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## **SUPPLY CHAIN MANAGEMENT POLICY**

### **LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003**

**Date of adoption: 27 October 2005**

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**Drakenstein Municipality** resolves in terms of section 111 of the Local Government Municipal Finance Management Act (No. 56 of 2003), to adopt the following proposal as the Supply Chain Management Policy of the **Drakenstein Municipality**

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## Definitions

1. In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, and –

**“competitive bidding process”** means a competitive bidding process referred to in paragraph 12 (1) (d) of this Policy;

**“competitive bid”** means a bid in terms of a competitive bidding process;

**“emergency dispensation”** means emergency as referred to in paragraph 36(a)(i)

- (a) the conditions warranting Emergency dispensation should include the existence of one or more of the following:
  - i) the possibility of human injury or death;
  - ii) the prevalence of human suffering or deprivation of rights;
  - iii) the possibility of damage to property, or suffering and death of livestock and animals;
- (b) the interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the Municipality as a whole;
- (c) the possibility of serious damage occurring to the natural environment;
- (d) the possibility that failure to take necessary action may result in the Municipality not being able to render an essential community service; and
- (e) the possibility that the security of the state could be compromised.
- (f) 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.

**“final award”**, in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept;

**“formal written price quotation”** means quotations referred to in paragraph 12 (1) (c) of this Policy;

**“in the service of the state”** means to be –

- (a) a member of –
  - (i) any municipal council;
  - (ii) any provincial legislature; or
  - (iii) the National Assembly or the National Council of Provinces;
- (b) a member of the board of directors of any municipal entity;
- (c) an official of any municipality or municipal entity;
- (d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the public Finance Management Act, 1999 (Act No.1 of 1999);
- (e) a member of the accounting authority of any national or provincial public entity; or
- (f) an employee of Parliament or a provincial legislature;

**“long term contract”** means a contract with a duration period exceeding one year;

**“list of accredited prospective providers”** means the list of accredited prospective providers, which the **Drakenstein Municipality** must keep in terms of paragraph 14 of this policy;

**“other applicable legislation”** means any other legislation applicable to municipal supply chain management, including –

- (a) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);
- (b) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003); and
- (c) the Construction Industry Development Board Act, 2000 (Act No.38 of 2000);

**“parent municipality”** has the meaning assigned to it in section 1 of the Municipal Systems Act;

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

**“the Act”** means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);

**“the Regulations”** means the Local Government: Municipal Finance Management Act, 2003, Municipal Supply Chain Management Regulations published by Government Notice 868 of 2005;

**“written or verbal quotations”** means quotations referred to in paragraph 12(1)(b) of this Policy.

## CHAPTER 1

### IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

#### 2. Supply chain management policy

- (1) All officials and other role players in the supply chain management system of the Drakenstein Municipality must implement this Policy in a way that –
  - (a) gives effect to –
    - (i) section 217 of the Constitution; and
    - (ii) Part 1 of Chapter 11 and other applicable provisions of the Act;
  - (b) is fair, equitable, transparent, competitive and cost effective;
  - (c) complies with –
    - (i) the Regulations; and
    - (ii) any minimum norms and standards that may be prescribed in terms of section 168 of the Act;
  - (d) is consistent with other applicable legislation;
  - (e) does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
  - (f) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.
- (2) The municipal entity must, in addition to complying with subparagraph (1), apply this Policy, to the extent determined by the parent municipality, in a way that and that is consistent with the supply chain management policy of the parent municipality.
- (3) This Policy applies when the **Drakenstein Municipality**
  - (a) procures goods or services;
  - (b) disposes goods no longer needed;
  - (c) selects contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or

- (d) selects external mechanisms referred to in section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.
- (4) This Policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including –
- (a) water from the Department of Water Affairs or a public entity, another municipality or a municipal entity; and
  - (b) electricity from Eskom or another public entity, another municipality or a municipal entity.

### **3. Amendment of the supply chain management policy**

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

### **4. Delegation of supply chain management powers and duties**

- (1) The **Drakenstein Council** hereby delegates all powers and duties to the accounting officer, which are necessary to enable the accounting officer –

- (a) to discharge the supply chain management responsibilities conferred on accounting officers in terms of –
    - (i) Chapter 8 or 10 of the Act; and
    - (ii) this Policy;
  - (b) to maximize administrative and operational efficiency in the implementation of this Policy;
  - (c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this Policy; and
  - (d) to comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.
- (2) Sections 79 and 106 of the Act apply to the sub-delegation of powers and duties delegated to an accounting officer in terms of subparagraph (1).
  - (3) The accounting officer may not sub-delegate any supply chain management powers or duties to a person who is not an official of **Drakenstein Municipality** or to a committee, which is not exclusively composed of officials of the **Drakenstein Municipality**.
  - (4) This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.

## 5. Sub-delegations

- (1) The accounting officer may in terms of section 79 or 106 of the Act sub-delegate any supply chain management powers and duties, including those delegated to the accounting officer in terms of this Policy, but any such sub-delegation must be consistent with subparagraph (2) of this paragraph and paragraph 4 of this Policy.
- (2) The power to make a final award –
  - (a) above R10 million (VAT included) may not be sub-delegated by the accounting officer;
  - (b) above **R200,000.00** (VAT included), but not exceeding R10 million (VAT included), may be sub-delegated but only to –

- (i) a bid adjudication committee of which the chief financial officer or a senior manager is a member; or
    - (ii) Accounting Officer of the municipality, after due consideration of all facts was done
  - (c) below **R200,000** (VAT included) to be disposed by delegated official according approved delegatory power and functions issued by Accounting Officer.
- (3) An official or bid adjudication committee to which the power to make final awards has been sub-delegated in accordance with subparagraph (2) must within five days of the end of each month submit to the official referred to in subparagraph (4) a written report containing particulars of each final award made by such official or committee during that month, including–
- (a) the amount of the award;
  - (b) the name of the person to whom the award was made; and
  - (c) the reason why the award was made to that person.
- (4) A written report referred to in subparagraph (3) must be submitted –
- (a) to the accounting officer, in the case of an award by –
    - (i) a bid adjudication committee of which the chief financial officer or a senior manager is a member; or
  - (b) to the chief financial officer or the senior manager responsible for the relevant bid, in the case of an award by –
    - (i) a bid adjudication committee of which the chief financial officer or a senior manager is not a member.
- (5) Subparagraphs (3) and (4) of this policy do not apply to procurements out of petty cash.
- (6) This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub-delegated, to make a final award in a competitive bidding process otherwise

than through the committee system provided for in paragraph 26 of this Policy.

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

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

- (1) The Drakenstein Council reserves its right to maintain oversight over the implementation of this Policy.
- (2) For the purposes of such oversight the accounting officer must –
  - (i) within 30 days of the end of each financial year, submit a report on the implementation of this Policy and the supply chain management policy of any municipal entity under the sole or shared control of the municipality, to the council of the municipality; and
  - (ii) whenever there is serious and material problems in the implementation of this Policy, immediately submit a report to Council.
- (3) The accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the mayor.
- (4) The reports must be made public in accordance with section 21A of the Municipal Systems Act.

## **7. Supply chain management unit**

- (1) A supply chain management unit is hereby established to implement this Policy.
- (2) The supply chain management unit operates under the direct supervision of the chief financial officer or an official to whom this duty has been delegated in terms of section 82 of the Act.

## 8. Training of supply chain management officials

The training of officials involved in implementing this Policy should be in accordance with any Treasury guidelines on supply chain management training.

## CHAPTER 2

### SUPPLY CHAIN MANAGEMENT SYSTEM

## 9. Format of supply chain management system

This Policy provides systems for –

- (i) demand management;
- (ii) acquisition management;
- (iii) logistics management;
- (iv) disposal management;
- (v) risk management; and
- (vi) performance management.

#### *Part 1: Demand management*

## 10. System of demand management

- (1) The accounting officer must establish and implement an appropriate demand management system in order to ensure that the resources required by Drakenstein Municipality support its operational commitments and its strategic goals outlined in the Integrated Development Plan.
- (2) The demand management system must –
  - (a) include timely planning and management processes to ensure that all goods and services required by **Drakenstein Municipality** are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical delivery dates, and are of the appropriate quality and quantity at a fair cost;
  - (b) take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature; and

- (c) provide for the compilation of the required specifications to ensure that its needs are met.
- (d) To undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.

### ***Part 2: Acquisition management***

#### **11. System of acquisition management**

- (1) The accounting officer must implement the system of acquisition management set out in this Part in order to ensure –
  - (a) that goods and services are procured by Drakenstein Municipality in accordance with authorised processes only;
  - (b) that expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Act;
  - (c) that the threshold values for the different procurement processes are complied with;
  - (d) that bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation; and
  - (e) that any Treasury guidelines on acquisition management are properly taken into account.
- (2) When procuring goods or services contemplated in section 110(2) of the Act, the accounting officer must make public the fact that such goods or services are procured otherwise than through the **Drakenstein Municipality** supply chain management system, including -
  - (a) the kind of goods or services; and the name of the supplier.

## 12. Range of procurement processes

- (1) Goods may only be procured by way of –
  - (a) Cash purchases, up to a transaction value *as defined in Council's Petty Cash Policy*
  - (b) One verbal quotation for procurement of goods of a transaction value between **R 0.00 and R 2 000.00** (VAT included);
  - (c) written or verbal quotations for procurement of goods of a transaction value between **R 2 000.00 and R 10 000.00** (VAT included)
  - (d) Formal written quotations for procurement of goods of a transaction value between **R 10 000.00 and R 200 000.00**
  - (e) Formal written quotations for procurement of services of a transaction value between **R 0.00 and R 200 000.00** and
  - (f) a competitive bidding process for–
    - (i) procurements above a transaction value of **R 200 000 (VAT included)**; and
    - (ii) the procurement of long-term contracts.
- (2) The accounting officer may, in writing-
  - (a) lower, but not increase, the different threshold values specified in subparagraph (1); or
  - (b) direct that –
    - (i) written quotations are obtained for any specific procurement of a transaction value lower than R2 000;
    - (ii) written price quotations be obtained for any specific procurement of a transaction value lower than R 10 000; or
    - (iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than R 200 000.
- (3) Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy. When determining transaction values, a requirement for goods or services

consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

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

A written quotation or bid may not be considered unless the provider who submitted the quotation or bid –

- (a) has furnished that provider's –
  - (i) full name;
  - (ii) identification number or company or other registration number; and
  - (iii) tax reference number and VAT registration number, if any;
- (b) has authorized the **Drakenstein Municipality** to obtain a tax clearance from the South African Revenue Services that the provider's tax matters are in order; and
- (c) has indicated –
  - (i) whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;
  - (ii) if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or
  - (iii) whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months.

### 14. **Lists of accredited prospective providers**

- (1) The accounting officer must –
  - (a) keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements through written or verbal quotations and formal written price quotations; and
  - (b) at least once a year through newspapers commonly circulating locally, the website and any other appropriate ways, invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers;

- (c) specify the listing criteria for accredited prospective providers as stated within the database registration forms; and
  - (d) 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.
- (2) The list must be updated at least quarterly to include any additional prospective providers and any new commodities or types of services. Prospective providers must be allowed to submit applications for listing at any time.
- (3) The list must be compiled per commodity and per type of service.

#### **15. Petty cash purchases**

Petty Cash means a small amount of cash kept on hand for incidental purchases of low value goods and services ( i.e postage , office suppliers, reimbursement out-of-pocket expenditures) , which cannot be accommodated through other purchasing procedures.

Petty Cash may not be used for payroll payments , inventory , capital goods, entertainment expense, travel expenses and other personal obligations

The chief financial officer will request from the Expenditure Section reconciliation's on a monthly basis from the various departments for cash purchases made in respect of this policy.

#### **16. Written quotations**

The conditions for the procurement of goods or services through written or verbal quotations, are as follows:

- (a) Quotations must be **obtained** from at **least three** different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the **Drakenstein Municipality**, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria set out in paragraph 14(1)(b) and (c) of this Policy;

- (b) Where no suitable providers are available from the list of accredited prospective providers, quotations may be obtained from other possible providers.
- (c) to the extent feasible, providers must be requested to submit such quotations in writing;
- (d) if it is not possible to obtain at least three quotations, the reasons must be recorded and reported quarterly to the accounting officer or another official designated by the accounting officer;
- (e) the accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices; and
- (f) if a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider.

## 17. Formal written price quotations

- (1) The conditions for the procurement of goods or services through formal written price quotations, are as follows:-
  - (a) quotations must be **obtained** in writing from at **least three** different providers whose names appear on the list of accredited prospective providers of the **Drakenstein Municipality** .Quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria set out in paragraph 14(1)(b) and (c) of this Policy;
  - (b) Where no suitable providers are available from the list of accredited prospective providers, quotations may be obtained from other possible providers not registered on the municipal supplier database.
  - (c) if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the chief financial officer or an official designated by the chief financial officer, and
  - (d) the accounting officer must record the names of the potential providers and their written quotations.
  - (e) For the obtaining of quotations for services, Drakenstein Municipality will utilize their notice boards.

- (2) A designated official referred to in subparagraph (1) (c) must within three days of the end of each month report to the chief financial officer on any approvals given during that month by that official in terms of that subparagraph.

**18. Procedures for procuring goods or services through written or verbal quotations and formal written price quotations**

The procedure for the procurement of goods or services through written or verbal quotations or formal written price quotations, is as follows:-

- (a) when using the list of accredited prospective providers the accounting officer must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis;
- (b) Where no suitable providers are available from the list of accredited prospective providers, quotations may be obtained from other possible providers not registered on the municipal supplier database.
- (b) all requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements of paragraph 17, be advertised for at **least seven days** on the website and an official notice board of the **Drakenstein Municipality**
- (c) offers received must be evaluated on a comparative basis taking into account unconditional discounts;
- (d) the accounting officer or chief financial officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub-delegation;
- (e) offers below R30 000 (VAT included) must be awarded based on compliance to specification and conditions of contract, ability and capability to deliver the goods and services and lowest price;
- (f) acceptable offers, which are subject to the preference points system (PPPFA and associated regulations), must be awarded to the bidder who scored the highest points;
- (g) Drakenstein Municipality will maintain a proper record keeping system.

## **19. Competitive bids**

- (1) Goods or services above a transaction value of R 200 000 (VAT included) and long term contracts may only be procured through a competitive bidding process, subject to paragraph 11(2) of this Policy.
- (2) No requirement for goods or services above an estimated transaction value of R 200 000 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.

## **20. Process for competitive bidding**

The procedures for the following stages of a competitive bidding process are as follows:-

- (a) Compilation of bidding documentation as detailed in paragraph 21;
- (b) Public invitation of bids as detailed in paragraph 22;
- (c) Site meetings or briefing sessions as detailed in paragraph 22;
- (d) Handling of bids submitted in response to public invitation as detailed in paragraph 23;
- (e) Evaluation of bids as detailed in paragraph 28;
- (f) Award of contracts as detailed in paragraph 29;
- (g) Administration of contracts
- (h) After approval of a bid, the accounting officer and the bidder must enter into a written agreement.
  - (i) Proper record keeping
  - (j) Original / legal copies of written contracts agreements should be kept in a secure place for reference purposes.

## **21. Bid documentation for competitive bids**

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

- (a) take into account –

- (i) the general conditions of contract and any special conditions of contract, if specified;
  - (ii) any Treasury guidelines on bid documentation; and
  - (iii) the requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;
- (b) include the preference points system to be used , goals as contemplated in the Preferential Procurement Regulations and evaluation and adjudication criteria, including any criteria required by other applicable legislation;
- (c) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
- (d) if the value of the transaction is expected to exceed R10 million (VAT included), require bidders to furnish–
- (i) if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements –
    - (aa) for the past three years; or
    - (bb) since their establishment if established during the past three years;
  - (ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;
  - (iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;
  - (iv) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and if so, what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic; and
- (e) stipulate that disputes must be settled by means of mutual consultation, mediation, adjudication (with or without legal representation), or, when unsuccessful, in a South African court of law.

- (f) The period for which bids are to remain valid and binding must be indicated in the bid documents.
- (g) A provision for the termination of the contract in the case of non- or under-performance and objections and complaints must be included in the bid documentation.  
Refer to section 49 of SCM policy.

## 22. Public invitation for competitive bids

- (1) The procedure for the invitation of competitive bids, is as follows:
  - (a) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the Drakenstein Municipality or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin); and
  - (b) the information contained in a public advertisement, must include –
    - (i) the closure date for the submission of bids, which may not be less than 3 weeks in the case of transactions over R10 million (VAT included), or which are of a long term nature, or 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to subparagraph (2) of this policy;
    - (ii) a statement that bids may only be submitted on the bid documentation provided by the **Drakenstein Municipality** and
    - (iii) date, time and venue of any proposed site meetings or briefing sessions;
    - (iv) The bid notice may require payment of a non - refundable deposit by bidders wanting to collect bid documents.  
This deposit shall be determined by the Municipality's council tariffs from time to time.
- (2) The accounting officer may determine a closure date for the submission of bids which is less than the 30 or 14 days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.

- (3) Bids submitted must be sealed.
- (4) Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.

**23. Procedure for handling, opening and recording of bids**

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

- (a) Bids–
  - (i) must be opened only in public;
  - (ii) must be opened at the same time and as soon as possible after the period for the submission of bids has expired; and
  - (iii) received after the closing time should not be considered and returned unopened immediately.
- (b) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price;
- (c) No information, except the provisions in subparagraph (b), relating to the bid should be disclosed to bidders or other persons until the successful bidder is notified of the award; and
- (d) The accounting officer must –
  - (i) record in a register all bids received in time;
  - (ii) make the register available for public inspection; and
  - (iii) publish the entries in the register and the bid results on the website.
- (e) The bidder shall choose a dom cilium 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.
- (f) Opening of Bids, –
  - (i) at the specified closing time on the closing date the applicable bid box shall be closed.
  - (ii) the bid box shall be opened in public as soon as practical after the closing time.

- (iii) bids found to be inadvertently placed in the incorrect bid box will be redirected provided that the applicable bids either closed on the same day at the same time, or are still open (in which case the Municipality disclaims any responsibility for seeing that the bids are in fact lodged in the correct bid box).
  - (iv) immediately after the opening of the bid box, all bids shall be opened in public and checked for compliance.
  - (v) the official opening the bids shall in all cases read out the name of the bidder and, if practical, the amount of the bid.
  - (vi) as soon as a bid or technical proposal has been opened:
  - (vii) the bid/proposal shall be stamped with the official stamps, and endorsed with the opening official's signature,
  - (viii) the name of the bidder, and where possible, the bid sum shall be recorded in a bid opening record kept for that purpose, and
  - (ix) the responsible official who opened the bid shall forthwith place his/her signature on the bid opening record and shall ensure that the bid opening record and the bid prices, where applicable, are made available for public inspection and are published on the Municipality's official website.
- g) Site Inspections, -
- (i) Site inspections, where applicable, will be compulsory.
  - (ii) If site inspections are to be held, full details must be included in the bid notice.
- (h) Validity Periods
- (i) The validity period is calculated from the bid closure date and bids shall remain in force and binding for a period of not less than 90 days.
  - (ii) The period of validity may be extended by mutual consent in writing between the Municipality and the bidders.

- (iii) If an appeal is lodged in terms of section 49, the Responsible Official must ensure that all bidders are requested to extend the validity of their bids where necessary in order to ensure that the bids are valid throughout the appeal period or until the appeal is finalized.
- (i) Samples
  - (i) Where samples are called for in the bid documents, samples (marked with the bid and item number as well as the bidder's name and address) shall be delivered separately (to the bid) to the addressee mentioned in the bid documents by no later than the closing time of the bid.
  - (ii) Bids may not be included in parcels containing samples.
  - (iii) If samples are not submitted as required in the bid documents, then the bid concerned may be declared invalid.
  - (iv) Samples shall be supplied by a bidder at his/her own expense and risk.  
Drakenstein 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 to return such samples or to dispose of them at its own discretion.
  - (v) 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.
- (j) Bid Sum
  - (i) 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.

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

- (1) The accounting officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation –
  - (a) does not allow any preferred bidder a second or unfair opportunity;
  - (b) is not to the detriment of any other bidder; and
  - (c) does not lead to a higher price than the bid as submitted.
- (2) Minutes of such negotiations must be kept for record purposes.

## **25. Two-stage bidding process**

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

## **26. Committee system for competitive bids**

- (1) A committee system for competitive bids is hereby established, consisting of the following committees for each procurement or cluster of procurements as the accounting officer may determine as issued within the directive and stating the terms of reference of each bid committee:
  - (a) a bid specification committee;
  - (b) a bid evaluation committee; and

- (c) a bid adjudication committee;
- (2) The accounting officer appoints the members of each committee, taking into account section 117 of the Act; and
- (3) A neutral or independent observer, appointed by the accounting officer, must attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.
- (4) The committee system must be consistent with –
  - (a) paragraph 27, 28 and 29 of this Policy; and
  - (b) any other applicable legislation.
- (4) The accounting officer may apply the committee system to formal written price quotations.

## **27. Bid Specification Committees**

- (1) A bid specification committee must compile the specifications for each procurement of goods or services by the **Drakenstein Municipality**.
- (2) Specifications –
  - (a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
  - (b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
  - (c) must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
  - (d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labeling of conformity certification;
  - (e) may not make 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 word “equivalent”;

- (f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations 2001; and
  - (g) must be approved by the accounting officer prior to publication of the invitation for bids in terms of paragraph 22 of this Policy.
- (3) A bid specification committee must be composed of one or more officials of the **Drakenstein Municipality** preferably the manager responsible for the function involved, and may, when appropriate, include external and/or internal specialist advisors.
- (4) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.

## 28. Bid Evaluation Committees

- (1) A bid evaluation committee must –
- (a) evaluate bids in accordance with –
    - (i) the specifications for a specific procurement; and
    - (ii) the points system set out in terms of paragraph 27(2)(f).
  - (b) evaluate each bidder’s ability to execute the contract;
  - (c) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears, and;
  - (d) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.
- (2) A bid evaluation committee must as far as possible be composed of-
- (a) officials from departments requiring the goods or services; and
  - (b) at least one supply chain management practitioner of the **Drakenstein Municipality** .

## **Bid Evaluation**

- (1) The Responsible municipal Official shall carry out a preliminary evaluation of all valid bids received and shall submit a bid evaluation report to the Bid Evaluation Committee for consideration.
- (2) Any evaluation of a bid shall consider the bids received and shall note for inclusion in the evaluation report, a bidder:-
  - a) whose bid does not comply with the provisions of *Section 38 of this Policy*;
  - b) whose bid does not comply with the provisions of *Section 13 of this Policy*;
  - c) whose bid is not in compliance with the specification;
  - d) whose bid is not in compliance with the terms and conditions of the bid documentation;
  - e) whose bid does not comply with any minimum goals stipulated in terms of Drakenstein Municipality's Preferential Procurement Policy;
  - f) who is not registered and verified on the Municipality's supplier database within seven days of the closing time for bids. In this regard bid documentation shall state that the responsibility for registration and verification rests solely with the bidder;
  - g) 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. Verification of compliance with this requirement shall be by means of Drakenstein Municipality's Supplier Database;
  - h) who has failed to submit a valid tax clearance certificate form 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
  - i) who fails to comply with any applicable Bargaining Council agreements.
- (3) Bids shall be evaluated according to the following as applicable:
  - a) bid price (corrected if applicable and brought to a comparative level where necessary) ,

- b) the unit rates and prices,
  - c) the bidder's ability to fulfill its obligations in terms of the bid documents,
  - d) any qualifications to the bid,
  - e) the bid ranking obtained in respect of Preferential Procurement as required by Drakenstein Municipality's Preferential Procurement Policy,
  - f) the financial standing of the bidder, including its ability to furnish the required institutional guarantee, where applicable,
  - g) any other criteria specified in the bid documents.
- (4) 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.
- (5) The evaluation of bids on an equitable basis may be considered during the evaluation process.
- (6) Additional information or clarification of bids may be called for if required.
- (7) Alternative bids may be considered, provided that a bid free of qualifications and strictly in accordance with the bid documents is also submitted. Drakenstein Municipality shall not be bound to consider alternative bids.
- (8) If a bidder requests in writing, after the closing of bids, that his/her bid be withdrawn, then such a request may be considered and reported in the bid evaluation report.
- (9) 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.
- (10) 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.
- (11) All disclosures of conflict of interest shall be considered by the Bid Evaluation Committee and if the conflict of interest is of a material nature, this shall be reported to the Bid Adjudication Committee.

## 29. Bid Adjudication Committees

- (1) A bid adjudication committee must –
  - (a) consider the report and recommendations of the bid evaluation committee; and
  - (b) either –
    - (i) depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award; or
    - (ii) make another recommendation to the accounting officer how to proceed with the relevant procurement.
- (2) A bid adjudication committee must consist of at least four senior managers of the **Drakenstein Municipality**, which must include –
  - (a) the chief financial officer or, if the chief financial officer is not available, another manager in the budget and treasury office reporting directly to the chief financial officer and designated by the chief financial officer; and
  - (b) at least one senior supply chain management practitioner who is an official of the **Drakenstein Municipality** and
  - (c) a technical expert in the relevant field who is an official, if such an expert exists.
- (3) The accounting officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.
- (4) Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.
- (5)
  - (a) If the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid–
    - (i) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears, and;
    - (ii) notify the accounting officer.

- (b) The accounting officer may –
  - (i) after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in paragraph (a); and
  - (ii) if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.
- (6) The accounting officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.
- (7) The accounting officer must comply with section 114 of the Act within 10 working days

### **30. Procurement of banking services**

- (1) A contract for banking services –
  - (a) must be procured through competitive bids;
  - (b) must be consistent with section 7 or 85 of the Act; and
  - (c) may not be for a period of more than five years at a time.
- (2) The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.
- (3) The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper in terms of paragraph 22(1). Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

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

- (1) The accounting officer may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.
- (2) Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.

- (2) The accounting officer must notify SITA together with a motivation of the IT needs if –
  - (a) the transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included); or
  - (b) the transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT included).
  
- (4) If SITA comments on the submission and the **Drakenstein Municipality** disagrees with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National Treasury, the relevant provincial treasury and the Auditor General.

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

**(1) The accounting officer may procure goods or services under a contract secured by another organ of state, but only if –**

- (a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
  - (b) there is no reason to believe that such contract was not validly procured;
  - (c) there are demonstrable discounts or benefits to do so; and
  - (d) that other organ of state and the provider has consented to such procurement in writing.
- (2) Subparagraphs (1)(c) and (d) do not apply if –
- (a) a municipal entity procures goods or services through a contract secured by its parent municipality; or
  - (b) a municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.

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

- (1) The acquisition and storage of goods in bulk (other than water), which necessitate special safety arrangements, including gasses and fuel, should be avoided wherever possible.
- (2) Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the accounting officer.

#### **34. Proudly SA Campaign**

**Drakenstein Municipality** supports the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from:

- (1) Firstly – suppliers and businesses within the municipality or district;
- (2) Secondly – suppliers and businesses within the relevant province;
- (3) Thirdly – suppliers and businesses within the Republic.

#### **35. Appointment of consultants**

- (1) **The accounting officer may procure consulting services provided that any Treasury guidelines in respect of consulting services or Construction Industry Development Board guidelines in respect of services related to the built environment and construction works are taken into account when such procurements are made.**
- (2) Consultancy services must be procured through competitive bids if
  - (a) the value of the contract exceeds R200 000 (VAT included); or
  - (b) the duration period of the contract exceeds one year.
- (3) In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of –
  - (a) all consultancy services provided to an organ of state in the last five years; and

- (b) any similar consultancy services provided to an organ of state in the last five years.
- (4) The accounting officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the **Drakenstein Municipality** .
- (5) Where the estimated value of fees is less than R200 000 and the duration of the appointment is less than one year, any National Treasury and, where applicable, Construction Industry Development Board guidelines in respect of consulting services are taken into account.

**36. Deviation from, and ratification of minor breaches of, procurement processes**

**(1) The accounting officer may –**

- (a) dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –
  - (i) in an emergency;
  - (ii) if such goods or services are produced or available from a single provider only;
  - (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
  - (iv) acquisition of animals for zoos and/or nature and game reserves; or
  - (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and
  - (vi) any contract relating to the publication of notices and advertisements by or on behalf of the Municipality;
  - (vii) any purchase on behalf of the Municipality at a public auction sale;
  - (viii) any contract with an organ of state, a local authority or a public utility corporation or company;
  - (ix) any contract in respect of which compliance therewith would not be in the public interest or interest of Council;
  - (x) 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
    - (x) workshop strip and quote
  - (b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties, which are purely of a technical nature.
- (2) The accounting officer must record the reasons for any deviations in terms of subparagraphs (1)(a) and (b) of this policy and report them to the next meeting of the council and include as a note to the annual financial statements.
- (3) Subparagraph (2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of this policy.

### **37. Unsolicited bids**

- (1) In accordance with section 113 of the Act there is no obligation to consider unsolicited bids received outside a normal bidding process.
- (2) The accounting officer may decide in terms of section 113(2) of the Act to consider an unsolicited bid, only if –
  - (a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
  - (b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages;
  - (c) the person who 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 accounting officer.
- (3) If the accounting officer decides to consider an unsolicited bid that complies with subparagraph (2) of this policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with –
  - (a) reasons as to why the bid should not be open to other competitors;
  - (b) an explanation of the potential benefits if the unsolicited bid were accepted; and

- (c) an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.
- (4) The accounting officer must submit all written comments received pursuant to subparagraph (3), including any responses from the unsolicited bidder, to the National Treasury and the relevant provincial treasury for comment.
- (5) The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the accounting officer, depending on its delegations.
- (6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
- (7) When considering the matter, the adjudication committee must take into account –
  - (a) any comments submitted by the public; and
  - (b) any written comments and recommendations of the National Treasury or the relevant provincial treasury.
- (8) If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the accounting officer must submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.
- (9) Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the **Drakenstein Municipality** to the bid may be entered into or signed within 30 days of the submission.

### **38. Combating of abuse of supply chain management system**

- (1) The accounting officer must–
  - (a) take all reasonable steps to prevent abuse of the supply chain management system;
  - (b) investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this Policy, and when justified –

- (i) take appropriate steps against such official or other role player; or
  - (ii) report any alleged criminal conduct to the South African Police Service;
- (c) check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;
- (d) reject any bid from a bidder–
  - (i) if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the **Drakenstein Municipality** or to any other municipality or municipal entity, are in arrears for more than three months; or
  - (ii) who during the last five years has failed to perform satisfactorily on a previous contract with the **Drakenstein Municipality** or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;
- (e) reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;
- (f) cancel a contract awarded to a person if –
  - (i) the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or
  - (ii) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and
- (g) reject the bid of any bidder if that bidder or any of its directors –
  - (i) has abused the supply chain management system of the Drakenstein Municipality or has committed any improper conduct in relation to such system;
  - (ii) has been convicted for fraud or corruption during the past five years;

- (iii) has willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
  - (iv) has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).
- (2) The accounting officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of subparagraphs (1)(b)(ii), (e) or (f) of this policy.
- (3) The Accounting Officer may –
  - invalidate recommendations or decisions that were unlawfully or improperly made, taken or influenced, including recommendations or decisions that were made, taken or in any way influenced by:
    - (a) councillors in contravention of item 5 or 6 of the Code of Conduct for Councillors in schedule 1 of the Systems Act; or
    - (b) 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.
    - (c) may cancel a contract awarded to a person if:
    - (d) the person committed a corrupt or fraudulent act during

### ***Part 3: Logistics, Disposal, Risk and Performance Management***

#### **39. Logistics management**

The accounting officer must establish and implement an effective system of logistics management, which must include –

- (a) the monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;
- (b) the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
- (c) the placing of manual or electronic orders for all acquisitions other than those from petty cash;

- (d) before payment is approved , certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;
- (e) appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;
- (f) regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and
- (g) monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

#### **40. Disposal management**

- (1) A supply chain management policy must provide for an effective system of disposal management for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to sections 14 and 90 of the Act

A supply chain management policy must -

- (a) specify the ways in which assets may be disposed of, including
  - (i) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;
  - (ii) transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
  - (iii) selling the asset with respect to selling immovable property refer to annexure C; or
  - (iv) destroying the asset.
- (2) The accounting officer must ensure that –
  - (a) immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
  - (b) movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices,

whichever is the most advantageous, except when the public interest or the plight of the poor demands otherwise;

- (c) firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the National Conventional Arms Control Committee;
  - (d) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise;
  - (e) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;
  - (f) where assets are traded in for other assets, the highest possible trade-in price is negotiated; and
  - (g) in the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment.
- (3) All matters relating to the alienation of immovable property, shall be dealt with in terms of the policy for the management and administration of immovable property, annexed hereto as ANNEXURE C;
- (4) Notwithstanding the provisions of sub-section 2 hereof, the following statutory powers of Drakenstein Council in respect of the alienation of immovable property, are reserved to be exercised by Council:
- (a) to decide on reasonable grounds that an asset is not needed to provide the minimum level of basic municipal services; and
  - (b) to considered the fair market value of the asset and the economic and community value to be received in exchange for the asset, and
- (5) Notwithstanding sub-section (2)(b) & (g) above, the accounting officer must determine the most advantageous way for the disposal or letting of movable capital assets, i.e. written price quotations, competitive bidding, or auction, except when public interest or the plight of the poor demands otherwise.
- (6) The accounting officer is hereby authorized to dispose of movable capital assets below a value of R2 million, and to make the determinations in terms of Section 14(2)(a) and (b) of the MFMA, provided that, in respect of capital assets above a value of R200 000 not being auctioned, the

Accounting Officer shall first consider a recommendation from the Supply Chain Management Bid Adjudication Committee.

**41. Risk management**

- (1) The criteria for an effective risk management strategy within supply chain management system, should include the identification, consideration and avoidance of potential.
- (2) Risk management should include –
  - (a) the identification of risks on a case-by-case basis;
  - (b) the allocation of risks to the party best suited to manage such risks;
  - (c) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
  - (d) the management of risks in a pro-active manner and the provision of adequate cover for residual risks; and
  - (e) the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

**42. Performance management**

The accounting officer must establish and implement an internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were followed and whether the objectives of this Policy were achieved.

***Part 4: Other matters***

**43. Prohibition on awards to persons whose tax matters are not in order**

- (1) No award above R30 000 may be made in terms of this Policy to a person whose tax matters have not been declared by the South African Revenue Service to be in order.
- (2) Before making an award to a person the accounting officer must first check with SARS whether that person's tax matters are in order.
- (4) If SARS does not respond within 7 days such person's tax matters may for purposes of subparagraph (1) be presumed to be in order.

## Prohibition on awards to persons in the service of the state

### 44. Irrespective of the procurement process followed, no award may be made to a person in terms of this Policy –

- (a) who is in the service of the state;
- (b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
- (c) a person who is an advisor or consultant contracted with the **Drakenstein Municipality**.

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

The accounting officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R 2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including –

- (a) the name of that person;
- (b) the capacity in which that person is in the service of the state; and
- (c) the amount of the award.

### 46. Ethical standards

- (1) A code of ethical standards as set out in [subparagraph (2) / the “*National Treasury’s code of conduct for supply chain management practitioners and other role players involved in supply chain management, which also include all other municipal officials not involved in supply chain management system*”] is hereby established for municipal officials and other role players in the supply chain management system of the **Drakenstein Municipality** in order to promote-
  - (a) mutual trust and respect; and
  - (b) an environment where business can be conducted with integrity and in a fair and reasonable manner.
- (2) An municipal official or other role player involved in the implementation of this Policy–

- (a) must treat all providers and potential providers equitably;
  - (b) may not use his or her position for private gain or to improperly benefit another person;
  - (c) 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 R 350;
  - (d) notwithstanding subparagraph (2) (c), must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
  - (e) must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the Drakenstein Municipality
  - (f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
  - (g) must be scrupulous in his or her use of property belonging to **Drakenstein Municipality** ;
  - (h) must assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and
  - (i) must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including –
    - (i) any alleged fraud, corruption, favouritism or unfair conduct;
    - (ii) any alleged contravention of paragraph 47(1) of this Policy;  
or
    - (iii) any alleged breach of this code of ethical standards.
- (3) Declarations in terms of subparagraphs (2)(d) and (e) -

- (a) must be recorded in a register, which the accounting officer must keep for this purpose;
  - (b) by the accounting officer must be made to **the mayor of the municipality** who must ensure that such declarations are recorded in the register.
- (4) **The National Treasury's code of conduct and Schedule 2 of the Systems Act must be adhered to by supply chain management practitioners and other role players involved in supply chain management.**
- (5) A breach of the code of ethics must be dealt with as follows -
- (a) in the case of an employee, in terms of the disciplinary procedures of the **Drakenstein Municipality** envisaged in section 67(1)(h) of the Municipal Systems Act;
  - (b) in the case a role player who is not an employee, through other appropriate means in recognition of the severity of the breach.
  - (c) In all cases, financial misconduct must be dealt with in terms of chapter 15 of the Act.
  - (d) **All cases of non-compliance to this Policy should be reported to the Accounting Officer.**

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

- (1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant –
- (a) any inducement or reward to the **Drakenstein Municipality** for or in connection with the award of a contract; or
  - (b) any reward, gift, favour or hospitality to –
    - (i) any official; or
    - (ii) any other role player involved in the implementation of this Policy.

- (2) The accounting officer must promptly report any alleged contravention of subparagraph (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.
- (3) Subparagraph (1) does not apply to gifts less than R 350 in value.

**48. Sponsorships**

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

- (a) a provider or prospective provider of goods or services; or
- (b) a recipient or prospective recipient of goods disposed or to be disposed.

**49. Objections and complaints**

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

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

- (1) The accounting officer may, if deem so, appoint an independent and impartial person, not directly involved in the supply chain management processes –
  - (a) to assist in the resolution of disputes between the **Drakenstein Municipality** and other persons regarding -
    - (i) any decisions or actions taken in the implementation of the supply chain management system; or
    - (ii) any matter arising from a contract awarded in the course of the supply chain management system; or
  - (b) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

- (2) The accounting officer, or another official designated by the accounting officer, is responsible for assisting the appointed person to perform his or her functions effectively.
- (3) The person appointed should, if appointed –
  - (a) strive to resolve promptly all disputes, objections, complaints or queries received; and
  - (b) submit monthly reports to the accounting officer on all disputes, objections, complaints or queries received, attended to or resolved.
- (4) A dispute, objection, complaint or query may be referred to the relevant provincial treasury if –
  - (a) the dispute, objection, complaint or query is not resolved within 60 days; or
  - (b) no response is forthcoming within 60 days.
- (5) If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.
- (6) This paragraph must not be read as affecting a person's rights to approach a court at any time.

## **51. Contracts providing for compensation based on turnover**

If a service provider acts on behalf of a **Drakenstein 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 **Drakenstein Municipality** must stipulate –

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

## **52. Contract Management**

- (1) Application

The contract management provisions below are applicable only to contracts for the provision of goods or services

(2) Competency

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

(3) Maintenance and Contract Administration

- (a) Contracts related to the procurement of goods and services will be captured on the *Venus* system in the form of a price schedule.
- (b) Value (where the maximum value of the contract is restricted) and volume (where the maximum units procured are restricted) based contracts will be used.
- (c) The use of fixed price, fixed term contracts will be promoted and expenditure will be driven towards contracts versus once-off purchases.
- (d) Consolidated (Citywide) procurement volumes have to drive down the negotiated contract prices.
- (e) 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.

(4) Contract Administration

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.

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.

- (a) Some of the key early stages, which influence the effectiveness of contract administration, include - :
  - (b) Defining the output, that is, writing specifications which identify what the aims and outputs of a contract will be;
    - i) assessing risk;

- ii) researching the market place (including conducting pre-tender briefings);
- iii) formulating appropriate terms and conditions of contract;
- iv) identifying appropriate performance measures and benchmarks so that all parties know in advance what is expected, and how it will be tested;
- v) actively creating competition, so the best possible suppliers bid for contracts; and
- vi) evaluating bids competently, to select the best contractor, with a strong customer focus and good prospects of building a sound relationship.

(5) Levels of Contract Administration

There are three levels of contract administration:

- a) 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 payment authorization role. A standard contract, which requires excessive administration, is almost certainly the product of a failure in contract preparation stages. An example of an operational contract would be a stationery contract.
- b) 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.
- c) 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.

(6) Appointing a Contract Manager

- (a) A contract manager should be appointed by the senior official in charge of the project prior to the execution of the contract.

- (b) 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 and planned including who, how, delegations, reporting requirements and relationships and specific task responsibilities.
  - (c) Departments shall be responsible for ensuring that contract managers:
    - i) prepare the contract administration plan.
    - ii) monitor the performance of the contractor.
    - iii) are appointed with appropriate responsibility and accountability;
  - (d) are adequately trained so that they can perform and exercise the responsibility; and
  - (e) act with due care and diligence and observe all accounting and legal requirements.
- (7) Duties and Powers of Contract Manager
- (a) The contract manager's duties and powers shall be governed by the conditions of contract and the general law.
  - (b) 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.
- (8) Contract Guidelines
- (a) A guideline, which provides a description of the roles and responsibilities of a contract manager during the contract administration stage, shall be documented.
  - (b) This 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.
- (9) Delegating to Contract Administrator
- (a) Where appropriate, a contract manager may delegate some contract administration duties to a contract administrator.

- (b) The contract administrator would usually be required to perform duties related to processes for record keeping and authorizing payment and collecting data on the contractor performance.
- (c) The contract manager will however remain ultimately responsible for the performance of the contract.

(10) Contract Management Process

- (a) 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.
- (b) Both parties adhering to the agreed terms will result in:
  - i) value for money;
  - ii) timeliness;
  - iii) cost effectiveness; and
  - iv) contract performance.

(11) Document Retention

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.

(12) Records Office

Proper records regarding all aspects of the contract must accordingly be maintained.

(13) Guidelines on Contract Administration

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 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 Drakenstein 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.

### **53. Contracts having budgetary implications beyond three financial years**

Drakenstein 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.

### **54. Increase/Extension in approved contract sum/period**

- (a) Any increase and/or extension in the approved contract sum that may become necessary as a result of exceptional circumstances during the contract period, must be approved by the appropriate bid committees prior to implementation.
- (b) Where community participation has been a part of the project, the community must be advised of the proposed increase and be invited to provide written comment.
- (c) Any unapproved increase in the contract sum must be explained in a report to the Accounting Officer, requesting condonation for of such unapproved increase.

# **ANNEXURE A**

## **OPERATIONAL FRAMEWORK**

- 1. Objectives**
- 2. Targets**
- 3. Preferential Procurement**
- 4. Centralization**
- 5. Payment Cycles**
- 6. Sureties**
- 7. Retention**
- 8. Insurance**
- 9. Notice Boards**
- 10. Access to tender Information**

### **1. OBJECTIVES**

The Drakenstein Municipality intends to use procurement policy as a tool to achieve certain objectives such as:

- (a) The promotion of economic growth
- (b) Improving the quality and reach of service provision
- (c) Improving the socio-economic well-being of all its citizens

With this in mind, the Preferential Procurement Policy seeks to:-

- (a) give effect to legislation as set out above;
- (b) ensure that public funds are spent in such a way that all segments of the South African population benefit from such expenditure.
- (c) address the imbalances of the past through the procurement processes of Drakenstein Municipality structures;
- (d) strike a balance between empowering Historically Disadvantaged Individuals (HDI's) and value for money procurement;
- (e) stimulate and promote local economic development; and
- (f) promote small and emerging business, especially locally based enterprise.

- (g) obtain the best services and products at the most competitive prices within the framework of existing legislation applicable to procurement.
- (h) unbundled large contracts into manageable contracts for HDI and Emerging Contractors
- (i) address the past imbalances through the redistribution of the sale and letting of land
- (j) eliminate and counter any form of corruption;
- (k) implement systems of control and accountability and standardize procedures of bid evaluations, documentation and contracts
- (l) ensure that effective systems are in place to monitor, report and support the procurement of goods and services
- (m) obtain value for money as and when goods and services are procured

## **2. TARGETS**

To the extent that the Drakenstein Municipality performance is less than satisfactory with respect to preferential procurement as spelled out in relevant legislation, it will be necessary to set targets from time to time and consider reviewing them in key areas of procurement practice. To this end the operating system will have to be changed to effectively monitor performance. The following measures, however, will have to be adopted to ensure that preferential procurement receives priority:

Proper classification and recording of data so that suppliers can be identified according to the designated categories

List of goods and services procured together with the companies that are procuring them.

Once data is available on current procurement trends the municipality will be well placed to set specific targets for the complete class of goods and services procured.

In the meantime, given that Drakenstein Municipality has not achieved adequate levels with respect to its procurement expenditure on HDIs, the following is recommended:

That in the short term (2004- 2005) this target be set at 10% of total budgeted procurement expenditure as determined at the start of each financial year

That in the medium-term (2006-2008) it be raised to 20% of total budgeted procurement expenditure as determined at the start of each financial year

That in the long-term (2009 -2014) the target be raised to 40% of total budgeted procurement expenditure as determined at the start of each financial year

At least three quotes must be obtained, 2 of which should be from HDIs

Increase the representivity of HDIs on the supplier's database by going on a drive to get targeted groups on the database.

Where companies/industries have no significant HDI ownership, they should be referred to industry charters promulgated by National Government.

Make companies/industries aware of the requirements of the Procurement/BEE Act.

The Drakenstein Municipality will hold information sessions for suppliers to inform them of the procurement plan for the municipality for each financial year.

Companies that have been contracted and are not on the existing database should be encouraged to register.

### **3 PREFERENTIAL PROCUREMENT**

#### **Giving Effect to Objectives of Preferential Procurement Policy**

In order to give effect to the objectives of this policy, Drakenstein Municipality supports measures to make the tender process more accessible to HDI's and Small, Medium and Micro Enterprises (SMME's). Consideration may be given to the relaxation of certain criteria.

#### **Content of Tender Documents**

For contracts in excess of R 200 000 formal tenders must be called for. The Drakenstein Municipality tender documents shall, over and above the tender detail and specifications as well as the general Conditions of Tender, also contain the following stipulations:-

- (a) that the evaluation of tenders is not based on price alone;
- (b) that the tender be evaluated in terms of the Drakenstein Municipality procurement policy;
- (c) the specific preferential point system that may apply regarding the 80/20 system for tenders with a Rand value of between R30 000 and R500 000; and the 90/10 system for tenders with a Rand value above R500 000.
- (d) that Drakenstein Municipality reserves the right not to allocate a tender to the highest scoring tenderer (refer PPFA section 9) or not to allocate the tender at all and Drakenstein Municipality also reserves the right to allocate parts of a tender to different suppliers and should indicate such in advertisements where applicable.
- (e) the requirement for tenderers to complete a declaration containing particulars that will be taken into account when the tender is considered, which form must be certified as true and correct;
- (f) a warning that punitive measures will be taken should it be determined that preference has been obtained by a tenderer based on false information.

### **Preference Point System: Policy regarding weighting of goals**

In terms of Part Two of Regulation 725 dated 10 August 2001 [R 725], two preference point systems are prescribed, i.e.:

- a) 80/20 system in respect of procurement with a value between R30 000 and R500 000; and
- b) 90/10 system in respect of procurement with a value above R500 000.

In terms of Regulation 3(2) and 4(2) of the above regulations, a maximum of 20 or 10 points, depending on the preference point system, may be awarded for specific goals. Points for specific goals is the sum of points

scored for goals for the project as obtained at the time of tender by means of the declaration. The point system must, however, be measurable, equal and divisible for both the 90/10 and 80/20 categories.

Over and above price, tenders/quotations will be evaluated on the following specific goals:

- a) Equity ownership by HDI
- b) Local labour
- c) Local enterprise
- d) Equity ownership by women
- e) Equity ownership by disabled
- f) Emerging business/SMME

**Selection of Preference Point System**

- a) An accurate as possible cost estimate of the project should be made before a departmental decision is taken as to the point system on which tenders are called for.

**HOW TO APPLY THE PREFERENCE POINT SYSTEM**

**Criteria**

The criteria for the allocation of points as set out in the Policy are as follows:

80/20		90/10	
POINTS	DESCRIPTION	POINTS	DESCRIPTION
80	Price	90	Price
7	HDI 1994 (and progressively less for lower %)	3.5	HDI 1994
2	WOMEN (for above 50% and progressively less for lower %)	1	WOMEN (for above 50% and progressively less for lower %)
1	DISABLED	0.5	DISABLED
5	Local Enterprise (Drakenstein area)	2.5	Local Enterprise (Drakenstein area)
5	Local Labour  * 100%-80%: 5 points * 79%-65%: 4 points * 64%-50%: 3 points * 49%-35%: 2 points * 34%-20%: 1 point * 19%-0%: 0	2.5	Local Labour  * 100%-80%: 2.5 points * 79%-65%: 2 points * 64%-50%: 1.5 points * 49%-35%: 1 points * 34%-20%: 0.5 point * 19%-0%: 0

**Calculation points for price (Ps)**

**General formula:** 
$$Ps = A \left( 1 - \frac{(Pt - Pmin)}{Pmin} \right)$$

Ps: Points scored for price by tender/quote under consideration.

A: Max points for price.

Pmin: Rand value of lowest acceptable tender price of lowest acceptable tender.

Pt: Rand value of offer/tender under consideration.

An 80/20 approach is followed for contracts from R30 000 up to and including R500 000 and a 90/10 approach for contracts above R500 000.

The Point system stipulated in the tender documents will be applied if tenders are received both below and above R500 000, and if all tenders received are in the alternate category, the alternate system will apply.

### **Calculation of Points for Specific Goals (Pg)**

Points for specific goals are the sum of points scored for goals, based on the 80/20 or 90/10 system. Based on the information supplied by the supplier/service provider the points are calculated as follows:

#### **The 80/20 System**

- a) Equity ownership by HDI's (0 - 7 points), 7 points for 100% HDI ownership and progressively less for lower percentage HDI ownership.
- b) Equity ownership by women (0 – 2 points), 2 points for 50% and above ownership by women and progressively less for lower percentage ownership.
- c) Equity ownership by disabled (1 point), 1 point for any % ownership by disabled person/s.
- d) Local Enterprise (5 points) within the Drakenstein Municipal Area - "This includes an enterprise whose head office may be situated in elsewhere, but has established a fully-fledged branch within this municipal area. Enterprises located outside the borders of this Municipality and who only appoint agents and/or commission warehouses in this municipal area are expressly excluded from claiming points for this goal."
- e) Use of local labour (0 - 5 points), 5 points for using 100% - 80% local labour, 4 points for using 79%-65% local labour, 3 points for using 64%-50% local labour, 2 points for using 49%-35% local labour, 1 point for using 34%-20% local labour and zero points for using less than 20% local labour.

Important to note is that the local labour component used will relate to the total of workforce used to complete the project/job/service by the respective service provider.

## **The 90/10 System**

- a) Equity ownership by HDI's (0 – 3.5 points), 3.5 points for 100% HDI ownership and progressively less for a lower percentage HDI ownership.
- b) Equity ownership by women (1 point), 1 point for 50% and above ownership by women and progressively less for lower percentage ownership.
- c) Equity ownership by disabled (0.5 point), 0.5 point for any % ownership by disabled person/s.
- d) Local Enterprise (2.5 points) within the Drakenstein Municipal Area - "This includes an enterprise whose head office may be situated in elsewhere, but has established a fully-fledged branch within this municipal area. Enterprises located outside the borders of this Municipality and who only appoint agents and/or commission warehouses in this municipal area are expressly excluded from claiming points for this goal."
- e) Use of local labour (0 – 2.5 points), 2.5 points for using 100% - 80% local labour, 2 points for using 79%-65% local labour, 1.5 points for using 64%-50% local labour, 1 points for using 49%-35% local labour, 0.5 point for using 34%-20% local labour and zero points for using less than 20% local labour.

Important to note is that the local labour component used will relate to the total of workforce used to complete the project/job/service by the respective service provider.

### **Total Points (Pt)**

Total points (Pt) are the sum of Points for price (Ps) and Points for goals (Pg).

## **4 CENTRALISATION OF PROCUREMENT FUNCTIONS**

A centralized procurement system is seen as enhancing accountability and transparency and enabling the Drakenstein Municipality to coordinate its procurement activities to achieve several other socio-economic objectives. To function effectively, however, a centralized system would have to work with affected parties to sort out some of the logistical issues that might arise so as to prevent service delivery from suffering.

The Drakenstein Municipality will move in an evolutionary way towards implementing a centralized system. One of the steps towards this end is to ensure that service level agreements are in place to regulate relations between the

Procurement Section and the Departments. Service level agreements are a necessary part of the SCM unit's functions, which, it must be stressed, has to implement procurement according to the Act.

## **5 PAYMENT CYCLES**

In order to qualify for more frequent or earlier payments, a contractor must be classified as a SMME with an HDI equity ownership of not less than 50 %, on the Drakenstein Municipality Supplier Database.

### **Payment of Contractors/Service Providers**

To enhance economic empowerment of SMME's and HDI's, the following will apply:

- a) Payments to be made on a seven (7) day basis provided that all documentation is duly completed and authorised.
- b) No payments will be made to any creditor that is indebted to Drakenstein Municipality for any services fees/rentals unless acceptable arrangements have been made to settle such debt.
- c) Where a contractor requests progress payments to meet the requirements peculiar to his/her operations Drakenstein Municipality will make acceptable arrangements based on a uniform policy guideline developed by the supply chain management unit.

### **Payments in Respect of Formal Contracts**

Where formal contracts are to be concluded, the payment terms specified therein must be in accordance with the relevant regulation of the Drakenstein Municipality

## **6 SURETIES**

The policy of preferential procurement and the BBBEE provisions, the guarantees have to be either reduced or relaxed. This is by no means an easy decision as the procurement of services of emerging enterprises must be balanced with a risk management approach that acknowledges factors of safety and cost, among others. Drakenstein Municipality will, however, reduce the sureties required. The procurement practices of the past have proved onerous for emerging enterprises with regard to the sureties that were required of them, especially those that do not have ready access to capital but otherwise satisfy the criteria for a successful bid. In line with according to the following size of contracts:

On all contracts between R 200 000 and R500 000, Drakenstein Municipality will reduce the level of sureties/guarantees as follows:

<b>Contract Value</b>	<b>Surety/ Guarantees</b>
Micro	None
Small (R 200 000 – R250 000)	5 %
Medium (R250 000 – R500 000)	7.5 %
Large (above R500 000)	10 %

Where in the case of small projects the sureties have been reduced, a cash surety will be allowed which can be deducted from the first three payment certificates in equal amounts. In the case of medium and large contracts the surety is required from a bank or Insurance Company in accordance with the general conditions of contract.

An increase in the liability insurance required of contractors can offset the exposure of Drakenstein Municipality to higher risk as a result of this change. A proposal to this effect will be tabled to Council shortly after this policy is adopted.

## **7 RETENTION**

Retention moneys withheld from a contractor during the construction and defects liability period must be affordable according to risk.

The following limits to retention shall be applicable:-

Small projects	R200 000 - R250 000	-	5%
Medium projects	R250 000 - R500 000	-	7%
Large projects	R500 000 and above	-	10%

## **8 INSURANCE**

Every contractor appointed by Council should insure all plant and equipment owned or hired by him, which is brought on site.

The contractor shall be required to take out public liability insurance cover to the satisfaction of Council.

In the absence of acceptable public liability cover Council will take out to the necessary insurance on behalf of the service provider on the following conditions:-

- (1) The premium/installment would be payable by the contractor and deducted from the first progress payment of the project.

(2) All excess amounts would be payable by the contractor.

## **9 NOTICE BOARDS**

Due to the fact that the process for procuring of goods and services should be open , fair, transparent and costs effective, it is therefore recommended that the usage of notice boards for advertisements of Tenders and Quotations be implemented.

## **10 ACCESS TO TENDERING INFORMATION**

The Drakenstein Municipality shall compile, issue and disseminate information on tendering and related issues in a format that is simple to understand and user friendly for all classes of the population.

Bid results must be made available to bidders when requested. This process, which will ensure transparency, will also enable bidders to evaluate their performance and competitiveness for future bids.

To ensure complete transparency in the bidding process, bid documents must provide details of adjudication criteria. This will be especially important in bids where price will no longer be the only criteria in awarding bids.

### **Process**

- (a) All tenders will be categorized into specific types of goods and services to enable businesses to identify their sectors more easily.
- (b) The tender invitation in the press and the registration for the database shall be available in English and notices will also be placed in the 3 languages (English, Afrikaans and isiXhosa) on the municipal notice boards, and other public spaces. Where possible, tender documentation, or sections thereof, will also be available in all of the three languages stipulated above.