of state that is approving the procurement under its contract. These include the following:

57.3 THE CONTRACT MUST BE VALID

57.3.1 The municipality or municipal entity will not enter a new contract with the service provider/s but will become a participant in an existing contract. The contract must therefore not have expired, or its validity modified to accommodate the procurement from the contract and must be legally sound as proven in the motivated report mentioned above. The participating municipality or municipal entity will conclude an addendum to the agreement

APPROVED SCM POLICY

with the service provider/s that stipulates the duration of the participation agreement, which may not exceed the end date of the original contract.

57.4 THE DURATION OR VARIATION OF THE CONTRACT

57.4.1 The municipality or municipal entity must confirm the duration of the contract between the service provider/s and the other organ of state and determine the remaining term of the contract. Once this has been confirmed, the municipality or municipal entity must assess whether the remaining period will be sufficient for the service provider/s to deliver on its requirements. In other words, the participating municipality or municipal entity will only be permitted to utilise the contract of the other organ of state for the balance of the remaining period of the contract.

57.4.2 The contract cannot be extended or varied by the participating municipality or municipal entity. It can only be extended by the original contracting parties in line with the contractual terms agreed to in the original contract. Should the contract between the original contracting parties be terminated for any reason before the contract end date, then that termination applies to the municipality or municipal entity participating on the contract as well. The accounting officer consenting to the participation on the contract must therefore inform the participating accounting officer of any contract amendments or variations made to the contract, in writing.

57.5 THE GOODS OR SERVICES MUST BE THE SAME AND THE QUANTITY MAY NOT BE INCREASED

57.5.1 The municipality or municipal entity must assess whether the goods or services being provided to the other organ of state are similar to the goods or services required by the municipality or municipal entity. The goods or services required by the participating municipality or municipal entity must be the same as advertised and adjudicated by the other organ of state and may not be increased from the originally contracted quantity. Therefore, the participating municipality or municipal entity will procure the required goods or services under the same scope or specification, terms and conditions as provided for in the original contract.

57.6 CONTRACTUAL ARRANGEMENTS

57.6.1 The shared contract must have the same dispute resolution mechanism to settle contractual disputes, a combined periodic contract management performance review to

APPROVED SCM POLICY

appraise the shared contract, and to regularly report to the council of the participating municipality or the board of directors of the municipal entity, as may be appropriate, on the management of the contract, service level agreement and the performance of the shared contractor/s.

57.6.2 The exercising of contractual rights, obligations, or remedies in terms of the contract must be exclusively dealt with in terms of the dispute resolution mechanism as stipulated in the original contract. Each contractual party must uphold their legal obligations to the contract.

57.7 IMPLICATIONS FOR THE ORGAN OF STATE WHO IS THE CONTRACT OWNER IN THE PROCUREMENT OF GOODS AND SERVICES UNDER CONTRACTS SECURED BY OTHER ORGANS OF STATE

57.7.1 The application of regulation 32 in a procurement process effectively means that the accounting officer of the original contracting organ of state is willing to forfeit a portion of its contract that has not already been utilised to the accounting officer who is requesting to procure under that contract. It may also mean that the accounting officer may no longer procure goods or services from that contract anymore as the balance of the contract would have been allocated to the municipality or municipal entity that is requesting to procure under that contract. The accounting officer of the original contracting organ of state undertakes such decision with the knowledge that the original contracting organ of state no longer requires the remaining portion of that contract. The accounting officer of the original contracting organ of state must notify the accounting officer of the municipality or municipal entity that is procuring under the original contract of all changes to the contract.

57.8 PANEL OF CONSULTANTS/LIST OF APPROVED SERVICE PROVIDERS AND FRAMEWORK AGREEMENTS

57.8.1 Municipalities and municipal entities must not participate on a panel secured by another organ of state as a panel of consultants or a list of service providers or a panel of approved service providers is not a contract. Municipalities or municipal entities may only participate on framework agreements arranged by organs of state, for example, State Information Technology Agency (SITA), the relevant treasury; that are empowered by legislation to arrange such on behalf of other organs of state.

58. PROCUREMENT OF GOODS NECESSITATING SPECIAL SAFETY ARRANGEMENTS

58.1 The acquisition and storage of goods in bulk (other than water), which necessitate special safety arrangements, including gasses and fuel, should be avoided wherever possible.

APPROVED SCM POLICY

58.2 Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the accounting officer.

59. PUBLIC-PRIVATE PARTNERSHIPS

59.1 Part 2 of Chapter 11 of the MFMA applies to the procurement of public-private partnership agreements. 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.

60 **CONTRACTS HAVING BUDGETARY IMPLICATIONS BEYOND THREE FINANCIAL** 60.1 **YEARS**

The municipality may not enter into any contract that will impose financial obligations beyond the three years covered in the annual budget for that financial year except in terms of Section 33 of MFMA unless prescribed otherwise.

61. PUBLICATIONS IN THE MEDIA

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

62. COMMUNITY BASED VENDORS

The Head of Supply Chain Management may request quotations directly from Community Based Vendors in a specific area or from a specific community for the procurement of goods and services for amounts less than **R30 000.00 [Thirty Thousand Rand]** (including construction works).

63. RANGE OF PROCUREMENT PROCESSES

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

63.1 PROUDLY SA CAMPAIGN

63.1.1 The Proudly SA Campaign is supported to the extent that, all things being equal, preference is given to procuring local goods and services from:

i. Firstly – suppliers and businesses within the municipality or district;

APPROVED SCM POLICY

ii. Secondly – suppliers and businesses within Mpumalanga;

iii. Thirdly – suppliers and businesses within the Republic of South Africa.

63.1.2 The principles set out in sub-paragraph 63.1.1. must be reflected in the specific goals points.

63.2 APPOINTMENT OF CONSULTANTS

63.2.1 When evaluating bids for the rendering of consultancy services to the Council, functionality shall be considered before price.

63.2.2 The Accounting Officer may procure consulting services provided that any Treasury guidelines and CIDB requirements in respect of consulting services are considered when such procurements are made.

63.2.3 Consultancy services must be procured through competitive bids if-

i. the value of the contract exceeds **R200 000.00 [Two Hundred Thousand Rand]** (VAT included); or

ii. the duration period of the contract exceeds one year.

63.2.4 In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of:

i. all consultancy services provided to an organ of state in the last five years; and

ii. any similar consultancy services provided to an organ of state in the last five years.

63.2.5 The Accounting Officer must ensure that copyright in any document produced, as well as the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the municipality.

63.2.6 Appointment of panels of consultants be made for period of two years, subject to compliance with Section 33 of MFMA.

63.2.7 The criteria to be used to evaluate bids for the rendering of consultancy services to the council be finalized by the user department and be approved by the Accounting Officer as part of the tender document before the tender document is released.

63.3.1 PROCUREMENT OF CATERING SERVICES

63.3.1.1 Catering cost will be determined by the Accounting Officer annually and a Panel of Caterers shall be appointed on a contractual basis.

APPROVED SCM POLICY

63.3.1.2 All catering service be standardized at a fixed rate per plate and that the menu be limited to two (2) starches, two (2) meats, one (1) vegetable and one (a1) salad; and one (1) soft drink

63.3.2. Deviations from the menu if required must be approved by the Accounting Officer

63.3.3 The municipality may not incur catering expenses for meetings which are only attended by persons in the employ of the municipality, unless the prior written approval of the accounting officer is obtained.

63.3.4 The accounting officer may incur catering expenses for the hosting of meetings, conferences, workshops, courses, forums, recruitment interviews, and proceedings of council that exceed five hours.

63.3.5 The municipality may not incur expenses on alcoholic beverages unless the municipality or the municipal entity recovers the cost from the sale of such beverages.

63.4 POLICY HIERARCHY

63.4.1 Wherever this policy is not aligned to the new revised Preferential Procurement Regulations, 2022, the Preferential Procurement Regulations, 2022 will supersede this policy

63.4.2 Wherever this policy is not aligned to the cost containment regulation, the cost containment regulation will supersede this policy

63.5 PROCUREMENT OF ASSETS

63.5.1 Procurement of assets should comply with all relevant legislations and applicable internal policies as where applicable.

63.6 VEHICLES USED FOR POLITICAL OFFICE-BEARERS

63.6.1 The threshold limit for vehicle purchases relating to official use by political office-bearers must not exceed R700 000 or 70% (VAT inclusive) of the total annual remuneration package for the different grades of municipalities, as defined in the Public Office Bearers Act and the notices issued in terms thereof by the Minister of Cooperative Governance and Traditional Affairs, whichever is lower.

63.6.2 The procurement of vehicles in sub-section (1) must be undertaken using the national government transversal contract mechanism (if in existence), unless it may be procured at a lower cost through other procurement mechanisms.

APPROVED SCM POLICY

63.6.3 Before deciding to procure a vehicle as contemplated in sub-section (2), the accounting officer or delegated official must provide the council with information relating to the following criteria which must be considered:

(a) status of current vehicles;

(b) affordability of options including whether to procure a vehicle as compared to rental or hire thereof, provided that the most cost-effective option is followed, and the cost is equivalent to or lower than that contemplated in sub-section (1);

(c) extent of service delivery backlogs; (d) terrain for effective usage of the vehicle; and (e) any other policy of council.

63.6.4 If the rental referred to in sub-section (3) is preferred, the accounting officer must review the costs incurred regularly to ensure that value for money is obtained.

63.6.5 Regardless of their usage, vehicles for official use by political office bearers may only be replaced after completion of 120 000 kilometres.

63.6.6 Notwithstanding sub-section (5), a municipality or municipal entity may replace a vehicle for official use by political office bearers before the completion of 120 000 kilometres only in instances where the vehicle has a serious mechanical problem and is in a poor condition and subject to obtaining a detailed mechanical report by the vehicle manufacturer or approved dealer.

63.6.7 An accounting officer must ensure that there is a policy that addresses the use of municipal vehicles for official purposes.

APPROVED SCM POLICY

64. DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF, PROCUREMENT PROCESSES

64.1 The Accounting Officer may –

64.1.1 dispense with the official procurement processes established by this policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –

64.1.1.1 in an emergency;

64.1.1.2 if such goods or services are produced or available from a single provider only;

64.1.1.3 for the acquisition of special works of art or historical objects where specifications are difficult to compile;

64.1.1.4 in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and

64.1.2 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.

64.3 The Accounting Officer must record the reasons for any deviations in terms of subparagraphs 64.1.1 and 64.1.2 of this policy and report them to the next meeting of the council and include it as a note to the annual financial statements.

64.4 Section 64.1 does not apply to the procurement of goods and services contemplated for water and electricity from DWA and ESKOM respectively.

65. EMERGENCY DISPENSATION

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

65.1.1 the possibility of human injury or death;

65.1.2 the prevalence of human suffering or deprivation of rights;

65.1.3 the possibility of damage to property, or suffering and death of livestock and animals;

65.1.4 the interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the Municipality as a whole;

65.1.5 the possibility of serious damage occurring to the natural environment;

65.1.6 the possibility that failure to take necessary action may result in the Municipality not being able to render an essential community service; and

65.1.7 the possibility that the security of the state could be compromised.

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

65.3 Where possible, in an emergency, 3 [three] quotes in accordance with general acquisition management principles should be obtained and a report submitted, via the Bid Adjudication Committee, to the Municipality Manager for approval. However, where time is of the essence, the emergency shall be immediately addressed, and the process formalized in a report to the Municipality Manager as soon as possible thereafter

66. UNSOLICITED BIDS

66.1 I n accordance with Section 113 of the MFMA there is no obligation to consider unsolicited bids received outside a normal bidding process.

APPROVED SCM POLICY

66.2 The Accounting Officer may decide in terms of Section 113(2) of the MFMA to consider an unsolicited bid, only if: –

66.2.1 the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;

66.2.2 the product or service will be exceptionally beneficial to, or have exceptional cost advantages for the municipality and the community;

66.2.3 the person who made the bid is the sole provider of the product or service; and

66.3 The reasons for not going through the normal bidding processes are found to be sound by the Accounting Officer.

66.4 If the Accounting Officer decides to consider an unsolicited bid that complies with subparagraph 63.2, the decision must be made public in accordance with Section 21A of the Municipal Systems Act, together with: -

66.4.1 reasons as to why the bid should not be open to other competitors;

66.4.2 an explanation of the potential benefits if the unsolicited bid were accepted; and

66.4.3 an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.

66.5 All written comments received pursuant to sub-paragraph 56.3, including any responses from the unsolicited bidder, must be submitted to the National Treasury and the relevant provincial treasury for comment.

66.6 The bid adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the accounting officer, depending on its delegations.

66.7 A meeting of the bid adjudication committee to consider an unsolicited bid must be open to the public.

66.8 When considering the matter, the bid adjudication committee must consider –

66.8.1 any comments submitted by the public; and

66.8.2 any written comments and recommendations of the National Treasury or the relevant provincial treasury.

66.9 If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the accounting officer must submit to the Auditor-General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following such recommendations.

66.10 Such submission must be made within 7 days after the decision on the award of the unsolicited bid is taken, but no contract committing the municipality to the bid may be entered into or signed within 30 days of the submission.

APPROVED SCM POLICY

67. COMBATING OF ABUSE OF SUPPLY CHAIN MANAGEMENT SYSTEM

The following measures are established to combat the abuse of the supply chain management system:

67.1 The Accounting Officer must–

67.1.1 take all reasonable steps to prevent abuse of the supply chain management system;

67.1.2 investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this supply chain management policy and, when justified –

i. take appropriate steps against such official or other role player; or

ii. report any alleged criminal conduct to the South African Police Service;

67.1.3 check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;

67.1.4 reject any bid from a bidder –

67.1.4.1 if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the municipality, or to any other municipality or municipal entity, are in arrears for more than three months; or

67.1.4.2 who during the last five years has failed to perform satisfactorily on a previous contract with the municipality or any other organ of state after written notice was given to that bidder that its performance was unsatisfactory;

67.1.5 reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;

67.1.6 cancel a contract awarded to a person if –

67.1.6.1 the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or

67.1.6.2 an official or other role-player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and

67.1.7 reject the bid of any bidder if that bidder or any of its directors –

67.1.7.1 has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system;

67.1.7.2 has been convicted for fraud or corruption during the past five years;

67.1.7.3 has wilfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or

APPROVED SCM POLICY

67.1.7.4 has been listed in the Register for Tender Defaulters in terms section 29 of the Prevention and Combating of Corrupt Activities Act 12 of 2004

67.1.8 reject the bid of any bidder tendering as part of a joint venture, whose bid otherwise be rejected individually or otherwise.

67.2 The accounting officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of sub-paragraphs 64.1 of this policy.

68. ROTATION OF SERVICE PROVIDERS APPOINTED IN PANEL CONTRACTS

68.1 In order to provide opportunities, the municipality will rotate service providers assigned as panels in all contracts through a database that the supply chain department built for each contract.

68.2 The accounting officer's judgment determines the rotation of construction/infrastructure projects. The rotation process considers the following factors:

1. The tender agreement specifies the service provider's capability, which determines the evaluation.
2. Targets the demographics of the municipality, locality, women, youth, and individuals with disabilities with a specific focus.
3. The system operates on either an expenditure or spending basis. We will establish specific thresholds, and once we reach those, we will establish a fresh threshold.
4. Is the contractor's performance on previous assignments being considered.

68.3 The panel of service providers and suppliers for material and other services rotates on a regular basis. We will determine the allocation of expenditures based on the favourable points obtained by the supplier or contractor.

68.4 The rotation of the panels will be centralized at Supply Chain Management Department / Accounting Officer for all the Municipality's Departmental contracts awarded to avoid unfair allocation of work to service providers in line with the SCM Policy.

68.5 UTILISATION OF THE BILL OF QUANTITIES IN PANEL APPOINTMENTS

68.5.1 When establishing a panel of service providers, the Bill of Quantities (BOQ) may be employed solely for evaluation and comparative assessment purposes, with the intention of

APPROVED SCM POLICY

determining fair, market-related and competitive pricing at the time of appointment. The BOQ shall not be construed as a binding schedule of rates for subsequent procurements.

68.5.2 For the acquisition of goods and/or services from the appointed panel, the Municipality shall, in each instance, solicit written quotations from a minimum of three (3) service providers on the panel, where three or more are available, in order to ensure transparency, fairness, competitiveness and cost-effectiveness. Quotations shall be requested on a rotational basis to afford all panel members equitable opportunity to participate in procurement processes, subject to their capacity, availability and the specific requirements of the project or service.

68.5.3 Where fewer than three (3) service providers are available for a specific requirement, quotations shall be obtained from the available panel members, and such procurement shall be documented with reasons for deviation.

68.5.4 This process shall be undertaken in strict compliance with the provisions of this Policy and Regulation 32 of the Municipal Supply Chain Management Regulations, issued in terms of the Municipal Finance Management Act, 56 of 2003, and any applicable National Treasury Guidelines.

PART 3: LOGISTICS, DISPOSAL AND PERFORMANCE MANAGEMENT

69. LOGISTICS MANAGEMENT

69.1 The accounting officer must implement an effective system of logistics management which must include the following:

69.1.1 monitoring of spending patterns on types or classes of goods and services which should, where practical, incorporate the coding of items to ensure that each item has a unique number for the purposes of monitoring;

69.1.2 Setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;

69.1.3 placing of manual or electronic orders for all acquisitions other than petty cash;

69.1.4 before payment is approved, certification from the responsible officer that the goods and services have been received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted or in terms of a contract;

69.1.5 appropriate standards of internal control and warehouse management to ensure goods placed in stores are secure and only used for the purpose for which they were purchased;

69.1.6 regular checking to ensure that all assets, including official vehicles, are properly managed, appropriately maintained and only used for official purposes; and

APPROVED SCM POLICY

69.1.7 monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for a particular good or service.

70. TRANSPORT MANAGEMENT

70.1 The Municipality's fleet management policy must always be adhered to.

71. VENDOR PERFORMANCE

71.1 The accounting system will enable system-based evaluation, based on the vendors' performance regarding certain pre-determined criteria.

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

72. CONTRACT ADMINISTRATION

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

72.2 All contracts must be administered by a contract manager, who will be an internal official assigned to ensure the effective administration of the contract. The contract manager will typically be the internal project manager assigned to the project as a whole but may also be a cost centre owner or other responsible official.

72.3 A contract manager must be assigned to each contract and, where possible, should be involved from the earliest stages of the acquisition process.

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

72.5 In administering a contract, the contract manager will be required to form opinions and make decisions which, while in the Municipality's best interests, must be fair to all parties concerned.

72.6 Departmental Heads (Directors) shall be responsible for ensuring that contract managers:

72.6.1 are assigned to all contracts within the Department Head's area of responsibility;

72.6.2 are adequately trained so that they can exercise the necessary level of responsibility in the performance of their duties.

72.7 The contract manager shall:

72.7.1 ensure that all the necessary formalities in signing up the contract and/or issuing the purchase order(s) are adhered to;

72.7.2 ensure that contracts related to the procurement of goods and services are captured on the Municipality's accounting system in the form of a price schedule;

APPROVED SCM POLICY

72.7.3 ensure that all original contract documentation is lodged with the Supply Chain Management Department for record purposes;

72.7.4 monitor the performance of the contractor in order to ensure that all of the terms and conditions of the contract are met;

72.7.5 where necessary, take appropriate action where a contractor is underperforming or is in default or breach of the contract;

72.7.6 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 accounting system;

72.7.7 manage contract variation or change procedures;

72.7.8 administer disputes where necessary, in terms of this policy and the applicable Conditions of Contract;

72.7.9 conduct, as appropriate, post contract reviews; maintain adequate records (paper and/or electronic) in sufficient detail on an appropriate contract file to provide an audit trail;

72.7.10 act with care and diligence and observe all accounting and legal requirements.

73. DISPOSAL MANAGEMENT

73.7 The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to section 14 of the MFMA, are as follows:

73.1.1 It will be implemented and effected through the Disposal Committee which will be appointed by the Accounting Officer and made up at least one senior Finance officer and other departmental representatives.

73.2 The items to be disposed of include but not limited to:

73.2.1 Movable assets:

73.2.1.1 the asset is uneconomical to repair;

73.2.1.2 the asset is irreparable;

73.2.1.3 the relevant department has no further use for the asset; and

73.2.1.4 no other department requires the asset.

73.2.2 Immovable assets:

73.2.2.1 the relevant department has no further use for the asset;

73.2.2.2 no other department requires the asset;

73.2.2.3 a member of the public wishing to acquire the asset can utilize the asset to the advantage of the community; or

73.2.2.4 where the assets were specifically created for the sale or rental thereof to the public.

73.3 The disposal of assets must be by one of the following methods:

APPROVED SCM POLICY

73.3.1 transferring the asset to another organ of state in terms of a provision of the MFMA enabling the transfer of assets;

73.3.2 transferring the asset to another organ of state at market related value or, when appropriate, free of charge;

73.3.3 selling the asset; or

73.3.4 destroying the asset;

73.3.5 trading in the asset.

73.4 The disposal of assets must be done provided that –

73.4.1 immovable property may be sold only at market-related prices except when the public interest or the plight of the poor demands otherwise;

73.4.2 movable assets may be sold either by way of written price quotations, a competitive bidding process, auction or at market-related prices, whichever is the most advantageous;

73.4.3 in the case of the free disposal of computer equipment, the provincial department of education must first be approached to indicate within 30 [thirty] days whether any of the local schools are interested in the equipment; and

73.4.4 in the case of the disposal of firearms, the National Conventional Arms Control Committee has approved any sale or donation of firearms to any person or institution within or outside the Republic

73.5 When letting or disposing of an asset it must be ensured that –

73.5.1 immovable property is let at market-related rates except when the public interest or the plight of the poor demands otherwise;

73.5.2 all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed; and

73.5.3 where assets are traded in for other assets, the highest possible trade-in price is negotiated.

74. TRANSFER OR PERMANENT DISPOSAL OF ASSETS AND THE GRANTING OF RIGHT

74.1 Non-exempted capital assets shall be transferred or permanently disposed of strictly in accordance with Chapter 2 of the Municipal Asset Transfer Regulations.

74.2 Exempted capital assets shall be transferred strictly in accordance with Chapter 3 of the Municipal Asset Transfer Regulations.

74.3 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.

APPROVED SCM POLICY

75. PERFORMANCE MANAGEMENT

75.1 The accounting officer must ensure that an effective internal monitoring system is implemented in order to determine, on the basis of retrospective analysis, whether the authorised supply chain management processes were followed and whether the measurable performance objectives linked to and approved with the budget and the service delivery and budget implementation plan, were achieved.

75.2 Performance management shall accordingly be characterized by a monitoring process and retrospective analysis to determine whether:

75.2.1 value for money has been attained;

75.2.2 proper processes have been followed;

75.2.3 desired objectives have been achieved;

75.2.4 there is an opportunity to improve the process;

75.2.5 suppliers have been assessed and what that assessment is; and

75.2.6 there has been deviation from procedures and, if so, what the reasons for that deviation are

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

75.3.1 achievement of goals;

75.3.2 compliance to norms and standards;

75.3.3 savings generated;

75.3.4 cost variances per item;

75.3.5 non-compliance with contractual conditions and requirements; and

75.3.6 the cost efficiency of the procurement process itself.

76. ROLES AND RESPONSIBILITIES OF OFFICIALS

76.1 DIVISIONAL MANAGER SUPPLY CHAIN MANAGEMENT (SCM)

76.1.1 The Divisional Manager SCM is the SCM Official responsible for system administration, status and SCM performance reporting on all contracts related activities.

76.1.2 For the purposes of contract management activities performed by the relevant role players, the Divisional Manager SCM will monitor and report to Municipal Top Management Meetings on the following activities:

76.1.2.1 identification and classification of contracts for management purposes in terms of the SCM processes;

76.1.2.2 recognition, measurement and disclosure;

76.1.2.3 oversight of contract management as is provided for in this policy;

APPROVED SCM POLICY

76.1.2.4 document and information management;

76.1.2.5 relationship management;

76.1.2.6 contractor performance management;

76.1.2.7 contract risk management;

76.1.2.8 inform the Asset Management section of the location of newly procured assets for asset register and insurance purposes; and

76.1.2.9 ensure performance of suppliers is managed appropriately to the terms and conditions of the contract.

76.2 CONTRACT'S OFFICER

76.2.1 The Contract's Officer who shall be from the Legal Services Department of the Municipality shall be responsible for the following activities:

76.2.1.1 ensuring that all the necessary legal formalities in entering into the contract are adhered to;

76.2.1.2 ensuring that internal SCM Policies, MFMA and National Treasury Regulations are adhered to;

76.2.1.3 maintaining adequate records (paper and/or electronic) in sufficient detail on an appropriate contract file to provide an audit trail;

76.2.1.4 to take appropriate action in consultation with the General Manager and the Divisional Manager, where a contractor is underperforming or is in default or breach of the contract.

76.3 GENERAL MANAGER

76.3.1 The General Manager is responsible for ensuring that departmental contracts officers are assigned to all the contracts in his/her department or directorate.

76.3.2 The Departmental Manager is ultimately responsible for management of the activities and submission of quarterly reports on contracts management, which reports shall be done in accordance with the Electronic and/or Manual Contractor Performance Evaluation system.

76.4 MUNICIPAL MANAGER

76.4.1 The Municipal Manager is responsible for signing of contracts with the relevant service providers, in line with the Delegation of Powers and Responsibilities.

76.4.2 The Municipal Manager is ultimately accountable for the institutional contract management.

APPROVED SCM POLICY

76.5 CONTRACTOR ASSESSMENT PANEL

76.5.1 There shall be a Contractor Assessment Panel responsible for the assessment of Contractors constituted as hereunder –

76.5.1.1 Legal Services;

76.5.1.2 Risk Unit;

76.5.1.3 PMS Unit;

76.5.1.4 End User Department; and

76.5.1.5 Service Provider

76.5.2 Contractor Performance shall be done by the Contractor Assessment Panel on a quarterly basis and within fifteen (15) days from the last day of each quarter ending.

76.5.3 The results of the said Contractor Performance Assessment shall be recorded electronically on the Contractor Management System and the Service Provider shall be issued with the copy thereof immediately at the end of the said assessment.

76.5.4 Past performance results of the bidding companies shall be part of the systems used to determine the suitability and responsive of the bidder, with bidders having badly performed in their previous works with the municipality scored lower on the previous experience functionality area.

76.6 SUPPLIER PERFORMANCE

76.6.1 The supplier of goods and services is required to perform as per terms and conditions agreed upon and should inform the municipality if circumstances prevent them to perform, with reasons provided.

76.6.2 For all relevant deviations from the agreed terms and conditions of any contract, the key performance indicators (KPI's) should be reviewed as well as the alignment with the strategic objectives established in the IDP.

76.6.3 Supplier's performance will be analysed, assessed and/or reviewed by Nkangala District Municipality Top Management on a quarterly basis in compliance with the provisions of Section 116 of the MFMA, 2003.

76.6.4 Prescribed procedures to evaluate service providers must be complied with, which process should among others include the following:-

76.6.4.1 the requirements of this policy must be included in the contract of the service provider;

76.6.4.2 the performance of the service provider under the contract or service level agreement must be assessed quarterly by the Reporting Officer/Evaluator;

76.6.4.3 the assessment must be completed in the electronic contract management system or manually if the system is not functional;

APPROVED SCM POLICY

76.6.4.4 the Reporting Officer/Evaluator must complete the Service Provider Assessment on the contract management system at the end of each quarter.;

76.6.4.5 the service provider must be given a report on his/her assessment through the office of the Municipal Manager at the end of each quarter and on completion or termination of the contract; and

76.6.4.6 Supply Chain Management Unit (Assistant Manager SCM) will review the quarterly Service Provider assessments within 20 (twenty) days after the end of each quarter and submit a detailed summary report to the Municipal Top Management for consideration.

76.7 IN THE INSTANCE OF UNDER-PERFORMANCE

76.7.1 The Municipality will facilitate support interventions to service providers in the identified areas of underperformance.

76.7.2 Service providers who have been identified as under-performing in identified areas must be informed of these support interventions in writing.

76.7.3 The impact of support interventions must be monitored by the Assessment Panel.

76.7.4 Corrective action should be documented in writing within the Electronic Contract Management System.

76.7.5 The records of the support interventions must be documented, signed by both parties and appropriately filed in the Contract Management System.

PART 4: OTHER MATTERS

77. PROHIBITION ON AWARDS TO PERSONS WHOSE TAX MATTERS ARE NOT IN ORDER

77.1 The accounting officer must ensure that, irrespective of the procurement process followed, no award is given to a person whose tax matters have not been declared by the South African Revenue Service to be in order.

77.2 Before making an award to a provider or bidder, a tax clearance certificate from South African Revenue Service must first be provided as contemplated in paragraph 12.1.1.3 and 12.1.1.4.

77.3 According to National Treasury's Circular 90 the CSD and tax compliance status PIN are the approved methods to be used to prove tax compliance as the SARS no longer issues

APPROVED SCM POLICY

Tax Clearance Certificates but has made provision online, via e-filing, for bidders to print their own Tax Compliance Status which they can submit with their bids or price quotations.

77.4 Accounting Officers may, therefore, accept printed or copies of Tax Compliance Status submitted by bidders and verify them on e-filling. The verification result should be printed and filed for audit purposes.

77.5 The municipality must utilise the Master Registration Number or tax compliance status PIN to verify bidders.

77.6 The municipality must print the tax compliance status screen view or letter with the result of the bidder's status at the date and time of verification to file with the bidder's bid documents for audit purposes.

77.7 Where the recommended bidder is not tax compliant, the bidder should be notified of their non-compliant status and the bidder must be requested to submit to the municipality or municipal entity, within 7 working days, written proof from SARS of their tax compliance status or proof from SARS that they have made an arrangement to meet their outstanding tax obligations. The accounting officer should reject a bid submitted by the bidder if such a bidder fails to provide proof of tax compliance status within the timeframe stated above.

77.8 Where goods or services have been delivered satisfactorily without any dispute, accounting officers should not delay processing payment of invoices due to outstanding tax matters. Municipalities and municipal entities are advised to update their current SCM policies to ensure alignment with the new TCS.

78. PROHIBITION ON AWARDS TO PERSONS IN THE SERVICE OF THE STATE

78.1 Procurement of services is prohibited: -

78.1.1 from the person who is in the service of the state; or

78.1.2 if that person is not a natural person, of which any director, manager, majority shareholder or majority stakeholder is a person in the service of the state; or

78.1.3 who is an advisor or consultant contracted with the municipality in respect of a contract that would cause a conflict of interest.

79. AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE

79.1 The notes to the annual financial statements must disclose particulars of any award of more than **R2 000.00 [Two Thousand Rand]** to a person who is a spouse, life partner, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including –

79.1.1 the name of that person;

APPROVED SCM POLICY

79.1.2 the capacity in which that person is in the service of the state; and

79.1.3 the amount of the award.

80 AWARDS TO LOCAL PERSON/SERVICE PROVIDER WHOSE MUNICIPAL SERVICE CHARGES ARE NOT IN ORDER

80.1. Award may be made to a local person/service provider whose municipal service charges have not been declared by the THLM to be in order on condition that:

(a) He/she have signed acknowledgement of debt and agreed on the terms of repayment, or

(b) He/she agree that at time of payment of the goods or service provided, THLM will set-off the amount owing and pay the balance to the service provider

81. ETHICAL STANDARDS

81.1 A code of ethical standards is in place, for officials and other role players in the supply chain management system in order to promote –

81.1.1 mutual trust and respect; and

81.1.2 an environment where business can be conducted with integrity and in a fair and reasonable manner.

81.2 An official or other role player involved in the implementation of the supply chain management policy –

81.2.1 must treat all providers and potential providers equitably;

81.2.2 may not use his/her position for private gain or to improperly benefit another person;

81.2.3 may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than **R350.00 [Three Hundred and Fifty Rand]**;

81.2.4 notwithstanding sub-paragraph 81.2.3, must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;

81.2.5 must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by the municipality;

81.2.6 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;

81.2.7 must be scrupulous in his/her use of property belonging to the municipality;

81.2.8 must assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and

APPROVED SCM POLICY

81.2.9 must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including –

81.2.1 any alleged fraud, corruption, favouritism or unfair conduct;

81.2.2 any alleged contravention of paragraph 81 of this policy; or

81.2.3 any alleged breach of this code of ethical standards.

82. DECLARATIONS IN TERMS OF PARAGRAPHS 81 MUST BE DECLARED TO THE ACCOUNTING OFFICER

82.1 must be recorded in a register which the accounting officer must keep for this purpose;

82.2 by the accounting officer must be made to the executive mayor who must ensure that such declarations are recorded in the register.

82.3 The National Treasury's code of conduct must also be considered by supply chain management practitioners and other role players involved in supply chain management. A copy of the National Treasury code of conduct is available on the website www.treasury.gov.za/mfma located under "legislation".

82.4 A breach of the code of conduct adopted by the municipality must be dealt with in accordance with Schedule 2 of the Local Government: Municipal Systems Act 32 of 2000.

83. INDUCEMENTS, REWARDS, GIFTS AND FAVOURS TO MUNICIPALITIES, OFFICIALS AND OTHER ROLE PLAYERS

83.1 No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant –

83.1.1 any inducement or reward to the municipality for or in connection with the award of a contract; or

83.1.2 any reward, gift, favour or hospitality to –

83.1.2.1 any official; or

83.1.2.2 any other role player involved in the implementation of the supply chain management policy.

83.2 The accounting officer must promptly report any alleged contravention of sub-paragraph 83.1 to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.

APPROVED SCM POLICY

83.3 Sub-paragraph 83.1.2 does not apply to gifts less than **R350.00 [Three Hundred and Fifty Rand]** in value.

84. SPONSORSHIPS, EVENTS AND CATERING

84.1 The accounting officer must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is –

84.1.1 a provider or prospective provider of goods or services; or

84.1.2 a recipient or prospective recipient of goods disposed or to be disposed.

84.2 The municipality may not incur catering expenses for meetings which are only attended by persons in the employ of the municipality, unless the prior written approval of the accounting officer is obtained.

84.3 The accounting officer may incur catering expenses for the hosting of meetings, conferences, workshops, courses, forums, recruitment interviews, and proceedings of council that exceed five hours.

84.4 Entertainment allowances of qualifying officials may not exceed two thousand rand per person per financial year, unless approved otherwise by the accounting officer.

84.5 The municipality may not incur expenses on alcoholic beverages unless the municipality or the municipal entity recovers the cost from the sale of such beverages

84.6 The accounting officer must ensure that social events, team building exercises, year-end functions, sporting events and budget vote dinners are not financed from the municipality's budget or by any suppliers or sponsors.

84.7 The municipality may not incur expenditure on corporate branded items like clothing or goods for personal use of officials, other than uniforms, office supplies and tools of trade unless costs related thereto are recovered from affected officials or is an integral part of the business model.

84.8 The accounting officer may incur expenditure not exceeding the limits for petty cash usage to host farewell functions in recognition of officials who retire after serving the municipality or municipal entity for ten or more years or retire on grounds of ill health.

85. COMMUNICATION

85.1 The municipality may, as far as possible, advertise municipal related events on its website instead of advertising in magazines or newspapers.

APPROVED SCM POLICY

85.2 The accounting officer must ensure that allowances to officials for private calls and data costs are limited to an amount as determined by the accounting officer in the cost containment policy of the municipality or municipal entity.

85.3 Newspapers and other related publications for the use of officials and public office bearers must be discontinued on expiry of existing contracts or supply orders, unless required for professional purposes and where unavailable in electronic format.

85.4 The municipality may participate in the transversal term contract arranged by the National Treasury for the acquisition of mobile communication services.

86. CONFERENCES, MEETINGS AND STUDY TOURS

86.1 The accounting officer must establish policies and procedures to manage applications to attend conferences or events hosted by professional bodies or non-governmental institutions held within and outside the borders of South Africa taking into account their merits and benefits, costs and available alternatives

86.2 When considering applications from officials or political office bearers to attend conferences or events within and outside the borders of South Africa, the accounting officer or the mayor as the case may be, must take the following into account-

86.2.1 the official's or political office bearer's role and responsibilities and the anticipated benefits of the conference or event;

86.2.2 whether the conference or event addresses relevant concerns of the institution;

86.2.3 the appropriate number of officials or political office bearers, not exceeding three, attending the conference or event; and

86.2.4 the availability of funds to meet expenses related to the conference or event.

86.3 The accounting officer may consider appropriate benchmark costs with other professional bodies or regulatory bodies prior to granting approval for an official to attend a conference or event within and outside the borders of South Africa.

86.4 The benchmark costs referred to in sub-section (87.3) may not exceed an amount as determined from time to time by the National Treasury through a notice.

86.5 The amount referred to in sub-section (87.3) excludes costs related to travel, accommodation and related expenses, but includes-

86.5.1 conference or event registration expenses; and

86.5.2 any other expense incurred in relation to the conference or event.

86.6 When considering costs for conferences or events these may not include items such as laptops, tablets and other similar tokens that are built into the price of such conferences or events.

APPROVED SCM POLICY

86.7 The accounting officer of a municipality must ensure that meetings and planning sessions that entail the use of municipal funds are, as far as may be practically possible, held inhouse.

86.8 Municipal or provincial office facilities must be utilised for conference, meetings, strategic planning sessions, *inter alia*, where an appropriate venue exists within the municipal jurisdiction

86.9 The accounting officer must grant the approval for officials and in the case of political office bearers and the accounting officer, the mayor, as contemplated in sub-section (87.2).

86.10 The municipality must, where applicable, take advantage of early registration discounts by granting the required approvals to attend the conference, event or study tour, in advance

87. OTHER RELATED EXPENDITURE ITEMS

87.1 All commodities, services and products covered by a transversal contract concluded by the National Treasury must be considered before approaching the market, to benefit from savings where lower prices or rates have been negotiated.

87.2 Municipal resources may not be used to fund elections, campaign activities, including the provision of food, clothing, printing of agendas and brochures and other inducements as part of, or during election periods or to fund any activities of any political party at any time.

87.3 Expenditure on tools of trade for political office bearers must be limited to the upper limits as approved and published by the Cabinet member responsible for local government in terms of the Remuneration of Public Office Bearers Act, 1998.

87.4 The municipality must avoid expenditure on elaborate and expensive office furniture.

87.5 The municipality may only use the services of the South African Police Service to conduct periodical or quarterly security threat assessments of political office bearers and key officials, and a report must be submitted to the speaker's office.

87.6 The municipality may consider providing additional time-off in lieu of payment for overtime worked. Planned overtime must be submitted to the relevant manager for consideration on a monthly basis. A motivation for all unplanned overtime must be submitted to the relevant manager.

87.7 The municipality or municipal entity must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs

88. OBJECTIONS AND COMPLAINTS

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

APPROVED SCM POLICY

89. RESOLUTION OF DISPUTES, OBJECTIONS, COMPLAINTS AND QUERIES

89.1 The accounting officer must appoint an independent and impartial person, not directly involved in the supply chain management processes –

89.1.1 to assist in the resolution of disputes between the municipality and other persons regarding -

89.1.1.1 any decisions or actions taken in the implementation of the supply chain management system; or

89.1.1.2 any matter arising from a contract awarded in the course of the supply chain management system.

89.1.2 to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

89.2 The accounting officer, or another official designated by the accounting officer, is responsible for assisting the appointed person to perform his or her functions effectively.

89.3 The person appointed must –

89.3.1 strive to resolve promptly all disputes, objections, complaints or queries received; and

89.3.2 submit monthly reports to the accounting officer on all disputes, objections, complaints or queries received, attended to or resolved.

89.4 A dispute, objection, complaint or query may be referred to the relevant provincial treasury if –

89.4.1 the dispute, objection, complaint or query is not resolved within 60 [sixty] days; or

89.4.2 no response is forthcoming within 60 days.

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

89.6 This paragraph must not be read as affecting a person's rights to approach a South African court of law at any time.

90. CONTRACTS PROVIDING FOR COMPENSATION BASED ON TURNOVER

90.1 If a service provider acts on behalf of the municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and the municipality must stipulate – 90.2 a cap on the compensation payable to the service provider; and

90.3 that such compensation must be performance-based.

APPROVED SCM POLICY

91. PAYMENT OF SUB-CONTRACTORS OR JOINT VENTURE PARTNERS

91.1 The Chief Financial Officer or an official designated by the chief financial officer may consent to the direct payment of sub-contractors or joint venture partners by way of:

91.1.1 an approved cession; or

91.1.2 an agreement for direct payment.

92. EXTENDING OR VARYING A CONTRACT

92.1 **Amendments to contracts – MFMA Section 116(3)**

1) This section is applicable to all contracts and Circular 62 and Section 116(3) of the Act must be complied with in respect of amendments to contracts. Section 116(3) of the Act states: "A contract or agreement procured through the supply chain management policy of the municipality or municipal entity may be amended by the parties, but only after- (a) The reasons for the proposed amendment have been tabled in the council of the municipality or, in the case of a municipal entity, in the council of its parent (b) The local community. has been given reasonable notice of the intention to amend the contract or agreement; and ii. has been invited to submit representations to the municipality or municipal entity" (c) Reports for the application of the amendments to contract must include sufficient details including all previous amendments or variations, the start and the end dates of a contract, original contract value, proposed additional contract value, percentage of the proposed additional contract value against original contract value

A. The Policy and Process for Major Amendments to Contracts:

2) Step1 of the process is for the Department to seek authorisation from the Municipal Manager of the Cluster and Head: SCM to issue a public advert to solicit public views regarding the proposed amendment to contract.
3) There must be a consideration of Section 33 of the MFMA for contracts exceeding three years.
   i. There must be a periodic review of contract or agreement once every three years in a case of a contract or agreement for longer than three years.
4) Step 2 of the process is the submission of a Report to Bid Adjudication Committee recommending approval of Major Amendments to a Contract (a) The contents of the report must contain:
   i. proof that Steps 1 for Major Amendments have been followed, together with associated documentation; and

APPROVED SCM POLICY

ii. results of advertising in terms of Section 116(3) (b) (i) & (ii) of the MFMA, and the results thereof showing representations received and the materiality and impact of these representations.

(b) Consideration must be made of Section 33 of the MFMA for contracts exceeding three years.

(c) Where the contract authority exceeds R10 million, or is a long-term contract, then final authority rests with the Accounting Office

Step 3 of the process is for the Department to table a report to Council of the Municipality via the Executive Committee (and/or the relevant Standing Committee) to note proposed Major Amendment to a contract and to consider the public views regarding the proposed amendment to contract.

(a) The contents of the report must contain:

i. proof that the contract or agreement procured was through the supply chain management policy;

ii. proof that there a written contract in place;

iii. proof that the contract been monitored on a monthly basis in terms of Section 116(2) (b) of the Act; (iv. proof that the contract been reported on in terms of Section 116(2) (d) of the Act;

v. proof and motivation that the reasons for the proposed amendments are valid

vi. proof that the draft meets the specific needs and expectations of the CMC;

vii. advert for the proposed amendments in terms of Section 116(3) (b) (i) & (ii) of the MFMA.

viii. proof of the public views regarding the proposed amendment to contract.

B. **The Policy and Process for Minor Amendments to Contracts**

1. Step 1 is the submission of a Report to the Bid Adjudication Committee recommending approval of Minor Amendments to a Contract (a) The contents of the Report must contain:

i. proof that the contract was procured through the supply chain management policy;

APPROVED SCM POLICY

ii. proof that there is a written contract in place;

iii. proof that the contract been monitored on a monthly basis in terms of Section 116(2)(b) of the Act; iv. proof that the contract been reported on in terms of Section 116(2)(d) of the Act;

v. Proof and motivation that the reasons for the proposed amendments are valid and do not exceed the thresholds for minor amendments.

(b) Consideration must be made of Section 33 of the MFMA for contracts exceeding three years.

(c) Minor amendments can only be considered if the total amended value does not exceed 20% of its original contract authority for construction related goods, services and/or infrastructure projects and 15% for all.

(d) other goods and/or services of the original value of the contract. (e) Where the contract authority exceeds R10 million, or is a long-term contract, then final authority rests with the Accounting Officer.

2. Step 2 of the process is the submission of a Report to Council on the Minor Amendments to contracts, including reasons for the amendments.

(a) The report to be included as a separate annexure in the standard monthly reports on tender awards made, which are produced by the Head: SCM.

(b) The Assistant Managers overseeing the projects have the responsibility of ensuring that all applicable information is made available to SCM to adequately prepare these reports.

BLACKLISTING

93. 1. The Municipality must establish an administrative committee, the Blacklisting Committee (hereinafter "The Committee") to consider applications for blacklisting, preferably comprising officials at a senior level within the Municipality for a term to be determined by the Accounting Officer.

2. The Committee may only act on an application from:

(a) Internal Audit Unit

(b) Legal Services Unit .

(c) Municipal Manager; (d) Risk Unit.

3. The Municipality in its sole discretion may blacklist an entity which:

(a) has submitted a bid to the Thembisile Hani Local Municipality, through either its quotation management system or competitive bidding system, or any other procurement system utilized by the Municipality and such bid has not yet been awarded;

APPROVED SCM POLICY

(b) has been awarded a contract through the Municipality's procurement systems but has not commenced with any task order or execution of the contract and or

(c) has been awarded a contract and has proceeded to execute such contract.

4. Grounds for Blacklisting

The following are grounds for blacklisting, including but not limited to:-

(a) committing an improper practice/s as defined;

(b) failing to achieve a specified goal as stipulated in the tender document in terms of the Preferential Procurement Policy Framework Act;

(c) committing any offence as set out in Section 12 and 13 of the Prevention and Combating of Corrupt Activities Act No. 12 of 2004;

(d) persistent non-performance as defined, and as monitored in terms of the Performance Management Policy of the Municipality; and

5. An entity may be blacklisted if such entity is found to have committed an improper practice/s as outlined in 93 (4) (a) to (d) above.

6. The effects of blacklisting

(a) The effect of blacklisting an entity extends to its' shareholders, and/or directors and/or members and/or partners or persons in the employ of the Entity being sufficiently complicit in the opinion of the Municipality.

(b) The effect of the aforesaid is that such Entity and persons are barred from doing business with the Thembisile Hani Local Municipality or its Municipal Entities for a period determined by the Committee established in 93 (1) above.

(c) New businesses with common directors/members/shareholders or partners from those businesses which were blacklisted will be precluded from tendering with the Municipality/Municipal Entity until the expiration of the barring period pronounced upon by the Committee

(d) The entity may not apply for Municipal contracts until the expiry of the sanction.

(e) Bid Committees must reject any bid submitted to the Municipality but not yet awarded, where the committee issued an order blacklisting the bidder or the bidder is on the National Defaulters database.

(f) Current Contracts: The Department shall terminate contracts of a blacklisted entity, at a point which is deemed most convenient for the Municipality based on prevailing circumstances preferably not exceeding (Ninety) 90 calendar days from the date of the issue of the Order.

APPROVED SCM POLICY

7. The Committee shall have the power to:

(a) Dismiss an application for blacklisting;

(b) Blacklist the entity

(c) defer the matter to request further and detailed information from the person making the application;

(d) request the affected company or shareholder or director or partner or member and or management to provide information that will enable the Committee to make a justifiable order to blacklist;

(e) observe the principle of audi alterem partem;

(f) establish guidelines for sanctions which should be approved by the Accounting Officer for imposition;

(g) Communicate its decision with reasons to entities that it blacklists.

8. The blacklisting process:

Step 1

(a) The person/s applying for blacklisting shall cause to be submitted to the Chairperson of the Committee, a written report making a case for the consideration of blacklisting.

(b) Supporting documents must be attached thereto, which shall include but not be limited to documentary evidence, CIU Reports, contracts, payment certificates, invoices, communiqué's' between parties, statements of witnesses, etc. Step 2

(a) All members of the Committee must be furnished with the documentation in Step1 within a period of not less than 2 weeks to enable them to familiarize themselves with the allegations contained in the application. Step 3

(a) The Municipality Secretariat shall prepare an agenda for the meeting of the Committee on the instructions of the Chair of the Committee.

Step 4

(a) submissions will be considered by the blacklisting committee.

APPROVED SCM POLICY

(b) Upon receiving an application as stated in section 93 (2) The committee shall send a written communication to the affected entity, advising them that an application for blacklisting has been received for consideration by the committee, Should the affected entity wish to review the attached report by Municipal Risk Unit, it shall do so by addressing their concerns with the Head of Municipal Risk Unit;

(c) Failure to take the matter on review within 14 days of receipt of written communication and report as stated above in section 93 (8) 5 b Blacklisting Committee shall consider the matter for Blacklisting. Step 5

(a) the secretariat shall cause order to blacklist be communicated in a manner deemed appropriate by the Committee to party and or parties involved.

(b) the order must advise the affected entity or persons of their rights of redress should they be aggrieved by the decision of the Committee.

9. If the matter is not deferred nor dismissed the Chairperson must advise the affected entity that the Committee has received an application for blacklisting and must make available;

(a) the grounds, together with supporting documents for the entity to respond to the allegations in writing.

(b) the affected entity/shareholders/members/partners/employees shall make submission to the Chairperson of the Committee in writing, in a manner deemed appropriate by the Committee by no later than 15 working days.

(c) Should no submissions be received within the 15 working days, the Committee shall make a finding on the basis of the information before it, unless the affected entity has made a written application to the Chair of the Committee for an extension and such extension shall not be unreasonably refused.

(d) The once off extension shall not exceed 5 business days.

10. The Order shall set out:

(a) the time frames within which the Appeal may be lodged;

(b) the details of the person to whom the Appeal may be addressed and (c) the formalities, if any.

11. (a) If the Appeal Authority appointed in terms of section 89 of the Policy find the decision of the Blacklisting to be correct, the Committee shall uphold the decision.

APPROVED SCM POLICY

(b) The Head: SCM or his nominee must submit the names of blacklisted companies to National Treasury for inclusion on the Tender Defaulters Register together with the appropriate supporting information supplied by the Committee.

94. POLICY REVIEWS

94.1 Notwithstanding the review date herein this policy shall remain effective until such time otherwise approved by Council and may be reviewed on an earlier date if necessary.

95. BUDGET & RESOURCES

95.1 The financial and resource implication/s related to the implementation of this policy should be qualified and quantified. Where the provisions of this policy conflict with the provisions of the Nkangala District Municipality Costs Containment Policy, the provisions of the Costs Containment Policy shall take supremacy.

96. IMPLEMENTATION

96.1 The Policy shall be implemented by Management, Service Providers, Councillors and by any other affected party including the members of the public and Management shall take reasonable steps to ensure that the policy is implemented and adhered to.

97. PENALTIES

97.1 Non-compliance of any of the stipulations contained in the policy will be regarded as

misconduct and will be dealt with in terms of the Municipality's Disciplinary Code.

APPROVED SCM POLICY