

GREATER TZANEEN MUNICIPALITY



Reviewed - Supply Chain Management Policy

(Incorporating Preferential Procurement)

Greater Tzaneen Municipality Supply Chain Policy – Final

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TERMS AND DEFINITIONS

TERMS	DEFINITIONS
Acceptable Tender	Any tender which, in all respects, complies with conditions of tender and specifications as set out in the tender documents.
Accounting Authority	The Board as appointed by the MEC in terms of Section 10, of the GTM Act, to act as the Accounting Authority.
Acquisition Management	<p>The process of procurement of goods and services and includes <i>inter alia</i> the following:</p> <ul style="list-style-type: none"> • Identification of preferential policy objectives; • Determination of market strategy; • Application of the total cost of ownership principle; • Identification of procurement needs that require fulfillment • Identification of potential suppliers; • Creation and maintenance of an approved list of suppliers; • Compilation of bid documentation, including terms & conditions; • Determination of evaluation criteria; • Evaluation of bids and tabling of recommendations; • Compilation and signing of contract documents; • Contract administration; • Correct accounting and reporting of goods/ services acquired; and • Application of depreciation rates.
Adjudication points	the points referred to in the Preferential Procurement Regulations, 2011 and the Preferential Procurement section of this policy, also referred to as “evaluation points”.
All applicable taxes	Includes value-added tax, pay as you earn, income tax, unemployment insurance fund contributions and skills development levies.
Asset	<p>A resource controlled by an entity as a result of past events and from which future economic benefits or service potential is expected to flow to the entity. It has the following characteristics:</p> <ul style="list-style-type: none"> • <i>It possesses service potential or future economic benefit that is expected to flow to the entity;</i> • <i>It is controlled by the entity; and</i> • <i>It originates as a result of a past transaction or event.</i>
Asset Register	The register in which all the movable and immovable assets of the GTM are recorded, and which ensures that accountability for GTM

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TERMS	DEFINITIONS
	assets are maintained at all times. Excludes assets that are non-durable in nature e.g. inventory.
Authoriser	The person responsible for approving a Procurement Requisition in each Unit or Cost Centre Manager.
Authority	The right or power attached to a rank or appointment permitting the holder thereof to make decisions, to take command or to demand action by others.
B-BBEE	Broad-based black economic employment as defined in section 1 of the Broad-Based Black Economic Empowerment Act.
B-BBEE status level of contributor	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.
Bid	A written offer in a prescribed or stipulated form in response to an invitation for any tender issued by the GTM for the provision of goods, services or works estimated transaction value exceeding R200 000.
Bid Adjudication Committee	<p>The Committee of the Municipality that:</p> <ul style="list-style-type: none"> • reviews the evaluation of bids; • adjudicate over bids; • adjudicates over the GTM's sourcing strategy; and • rejects/ recommend awards bids as per the recommendations of the Bid Evaluation Committee on tenders issued by the GTM, where the transaction value of the bid is above R200 000 or makes a recommendation to the MM for approval.
Bid Documentation	The standard documentation used when soliciting a proposal or quotation.
Bid Specification Committee	<p>The Committee that compiles the specification for each procurements of goods/ services drafted in an unbiased manner that allows all potential suppliers opportunity to put forward their proposal. The specification must take into account acceptable standards that the goods/ workmanship must comply with:</p> <ul style="list-style-type: none"> - Must where possible describe requirement i.t.o performance rather than in terms of descriptive characteristics of design; and - Must indicate the specific goals/ attributes for which points may be awarded i.t.o. the preferential procurement system

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TERMS	DEFINITIONS
Bidder	Any person submitting a competitive quotation, bid, proposal to contract.
Black Economic Empowerment	An integrated and coherent socio-economic process that directly contributes to the economic transformation of SA and brings about a significant increase in the number of Black people that manage, own and control the country's economy, as well as a significant increase in national equality.
Black Empowered Company	A company owned and managed (25.1%) by Black persons and where there is a substantial Black Management Control.
Black Influenced Company	A company that is 5 to 25% owned and managed by Black persons.
Black People	Is a generic term which means Africans, Coloureds and Indians as per the BBBEE Act.
Black Women – Owned Enterprise	An enterprise with at least 25.1% representation of black woman within the black equity and management portion.
Broad-Based Black Economic Empowerment	<p>The economic empowerment of all black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include, but are not limited to:</p> <ul style="list-style-type: none"> • increasing the number of black people that manage, own and control enterprises and productive assets; • facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and other collective enterprises; • human resource and skills development; • achieving equitable representation in all occupational categories and levels in the workforce; • preferential procurement; and • investment in enterprises that are owned or managed by black people.
Broad-Based Black Economic Empowerment Act	Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003);
Capital Asset	Any immovable asset such as land, property or buildings; or 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.

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TERMS	DEFINITIONS
Municipal Manager	The Municipal Manager has the general responsibility of running the Municipality on day to day basis, accountable to the Council, and to assist the Council in discharging the duties as prescribed in the MFMA and perform such duties and responsibilities as have been delegated to him / her.
Chief Financial Officer	The CFO has the general responsibility to assist the Municipal Manager and Council in discharging the duties
Closing Date	The date that is stipulated as the last date on which a bidder may submit documentation or proposals in connection with a tender, in the Request for Tender document.
Closing Time	Stipulated time (e.g. 12H00) on a particular date on which the tender closes.
Co-Bidding	The practice whereby a tenderer separately teams up with two or more other renderers on a particular bid.
Code of Conduct	GTM's Code of Conduct.
Comparative Price	The price that results after the factor of a non-firm price and all unconditional discounts that can be utilized.
Competitive Bidding Process	a competitive bidding process referred to in Regulation 12 (1) (d) of the SCM Regulations.
Competitive Bid	a bid in terms of a competitive bidding process.
Community Based Vendor	a supplier of goods, services and/or construction works who resides in a target area or community, who meets the criteria for community based vendors as determined by the Manager: SCM from time to time, and who is registered as such on the Municipality's Supplier database.
Council	The Council of the Municipal in term of the MFMA.
Construction Industry Development Board (CIDB) Act	Construction Industry Development Board Act, 38 of 2000 and includes the regulations pertaining thereto.
Construction Works	any work in connection with: <ul style="list-style-type: none"> - the erection, maintenance, alteration, renovation, repair, demolition or dismantling of or addition to a building or any similar structure; - the installation, erection, dismantling or maintenance of a fixed plant;

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	<ul style="list-style-type: none"> - 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 - the moving of earth, clearing of land, the making of an excavation, piling or any similar type of work.
Contract participation goal	The amount equal to the sum of the value of work for which the prime contractor contracts to engage specific target groups in the performance of the contract, expressed as a percentage of the bid sum less provisional sums, contingencies and VAT.
Consortium or joint venture	As association of persons for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract
Consultant	The term consultant includes, among others, consulting firms, engineering firms, construction managers, management firms, procurement agents, inspection agents, auditors, other multinational organizations, investment and merchant banks, universities, research agencies, government agencies, non-governmental organizations (NGO's) and individuals (Practice Note Number SCM 3 of 2003) or a person or entity providing services requiring knowledge based expertise, and includes professional service providers.
Consumable Item	A non-permanent item that are consumable or expendable and which are not depreciated.
Contract	The agreement that results from the acceptance of a bid or quote by the GTM, which is concluded when the Municipality accepts, in writing, a bid or quote submitted by a provider.
Contractors	Any person or entity whose bid or quote has been accepted by the municipality or a contractor as per the CIDB Act No 5 of 2006.
Damage	Injury to an item that impairs its usefulness.
Day(s)	Calendar days unless the context indicates otherwise.
Delegation Authority	any person or committee delegated with authority by the Municipality in terms of the provisions of the Municipal Finance Management Act.
Demand Management	The planning process that ensures that the resources required to support the strategic objectives are delivered at the correct time, at the right price, location, quantity and quality that will satisfy the needs of the users.

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TERMS	DEFINITIONS
Depreciation	The reduction in the value of assets resulting from wear and tear through use in the ordinary course of business, age or obsolescence. The consumption of capital is recognized as a cost of production.
Designated sector	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.
Disposal Management	A process that ensures that all unserviceable, redundant or obsolete assets are subjected to a formal process of removal from operations in a cost-effective, but transparent and responsible manner. It also entails the maintenance of records and documents as prescribed.
Emerging Contractor	Is an enterprise owned by one or more individuals who may not necessarily have at its disposal all the required skills, experience, resources to meet business requirements.
End-User	The end-user is the person who utilizes the items / services procured.
Equipment	Non-consumable items issued for use in the business operations and which is accounted for as an asset in the register.
Emergency	Are cases where immediate action is necessary in order to avoid a dangerous or risky situation.
Empowerment Indicator	a measure of an enterprise/business's contribution towards achieving the goals of government's Reconstruction and Development Program. This indicator will relate only to certain specific goals for the purposes of this Policy.
Ex Post Factor	The Extension of the approval backwards in time. The approval that was otherwise not prohibited at the time the procurement transaction occurred.
Exempted Capital Asset	a municipal capital asset which is exempted by section 14(6) or 90(6) of the MFMA from the other provisions of that section.
Executive Authority	Members of the board as appointed by Gauteng Provincial MEC for Roads and Transport.
Final Award	The final decision on which bid or quote to accept
Firm Price	The price in a contract that is fixed, and not subject to any

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	adjustments on the basis of the contractor's costs in performing on the contract. The only subject to adjustments in accordance with an 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 rendering costs of any service, for execution of the contract.
Formal Written Price Quotation , Written Price Quotation , Quotation or Quote	a written or electronic offer to the Municipality in response to an invitation to submit a quotation.
Framework Contract	Is that contract concluded for a specific group, type or class of goods or service, in which both the contractor and standard price are pre-determined and is usually for a specific duration of time.
Functionality	The measure, according to predetermined criteria, of the suitability of a proposal, design or product for the use for which it is intended, and may also include a measure of the competency of a supplier. "Functionality" is also referred to as "Quality".
Fronting	The misrepresentation of facts relating to an enterprise to benefit from the awarding of a contract on standard or preferential terms and conditions.
Functionality	The measurement according to predetermined norms, as set out in the tender documents, of a service or commodity that is designed to be practical and useful, working or operating, taking into account, among other factors, the quality, reliability, viability and durability of a service and the technical capacity and ability of a tenderer, "Functionality" is also referred to as "Quality".
Functionality Criteria	The supplier's ability to meet the service delivery, specification and quality requirements.
Generic Scorecard	The scorecard that is promulgated in terms of the BBBEE Act.
Government	The Government of the Republic of South Africa.
Granting of Rights	the granting by the Municipality of the right to use, control or manage capital assets in circumstances where sections 14 and 90 of the MFMA and Chapters 2 and 3 of the Municipal Asset Transfer Regulations do not apply. In other words, where the granting of such rights does not amount to "transfer" or "disposal" of the asset and which includes leasing, letting, hiring out, etc, of the capital asset.

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TERMS	DEFINITIONS
Green Procurement	Taking into account environmental criteria for goods and services to be purchased in order to ensure that the related environmental impact is minimised.
GTM Vendor Database	A list of accredited prospective providers which a municipality or municipal entity must keep in terms of Regulation 14 of the SCM regulations or all suppliers/ vendors that GTM intend doing business with the GTM.
Historically Disadvantaged Individual	A South African citizen who, due to the apartheid policy, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, or the Constitution of the Republic of South Africa; and / or who is a female; and / or who has a disability; provided that a person who obtained South African citizenship on or after the coming into effect of the Interim Constitution is deemed not to be an HDI.
Immovable Asset	As defined by the Government's Immovable Asset Management Act.
Implementing Agent	The decision maker/manager mandated by the Municipality to implement projects and invite bids/quotations for procurement of any nature.
Incoming Tender	A submission by a supplier in response to an official published GTM Request for Tender advertisement.
Imported Content	That portion of the tender price represented by the cost of components, parts or material which have been or are still to be imported (whether by the supplier or its subcontractors) 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 Africa port of entry.
Institution	All constitutional institutions, public entities as defined in the PFMA,
Integrated SCM	The Total Cost of Ownership concept, which has the effect of minimising the total procurement cost, and not necessarily the cost of individual items of goods or services. A TCO approach ensures that when procuring, the purchase costs as well as all related costs (ordering, delivery, subsequent usage, maintenance, supplier, and post delivery) are taken into consideration.
In the service of the state	a member of any municipal council, any provincial legislature or the National Assembly or the National Council of Provinces; an official of any municipality or municipal entity; an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning

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	of the Public Finance Management Act, 1 of 1999; a member of the board of directors of any municipal entity; a member of the accounting authority of any national or provincial public entity; or an employee of Parliament or a provincial legislature.
Inventories	Including stock, consumable stores, maintenance materials, stationery, strategic stock, e.g. fuel, spare parts, work in progress and education / training course materials.
Inventory Management	Ensures accountability for all consumable items of the GTM at all times, and includes a materials planning and requisition system. Records shall be maintained and be made available that describe fully all consumable assets and work-in-progress.
Joint Venture	An association of persons/companies, close corporations/firms for the purpose of combining their expertise, property, capital, resources, efforts, skills and knowledge in order to discharge duties in the execution of any contract. The Joint Venture must be formalized by agreement between the parties.
Late Tender	A tender submission that is posted in the Tender Box after the closing date and closing time.
Local content	That portion of the tender price which is not included in the imported content, provided that local manufacture does take place.
Logistics Management	Ensures that goods and services are available at the right place and time and in the correct quantities required to execute the functions of GTM.
Management	The senior officials who have delegated and charged with the day-to-day management of the GTM. This also entails the power to determine policies, the direction of economic activities and the allocation and use of resources of the GTM.
Movable Assets	Are assets that are not fixed and which can be relocated to various destinations (e.g. machinery, equipment, vehicles, etc.).
Municipal Asset Transfer Regulations	The Municipal Asset Transfer Regulations published in Government Gazette 31346 of 22 August 2008.
Municipal Entity	Entity as defined in the Systems Act.
Municipal Finance Management Act (MFMA)	Local Government: Municipal Finance Management Act, 56 of 2003.

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Municipal Manager	The Municipal Manager has the general responsibility of running the Municipality on day to day basis, accountable to the Council, and to assist the Council in discharging the duties as prescribed in the MFMA and perform such duties and responsibilities as have been delegated to him / her.
Net Present Value	NPV is the difference between the present value of cash inflows and the present value of cash outflows, or the value that results after discounting a series of outflows over time to the present value. NPV is used in capital budgeting to analyse the comparative costs of alternative investments, or the profitability of an investment or project. Generally, if the NPV is positive the project in question is potentially worth undertaking, or when evaluating alternative investments that will require outflows of cash, the investment with the lowest present value is generally acceptable.
One-off Contract	Discrete contract where specified goods, services or construction works are supplied for an approved contract sum.
Non-exempted Capital Asset	Municipal capital asset which is not exempted by section 14(6) or 90(6) of the MFMA, from the other provisions of that section.
Non-firm price	All prices other than “firm” prices.
Obsolescence	A decline in the utility, competitiveness or value of an item of asset or inventory, due to the development of an improved or superior item, or due to a change in user requirements or preferences. Obsolescence is distinct from a decline due to physical deterioration through use, and wear and tear.
Official	An employee of the GTM.
Person	A juristic person which includes a natural or juristic entity.
Policy	Supply Chain Management
Practitioner	A person who practices a profession or art, or is an expert in a particular field.
Preference Points	Points allocated to preference in terms of the PPPFA.
Preference Procurement Regulations	The regulations pertaining to PPPFA.
Prime Contractor	Shall have the same meaning as Contractor
Provider	A provider is the private person or institution that provides goods, services or works to the GTM.

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TERMS	DEFINITIONS
Promotion of Administration Justice Act	The promotion Administration Justice Act No. 3 of 2000.
Public Private Partnership	<p>A commercial transaction between public institution and a private party in terms of which the private party performs an institutional function on behalf of the institution; and / or it acquires the use of state property for its own commercial purposes; and assumes substantial financial, technical and operational risks in connection with the performance of the institutional function and / or use of state property; and receives a benefit for performing the institutional function or from utilizing the state property, either by way of:</p> <ul style="list-style-type: none"> • Consideration to be paid by the institution which derives from a revenue fund or where the institution is a national government business enterprise or a provincial government business enterprise, from the revenues of such an institution; or • Charges or fees to be collected by the private party from users or customers of a service provided to them; or a combination of such consideration and such charges or fees.
Quotation (Written)	A written offer by means of a fax, e-mail, letter or any other written form, in response to a verbal or written request which need not follow normal tender procedures. A written offer in a prescribed or stipulated form in response to a request for quote by the GTM for the provision of goods, services or works with a transaction value threshold below R500 000.
Rand Value	Total estimated value of a contract in South African currency, calculate at the time of tender invitations, and includes all applicable taxes and excise duties.
Redundant	No longer needed or useful.
Republic	Republic of South Africa
Responsibility	The obligation imposed on an official to properly exercise the authority vested in him to carry relevant functions or act in a particular manner within the limits of his authority. This involves the power to command and to demand action in the proper execution of the relevant duties. (Responsibility may be delegated).
Responsiveness (Eligibility) Criteria	The criteria or requirements that are stipulated in the tender documents, which the suppliers must achieve in order to qualify to be evaluated.
Risk Appetite	The quantum of risk that an organization is willing to accept within its

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	overall capacity, linked to capital, liquidity and borrowing capacity, in the pursuit of its goals and objectives.
Risk Management	The identification, measurement and economic control of risks that threaten the assets and earnings of a business or other enterprise.
SCM Unit	The SCM function established in the GTM is rendered by person(s) with the relevant authority or delegated authority.
SCM Official	<p>A SCM Official means:</p> <ul style="list-style-type: none"> • A person employed by GTM performing the SCM function; or • A person contracted to the GTM to render service to perform the SCM function.
SCM Regulation	The National Treasury Regulations 16A.
Set-Aside	Reserving the award of a tender exclusively to a select class or group of tenderers. This is generally unconstitutional in terms of Section 217 of the Constitution as it is discriminatory.
Small Medium and Micro Enterprise (SMME's)	As defined in the National Small Business Act, No. 102 of 1996. Employing a maximum of 100 employees in any sector except manufacturing or construction where the maximum is 200 employees.
Sole Supplier	<p>A supplier that has exclusive and/ or patent rights or is a unique original equipment manufacturer (OEM). The product source is of a proprietary nature and can only be sourced from a specific supplier.</p> <p>Products or services that are enhancements or additions to existing systems or equipment that is in use at the Municipality, for which no other alternative source option is available.</p> <p>Sole source purchase where there is only one supplier available in the market for the goods or service sought or supplier has sole distribution rights.</p> <p>NOTE: It is important to note that the writing of tight specifications or the adoption of a specific supplier's specifications or the procurement of specific branded products or services, which have the effect of eliminating competition is not acceptable, as this can only encourage and perpetuate sole supplier status and high prices by sole suppliers</p>
Single Source Supplier	In the absence of a vendor database, the supplier utilized shall be a sole supplier for the type of goods or services being procured. Proof

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	<p>must be available to justify the sole supplier status.</p> <p>For emergency situations or where the needs of the business preclude the use of competitive quotations or proposals. This method may be used when one of the other purchasing procedures is impractical or otherwise inappropriate.</p> <p>In this case, comparison of prices with goods or services of like complexity must be used as a substitute for competitive procurement processes. This method is recommended under the following circumstances:</p> <ol style="list-style-type: none"> For the appointment of unique professional services, where individual expertise is desired. For business relationship where goods or services may be provided in a partnership arrangement. <p>Requirements in excess of the initial quantities ordered for the same need, identified through a further need which may arise through unforeseen circumstances, urgency and where the adherence to normal procedures may either prove to be expensive or hinder progress of a project and the invitation of competitive quotes will not be advantageous. Proof must be available to justify sole supplier status.</p>
Sourcing	is the process to be followed in order to identify a suitable provider of goods, services and works.
Strategic Objectives	Concrete and specific action plans to achieve the strategic goals of the organisation within specified timeframes.
Strategic Goals	Provide a high level priority list of outcomes that will address areas of organisational performance that are critical to the achievement of the Municipality's mission and vision.
Stipulated minimum threshold	That portion of local production and content as determined by the Department of Trade and Industry.
Sub-contract	Primary contractor's assigning, leasing, making out work to, or employing, another person to support such as primary contractor in the execution of part of a project in terms of the contract <u>and it must be in line with MBD 6.1 form-</u>
Supplier / Service Provider	A vendor that provides goods or services to the GTM.
Supply Chain Management	An integral part of financial management. This function is the collaborative strategy that integrates the planning, procurement and provisioning processes in order to eliminate the non-value adding

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TERMS	DEFINITIONS
	cost infrastructure, time and activities. SCM seeks to introduce international best practices, whilst at the same time addressing Government's preferential procurement policy objectives and serving the end-users and customers efficiently.
System Act	The local Government – Municipal System Act, 32 of 2000.
Tax Clearance Certificate	Is an original and current clearance certificate, issued annually by the SARS certifying that the taxes payable by the taxpayer / vendor are up to date or that suitable alternative arrangements have been made with SARS.
Tender	A written offer in a prescribed or stipulated form in response to an invitation by an organ of state for the provision of services, works or goods, through price quotations, advertised competitive tendering processes or proposals.
Tender Box	The identifiable, lockable box marked GTM Tender Box: which is situated at the Reception Area of the GTM physically located at 1 Agatha Street, Tzaneen.
Tender Document	The standard documentation utilised by the GTM when soliciting a tender.
Tender Number	A unique serial number that is allocated to each individual tender issued from and recorded in the GTM Tender Register by the SCM Unit at the time that a tender is published.
Term Contractor	A supplier who has been awarded a contract with the GTM to supply specified goods or performs specified services or works for a specified period.
The State	The government of the Republic of South Africa and any of its organ or institutions.
Total Cost of Ownership	The sum of direct spends, related to spend, process to spend and, opportunity cost associated within a specific commodity and service.
Trust	The arrangement through which the property or one person is made over of bequeathed to a trustee to administer such property for the benefit of another person
Trustee	Any person, including the founder of a trust, to whom property is bequeathed in order for such property to be administered for the benefit of another person
Unserviceable	The condition resulting in when an item is no longer suitable for use

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TERMS	DEFINITIONS
	and, which cannot be economically repaired.
Unsolicited Bid	An offer submitted by any person at its one initiative without having been invited b the Municipal to do so. This practice must be avoided by the Municipal
Urgency	A situation where, in the best interest of the GTM, immediate action is deemed necessary to continue with or to complete a project.
Value For Money	The best available outcome when all relevant costs and benefits over the procurement cycle are considered.
Variation Order	An order generated for requirements in excess of initial ordered quantities, identified through a further need or through unforeseen circumstances and where adherence to the normal procurement process is not practical.
Vendor	An enterprise that provides a tender or quote with the intention of entering into a contract with the GTM for the supply of goods, services or works, or, which already is party to a contract with the GTM for the supply of good, services or works. All vendors to the GTM are required to pass through a formal approval process, are required to be registered on the GTM Vendor Database.

Note:

1. The following words have (in some instances) been used interchangeably:

- the word “Bid” and “Tender”;
- the words “Procurement Unit” and “SCM Unit”;
- the words “ Procurement” and “Supply Chain Management”;
- the words “supplier”, “vendor” and “service provider”.

2. All monetary values stipulated in this document, are in Rand and are inclusive of VAT

3. Words importing the singular shall include the plural and vice versa and words importing the masculine gender shall include females and words importing persons shall include companies, close corporations and firms, unless the context clearly indicates otherwise.

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ACRONYMS AND ABBREVIATIONS

ACRONYMS	ABBREVIATIONS
AG	Auditor General
AO/ AA	Accounting Officer/ Municipal Manager
B-BBEE	Broad-Based Black Economic Empowerment
B-BBEEA	Broad Based Black Economic Empowerment Act
BAC	Bid Adjudication Committee
BEC	Bid Evaluation Committee
BEE	Black Economic Empowerment
BVA	BEE Verification Agency
C-AMP	Custodian Asset Management Plan
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIDB	The Construction Industry Development Board
DAC	Disposal and Acquisition Committee
DN	Delivery Note
DRT	Department of Roads and Transport
EME's	Exempted Micro Enterprises
EPWP	Expanded Public Works Programme
EXCO	Executive Management Committee
GCC	General Conditions of Contract
GIAMA	Government Immovable Asset Management Act
GRN	Goods Received Note
GTM	Greater Tzaneen Municipality
HDI	Historically Disadvantaged Individual
IRBA	Independent Regulatory Board of Auditors

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ACRONYMS	ABBREVIATIONS
ISO	International Standards Organisation
LOA	Letter of Acceptance
MANCO	Management Committee Meeting
MFMA	Municipal Finance Management Act,
MM	Municipal Manager
MTEF	Medium Term Expenditure Framework
PCCAA	Prevention and Combating of Corrupt Activities Act
PFMA	Public Finance Management Act
PPP	Public Private Partnership
PPPFA	Preferential Procurement Policy Framework Act
PSA	Public Service Act
QBS	Quality Based Selection
QCBS	Quality and Cost Based Selection
QSE	Qualifying Small Enterprises
RDP	Reconstruction and Development Program
RFI	Request for Information
RFP	Request for Proposal
RFQ	Request for Quotation
RFT	Request for Tender
SANAS	South African National Accreditation System
SAPS	South African Police Service
SARB	South African Reserve Bank
SARS	South Africa Revenue Service
SASAE	South African Standard on Assurance Engagements
SCC	Special Conditions of Contract
SCM	SCM

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ACRONYMS	ABBREVIATIONS
SCO	Supply Chain Officer
SCOPA	Standing Committee on Public Accounts
SIF	Supplier Information Forms
SLA	Service Level Agreement
SM	Senior Manager
SMME	Small Medium and Micro Enterprise
SSS	Supplier Selection Sheet
TCO	Total Cost of Ownership
TOR	Terms of Reference
VAT	Value Added Tax

3 GUIDING PRINCIPLES

1. The GTM, as an institution identified in the national legislation, undertakes all of its procurement and tendering in accordance with a system which is fair, equitable, transparent, competitive and cost-effective. The GTM ensures effective competition and transparency in its procurement processes, in line with the provisions of Section 217 (1) of the Constitution of the Republic of South Africa, through the use of the Request for Quote, Request for Proposal and public tender processes. The following principles will guide the GTM's procurement process:

Value for Money	The GTM shall strive for procurement effectiveness and shall carry out its procurement processes as cost effectively as possible.
Competitiveness	The GTM shall fulfil its requirements through open and effective competition, unless there are justifiable reasons to act to the contrary.
Accountability	Management shall be accountable for decisions and actions relative to procurement responsibilities, the procurement process, as well as the implementation, management and conclusion of any related contract. Accountability cannot be delegated and line management remains accountable.

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Transparency	The GTM shall strive to standardise and simplify procedures where appropriate and subscribe to open communication and engagement at all times. Any information reported publicly or otherwise provided to third parties as part of the procurement process, shall at all times be furnished in a responsible manner with the required level of attention to detail, accuracy and completeness, and with due consideration for any reliance that may be placed on any such representations by SCM officials.
Ethics	Vendors shall at all times be dealt with fairly and without any unfair discrimination. SCM officials shall abide by the GTM Code of Conduct, ensuring the highest level of integrity, honesty and fair-dealing in the discharge of all work responsibilities.
Fairness	The procurement process shall be open and fair, and shall afford each and every bidder timely access to the same and accurate information.

2. This policy should be read in conjunction with the following acts and regulations:

Document Reference Library Document File Name	Context and Relevance
Broad Based Black Economic Empowerment Act,	Act No. 53 of 2003
Constitution of the Republic of South Africa Act	Act No.113 of 1997
Corporate Governance	King III
Municipal Finance Management Act	Act No 69 of 2003
National and Provincial SCM practice notes and circulars	All SCM practice notes
National Treasury Regulations in terms of the Municipal Finance Management Act	Government Gazette Number 27388 of 15 March 2005; 27636 of 30 May 2005 and 29967 of 1 July 2007
Preferential Procurement Policy Framework Act,	Act No. 5 of 2000
Prevention and Combating of Corruption Activities Act	Act No.12 of 2004
Promotion of Equality and Prevention of Unfair Discrimination Act	Act No. 4 of 2000
SCM a Guide for Accounting Officer / Authorities	Date of issue February 2004
State Information Technology Act and	Act No. 88 of 1998

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Document Reference Library Document File Name	Context and Relevance
Broad Based Black Economic Empowerment Act,	Act No. 53 of 2003
Constitution of the Republic of South Africa Act	Act No.113 of 1997
Corporate Governance regulations	King III

3. This document describes the SCM policy of the GTM. It regulates the procurement of goods and services by the GTM.
4. The responsibility for developing, administering and enforcing this policy lies with the SCM Unit of the GTM, headed up by the CFO.
5. The SCM Unit shall:
 - a. Act as the procurement advisor for best practice and execution of the SCM process in the GTM;
 - b. Be the official buyer for the GTM;
 - c. All procurement are done within SCM Unit (centralization of procurement)
 - d. Stop the procurement process at any stage where the GTM's procurement policies or prescribed practices may be at risk or compromised;
 - e. Ensure that all units within the GTM adhere to the SCM Policy;
 - f. Ensure that a standardised and consistent approach is developed for the execution of all procurement;
 - g. Ensure that all procurement transactions or contracts are properly implemented, managed, monitored and reported upon.

POLICY STATEMENT

Introduction

4. Section 111 of the Municipal Finance Management Act requires each municipality and municipal entity to adopt and implement a SCM policy, which gives effect to the requirements of the Act.
5. In addition, the Preferential Procurement Policy Framework Act requires an Organ of State to determine its Preferential Procurement Policy and to implement it within the framework prescribed. This requirement is given effect to in the Preferential Procurement section of this Policy.

Goal

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6. The goal of this Policy is to provide a mechanism to ensure sound, sustainable and accountable SCM within the GTM, whilst promoting black economic empowerment, which includes general principles for achieving the following socio-economic objectives:
- a. to stimulate and promote local economic development in a targeted and focused manner;
 - b. to promote resource efficiency and greening;
 - c. to facilitate creation of employment and business opportunities for the people of GTM;
 - d. to promote the competitiveness of local businesses;
 - e. to increase the small business sector access, in general, to procurement business opportunities created by Council;
 - f. to increase participation by small, medium and micro enterprises (SMME s); and
 - g. to promote joint venture partnerships.

Objectives

7. The objectives of this Policy are:
- 7.1 to give effect to section 217 of the Constitution of the Republic of South Africa by implementing a system that is fair, equitable, transparent, competitive and cost effective;
 - 7.2 to comply with all applicable provisions of the Municipal Finance Management Act including the Municipal SCM Regulations published under GN868 in Government Gazette 27636 30 May 2005 and any National Treasury Guidelines issued in terms of the MFMA;
 - 7.3 to ensure consistency with all other applicable legislation and any regulations pertaining thereto, including:
 - 7.3.1 the Preferential Procurement Policy Framework Act;
 - 7.3.2 the Broad-Based Black Economic Empowerment Act; 7.3.3 the Construction Industry Development Board Act;
 - 7.3.4 the Local Government: Municipal Systems Act; and
 - 7.3.5 the Promotion of Administrative Justice Act.
 - 8. This Policy will also strive to ensure that the objectives for uniformity in SCM systems between organs of state, in all spheres are not undermined and that consistency with national economic policy on the promotion of investments and doing business with the public sector is maintained.

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Oversight

9. Section 117 of the Municipal Finance Management Act prohibit a Municipality councilor from being a member of a bid committee or any other committee evaluating or approving quotations or bids nor may a Municipality councilor attend any such meeting as an observer.
10. Council, however, has an oversight role to ensure that the MM implements this SCM Policy.
11. The Mayor must provide general political guidance over the fiscal and financial affairs of the Municipality and may monitor and oversee the exercise of responsibilities assigned to the MM and CFO in terms of the Municipal Finance Management Act.
12. For the purposes of such oversight, the MM shall, within 10 (ten) days of the end of each quarter, submit a report on the implementation of this Policy to the Mayor and, within 30 days of the end of each financial year, shall submit a similar such report to Council.
13. In addition, if any serious problem arises in relation to the implementation of this Policy, the MM shall immediately report to Council accordingly.
14. All such reports shall be made public in accordance with section 21.(1)(a) of the Systems Act.

Compliance with Ethical Standards

15. In order to create an environment where business can be conducted with integrity and in a fair and reasonable manner, this Policy will strive to ensure that the MM and all representatives of the GTM involved in SCM activities shall act with integrity and in accordance with the highest ethical standards.
16. All SCM representatives shall adhere to the code of conduct of municipal staff contained in schedule 2 of the Systems Act, and this Policy's Code of Ethical Standards.

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GENERAL PROVISIONS AND APPLICATION OF POLICY

Commencement and Review

17. This Policy is effective from the date on which it is adopted by Council.
18. The MM must annually review the implementation of this Policy and if she/he considers it necessary, submit proposals for the amendment of the Policy to the Council for approval.

Application of Policy

19. This Policy applies to:
 - 19.1 the procuring of goods or services, including construction works and consultant services;
 - 19.2 the disposal by the Municipality of goods no longer needed;
 - 19.3 the selection of contractors to provide assistance in the provision of municipal services otherwise than in circumstances where chapter 8 of the Systems Act applies; or
 - 19.4 the selection of external mechanisms referred to in section 80 (1) (b) of the Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.
20. Unless specifically stated otherwise, this Policy does not apply if the Municipality contracts with another organ of state for:
 - 20.1 the provision of goods or services to the Municipality;
 - 20.2 the provision of a municipal service; or
 - 20.3 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.

21. The Policy provides for the following SCM systems:
 - 21.1 demand management system;
 - 21.2 acquisition management system;
 - 21.3 logistics management system;

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21.4 disposal management system;

21.5 risk management system; and

21.6 performance management system.

22. These systems must be adhered to in all SCM activities undertaken by the Municipality.

Delegations

23. To the extent that it may be necessary, Council authorises the MM to delegate or sub-delegate to a staff member any power conferred on the MM in terms of the MFMA and the SCM Regulations relating to supply chain management.

24. No decision-making in terms of any SCM powers and duties may be delegated to an advisor or consultant.

Competency

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

26. The training of officials involved in implementing this Policy shall be in accordance with any National Treasury guidelines on SCM training.

SCM Unit

27. The Municipality must establish a SCM Unit to assist the MM to implement this Policy.

Communication with the Municipality

28. All correspondence with regard to this Policy shall be addressed to the Municipal Manager.

Availability of SCM Policy

29. A copy of the Policy and other relevant documentation should be made available on the Municipality's website.

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DEMAND MANAGEMENT SYSTEMS

Introduction

- 30. Demand management provides for an effective system to ensure that the resources required to support the strategic operational commitments of the Municipality are delivered at the correct time, at the right price and at the right location, and that the quantity and quality satisfy the needs of the Municipality.
- 31. The Municipality's Integrated Development Plan (IDP) is a comprehensive strategy document setting out how the Municipality intends to tackle its development challenges in a financial year. It is on the basis of the IDP that the resources of the municipality will be allocated and on which the budget is based.
- 32. In order to achieve effective demand management, the Manager: SCM shall continuously ensure:
 - 32.1 That efficient and effective provisioning and procurement systems and practices are implemented to enable the Municipality to deliver the required quantity and quality of goods and services to the communities;
 - 32.2 The establishment of uniformity in policies, procedures, documents and contract options and the implementation of sound systems of control and accountability;
 - 32.3 The development of a world-class professional SCM 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; and
 - 32.4 In dealing with suppliers and potential suppliers that the Municipality shall respond promptly, courteously and efficiently to enquiries, suggestions and complaints.

Major Activities

- 33. Demand management lies at the beginning of the supply chain and the major activities associated with identifying demand are:
 - 33.1 establishing requirements;
 - 33.2 determining needs; and
 - 33.3 deciding on appropriate procurement strategies.
- 34. Demand management accordingly shall involve the following activities:
 - 34.1 understanding the future needs;

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- 34.2 identifying critical delivery dates;
- 34.3 identifying the frequency of the need;
- 34.4 linking the requirement to the budget;
- 34.5 conducting expenditure analyses based on past expenditure;
- 34.6 determining requirements,
- 34.7 conducting commodity analyses in order to check for alternatives; and
- 34.8 conducting industry analyses.

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ACQUISITION MANAGEMENT SYSTEM

Introduction

35. The objectives of this acquisition management system are to ensure:
- 35.1 that goods and services, including construction works and consultant services are procured by the Municipality only in accordance with the authorised procedures incorporated herein;
 - 35.2 that expenditure on goods and services, including construction works and consultant services are incurred in terms of an approved budget;
 - 35.3 that the threshold values of the different procurement procedures are complied with;
 - 35.4 that bid documentation, evaluation and adjudication criteria, and general conditions of contracts are in accordance with the requirements of relevant legislation including, the Preferential Procurement Policy Framework Act, and any conditions of the Construction Industry Development Board Act; and
 - 35.5 that procurement guidelines issued by the National Treasury are taken into account.

General

Application

36. 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.

Supplier Database

37. The MM shall ensure that the Municipality's supplier database is updated at least quarterly and at least once per year, through newspapers commonly circulating locally, the website of the Municipality, and any other appropriate ways, invite prospective suppliers of goods and services, construction works and consultant services to apply for listing as an accredited prospective supplier.
38. Prospective suppliers shall however be allowed to submit applications and amendments for listing on the database at any time.
39. The listing criteria for accredited prospective providers are:

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- 39.1 Name of supplier / service provider;
 - 39.2 Street address;
 - 39.3 Postal address;
 - 39.4 Contact person
 - 39.5 Department's telephone number;
 - 39.6 Department's fax number;
 - 39.7 Department's cell number;
 - 39.8 Department's email address;
 - 39.9 Contact person in Accounts Department;
 - 39.10 Accounts Department's telephone number;
 - 39.11 Accounts Department's fax number;
 - 39.12 Accounts Department's email address;
 - 39.13 Vat registration yes/no;
 - 39.14 Vat registration number;
 - 39.15 Bank details;
 - 39.16 Type of industry;
 - 39.17 Valid certification for specialised services;
 - 39.18 Valid tax clearance certificate;
 - 39.19 CIDB registration if applicable;
 - 39.20 Valid B-BBBE certification.
40. Up to the quotation threshold, the Municipality shall invite quotes from the list of vendors or identified vendors in the relevant commodity, and category, featured on the vendor database. If a supplier who does not appear on the GTM Supplier Database has been identified as a potential supplier, the GTM will initiate the Request for Information (RFI) process with the identified supplier or other suppliers

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who may be interested in doing business with the Municipality through direct contact or an advertisement process.

41. The MM shall disallow the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.
42. For quotations (up to and including R200 000 (VAT Inclusive) bidders are required to be registered on the Municipality's Supplier Database on or before the closing date.
43. Where bids exceed R200 000 (VAT Inclusive), bidders who are not registered on the Municipality's Supplier Database are not precluded from submitting bids, but must however be registered prior to the evaluation of tenders in order for their bids to be responsive.
43. All parties to a Joint Venture must comply with the requirements of clauses 41 and 42 above.

Combating Abuse of the SCM Policy¹

44. The MM shall be entitled to take all reasonable steps to prevent abuse of the SCM system and to investigate any allegations against an official, or other role player, of fraud, corruption, favoritism, unfair, irregular or unlawful practices or failure to comply with the SCM system and when justified in terms of administrative law:
 - 44.1 shall take appropriate steps against such official or other role player; or
 - 44.2 shall report any alleged criminal conduct to the South African Police Service;
 - 44.3 must reject a recommendation for the award of a contract if the recommended bidder or person submitting a quote, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;
 - 44.4 must validate recommendations or decisions that were unlawfully or improperly made, taken or influenced, including recommendations or decisions that were made, taken or in any way influenced by:
 - 44.4.1 councilors in contravention of item 5 or 6 of the Code of Conduct for councilors in schedule 1 of the Systems Act; or
 - 44.4.2 municipal officials in contravention of item 4 or 5 of the Code of Conduct for Municipal Staff Members set out in schedule 2 of the Systems Act.

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- 44.5 must cancel a contract awarded to a person if:
 - 44.5.1 the person committed a corrupt or fraudulent act during the procurement process or the execution of the contract; or
 - 44.5.2 an official or other role player committed any corrupt or fraudulent act during the procurement process or in the execution of the contract that benefited that person.
- 45. The MM may/must reject the bid or quote of any person if that person or any of its directors have:
 - 45.1 failed to pay municipal rates and taxes or municipal service charges and such rates, taxes and charges are in arrears for more than three months;
 - 45.2 failed, during the last five years, to perform satisfactorily on a previous contract with the Municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;
 - 45.3 abused the SCM system of the Municipality or has committed any improper conduct in relation to this system;
 - 45.4 been convicted of fraud or corruption during the past five years;
 - 45.5 willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
 - 45.6 been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act, 12 of 2004 or has been listed on National Treasury's database as a person prohibited from doing business with the public sector.
- 46. The MM shall inform the Provincial Treasury of any actions taken in terms of clauses 44 to 45 above.

Appointment of Observer

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

Contracts Having Budgetary Implications beyond three Financial Years

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

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Proudly South African Campaign

49. The Municipality supports the Proudly South African Campaign and may identify, as a specific goal the promotion of South African owned enterprises. Refer to clauses 383 and 384.

Specialised Forms of Procurement

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

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

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

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

Acquisition of Banking Services

52. Subject to section 33 of the Municipal Finance Management Act, any contract for the provision of banking services:
- 52.1 shall be procured through a competitive bidding process;
 - 52.2 shall be consistent with section 7 of the Municipal Finance Management Act; and
 - 52.3 may not be for a period longer than five years.
53. The process for procuring a contract for banking services must commence at least

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nine months before the end of an existing contract.

54. The closure date for the submission of bids for banking services may not be less than 60 days from the date on which the advertisement is placed in a newspapers commonly circulating locally.
55. Bids shall be restricted to banks registered in terms of the Banks Act, 94 of 1990.

Acquisition of IT Related Goods or Services

56. If the transaction value of IT related goods or services exceeds R50 million in any financial year, or if the transaction value of a single contract (whether for one or more years) exceeds R50 million, the MM must notify the State Information Technology Agency (SITA) together with a motivation of the IT needs of the Municipality.

If SITA comments on the submission and the Municipality disagrees with such comment, the comments and the reasons for rejecting or not following such comments must be submitted to the Council, the Provincial and National Treasury, and the Auditor General prior to awarding the bid.

57. Notwithstanding the above, the MM may request the SITA to assist with the acquisition of IT related goods or services in which case the parties must enter into a written agreement to regulate the services provided by, and the payments to be made to, the SITA.

Acquisition of Goods Necessitating Special Safety Arrangements

59. Goods, other than water, which necessitate special safety arrangements (for example, flammable products, poisons), may not be acquired in excess of immediate requirements unless there is sound financial justification therefor.

Where the storage of goods, other than water in bulk is justified, the MM may authorise such storage and the decision must be based on sound reason including total cost of ownership and cost advantages for the Municipality.

Public-Private Partnerships

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

Publications in Newspapers

62. In respect of any contract relating to the publication of official and legal notices and

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advertisements in the press by or on behalf of the Municipality, there is no requirement for a competitive bidding process to be followed.

Other Procurement that may be excluded from procurement processes

63. The CFO or MM may approve the deviation of procurement of the following depending on the threshold value without following the SCM processes:
- 63.1. Procurement of vehicles related services;
 - 63.2. Procurement of legal service (only urgent matters);
 - 63.3. Procurement of training related services;
 - 63.4 Stripping parts – quotations;
 - 63.5. Procurement of towing the municipal vehicles;
 - 6.3.6. Sole supplier; and
 - 6.3.7. Any other urgent and emergency procurement.

Community Based Vendors

63. The CFO may approve the request for the 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 (including construction works).

Range of Procurement Processes

64. Goods and services, including construction works and consultant services shall be procured through the range of procurement processes set out below.
65. The practice of obtaining quotations outside the SCM Unit should not be allowed. The Municipality is not obliged to consider unsolicited tenders and quotations received outside the normal tendering process.

Competitive Bids

65. Where the estimated transaction value exceeds R200 000 (VAT inclusive), or for any contract exceeding one year in duration (which includes any defects liability period, if applicable).

Term Bids

66. For the supply of goods and services or construction works that is of an ad-hoc or repetitive nature for a predetermined period of time.

Formal Written Price Quotations

67. Where the estimated transaction value exceeds R30 000 (VAT inclusive) and is less than or equal to R200 000 (VAT inclusive).

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68. If it is not possible to receive at least three quotations, the reasons should be recorded and approved by the CFO.

Written or Verbal Price Quotations

69. Where the estimated transaction value exceeds R2 000 (VAT inclusive) and is less than or equal to R30 000 (VAT inclusive).

Procurement of Consulting Services

70. Where the estimated value of fees exceeds R200 000 (VAT inclusive) or where the duration of the appointment will exceed one year, a competitive bidding process shall apply.
71. Where the estimated value of fees is less than or equal to R200 000 (VAT inclusive) and the duration of the appointment will be less than one year, a selection process as described in this Policy, as amended from time to time, shall be applied.

Threshold Values

72. The MM may:
- 72.1 lower, but not increase, the different threshold values specified in the acquisition management system of this Policy; or
 - 72.2 direct that:
 - 72.2.1 written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2 000;
 - 72.2.2 at least three written or verbal price quotations be obtained for any specific procurement of a transaction value lower than R10 000; or
 - 72.2.3 at least three written price quotations be obtained for any specific procurement of a transaction value lower than R30 000; or
 - 72.2.4 a formal three written quotations be obtained for any specific procurement of a transaction value lower than R200 000 (must be advertised on the websites and notice board); and
 - 72.2.5 a competitive bidding process be followed for any specific

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procurement of a transaction value more than R200 000.

73. If the lowest quote is not selected, the decision must be supported by written motivation to the CFO and/ or the MM.

General Conditions Applicable to Bids and Quotations

73. The Municipality shall not consider a bid or quote unless the bidder who submitted the bid or quote:

73.1 has furnished the Municipality with that bidder's:

73.1.1 full name;

73.1.2 identification number or company or other registration number;
and

73.1.3 tax reference number; and

73.1.4 VAT registration number, if any;

73.1.5 certificate of attendance at a compulsory site inspection, where applicable;

73.2 has submitted an original and valid tax clearance certificate certifying that the provider's tax matters are in order

73.3 has submitted an original or certified BBBEE contributor level certificate and

73.4 has indicated whether:

73.3.1 the provider is in the service of the state, or has been in the service of the state in the previous twelve months;

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

73.3.3 Whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in sub-clause 73.3.2 is in the service of the state, or has been in the service of the state in the previous twelve months.

74. Irrespective of the procurement process, the Municipality may not make any award

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above R30 000, to a person whose tax matters have not been declared by the SARS to be in order.

75. Before making an award the Municipality must check with SARS if the person's tax matters are in order and, if SARS does not respond within seven days such person's tax matters may, for the purposes of clause 74, be presumed to be in order.
76. Irrespective of the procurement process followed, the Municipality is prohibited from making an award to a person:
- 76.1 who is in the service of the state;
 - 76.2 if the person is not a natural person, of which any director, manager or principal shareholder or stakeholder is in the service of the state; or
 - 76.3 who is an advisor or consultant contracted with the Municipality (refer to clause 95 in this regard).
77. The MM shall ensure that the notes to the annual financial statements of the Municipality disclose particulars of any award above R2000 to a person who is a spouse, child or parent of a person in the service of the state, or who has been in the service of the state in the previous twelve months, including:
- 77.1 the name of the person;
 - 77.2 the capacity in which the person is in the service of the state: and
 - 77.3 the amount of the award.

CODE OF CONDUCT OF COMMITTEE MEMBERS

Rights and Responsibilities

78. A person as a member of the Committee obtains certain rights such as a share in the control of the matter for which the meeting is constituted, and the member may exercise this right by making proposals, voting, etc. A member's conduct at the meeting must, however, not infringe on the rights of others. The rules of conduct are based on mutual respect for the rights of each other and respect for the meeting.
78. Members must accept that-
- a. The chairperson must be respected;
 - b. The chairperson has the right to interrupt and ask a member to stop speaking if the address is repetitive or irrelevant to the matter under discussion;
 - c. A member must stop speaking if ruled out of order by the chairperson;
 - d. Decisions are taken by consensus or by a show of hands when a matter is decided upon by voting;
 - e. Once a decision has been taken it is final and not open for discussion, unless additional information, which was not available at the time of decision making can be produced;
 - f. Information and documentation are confidential;
 - g. A member (including the chairperson or vice-chairperson) shall beforehand declare his/her interest regarding any matter serving before the Committee and the member will then recuses her/himself during the discussion of that matter. No discussion by the member concerned will be allowed prior to the serving of that submission /report. Any personal interest that may infringe, or might reasonably be deemed to infringe on a member's impartiality in any matter relevant to their duties must be recorded;
 - h. Outvoted members must abide by the majority decision of the Committee; and
 - i. No communication should be made with a bidder/ contractor by any member prior to or after any meeting.

COMPETITIVE BIDS

General

78. Competitive bids must be called for any procurement of goods or services, construction works, or consultant services above a transaction value of R200 000 (VAT inclusive), or for any contract exceeding one year in duration.
79. Goods or services, construction works, or consultant services may not be split into parts or items of lesser value merely to avoid complying with the requirements relating to competitive bids.

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

Bid Specifications

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

Bid Specification Committee

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

The Bid Specification Committee shall be comprised of at least ~~two~~^{three} Municipality officials, ~~an appointed Chairperson, a~~ responsible official and at least one SCM Practitioner of the Municipality.

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- 90. Where appropriate a representative of Internal Audit and/or Legal Services and/or an external specialist advisor may form part of this committee.
- 91. Green procurement must be incorporated as far as reasonable possible, for all specifications of goods, services and construction works.
- 94. In the development of bid specifications, innovative mechanisms should be explored to render the service or product more resource and energy efficient. The MM, or his delegated authority, shall, taking into account section 117 of the MFMA, appoint the members of the Bid Specification Committees.
- 95. No person, advisor or corporate entity involved with the bid specification committee, or director of such corporate entity, may bid for any resulting contracts.
- 96. Bid Specification Committee meetings must be conducted in accordance with the applicable Rules of Order Regulating the Conduct of Meetings.

Compilation of Bid Documentation

- 97. If the bid relates to construction works as contemplated by the Construction Industry Development Board Act, then the requirements of that Act must be taken into account in the bid documentation.
- 98. General conditions of contract and SCM guidelines of the National Treasury in respect of goods and services must be taken into account when compiling bid documents.
- 99. Bid documentation must clearly indicate the terms and conditions of contract, specifications, criteria for evaluation and adjudication procedures to be followed where applicable, and include where, in exceptional circumstances, site inspections are compulsory.
- 100. An appropriate contract and/or delivery period must be specified for all contracts.
- 101. The requirements of the preferential procurement section of this Policy must be clearly set out in the bid documentation.
- 102. The bid documentation and evaluation criteria shall not be aimed at hampering competition, but rather to ensure fair, equitable, transparent, competitive and cost effective bidding, as well as the protection or advancement of persons, or categories of persons, as embodied in the preferential procurement section of this Policy.
- 103. The bid documentation must require a bidder to furnish the following:
 - 103.1 the bidders full name;

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- 103.2 the identification number or company or other registration number;
- 103.3 the bidders tax reference number and VAT registration number, if any;
- 103.4 an original valid tax clearance certification from the South African Revenue Services stating that the bidders tax matters are in order;
- 104. an original or certified copy of the B-BBEE certificate contributor level.
- 105. Bid documentation must stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation) or, where unsuccessful, in a court of South African law.
- 106. A provision for the termination/cancellation of the contract in the case of non-or under-performance must be included in the bid documentation.
- 107. Unless otherwise indicated in the bid documents, the Municipality shall not be liable for any expenses incurred in the preparation and/or submission of a bid.
- 108. Bid documentation must state that the Municipality shall not be obliged to accept the lowest bid, any alternative bid or any bid.
- 109. Unless the MM otherwise directs bids are invited in the Republic only.
- 110. Laws of the Republic shall govern contracts arising from the acceptance of bids.
- 111. Bid documentation must compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted.
- 112. The bid documentation must require bidders to disclose:
 - 111.1 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;
 - 111.2 if the bidder is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or
 - 111.3 whether a spouse, child or parent of the bidder or of a director, manager, shareholder or stakeholder referred to in sub-clause 111.2 is in the service of the state, or has been in the service of the state in the previous twelve months.
- 113. Bid documentation for consultant services must require bidders to furnish the Municipality with particulars of all consultancy services, and any similar services (to the services being bid for) provided to an organ of state in the last five years.

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

Bids exceeding R10 million

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

115.1.1 if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements -

115.1.2 for the past three years, or

115.1.3 since their establishment if established during the past three years,

115.2 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,

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

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

Alternative Bids

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

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

- 118 Bid documentation shall state that the Municipality will not be bound to consider alternative bids.

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Public Invitation for Competitive Bids

118. On completion of the bid specification and bid document processes the Municipality shall publicly invite bids.
119. Bid invitation shall be by notice published in the press, in newspapers circulating in the Greater Tzaneen Municipality area, in English and on the Municipality's official website.
120. The bid notice shall, as soon as possible after the publication contemplated above, be posted on official notice boards designated by the MM.
121. The bid notice may require payment of a non-refundable tender fee by bidders wanting to collect bid documents. This tender fee shall be determined by the CFO from time to time.
122. The public notice contemplated by clause 119 above shall specify:
 - 122.1 the title of the proposed contract and the bid or contract reference number;
 - 122.2 such particulars of the contract as the Municipality deems fit;
 - 122.3 the date, time and location of any site inspection, if applicable;
 - 122.4 the place where the bid documentation is available for collection and the times between which bid documentation may be collected;
 - 122.5 that bids may only be submitted on the bid documentation provided by the Municipality;
 - 122.6 the deposit payable, if any;
 - 122.7 the place where bids must be submitted;
 - 122.8 the closing date and time for submission of bids; and
 - 122.9 the required CIDB contractor grading for construction work.
123. The bid notice shall further state that all bids for the contract must be submitted in a sealed envelope on which it is clearly stated that such envelope contains a bid and the contract title and contract or bid reference number for which the bid is being submitted.
124. Bid documentation shall be available for collection until the closing date of bids.

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Issuing of Bid Documents

- 125. Bid documents and any subsequent notices may only be issued by officials designated by the CFO or his/her delegates from time to time.
- 126. Details of all prospective bidders who have been issued with bid documents must be recorded by the issuing office but shall remain **confidential** for the duration of the bid period.
- 127. Details of prospective bidders must, wherever possible, include the full name of the person drawing documents, a contact person, a contact telephone and fax number and a postal and email address.

Site Inspections

- 128. In general, site inspections, where applicable will not be compulsory. In exceptional circumstances however, a site inspection may be made compulsory with the approval of the CFO or his/her delegates, provided that the minimum bid period is extended by at least 7 (seven) days (Refer to clauses 156 to 158 in this regard).
- 129. If site inspections are to be held, full details must be included in the bid notice, including whether or not the site inspection is compulsory.
- 130. Where site inspections are made compulsory, the date for the site inspection shall be at least 7 (seven) days after the bid has been advertised, and a certificate of attendance signed by the responsible agent must be submitted with the bid.
- 131. If at a site meeting, any additional information is provided or clarification of vague points are given, such additional information or clarification must be conveyed to all bidders in accordance with clauses 163 to 165 of this Policy.

Two-stage (Prequalification) Bidding Process

- 132. In a two-stage (prequalification) bidding process, bidders are first invited to prequalify in terms of predetermined criteria, without being required to submit detailed technical proposals (where applicable) or a financial offer.
- 133. In the second stage, all bidders that qualify in terms of the predetermined criteria will be shortlisted and invited to submit final technical proposals (where applicable) and/or a financial offer.
- 134. This process may be applied to bids for large complex projects of a specialist or long term nature or where there are legislative, design, technological and/or safety reasons to restrict bidding to firms who have proven their capability and qualification to meet the specific requirements of the bid, including projects where it may be undesirable to prepare complete detailed technical specifications or long term

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projects with a duration exceeding three years.

- 135. The notice inviting bidders to pre-qualify must comply with the provisions of public invitation for competitive bids (clauses 118 to 124 refer).
- 136. Once bidders have pre-qualified for a particular project, they shall be given not less than 7 (seven) days to submit a final technical proposal (where applicable) and/or a financial offer.

Two Envelope System

- 137. A two envelope system differs from a two-stage (prequalification) bidding process in that a technical proposal and the financial offer are submitted in separate envelopes at the same place and time. The financial offers will only be opened once the technical proposals have been evaluated (clauses 184 to 189 refer).

Validity Periods

- 138. The period for which bids are to remain valid and binding must be indicated in the bid documents.
- 139. 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.
- 140. This period of validity may be extended by the Chairperson of the Bid Evaluation Committee, 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.
- 141. Bidders who fail to respond to such a request before their tender lapses, or who decline such a request shall not be considered further in the bid evaluation process.
- 142. The responsible official must ensure that all bidders are requested to extend the validity period of their bids where necessary in order to ensure that the bids remain valid throughout the appeal period or until the appeal is finalised. If bidders are requested to extend the validity period of their bids as a result of an appeal being lodged it must be made clear to bidders that this is the reason for the request.

Contract Price Adjustment

- 143. For all contract periods equal to or exceeding one year, an appropriate contract price adjustment formula must be specified in the bid documents or service level agreement.

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- 144. In general, if contract periods do not exceed one year, the bid shall be a fixed price bid and not subject to contract price adjustment.
- 145. However, if as a result of any extension of time granted, the duration of a fixed price contract exceeds one year, the contract will automatically be subject to contract price adjustment for that period by which the extended contract period exceeds such one year. An appropriate contract price adjustment formula must be specified in the bid documents.
- 146. Notwithstanding clause 144, if the bid validity period is extended, then contract price adjustment may be applied.

Contracts providing for Compensation Based on Turnover

- 147. 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;
 - 147.1 a cap on the compensation payable to the service provider; and
 - 147.2 that such compensation must be performance based.

Provisional Sums and Prime Cost Items

- 148. If monetary allowances in excess of R200 000 for provisional sums or prime cost items have been included in the bid documents, and where the work or items to which the sums relate are to be executed/supplied by sub-contractors/suppliers, then a competitive bidding process, as determined by the Manager: SCM from time to time, shall be followed in respect of these sums/items.
- 149. When monetary allowances of less than R200 000 have been included in the bid documents, and where the work or items to which the sums relate are to be executed/supplied by sub-contractors/suppliers, the contractor must be required to obtain a minimum of three written quotations for approval by the responsible agent.

Samples

- 150. 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.
- 151. Bids may not be included in parcels containing samples.

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152. If samples are not submitted as required in the bid documents or within any further time stipulated by the Chairperson of the Bid Evaluation Committee in writing, then the bid concerned may be declared non-responsive.
153. 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.
154. If a bid is accepted for the supply of goods according to a sample submitted by the bidder, that sample will become the contract sample. All goods/materials supplied shall comply in all respects to that contract sample.

Closing of Bids

155. Bids shall close on the date and at the time stipulated in the bid notice.
156. For bids for goods and services the bid closing date must be at least 14 (fourteen) days after publication of the notice.
157. For construction works the bid closing date must be at least 21 (twenty one) days after publication of the notice.

Notwithstanding the above, if the

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

~~158.~~

~~R10 million (VAT included), or if the contract is of a long term nature with a duration period exceeding one year, then the bid closing date must be at least 30 (thirty) days after publication of the notice.~~

~~Notwithstanding~~

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159. For banking services, the bid closing date must be at least 60 (sixty) days after publication of the notice.
160. For proposal calls using a two envelope system, the bid closing date must be at least 30 (thirty) days after publication of the notice.

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161. The bid closing date may be extended by the CFO if circumstances justify this action; provided that the closing date may not be extended unless a notice is published in the press prior to the original bid closing date. This notice shall also be posted on the official notice boards designated by the MM, and a notice to all bidders to this effect shall be issued.
162. The MM may determine a closing date for the submission of bids which is less than any of the periods specified in clauses 156 to 160 above, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.

Communication with bidders before bid closing

163. The Bid Specification Committee Chairperson may, if necessary, communicate with bidders prior to bids closing.
164. Such communication shall be in the form of a notice issued to all bidders by the CFO or his/her delegates by either; e-mail, facsimile, or registered post as appropriate. A copy of the notice together with a transmission verification report/proof of posting shall be kept for record purposes. Notices should be issued at least one week prior to the bid closing date, where possible.
165. Notwithstanding a request for acknowledgement of receipt of any notice issued, the bidder will be deemed to have received such notice if the procedures in clause 164 have been complied with.

Submission of Bids

166. Each bid must be in writing using non-erasable ink and must be submitted on the official Form of Bid/Offer issued with the bid documents.
167. The bid must be submitted in a separate sealed envelope with the name and address of the bidder, the bid number and title, the bid box number (where applicable), and the closing date indicated on the envelope. The envelope may not contain documents relating to any bid other than that shown on the envelope. Only sealed bids will be accepted.
168. The onus shall be on the bidder to place the sealed envelope in the official, marked and locked bid box provided for this purpose, at the designated venue, not later than the closing date and time specified in the bid notice.
169. Postal bids will not be accepted for consideration.
170. No bids forwarded by telegram, facsimile or similar apparatus shall be considered. However, photostat copies of bids or facsimiles which are

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submitted in the prescribed manner will be considered, provided the original Forms of Bid/Offer can be shown to have been posted or couriered prior to the close of bids.

- 171. Electronic bids will not be accepted.
- 172. The bidder shall choose a *domicilium citandi et executandi* in the Republic and unless notice of the change thereof has duly been given in writing, it shall be the address stated in the bid.
- 173. No person may amend or tamper with any bids or quotations after their submission.

Late Bids

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

Opening of Bids

- 177. At the specified closing time on the closing date the applicable bid box shall be closed.
- 178. The bid box shall be opened in public as soon as practical after the closing time.
- 179. Immediately after the opening of the bid box, all bids shall be opened in public and checked for compliance.
- 180. The official opening the bids shall in all cases read out the name of the bidder and, if practical, the amount of the bid.
- 181. As soon as a bid or technical proposal has been opened:
 - 181.1 the bid/proposal shall be stamped with the official stamps, and endorsed with the opening official's signature;
 - 181.2 the name of the bidder, and where possible, the bid sum shall be recorded in a bid opening record kept for that purpose; and
 - 181.3 the responsible official who opened the bid shall forthwith place his/her signature on the bid opening record.
- 182. Bids found to be inadvertently placed in the incorrect bid box will be redirected provided that the applicable bids either closed on the same day at the same time, or

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are still open (in which case the Municipality disclaims any responsibility for seeing that the bids are in fact lodged in the correct bid box). A record of all bids placed in an incorrect box shall be kept.

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

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

184. If a two envelope system is followed, only the technical proposal will be opened at the bid opening.
185. 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.
186. When required the financial offers/bids corresponding to responsive technical proposals, shall be opened by the opening official in accordance with clauses 180 and 181.
187. All bidders who submitted responsive technical proposals must be invited to attend the opening of the financial offers/bids.
188. Envelopes containing financial offers/bids corresponding to non-responsive technical proposals shall be returned unopened along with the notification of the decision of the Bid Adjudication Committee in this regard (clause 228 refers).
189. After being recorded in the bid opening record, the bids/technical proposals shall be handed over to the official responsible within the SCM for the supervision of the processing thereof and that official shall acknowledge receipt thereof by signing the bid opening record, no bids will leave the SCM Unit, they must be stored in a secure place.

Invalid Bids

190. Bids shall be invalid, and shall be endorsed and recorded as such in the bid opening record by the responsible official appointed by the Manager : SCM to open the bid, in the following instances:

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- 190.1 If the bid is not sealed;
 - 190.2 the bid, including the bid price/tendered amount, where applicable is not submitted on the official Form of Bid/Offer;
 - 190.3 if the bid is not completed in non-erasable ink;
 - 190.4 if the Form of Bid/Offer has not been signed;
 - 190.5 if the Form of Bid/Offer is signed, but the name of the bidder is not stated, or is indecipherable; or
 - 190.6 if in a two envelope system, the bidder fails to submit both a technical proposal and a separate sealed financial offer/bid.
191. When bids are declared invalid at the bid opening, the bid sum of such bids shall not be read out. However, the name of the bidder and the reason for the bid having been declared invalid shall be announced.

Bid Sum

192. 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.
193. All rates, with the exception of rates only bids, and proprietary information are confidential and shall not be disclosed.

Bid Evaluation

General

194. The Municipality shall not be obliged to accept any bid.
195. 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.
196. Functionality must be included as a criterion in the evaluation of a tender that is specialised or technical in nature, in order to ensure the quality of the goods/ or services procured. The evaluation criteria for measuring functionality, and the weighting attached to each criterion must be listed in the Request for Tender document.
197. A minimum threshold of points for functionality must be identified and disclosed in the Request for Tender document. Bids that do not meet this threshold must automatically be disqualified from further evaluation.

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198. Thereafter, only qualifying bids must be evaluated in terms of the 90/ 10 or 80 /20 preference point system, where 90/ 80 points are allocated for price only and 10/ 20 points are allocated for HDI ownership and achieving prescribed RDP goals, in accordance with the Preference Points Claim Form. The bidder submitting the lowest quote in terms of amount will score 90/ 80 points for price.

Bid Evaluation Committee

196. An ad-hoc Bid Evaluation Committee shall be constituted for each project or procurement activity to evaluate bids received.
197. The Bid Evaluation Committee shall be comprised of at least three 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 SCM Practitioner of the Municipality.
198. Where appropriate, a representative of Internal Audit and/or Legal Services may form part of this committee, which may also include other internal specialists/experts as necessary. External specialists/experts may advise the Bid Evaluation Committee, as required.
199. The MM or his delegated authority shall take into account section 117 of the MFMA, when appointing members of the Bid Evaluation Committees.
200. Bid Evaluation Committee meetings must be conducted in accordance with the applicable Rules of Order Regulating the Conduct of Meetings.

Bid Evaluation

201. The Responsible Agent shall carry out a preliminary evaluation of all valid bids received and shall submit a draft bid evaluation report to the Bid Evaluation Committee for consideration.
202. Evaluation of bids must done during the evaluation committee meetings, no evaluation of bids that will be performed outside the BEC meeting;
203. Any evaluation of a bid shall consider the bids received and shall note for inclusion in the evaluation report, if the bidders:
- 202.1 does not comply with the provisions for combating abuse of this Policy;
 - 202.2 whose bid does not comply with the general conditions applicable to bids and quotations of this Policy;
 - 202.3 whose bid is not in compliance with the specification;

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- 202.4 whose bid does meet the minimum score for functionality,
 - 202.5 whose bid is not in compliance with the terms and conditions of the bid documentation;
 - 202.6 whose bid does not comply with any minimum goals stipulated in terms of the preferential procurement section of this Policy;
 - 202.7 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;
 - 202.8 who has failed to submit an original and valid tax clearance certificate from the South African Revenue Services (SARS) certifying that the taxes of the bidder are in order or that suitable arrangements have been made with SARS, and
 - 202.9 who fails to comply with any applicable Bargaining Council agreements.
203. Bids shall be evaluated according to the following as applicable:
- 203.1 bid price (corrected if applicable and brought to a comparative level where necessary),
 - 203.2 the unit rates and prices,
 - 203.3 the bidder's ability to execute the contract,
 - 203.4 any qualifications to the bid,
 - 203.5 the bid ranking obtained in respect of preferential procurement as required by this Policy,
 - 203.6 the financial standing of the bidder, including its ability to furnish the required institutional guarantee, where applicable,
 - 203.7 any other criteria specified in the bid documents.
204. No bidder may be recommended for an award unless the bidder has demonstrated that it has the resources and skills required to fulfil its obligations in terms of the bid document.
205. 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.

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- 206. Additional information or clarification of bids may be called for if required but only in writing.
- 207. 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.
- 208. 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.
- 209. The bidder obtaining the highest number of points should be recommended for acceptance unless there are reasonable and justifiable grounds to recommend another bidder.
- 210. If, after bids have been brought to a comparative level, two or more score equal total adjudication points, the recommended bidder shall be the one scoring the highest preference points.
- 211. If two or more bids are equal in all respects, the Bid Evaluation Committee shall draw lots to decide on the recommendation for award, or may, in the case of goods and services, recommend splitting the award proportionately, where applicable.
- 212. All disclosures of a conflict of interest shall be considered by the Bid Evaluation Committee and shall be reported to the Bid Adjudication Committee.

18 PREFERENTIAL PROCUREMENT

Preference Point System

- 213 As a public entity, the GTM must determine and stipulate the appropriate preference point system to be used in the evaluation and adjudication of tenders. The objective of the preference point system is to ensure consistent application and alignment of the GTM preferential procurement system to the prescripts and regulations contained in the PPPFA.
- 214 The GTM must indicate in each invitation to submit a tender, whether that tender will be evaluated on functionality.
- 215 Functionality means the measurement, according to pre-determined norms of a service or commodity designed to be practical and useful, working or operating, taking into account quality, reliability, viability and durability of a service or commodity.

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- 216 The evaluation criteria for measuring functionality must be objective.
- 217 The following must be clearly specified in the invitation to submit a tender, or in the RFT document :
- a. Evaluation criteria for measuring functionality;
 - b. Weight attached to each criterion;
 - c. Applicable values; and
 - d. Minimum qualifying score for functionality.
- 218 The evaluation of bids must be conducted in two stages. Firstly, the assessment of functionality must be done in terms of the evaluation criteria and the minimum threshold. A bid must be disqualified if it fails to meet the minimum threshold for functionality, as specified in the RFT document.
- 219 Thereafter, only qualifying bids are evaluated in terms of the 80/ 20 or 90/ 10 preference points system, where 80 or 90 points are allocated for price only, and 20 or 10 points are allocated based on B-BBEE status level of contributor. The bidder submitting the lowest quote in terms of amount, will score the full 80 or 90 points for price, depending on the preference point system applicable
- 220 No tender must be regarded as an acceptable tender if it fails to achieve the minimum qualifying score for functionality, as indicated in the RFT document.
- 221 The 80/ 20 preference points system will be used for the acquisition of services, works or goods up to and including a value of R1 000 000.
- 222 The 90/ 10 preference points system shall be used for the acquisition of services, works or goods above R1 000 000 in value.
- 223 The contract must be awarded to the bidder who scores the highest points, unless objective criteria in addition to that pertaining to specific goals justify the award to another bidder Broad-Based Black Economic Empowerment (B-BBEE) Status Level Certificates.
- 224 Bidders are required to submit original and valid B-BBEE Status Level Verification Certificates or certified copies thereof together with their bids, to substantiate their B-BBEE rating claims. Point must be awarded to a bidder for attaining the B-BBEE status level of contribution.
- 225 The bidder must not be disqualified from the bidding process, if he failed to submit the certificate substantiating the B-BBEE status level of contribution.

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Points awarded for B-BBEE Status Level of Contribution

B-BBEE Status Level of Contributor	Number of points (90/ 10 system)	Number of points (80/ 20 system)
1	10	20
2	9	18
3	8	16
4	5	12
5	4	8
6	3	6
7	2	4
8	1	2
Non-compliant contributor	0	0

226 Procurement will be based on quality and cost.

227 Quality or professional competence will be a requirement, and cost will be determined on a competitive basis.

228 The illustration below is in terms of the 90/ 10 and 80/ 20 point scoring system:

Price

229 THE 80/ 20 OR 90/ 10 PREFERENCE POINT SYSTEMS

A maximum of 80 or 90 points is allocated for price on the following basis:

80/ 20 or

90/ 10

$$P_s = 80 \left(1 - \frac{P_t - P_{\min}}{P_{\min}} \right) \quad \text{or} \quad P_s = 90 \left(1 - \frac{P_t - P_{\min}}{P_{\min}} \right)$$

Where

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Ps = Points scored for comparative price of bid under consideration

Pt = Comparative price of bid under consideration

Pmin = Comparative price of lowest acceptable bid

Duration of Contracts

- 230 Except in exceptional cases, the duration of contracts should not exceed a maximum of (3) three years. However, should there be compelling reasons to conclude contracts over the stipulated three year term, motivation should be given for such requests in line with MFMA.

Recommendation to Bid Adjudication Committee

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

Bid Adjudication

Bid Adjudication Committee

214. The Bid Adjudication Committee shall comprise at least three senior managers, and shall include:
- 214.1 the CFO or a Manager designated by the CFO;
 - 214.2 at least one senior SCM practitioner of the Municipality; and
 - 214.3 a technical expert in the relevant field who is an official of the Municipality, if the Municipality has such an expert.
215. The MM 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.
216. Neither a member of a Bid Specification Committee, Bid Evaluation Committee, nor an advisor or person assisting such committees, may be a member of a Bid Adjudication Committee.

Adjudication and Award

217. The Bid Adjudication Committee shall consider the report and recommendations of the Bid Evaluation Committee and make a final award or make another

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recommendation to the MM on how to proceed with the relevant procurement.

218. The Bid Adjudication Committee may make an award to a preferred bidder, subject to the MM negotiating with the preferred bidder in terms of clause 231 of this Policy.
219. The MM may at any stage of the bidding process, refer any recommendation made by the Bid Evaluation or Bid Adjudication Committee back to that committee for reconsideration of the recommendation.

Approval of Bid not Recommended

220. If a Bid Adjudication Committee decides to award a bid other than the one recommended by the Bid Evaluation Committee, the Bid Adjudication Committee must, prior to awarding the bid:
- 220.1 check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears;
 - 220.2 check in respect of the preferred bidder that it has the resources and skills required to fulfil its obligations in terms of the bid document.
 - 220.3 notify the MM.
221. The MM may:
- 221.1 after due consideration of the reasons for the deviation ratify or reject the decision of the Bid Adjudication Committee referred to in clause 220 above.
 - 221.2 If the decision of the Bid Adjudication Committee is rejected, the MM can refer the matter back to the adjudication committee for reconsideration.
222. If a bid other than the one recommended in the normal course of implementing this Policy is approved, then the MM must, in writing and within ten working days, notify the Auditor-General, the Provincial Treasury and the National Treasury of the reasons for deviating from such recommendation.
223. The requirement of clause 220.3 does not apply if a different bid was approved in order to rectify an irregularity.

Reconsideration of Recommendations

224. The MM 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.

Right of Appeal

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225. In terms of Section 62 of the Systems Act, a person whose rights are affected by a decision taken by the Municipality, in terms of a delegated authority, in the implementation of its SCM system, may appeal against that decision by giving written notice of the appeal and reasons to the MM within 21 days of the date of receipt of the notification of the decision.
226. Tender documents must state that any appeal in terms of clause 225 must be submitted to the MM at the address stated, and must contain the following:
- a. reasons and/or grounds for the appeal;
 - b. the way in which the appellants rights have been affected; and
 - c. the remedy sought by the appellant.
227. No tender shall be formally accepted until either the expiry of the 21 day appeal period, or confirmation in writing before the expiry of the 21 day appeal period that none of the affected parties intend to appeal, or confirmation of the satisfactory resolution of any appeals.

Notification of Decision

228. If the Bid Adjudication Committee or other delegated official has resolved that a bid be accepted, the successful and unsuccessful bidders shall be notified in writing of this decision.
229. The successful bidder shall, in addition, be advised of the 21 day appeal period, and be notified that no rights accrue to him/her until the tender is formally accepted in writing.
230. Every notification of decision shall be faxed or sent via electronic mail to the address chosen by the bidder, with a copy of proof of transmission kept for record purposes, or shall be delivered by hand, in which case acknowledgement of receipt must be signed and dated on a copy of such notification and kept for record purposes.

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Negotiations with Preferred Bidders

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

Cancellation of Bids

233. If it becomes necessary to cancel or re-advertise formal bids, then a report to this effect shall be submitted to the Bid Adjudication Committee for decision.
234. If bids have been cancelled, then all bidders must be notified in writing.
235. It is not necessary to notify original bidders when calling for new bids, which will be advertised in accordance with clause 119.
236. No bid may be re-advertised before the expiry of the validity period of the original bid, or any extended validity period.
237. Notwithstanding clause 236, where no valid bids are received or where all bidders have indicated in writing that they have no objection to the re-advertisement of the bid, then the bid may be re-advertised forthwith.
238. In the case of bids for construction related works, and where the Bid Adjudication Committee resolved that there were no responsive tenders received, then the bid may be re-advertised forthwith.

Increase in Contract Period or Contract Sum

239. Any increase in the contract period (in respect of term bids) or contract sum (in respect of once-off contracts) that may become necessary as a result of exceptional circumstances, or which are considered to be in the public's interest, the CFO must recommend after verifying the budget availability to Municipal Manager for approval. Such approval must be obtained prior to the contract period expiring or contract sum being exceeded. The approval of increase in contract period or contract sum may not be more than 20% construction related goods, works and/or services and 15% for all other goods and /or services of the original value of the contract, any amount above 15 or 20% must be approved by council.

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240. Where community participation has been a part of the contract, the community must be advised of the proposed increase and be invited to provide written comment.

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241. In order to mitigate against such practices, accounting officer and authorities are directed that from the date of this instruction note taking effect, contracts may expanded or varied by not more than 20% or R20 million (including all applicable taxes) for construction related goods, works and/or services and 15% of R15 million (including all applicable taxes) for all other goods and /or services of the original value of the contract, whichever is the lower amount. The relevant treasuries may, however, decrease these thresholds for institution reporting to them.

Term Bids

General

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

Evaluation and Adjudication of Term Bids

248. The process for considering term bids shall be in terms of the evaluation and adjudication procedures for conventional competitive bids.
249. Subsequent to award, where different selections of items are required in terms of the same term bid and it is not possible or practical to separate orders for different items from different suppliers, service providers or contractors (in the case of construction works, for example), then a selection process will have to be carried out in respect of each application by the Responsible Agent. Individual orders will then be placed (or contracts awarded) on the basis of the highest total evaluation points received, per application.

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

Formal Written Price Quotations

General

251. Where the Municipality intends to enter into any contract which is for the supply of any goods or services, or the execution of any construction work which involves or is likely to involve a transaction value over R30 000 and up to R200 000 (VAT inclusive), then a minimum of three written quotes shall be obtained from providers who are suitably qualified and experienced, having the necessary resources, and who are registered and verified on the Municipality's supplier database. Ongoing competition amongst providers shall be promoted, including by inviting providers to submit quotations on a rotational basis. Quotations may be obtained from providers who are not listed on the Municipality's supplier database, provided that such providers must meet the listing criteria referred to in this Policy.
252. Any request for a formal written quotation which is likely to be in excess of R30 000 must be advertised for at least 7 (seven) days on the Municipality's official website and an official notice board as applicable.
253. Notwithstanding clause 251, if quotations have been invited on the Municipality's official website, no additional quotes need to be obtained should the number of responses be less than three.
254. If it is not possible to obtain at least three written quotations, the reasons must be recorded and approved by the CFO
255. The names of the potential providers and their written quotations must be recorded.
256. The practice of breaking out (parceling) projects in order to circumvent the competitive bid process is not permissible.

Quotation Documentation

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

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Validity Periods

258. The provisions of clauses 138 to 141 of this Policy shall apply *mutatis mutandis* with regard to quotations.

Quotation Prices

259. In general, all quotations should be submitted on a fixed price basis (not subject to contract price adjustment). Only in exceptional circumstances may contract price adjustment be applied.
260. Notwithstanding clause 259 above, if the quotation validity period is extended, then contract price adjustment may be applied on a proven, fair and reasonable basis.

Submission of Documentation

261. Quotation documents issued by the Municipality shall clearly state the place where such documents must be submitted and the date and time by when they must be submitted.
262. No quotations submitted after any stipulated closing date and time shall be considered.

Opening of Quotations (where lodged in a quotation box)

263. The provisions of clauses 177 to 183 of this Policy shall apply with regard to quotations that are required to be lodged in a quotation box, with the exception of clause 182 where, with respect to quotations, the Municipality disclaims any responsibility for seeing that the quotations are lodged in the correct quotation box. Quotations found in the incorrect box shall be declared invalid and will not be considered.

Consideration and Acceptance of Quotations

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

Written Price Quotations

General

265. Where the Municipality intends to procure any goods or services, which involves a transaction value of up to R30 000 (VAT inclusive), written price quotations shall be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the supplier database, provided that if quotations

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are obtained from providers who are not listed, such providers must meet the listing criteria referred to in this Policy. Ongoing competition amongst providers shall be promoted, including by inviting providers to submit quotations on a rotational basis.

- 266. If it is not possible to obtain at least three written quotations, the reasons must be recorded and approved by the CFO.
- 267. The names of the potential providers requested to provide quotations and their written quotations must be recorded.
- 268. The practice of breaking out (parcelling) purchases in order to circumvent the formal written price quotation process is not permissible.
- 269. All orders in respect of written price quotations shall be approved and released by the MM, or his delegated authority.

Petty Cash Purchases (If applicable)

General

- 270. Where there is a need to purchase any goods or services using a petty cash system, which involves a transaction value up to R2 000 (VAT inclusive), the Municipality's Procedures and Guidelines for Petty Cash Purchases shall be adhered to.
- 271. The delegated official responsible for petty cash must compile monthly reconciliation report for the CFO, which must include the total amount of petty cash purchases for that month and receipts and appropriate documents for each purchase.
- 272. The practice of breaking out (parcelling) purchases in order to circumvent the formal written price quotation and written price quotation processes is not permissible.

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Appointment of Consultants

General

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

Procurement Process (over R200 000)

274. Where the estimated value of the fees exceeds R200 000 (VAT inclusive), or where the duration of the appointment will exceed one year, consulting services shall be procured through a competitive bidding process.
275. The practice of breaking out (parcelling) consultant appointments in order to circumvent the competitive bidding process is not permitted.

Procurement Process (up to R200 000)

276. Where the estimated value of the fees is less than or equal to R200 000 (VAT inclusive) and the duration of the appointment is less than one year, the selection of a consultant to provide the required service shall follow a written price quotation or a formal written price quotation procedure as described in this Policy.
277. Responsible agents must endeavour to ensure that there is rotation in respect of inviting suitably qualified consultants to quote.
278. A price/preference points system, as described in the preferential procurement section of this Policy, must be applied to such quotations.
279. Where it is in the interests of the Municipality to follow an advertised process, a formal competitive bidding process in accordance with the requirements of this policy may be followed.

Single-source Selection

280. National Treasury Guidelines provide for single-source selection in exceptional cases. The justification for single-source selection must be examined in the context of the overall interests of the Municipality and the project.
281. Single-source selection may be appropriate only if it presents a clear advantage over competition:

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- 281.1 for services that represent a natural continuation of previous work carried out by the consultant, and continuity of downstream work is considered essential;
 - 281.2 where rapid selection is essential;
 - 281.3 for very small appointments;
 - 281.4 When only one consultant is qualified, or has experience of exceptional worth for the project.
282. The reasons for single-source selection must be fully motivated in a report and approved by the Bid Adjudication Committee prior to conclusion of a contract, provided that if the award is for an amount of R200 000 (VAT inclusive) or less, such award shall be approved by the CFO or as per MFMA delegation.

Deviation from the Procurement Processes

General

283. The MM or the CFO depending on the threshold may dispense with the official procurement processes established by this Policy depending on the threshold, and procure any required goods or services through any convenient process, which may include direct negotiation, but only in respect of:
- i. any contract relating to an emergency (as described in clauses 285 and 286 below) where it would not be in the interests of the Municipality to invite bids,
 - ii. any goods or services which are available from a single provider only,
 - iii. the acquisition of animals for zoos, or
 - iv. the acquisition of special works of art or historical objects where specifications are difficult to compile;
 - v. any other exceptional circumstances where it is impractical or impossible to follow the official procurement process, including: accommodation, conference facilities, car hire, travel agencies, towing services, courier services and where organizers of the event are the sole providers of services.
 - vi. any purchase on behalf of the Municipality at a public auction

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sale;

- vii. any contract in respect of which compliance therewith would not be in the public interest;
- viii. ad-hoc repairs to plant and equipment where it is not possible to ascertain the nature or extent of the work required in order to call for bids; and

284. The MM or CFO depending on the threshold or as per MFMA may condone a deviation from the procurement processes , provided that such deviation is limited to the circumstances referred to in clause 283.

Emergency Dispensation

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

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

286. 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.

287. Where possible, in an emergency situation, three quotes in accordance with general acquisition management principles should be obtained and a report

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submitted to the MM for approval. However, where time is of the essence, the emergency shall be immediately addressed, and the process formalised in a report to the MM as soon as possible thereafter.

Unsolicited Bids

- 288 The Municipality is not obliged to consider any unsolicited bids received outside of the normal bidding process.
289. The Municipality may only consider an unsolicited bid if the following have been complied with:
- a. the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
 - b. the product or service offered will be exceptionally beneficial to, or have exceptional cost advantages for, the Municipality;
 - c. the person or entity that made the bid is the sole provider of the product or service; and
 - d. the reasons for not going through the normal bidding processes are found to be sound by the MM. In this regard a report must be submitted to the MM seeking approval to take the unsolicited bid process further.
290. If the MM considers the unsolicited bid worthy of pursuing, the decision to consider such bid shall be made public in accordance with section 21A of the Systems Act together with:
- 290.1 reasons as to why the bid should not be open to other competitors;
 - 290.2 an explanation of the potential benefits for the Municipality were it to accept the unsolicited bid; and
 - 290.3 an invitation to the public and other potential suppliers to submit their written comments within 30 (thirty) days of the notice being published.
291. Details of the unsolicited bid, together with any written comments received pursuant to clause 290.3 as well as any responses from the bidder, shall be submitted to the provincial and National Treasury for comment.
292. The unsolicited bid shall then be submitted to the Bid Adjudication Committee, together with any written comments submitted by the public

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and any written comments or recommendations of the provincial or National Treasury, for consideration.

293. The Bid Adjudication Committee may award the bid in respect of any amount.
294. Any meeting of the Bid Adjudication Committee to consider an unsolicited bid shall be open to the public.
295. If any recommendations of the Provincial or National Treasury are rejected or not followed, the MM shall submit to the Auditor-General, the Provincial Treasury and the National Treasury the reasons for rejecting or not following those recommendations. Such submission shall be made within 7 (seven) days of the decision to award the unsolicited bid. No contract committing the Municipality to the bid may be entered into or signed within 30 (thirty) days of the submission.

Ratification of Minor Breaches of the Bid Processes

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

Condonation of Expenditure

297. The MM may, upon recommendation of the Bid Adjudication Committee, condone any expenditure incurred in contravention of, or that is not in accordance with, a requirement of this Policy. This power may not be sub-delegated by the MM. Such condonation shall not preclude the taking of disciplinary steps against the responsible official.
298. In the event where the MM refuses to condone any expenditure referred to in clause 297 such expenditure will be deemed to be either unauthorised, irregular or fruitless and wasteful expenditure as defined in section 1 of the MFMA and will be treated by the MM in accordance with the relevant provisions of the MFMA.

Obligation to Report

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

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LOGISTICS MANAGEMENT SYSTEM

Introduction

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

Setting of Inventory Levels

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

Placing of Orders

303. Purchase orders will be created with reference to requisitions where the supply source is contract or quotations (where sourcing had to take place).
304. All purchase orders which are for imported goods and which are subject to rate and exchange adjustments must specify that the vendor must take out a forward exchange contract in order to fix the Rand based price in the purchase order.
305. All purchase orders will be captured on the Promis system exclusive of VAT.
306. Standing orders (also known as “framework orders”) will be used in cases where a longer term arrangement, such as after hour services and copier contracts, are required.
307. Purchase order approvals will be systems based and will involve the procurement department only.
308. The assets section (for asset creation) and the transport section (for insurance claims) will be informed after the purchase order approval.

Receiving and Distribution of Goods

309. Goods will be received on the Municipality’s Promis system with reference to purchase orders.
310. No over receipt of stock will be allowed. Under receipts will keep the

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purchase order open for the outstanding delivery quantity.

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

Stores and Warehouse Management

312. The stores and warehousing function shall be decentralised in different districts and will operate under the jurisdiction of the SCM Unit.
313. The SCM Unit must ensure proper financial and budgetary control; uphold the principle of effective administration, proper stock holding and control, product standardisation, quality of products and a high standard of service levels.

Expediting Orders

314. The purchasing expeditor will be required to monitor and expedite outstanding purchase orders.
315. Reminder letters can be faxed automatically to vendors based on the reminder levels (days before delivery due date) that are set in the purchase order.

Transport Management

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

Vendor Performance

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

Contract Management

Application

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

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Competency

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

Maintenance and Contract Administration

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

Contract Administration

325. Contract administration is the last stage of the tendering and contract cycle, and includes all administrative duties associated with a contract after it is executed, including contract review.
326. The effectiveness of contract administration will depend on how thoroughly the earlier steps were completed. Changes can be made far more readily early in the tendering cycle than after contract management has commenced.
327. Some of the key early stages, which influence the effectiveness of contract administration, include:
- 327.1 Defining the output, that is, writing specifications which identify what the aims and outputs of a contract will be;
 - 327.2 assessing risk;
 - 327.3 researching the market place (including conducting pre-tender briefings);

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- 327.4 formulating appropriate terms and conditions of contract;
- 327.5 identifying appropriate performance measures and benchmarks so that all parties know in advance what is expected, and how it will be tested;
- 327.6 actively creating competition, so the best possible suppliers bid for contracts; and
- 327.7 evaluating bids competently, to select the best contractor, with a strong customer focus and good prospects of building a sound relationship.

Levels of Contract Administration

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

Appointing a Contract Manager

- 329. A contract manager should be appointed by the senior official in charge of the project prior to the execution of the contract.
- 330. Where it is practical to do so, the contract manager should be involved at the earliest stage of the acquisition, which is the time of writing the specification. Contract administration arrangements should be identified

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and planned including who, how, delegations, reporting requirements and relationships and specific task responsibilities.

331. Departments shall be responsible for ensuring that contract managers:

331.1 prepare the contract administration plan;

331.2 monitor the performance of the contractor;

331.3 are appointed with appropriate responsibility and accountability;

331.4 are adequately trained so that they can perform and exercise the responsibility; and

331.5 act with due care and diligence and observe all accounting and legal requirements.

Duties and Powers of Contract Manager

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

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

Contract Guidelines

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

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

Delegating to Contract Administrator

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

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

338. The contract manager will however remain ultimately responsible for the

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performance of the contract.

Contract Management Process

339. The contract manager shall ensure the contractor fulfils its obligations and accepts its liabilities under the contract and must also ensure the contractors are treated fairly and honestly.
340. Both parties adhering to the agreed terms will result in:
- 340.1 value for money;
 - 340.2 timeliness;
 - 340.3 cost effectiveness; and
 - 340.4 contract performance.

Document Retention

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

Guidelines on Contract Administration

343. The responsibilities of a contract manager may include the following:
- a. establishing a contract management plan for the project;
 - b. reviewing the contract management process (including the plan) on a regular basis;
 - c. providing liaison between internal managers and users, and suppliers to identify and resolve issues as they arise;
 - d. monitoring the contractor's continuing performance against contract obligations;
 - e. providing the contractor with advice and information regarding developments within the department, where such developments are likely to affect the products provided;
 - f. determining if staged products should continue, and providing a

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procurement process for additional stages which meet the principle of obtaining value for money;

- g. providing accurate and timely reporting to the senior management in charge of the project, highlighting significant performance issues or problems;
- h. ensuring insurance policy(s) terms and conditions provide adequate protection for the Municipality and are maintained throughout the contract period;
- i. ensuring all products provided are certified as meeting the specifications before the supplier is paid;
- j. maintaining adequate records (paper and/or electronic) in sufficient detail on an appropriate contract file to provide an audit trail;
- k. managing contract change procedures;
- l. resolving disputes as they arise;
- m. conducting post contract reviews; and
- n. pursuing remedies in the event of contract breach.

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DISPOSAL MANAGEMENT SYSTEM

Goal

344. To give effect to:
- 344.1 Regulation 40 of the SCM Regulations which requires an effective system for the disposal of letting of assets including unserviceable, redundant or obsolete assets, and
 - 344.2 the Municipal Asset Transfer Regulations, subject to sections 14 and 90 of the Municipal Finance Management Act (MFMA) and any other applicable legislation.
345. As far as possible, assets to be disposed of must be made available to recycling. Disposal to landfill is not allowed unless no recycling options are available.

Disposal Management System

346. Subject to the provisions of the Municipal Asset Transfer Regulations:
- 346.1 moveable assets may be sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous to the Municipality;
 - 346.2 immovable property may:
 - 346.2.1 be sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
 - 346.2.2 let only at market related rates except when the public interest or the plight of the poor demands otherwise and provided that all charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;
 - 346.3 in the case of the free disposal of computer equipment, the provincial department of education must first be approached to indicate within 30 days whether any of the local schools are interested in the equipment;
 - 346.4 in the case of fire arms, the National Conventional Arms Control Committee must approve any sale or donation of firearms to any person within or outside the Republic.

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Transfer or Permanent Disposal of Assets and the Granting of Rights

- 347. Non-exempted capital assets shall be transferred or permanently disposed of strictly in accordance with Chapter 2 of the Municipal Asset Transfer Regulations.
- 348. Exempted capital assets shall be transferred strictly in accordance with Chapter 3 of the Municipal Asset Transfer Regulations.
- 349. 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.

RISK MANAGEMENT SYSTEM

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

General

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

The Risk Management Process

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

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Key Principles

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

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PERFORMANCE MANAGEMENT SYSTEM

The MM must establish and implement an internal monitoring system in order to determine the basis of a retrospective analysis whether the authorised SCM processes were followed and whether the objectives of this Policy were achieved.

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

value for money has been attained;

proper processes have been followed;

desired objectives have been achieved;

there is an opportunity to improve the process;

suppliers have been assessed and what that assessment is; and

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

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

358.1 achievement of goals;

358.2 compliance to norms and standards;

358.3 savings generated;

358.4 cost variances per item;

358.5 non-compliance with contractual conditions and requirements; and

358.6 the cost efficiency of the procurement process itself.

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CODE OF ETHICAL STANDARDS

General

359. In addition to this Code of Ethical Standards, the codes of conduct for municipal councillors and employees shall apply in the application of this SCM Policy.
360. A code of ethical standards is hereby established for officials and all role players in the SCM system in order to promote:
- 360.1 mutual trust and respect; and
 - 360.2 an environment where business can be conducted with integrity and in a fair and reasonable manner.
361. An official or other role player involved in the implementation of the SCM policy:
- 361.1 must treat all providers and potential providers equitably;
 - 361.2 may not use his or her position for private gain or to improperly benefit another person;
 - 361.3 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;
 - 361.4 notwithstanding clause 361.3, must declare to the MM 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;
 - 361.5 must declare to the MM 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;
 - 361.6 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;
 - 361.7 must be scrupulous in his or her use of property belonging to the Municipality;

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- 361.8 must assist the MM in combating fraud, corruption, favouritism and unfair and irregular practices in the SCM system; and
- 361.9 must report to the MM any alleged irregular conduct in the SCM system which that person may become aware of, including;
 - 361.9.1 any alleged fraud, corruption, favouritism or unfair conduct;
 - 361.9.2 any alleged contravention of this policy; or
 - 361.9.3 any alleged breach of this code of ethical standards.
- 362. Declarations in terms of clause 361.5 must be recorded in a register which the MM must keep for this purpose.
- 363. The Municipality has adopted the National Treasury's code of conduct for practitioners and other role players involved in supply chain management. This code of conduct is binding on all officials and other role players involved in the implementation of the SCM policy.
- 364. A copy of the National Treasury code of conduct is available on the website www.treasury.gov.za/mfma located under "legislation".
- 365. A breach of the code of conduct adopted will be dealt with in accordance with schedule 2 of the Systems Act.

Inducements, Rewards, Gifts and Favours

- 366. 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:
 - 366.1 any inducement or reward to the Municipality for or in connection with the award of a contract; or
 - 366.2 any reward, gift, favour or hospitality to any official or any other role player involved in the implementation of the SCM policy.
- 367. The MM must promptly report any alleged contravention of clause 366 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.

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368. Clause 366 does not apply to gifts less than R350 in value or gifts from a single source in any calendar year that does not exceed R350 in value.

Sponsorships

369. The MM 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:

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

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

Objections and Complaints

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

Resolution of Disputes, Objections, Complaints and Queries

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

371.1 any decisions or actions taken in the implementation of the SCM system; or

371.2 any matter arising from a contract awarded in the course of the SCM system; or

371.3 to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

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

The person appointed must;

strive to resolve promptly all disputes, objections, complaints; or

queries received; and

submit monthly reports to the MM on all disputes, objections,

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complaints or queries received, attended to or resolved.

374. A dispute, objection, complaint or query may be referred to the relevant provincial treasury if;
- 374.1 the dispute, objection, complaint or query is not resolved within 60 days; or
- 374.2 no response is forthcoming within 60 days.
375. 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.
376. The provisions above must not be read as affecting a person's rights to approach a court at any time.