

SEKHUKHUNE DISTRICT MUNICIPALITY

DRAFT 2024/25 SUPPLY CHAIN MANAGEMENT POLICY

PART A GOODS AND SERVICES

PART B INFRASTRUCTURE PROCUREMENT POLICY

PART A GOODS AND SERVICES

MUNICIPAL SUPPLY CHAIN MANAGEMENT POLICY

LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003

The Sekhukhune District 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 per Preferential Procurement Regulation 2022 , as the Supply Chain Management Policy of the municipality.

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TERMS AND DEFINITIONS

| TERMS | DEFINITIONS |
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| Acceptable Tender | Any tender which, in all respects, complies with conditions of tender and specifications as set out in the tender documents. |
| Accounting Authority | The Board as appointed by the MEC in terms of Section 10, of the SDM Act, to act as the Accounting Authority. |
| Acquisition Management | <p>The process of procurement of goods and services and includes <i>inter alia</i> the following:</p> <ul style="list-style-type: none"> • Identification of preferential policy objectives; • Determination of market strategy; • Application of the total cost of ownership principle; • Identification of procurement needs that require fulfilment • Identification of potential suppliers; • Creation and maintenance of an approved list of suppliers; • Compilation of bid documentation, including terms & conditions; • Determination of evaluation criteria; • Evaluation of bids and tabling of recommendations; • Compilation and signing of contract documents; • Contract administration; • Correct accounting and reporting of goods/ services acquired; and • Application of depreciation rates. |
| Adjudication points | the points referred to in the Preferential Procurement Regulations, 2011 and the Preferential Procurement section of this policy, also referred to as “evaluation points”. |
| All applicable taxes | Includes value-added tax, pay as you earn, income tax, unemployment insurance fund contributions and skills development levies. |
| Asset | <p>A resource controlled by an entity as a result of past events and from which future economic benefits or service potential is expected to flow to the entity. It has the following characteristics:</p> <ul style="list-style-type: none"> • It possesses service potential or future economic benefit that is expected to flow to the entity; • It is controlled by the entity; and • It originates as a result of a past transaction or event. |
| Asset Register | The register in which all the movable and immovable assets of the SDM are recorded, and which ensures that accountability for SDM assets are maintained at all times. Excludes assets that are nondurable in nature e.g. inventory. |
| Authoriser | The person responsible for approving a Procurement Requisition in each Unit or Cost Centre Manager. |
| Authority | The right or power attached to a rank or appointment permitting the holder thereof to make decisions, to take command or to demand action by others. |
| B-BBEE | Broad-based black economic employment as defined in section 1 of the Broad-Based Black Economic Empowerment Act. |
| B-BBEE status level of contributor | The B-BBEE status received by a measured entity based on its overall performance using the relevant scorecard contained in the |

| TERMS | DEFINITIONS |
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| | codes of Good Practice on Black Economic Empowerment, issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act. |
| Bid | A written offer in a prescribed or stipulated form in response to an invitation for any tender issued by the SDM for the provision of goods, services or works estimated transaction value exceeding R200 000. |
| Bid Adjudication Committee | The Committee of the Municipality that: <ul style="list-style-type: none"> • reviews the evaluation of bids; • adjudicate over bids; • adjudicates over the SDM's sourcing strategy; and • rejects/ recommend awards bids as per the recommendations of the Bid Evaluation Committee on tenders issued by the SDM, where the transaction value of the bid is above R200 000 or makes a recommendation to the MM for approval. |
| Bid Documentation | The standard documentation used when soliciting a proposal or quotation. |
| Bid Specification Committee | The Committee that compiles the specification for each procurements of goods/ services drafted in an unbiased manner that allows all potential suppliers opportunity to put forward their proposal. The specification must take into account acceptable standards that the goods/ workmanship must comply with: <ul style="list-style-type: none"> - Must where possible describe requirement i.t.o performance rather that in terms of descriptive characteristics of design; and - Must indicate the specific goals/ attributes for which points may be awarded i.t.o. the preferential procurement system |
| Bidder | Any person submitting a competitive quotation, bid, proposal to contract. |
| Black Economic Empowerment | An integrated and coherent socio-economic process that directly contributes to the economic transformation of SA and brings about a significant increase in the number of Black people that manage, own and control the country's economy, as well as a significant increase in national equality. |
| Black Empowered Company | A company owned and managed (25.1%) by Black persons and where there is a substantial Black Management Control. |
| Black Influenced Company | A company that is 5 to 25% owned and managed by Black persons. |
| Black People | Is a generic term which means Africans, Coloureds and Indians as per the BBBEE Act. |
| Black Women – Owned Enterprise | An enterprise with at least 25.1% representation of black woman within the black equity and management portion. |

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| Broad-Based Black Economic Empowerment | <p>The economic empowerment of all black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include, but are not limited to:</p> <ul style="list-style-type: none"> • increasing the number of black people that manage, own and control enterprises and productive assets; • facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and other collective enterprises; • human resource and skills development; |
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| TERMS | DEFINITIONS |
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| | <ul style="list-style-type: none"> • achieving equitable representation in all occupational categories and levels in the workforce; • preferential procurement; and • investment in enterprises that are owned or managed by black people. |
| Broad-Based Black Economic Empowerment Act | Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003); |
| Targetted groupings for BBEE | Specific BBEE level, Qualifying Micro Enterprises (QMEs); Exempted Micro Enterprises (EMEs) which are 51% owned by either of the following: Black people, Black youth, Black women, Black people living with disabilities, Black people living in rural or underdeveloped areas or townships, cooperatives owned by black people, Black people who are military veterans. |
| Capital Asset | Any immovable asset such as land, property or buildings; or any movable asset that can be used continuously or repeatedly for more than one year in the production or supply of goods or services, for rental to others or for administrative purposes, and from which future benefit can be derived, such as plant, machinery and equipment. |
| Municipal Manager | The Municipal Manager has the general responsibility of running the Municipality on day to day basis, accountable to the Council, and to assist the Council in discharging the duties as prescribed in the MFMA and perform such duties and responsibilities as have been delegated to him / her. |
| Chief Financial Officer | The CFO has the general responsibility to assist the Municipal Manager and Council in discharging the duties |
| Closing Date | The date that is stipulated as the last date on which a bidder may submit documentation or proposals in connection with a tender, in the Request for Tender document. |
| Closing Time | Stipulated time (e.g. 12H00) on a particular date on which the tender closes. |
| Co-Bidding | The practice whereby a tenderer separately teams up with two or more other renderers on a particular bid. |
| Code of Conduct | SDM's Code of Conduct. |
| Comparative Price | The price that results after the factor of a non-firm price and all unconditional discounts that can be utilized. |
| Competitive Bidding Process | a competitive bidding process referred to in Regulation 12 (1) (d) of the SCM Regulations. |

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| Competitive Bid | a bid in terms of a competitive bidding process. |
| Council | The Council of the Municipal in term of the MFMA. |
| Construction Industry Development Board (CIDB) Act | Construction Industry Development Board Act, 38 of 2000 and includes the regulations pertaining thereto. |
| Construction Works | any work in connection with: <ul style="list-style-type: none"> - the erection, maintenance, alteration, renovation, repair, demolition or dismantling of or addition to a building or any similar structure; - the installation, erection, dismantling or maintenance of a fixed plant; |

| TERMS | DEFINITIONS |
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| | <ul style="list-style-type: none"> - the construction, maintenance, demolition or dismantling of any bridge, dam, canal, road, railway, sewer or water reticulation system or any similar civil engineering structure; or - the moving of earth, clearing of land, the making of an excavation, piling or any similar type of work. |
| Contract participation goal | The amount equal to the sum of the value of work for which the prime contractor contracts to engage specific target groups in the performance of the contract, expressed as a percentage of the bid sum less provisional sums, contingencies and VAT. |
| Consortium or joint venture | As association of persons for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract |
| Consultant | The term consultant includes, among others, consulting firms, engineering firms, construction managers, management firms, procurement agents, inspection agents, auditors, other multinational organizations, investment and merchant banks, universities, research agencies, government agencies, nongovernmental organizations (NGO"s) and individuals (Practice Note Number SCM 3 of 2003) or a person or entity providing services requiring knowledge based expertise, and includes professional service providers. |
| Consumable Item | A non-permanent item that are consumable or expendable and which are not depreciated. |
| Contract | The agreement that results the from the acceptance of a bid or quote by the SDM, which is concluded when the Municipality accepts, in writing, a bid or quote submitted by a provider. |
| Contractors | Any person or entity shoe bid or quote has been accepted by the municipality or a contractor as per the CIDB Act No 5 of 2006. |
| Damage | Injury to an item that impairs its usefulness. |
| Day(s) | Calendar days unless the context indicates otherwise. |

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| Delegation Authority | any person or committee delegated with authority by the Municipality in terms of the provisions of the Municipal Finance Management Act. |
| Demand Management | The planning process that ensures that the resources required to support the strategic objectives are delivered at the correct time, at the right price, location, quantity and quality that will satisfy the needs of the users. |
| Depreciation | The reduction in the value of assets resulting from wear and tear through use in the ordinary course of business, age or obsolescence. The consumption of capital is recognized as a cost of production. |
| Designated sector | A sector, sub-sector or industry that has been designated by the Department of Trade and Industry in line with national development and industrial policies for local production, where only locally produced services, works or goods or locally manufactured goods meet the stipulated minimum threshold for local production and content. |
| Disposal Management | A process that ensures that all unserviceable, redundant or obsolete assets are subjected to a formal process of removal from operations in a cost-effective, but transparent and responsible |

| TERMS | DEFINITIONS |
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| | manner. It also entails the maintenance of records and documents as prescribed. |
| Emerging Contractor | Is an enterprise owned by one or more individuals who may not necessarily have at its disposal all the required skills, experience, resources to meet business requirements. |
| End-User | The end-user is the person who utilizes the items / services procured. |
| Equipment | Non-consumable items issued for use in the business operations and which is accounted for as an asset in the register. |
| Emergency | Are cases where immediate action is necessary in order to avoid a dangerous or risky situation. |
| Empowerment Indicator | a measure of an enterprise/business's contribution towards achieving the goals of government's Reconstruction and Development Program. This indicator will relate only to certain specific goals for the purposes of this Policy. |
| Ex Post Factor | The Extension of the approval backwards in time. The approval that was otherwise not prohibited at the time the procurement transaction occurred. |
| Exempted Capital Asset | a municipal capital asset which is exempted by section 14(6) or 90(6) of the MFMA from the other provisions of that section. |
| Executive Authority | Members of the board as appointed by Gauteng Provincial MEC for Roads and Transport. |
| Final Award | The final decision on which bid or quote to accept |

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| Firm Price | The price in a contract that is fixed, and not subject to any adjustments on the basis of the contractor's costs in performing on the contract. The only subject to adjustments in accordance with an actual increase or decrease - resulting from the change, imposition or abolition of customs or excise duty and any other duty, levy, or tax, which, in terms of the law or regulation, is binding on the contractor and demonstrably has an influence on the price of any supplies, or rendering costs of any service, for execution of the contract. |
| Formal Written Price Quotation , Written Price Quotation , Quotation or Quote | a written or electronic offer to the Municipality in response to an invitation to submit a quotation. |
| Framework Contract | Is that contract concluded for a specific group, type or class of goods or service, in which both the contractor and standard price are pre-determined and is usually for a specific duration of time. |
| Functionality | The measure, according to predetermined criteria, of the suitability of a proposal, design or product for the use for which it is intended, and may also include a measure of the competency of a supplier. "Functionality" is also referred to as "Quality". |
| Fronting | The misrepresentation of facts relating to an enterprise to benefit from the awarding of a contract on standard or preferential terms and conditions. |
| Functionality | The measurement according to predetermined norms, as set out in the tender documents, of a service or commodity that is designed to be practical and useful, working or operating, taking into account, among other factors, the quality, reliability, viability and durability of a service and the technical capacity and ability of a tenderer, "Functionality" is also referred to as "Quality". |
| Functionality Criteria | The supplier's ability to meet the service delivery, specification and quality requirements. |
| Generic Scorecard | The scorecard that is promulgated in terms of the BBBEE Act. |

| TERMS | DEFINITIONS |
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| Government | The Government of the Republic of South Africa. |
| Granting of Rights | the granting by the Municipality of the right to use, control or manage capital assets in circumstances where sections 14 and 90 of the MFMA and Chapters 2 and 3 of the Municipal Asset Transfer Regulations do not apply. In other words, where the granting of such rights does not amount to "transfer" or "disposal" of the asset and which includes leasing, letting, hiring out, etc, of the capital asset. |
| Green Procurement | Taking into account environmental criteria for goods and services to be purchased in order to ensure that the related environmental impact is minimised. |
| Historically Disadvantaged Individual | A South African citizen who, due to the apartheid policy, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, or the Constitution of the Republic of South Africa; and / or who is a female; and / or who has a disability; provided that a person who obtained South African citizenship on or after the coming into effect of the Interim Constitution is deemed not to be an HDI. |

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| Immovable Asset | As defined by the Government's Immovable Asset Management Act. |
| Implementing Agent | The decision maker/manager mandated by the Municipality to implement projects and invite bids/quotations for procurement of any nature. |
| Incoming Tender | A submission by a supplier in response to an official published SDM Request for Tender advertisement. |
| Imported Content | That portion of the tender price represented by the cost of components, parts or material which have been or are still to be imported (whether by the supplier or its subcontractors) and which costs are inclusive of the costs abroad, plus freight and other direct importation costs, such as landing costs, dock dues, import duty, sales duty or other similar tax or duty at the South Africa port of entry. |
| Institution | All constitutional institutions, public entities as defined in the PFMA, |
| Integrated SCM | The Total Cost of Ownership concept, which has the effect of minimising the total procurement cost, and not necessarily the cost of individual items of goods or services. A TCO approach ensures that when procuring, the purchase costs as well as all related costs (ordering, delivery, subsequent usage, maintenance, supplier, and post delivery) are taken into consideration. |
| In the service of the state | a member of any municipal council, any provincial legislature or the National Assembly or the National Council of Provinces; an official of any municipality or municipal entity; an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1 of 1999; a member of the board of directors of any municipal entity; a member of the accounting authority of any national or provincial public entity; or an employee of Parliament or a provincial legislature. |
| Inventories | Including stock, consumable stores, maintenance materials, stationery, strategic stock, e.g. fuel, spare parts, work in progress and education / training course materials. |
| Inventory Management | Ensures accountability for all consumable items of the SDM at all times, and includes a materials planning and requisition system. |

| TERMS | DEFINITIONS |
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| | Records shall be maintained and be made available that describe fully all consumable assets and work-in-progress. |
| Joint Venture | An association of persons/companies, close corporations/firms for the purpose of combining their expertise, property, capital, resources, efforts, skills and knowledge in order to discharge duties in the execution of any contract. The Joint Venture must be formalized by agreement between the parties. |
| Late Tender | A tender submission that is posted in the Tender Box after the closing date and closing time. |
| Local content | That portion of the tender price which is not included in the imported content, provided that local manufacture does take place. |

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| Logistics Management | Ensures that goods and services are available at the right place and time and in the correct quantities required to execute the functions of SDM. |
| Management | The senior officials who have delegated and charged with the day-to-day management of the SDM. This also entails the power to determine policies, the direction of economic activities and the allocation and use of resources of the SDM. |
| Movable Assets | Are assets that are not fixed and which can be relocated to various destinations (e.g. machinery, equipment, vehicles, etc.). |
| Municipal Asset Transfer Regulations | The Municipal Asset Transfer Regulations published in Government Gazette 31346 of 22 August 2008. |
| Municipal Entity | Entity as defined in the Systems Act. |
| Municipal Finance Management Act (MFMA) | Local Government: Municipal Finance Management Act, 56 of 2003. |
| Municipal Manager | The Municipal Manager has the general responsibility of running the Municipality on day to day basis, accountable to the Council, and to assist the Council in discharging the duties as prescribed in the MFMA and perform such duties and responsibilities as have been delegated to him / her. |
| Net Present Value | NPV is the difference between the present value of cash inflows and the present value of cash outflows, or the value that results after discounting a series of outflows over time to the present value. NPV is used in capital budgeting to analyse the comparative costs of alternative investments, or the profitability of an investment or project. Generally, if the NPV is positive the project in question is potentially worth undertaking, or when evaluating alternative investments that will require outflows of cash, the investment with the lowest present value is generally acceptable. |
| One-off Contract | Discrete contract where specified goods, services or construction works are supplied for an approved contract sum. |
| Non-exempted Capital Asset | Municipal capital asset which is not exempted by section 14(6) or 90(6) of the MFMA, from the other provisions of that section. |
| Non-firm price | All prices other than "firm" prices. |
| Obsolescence | A decline in the utility, competitiveness or value of an item of asset or inventory, due to the development of an improved or superior item, or due to a change in user requirements or preferences. Obsolescence is distinct from a decline due to physical deterioration through use, and wear and tear. |
| Official | An employee of the SDM. |
| Person | A juristic person which includes a natural or juristic entity. |
| Policy | Supply Chain Management |
| Practitioner | A person who practices a profession or art, or is an expert in a particular field. |
| Preference Points | Points allocated to preference in terms of the PPPFA. |

| TERMS | DEFINITIONS |
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| Preference Procurement Regulations | The regulations pertaining to PPPFA. |
| Prime Contractor | Shall have the same meaning as Contractor |
| Provider | A provider is the private person or institution that provides goods, services or works to the SDM. |

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

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| TERMS | DEFINITIONS |
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| | <ul style="list-style-type: none"> • A person contracted to the SDM to render service to perform the SCM function. |
| SCM Regulation | The National Treasury Regulations 16A. |
| Set-Aside | Reserving the award of a tender exclusively to a select class or group of tenderers. This is generally unconstitutional in terms of Section 217 of the Constitution as it is discriminatory. |
| Small Medium and Micro Enterprise (SMME's) | As defined in the National Small Business Act, No. 102 of 1996. Employing a maximum of 100 employees in any sector except manufacturing or construction where the maximum is 200 employees. |
| Sole Supplier | <p>A supplier that has exclusive and/ or patent rights or is a unique original equipment manufacturer (OEM). The product source is of a proprietary nature and can only be sourced from a specific supplier.</p> <p>Products or services that are enhancements or additions to existing systems or equipment that is in use at the Municipality, for which no other alternative source option is available.</p> <p>Sole source purchase where there is only one supplier available in the market for the goods or service sought or supplier has sole distribution rights.</p> <p>NOTE: It is important to note that the writing of tight specifications or the adoption of a specific supplier's specifications or the procurement of specific branded products or services, which have the effect of eliminating competition is not acceptable, as this can only encourage and perpetuate sole supplier status and high prices by sole suppliers</p> |
| Single Source Supplier | <p>In the absence of a vendor database, the supplier utilized shall be a sole supplier for the type of goods or services being procured. Proof must be available to justify the sole supplier status.</p> <p>For emergency situations or where the needs of the business preclude the use of competitive quotations or proposals. This method may be used when one of the other purchasing procedures is impractical or otherwise inappropriate.</p> <p>In this case, comparison of prices with goods or services of like complexity must be used as a substitute for competitive procurement processes. This method is recommended under the following circumstances:</p> <ol style="list-style-type: none"> For the appointment of unique professional services, where individual expertise is desired. For business relationship where goods or services may be provided in a partnership arrangement. <p>Requirements in excess of the initial quantities ordered for the same need, identified through a further need which may arise through unforeseen circumstances, urgency and where the adherence to normal procedures may either prove to be expensive or hinder progress of a project and the invitation of competitive quotes will not be advantageous. Proof must be available to justify sole supplier status.</p> |
| Sourcing | is the process to be followed in order to identify a suitable provider of goods, services and works. |
| Strategic Objectives | Concrete and specific action plans to achieve the strategic goals of the organisation within specified timeframes. |

| TERMS | DEFINITIONS |
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| Strategic Goals | Provide a high level priority list of outcomes that will address areas of organisational performance that are critical to the achievement of the Municipality's mission and vision. |
| Stipulated minimum threshold | That portion of local production and content as determined by the Department of Trade and Industry. |
| Sub-contract | Primary contractor's assigning, leasing, making out work to, or employing, another person to support such as primary contractor in the execution of part of a project in terms of the contract. |
| Supplier / Service Provider | A vendor that provides goods or services to the SDM. |
| Supply Chain Management | An integral part of financial management. This function is the collaborative strategy that integrates the planning, procurement and provisioning processes in order to eliminate the non-value adding cost infrastructure, time and activities. SCM seeks to introduce international best practices, whilst at the same time addressing Government's preferential procurement policy objectives and serving the end-users and customers efficiently. |
| System Act | The local Government – Municipal System Act, 32 of 2000. |
| Tax Clearance Certificate | Is an original and current clearance certificate, issued annually by the SARS certifying that the taxes payable by the taxpayer / vendor are up to date or that suitable alternative arrangements have been made with SARS. |
| Tender | A written offer in a prescribed or stipulated form in response to an invitation by an organ of state for the provision of services, works or goods, though price quotations, advertised competitive tendering processes or proposals. |
| Tender Box | The identifiable, lockable box marked Tender Box: which is situated at the Reception Area of The Fire Station in Groblersdal. |
| Tender Document | The standard documentation utilised by the SDM when soliciting a tender. |
| Tender Number | A unique serial number that is allocated to each individual tender issued from and recorded in the SDM Tender Register by the SCM Unit at the time that a tender is published. |
| Term Contractor | A supplier who has been awarded a contract with the SDM to supply specified goods or performs specified services or works for a specified period. |
| The State | The government of the Republic of South Africa and any of its organ or institutions. |
| Total Cost of Ownership | The sum of direct spends, related to spend, process to spend and, opportunity cost associated within a specific commodity and service. |
| Trust | The arrangement through which the property or one person is made over of bequeathed to a trustee to administer such property for the benefit of another person |
| Trustee | Any person, including the founder of a trust, to whom property is bequeathed in order for such property to be administered for the benefit of another person |
| Unserviceable | The condition resulting in when an item is no longer suitable for use and, which cannot be economically repaired. |

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| Unsolicited Bid | An offer submitted by any person at its one initiative without having been invited b the Municipal to do so. This practice must be avoided by the Municipal |
| Urgency | A situation where, in the best interest of the SDM, immediate action is deemed necessary to continue with or to complete a project. |
| Value For Money | The best available outcome when all relevant costs and benefits over the procurement cycle are considered. |
| TERMS | DEFINITIONS |
| Variation Order | An order generated for requirements in excess of initial ordered quantities, identified through a further need or through unforeseen circumstances and where adherence to the normal procurement process is not practical. |

Note:

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

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

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

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

ACRONYMS AND ABBREVIATIONS

| ACRONYMS | ABBREVIATIONS |
|-----------------|---|
| AG | Auditor General |
| AO/ AA | Accounting Officer/ Municipal Manager |
| B-BBEE | Broad-Based Black Economic Empowerment |
| B-BBEEA | Broad Based Black Economic Empowerment Act |
| BAC | Bid Adjudication Committee |
| BEC | Bid Evaluation Committee |
| BEE | Black Economic Empowerment |
| BVA | BEE Verification Agency |
| C-AMP | Custodian Asset Management Plan |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| CIDB | The Construction Industry Development Board |
| DAC | Disposal and Acquisition Committee |
| DN | Delivery Note |
| DRT | Department of Roads and Transport |
| EME's | Exempted Micro Enterprises |
| EPWP | Expanded Public Works Programme |
| EXCO | Executive Management Committee |
| GCC | General Conditions of Contract |
| GIAMA | Government Immovable Asset Management Act |
| GRN | Goods Received Note |
| SDM | Sekhukhune District Municipality |
| HDI | Historically Disadvantaged Individual |
| IRBA | Independent Regulatory Board of Auditors |
| ISO | International Standards Organisation |
| LOA | Letter of Acceptance |
| MANCO | Management Committee Meeting |
| MFMA | Municipal Finance Management Act, |
| MM | Municipal Manager |
| MTEF | Medium Term Expenditure Framework |
| PCCAA | Prevention and Combating of Corrupt Activities Act |
| PFMA | Public Finance Management Act |
| PPP | Public Private Partnership |
| PPPFA | Preferential Procurement Policy Framework Act |
| PSA | Public Service Act |
| QBS | Quality Based Selection |
| QCBS | Quality and Cost Based Selection |
| QSE | Qualifying Small Enterprises |
| RDP | Reconstruction and Development Program |
| RFI | Request for Information |
| RFP | Request for Proposal |
| RFQ | Request for Quotation |
| RFT | Request for Tender |
| SANAS | South African National Accreditation System |
| SAPS | South African Police Service |
| SARB | South African Reserve Bank |
| SARS | South Africa Revenue Service |
| SASAE | South African Standard on Assurance Engagements |

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

3 GUIDING PRINCIPLES

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

| | |
|------------------------|---|
| Value for Money | The SDM shall strive for procurement effectiveness and shall carry out its procurement processes as cost effectively as possible. |
| Competitiveness | The SDM shall fulfil its requirements through open and effective competition, unless there are justifiable reasons to act to the contrary. |
| Accountability | Management shall be accountable for decisions and actions relative to procurement responsibilities, the procurement process, as well as the implementation, management and conclusion of any related contract. Accountability cannot be delegated and line management remains accountable. |
| Transparency | The SDM shall strive to standardise and simplify procedures where appropriate and subscribe to open communication and engagement at all times. Any information reported publicly or otherwise provided to third parties as part of the procurement process, shall at all times be furnished in a responsible manner with the required level of attention to detail, accuracy and completeness, and with due consideration for any reliance that may be placed on any such representations by SCM officials. |
| Ethics | Vendors shall at all times be dealt with fairly and without any unfair discrimination. SCM officials shall abide by the SDM Code of Conduct, ensuring the highest level of integrity, honesty and fair-dealing in the discharge of all work responsibilities. |

| | |
|-----------------|--|
| Fairness | The procurement process shall be open and fair, and shall afford each and every bidder timely access to the same and accurate information. |
|-----------------|--|

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

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

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

POLICY STATEMENT

Introduction

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

Goal

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

Objectives

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

Oversight

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

14. All such reports shall be made public in accordance with section 21.(1)(a) of the Systems Act.

Compliance with Ethical Standards

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

GENERAL PROVISIONS AND APPLICATION OF POLICY Commencement and Review

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

Application of Policy

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

A report shall nevertheless be submitted to the Bid Adjudication Committee seeking authority to contract with another organ of state.

21. The Policy provides for the following SCM systems:

- 21.1 Demand management system;
- 21.2 Acquisition management system;
- 21.3 logistics management system;

- 21.4 disposal management system;

- 21.5 risk management system; and

- 21.6 performance management system.

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

Delegations

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

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

Competency

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

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

SCM Unit

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

Communication with the Municipality

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

Availability of SCM Policy

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

DEMAND MANAGEMENT SYSTEMS Introduction

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

Major Activities

- 33.** Demand management lies at the beginning of the supply chain and the major activities associated with identifying demand are:
 - 33.1 establishing requirements;
 - 33.2 determining needs; and
 - 33.3 deciding on appropriate procurement strategies.
- 34.** Demand management accordingly shall involve the following activities:
 - 34.1 understanding the future needs;
 - 34.2 identifying critical delivery dates;
 - 34.3 identifying the frequency of the need;
 - 34.4 linking the requirement to the budget;
 - 34.5 conducting expenditure analyses based on past expenditure;

- 34.6 determining requirements,
- 34.7 conducting commodity analyses in order to check for alternatives; and
- 34.8 conducting industry analyses.
- 34.9 Strategy for achieving the PPPFA/BBBEE objectives
 - (a) **The demand management stage must identify in an informed way a pre-qualification provision to advance participation by the targeted groupings for BBBEE as defined per the PPPFA Guidelines of January 2017.**
 - (b) **The above groupings must also be targeted for empowerment by way of sub-contracting at least 30% of projects where feasible.**

ACQUISITION MANAGEMENT SYSTEM Introduction

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

General Application

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

Supplier Database

37. The MM must ensure that suppliers are sourced from the Treasury CSD database and that CSD reports of such vendors are kept.
38. The MM must also encourage non-profit entities that have prior agreements that deal with the Municipality, such as churches and traditional authorities also register on the relevant Section of the CSD.
40. The MM shall disallow the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.
41. For quotations (up to and including R200 000 (VAT Inclusive) bidders are required to be registered on the CSD on or before the closing date.
42. Where bids exceed R200 000 (VAT Inclusive), bidders who are not registered on the CSD Database are not precluded from submitting bids, but must however be registered prior to the evaluation of tenders in order for their bids to be responsive.
43. All parties to a Joint Venture must comply with the requirements of clauses 41 and 42 above.

Combating Abuse of the SCM Policy¹

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

44.5.2 an official or other role player committed any corrupt or fraudulent act during the procurement process or in the execution of the contract that benefited that person.

45. The MM may/must reject the bid or quote of any person if that person or any of its directors have:

45.1 failed to pay municipal rates and taxes or municipal service charges and such rates, taxes and charges are in arrears for more than three months;

45.2 failed, during the last five years, to perform satisfactorily on a previous contract with the Municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;

45.3 abused the SCM system of the Municipality or has committed any improper conduct in relation to this system;

45.4 been convicted of fraud or corruption during the past five years;

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

45.6 been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act, 12 of 2004 or has been listed on National Treasury's database as a person prohibited from doing business with the public sector.

46. The MM shall inform the Provincial Treasury of any actions taken in terms of clauses 44 to 45 above.

Appointment of Observer

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

Contracts Having Budgetary Implications beyond three Financial Years

48. The Municipality may not enter 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.

49. Local Production and Proudly South African Campaign

49..1 Proudly South African

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

- Firstly – suppliers and businesses within the municipality or district;

- Secondly – suppliers and businesses within the relevant province;
- Thirdly – suppliers and businesses within the Republic.

49.2 Local Production and Content

(a) Tenders in respect of goods and services that have been designated for local production and content must contain a specific bidding condition that only locally production goods or services with a stipulated minimum threshold for local production and content per standards determined by DTI issued by Treasury. (b) Exchange rate used for calculating of local content must be the rate published by the SARB on the date of advertising the tender.

(c) Where feasible, tenders above R30million must have sub-contracting to advance the designated groupings.

Specialised Forms of Procurement

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

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

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

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

Acquisition of Banking Services

52. Subject to section 33 of the Municipal Finance Management Act, any contract for the provision of banking services:

- 52.1 shall be procured through a competitive bidding process;
 - 52.2 shall be consistent with section 7 of the Municipal Finance Management Act; and
 - 52.3 may not be for a period longer than five years.
- 53.** The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.
- 54.** The closure date for the submission of bids for banking services may not be less than 60 days from the date on which the advertisement is placed in a newspapers commonly circulating locally.
- 55.** Bids shall be restricted to banks registered in terms of the Banks Act, 94 of 1990.

Acquisition of IT Related Goods or Services

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

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

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

Acquisition of Goods Necessitating Special Safety Arrangements

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

Public-Private Partnerships

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

Publications in Newspapers

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

Other Procurement that may be excluded from procurement processes

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

Community Based Vendors

63. B. The CFO may approve the request for the quotations directly from Community Based Vendors in a specific area or from a specific community for the procurement of goods and services for amounts less than R10 000 (including construction works).

Range of Procurement Processes

64. “Goods and services, including construction works and consultant services. shall be procured through the range of procurement processes set out below.
- (1) Petty cash purchases, up to a transaction value of R 2000 (VAT included).
 - (2) Written or Verbal price quotations for procurement transactions with values over R 2000 up to R10 000 (VAT included).
 - (3) Formal written price quotations for procurement of a transaction value over R 10 000 to R 30 000 (VAT Included).
 - (4) Formal written price quotations for procurement of a transaction value over R 30 000 (VAT included) up to R 200 000 (VAT included), subject to section 2 (1) (b) (ii) of the Preferential Procurement Policy Framework Act of 2000, section 18 (a) (b) of the municipal supply chain management regulations and sections 4 (1) (2) (3) (4) of the Preferential Procurement Regulations of 2022.
 - (5) A competitive bidding process for –
 - (i) Procurement of a transaction value above R 200 000 (VAT included); and
 - (ii) Procurement of long-term contracts.
 - (iii) 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.
- (iv) The municipality reserves the rights to appoint a panel of service providers or contractors for period not more than 36 months and allocation of work must be done on rotational basis considering the final ranking and the performance of the service provider
6. The accounting officer may, in writing –
- a) Lower, but not increase, the different threshold values specified.
 - c) The delegated authority for the different threshold values is contained in the municipality's Delegations for Power: Delegation
7. 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.
8. The municipality reserves the rights to appoint a panel of Service Providers or Contractors For period not more than 36 months and allocation of work must be done on rotational Basis considering the final ranking and the performance of the service provider.

Competitive Bids

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

66 Term Bids

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

66.2 Use of Panel of Pre-qualified Suppliers and Service Providers

- (a) A panel of suppliers and service providers must be appointed via a competitive bid/ pre-selection criteria.
- (b) The use of such term contractors/ panel shall be by rotation and equitable distribution of work amongst such suppliers.
- (c) End-user department in consultation with SCM must work out standard rates/ prices that will be applicable. Average rate may also be worked out, and a term contractor who agrees to the lesser or equal of the average rate may be used or rated accordingly.
- (d) SCM must monitor distribution of work amongst term contractors/panel and advise endusers accordingly to achieve equitable distribution. In the case of Legal services depending on each case, the Accounting Officer after consultation with Legal will decide on allocation.
- (e) The term contract shall not exceed (3) three year term unless the prescripts have been followed
- (f) Orders shall cover only goods or services falling within which the scope of work associated with the agreement which may not be amended for the duration of the contract
- (g) Orders may not be issued after the expiry of the agreement.

66.3 ROTATION OF SUPPLIERS IN LINE WITH THE ROTATION POLICY

- Quotations will be sourced from the existing panel of term contractors
- The Process for considering term bids shall be in terms of the evaluation and adjudication procedures for conventional competitive bids
- **The threshold for evaluation shall be line with the SCM Policy 45.19**
- **No service Provider in the Panel of Term contractors/consultants shall be awarded more than three contracts, irrespective of the value, until other service providers have been afforded the opportunity to render the service or supply goods**

66.4 ADDENDUM

- In terms of the supply chain management: a guide for accounting officers of municipalities and municipal entities
- Any additional information, clarification, correction of errors, or modifications of bidding documents will be sent to each recipient of the original bidding documents 7 (Seven) days from publishing date and submitted within seven (7) days before the deadline to enable the bidders to take an appropriate action. If necessary, the deadline should be extended.

Formal Written Price Quotations

- 67.** Where the estimated transaction value exceeds R10 000 (VAT inclusive) and is less than or equal to R200 000 (VAT inclusive).
- 68.** If it is not possible to receive at least three quotations, the reasons should be recorded and approved by the CFO.

Written or Verbal Price Quotations

- 69.** Where the estimated transaction value exceeds R2 000 (VAT inclusive) and is less than or equal to R10 000 (VAT inclusive).
- In terms of Regulation 12 of the SCM Regulation the conditions for the procurement of goods and services through formal written price quotations as follows:
 - Quotations must be obtained in writing from different service providers whose names appear on the list of accredited prospective providers of the National Treasury Central Supplier Database
 - The names of Service Providers must be recorded.

69.2 Procedures of procuring goods and services through formal written price quotations

- In terms of Regulation 18 of the SCM Regulation the operational procedure for the procurement of goods or services through written price quotations or formal written price quotations are as follows:

- Specification for formal written quotations above R10 000.00 must be signed off by the relevant department/ Accounting Officer.

Procurement of Consulting Services

70. Where the estimated value of fees exceeds R200 000 (VAT inclusive) or where the duration of the appointment will exceed one year, a competitive bidding process shall apply.
71. Where the estimated value of fees is less than or equal to R200 000 (VAT inclusive) and the duration of the appointment will be less than one year, a selection process as described in this Policy, as amended from time to time, shall be applied.
72. Where consultants are required to assist in the review of bids and/or providing professional opinion, such work must be performed within the Municipality's premises or such place designated by CFO and Director IWS.
73. No bid documents must be taken possession of by the Consultants to their private practice or place.

Threshold Values

The Accounting Officer may:

72.1 lower, but not increase, the different threshold values specified in the acquisition management system of this Policy; or

72.2 direct that:

72.2.1 written or verbal quotations be obtained for any specific procurement of a transaction value lower than R10 000.

72.2.2 at least three written or verbal price quotations be obtained for any specific procurement of a transaction value lower than R10 000;
or

72.2.3 at least three formal written price quotations be obtained for any specific procurement of a transaction value equal or more than R10 000; or

72.2.4 a competitive bidding process be followed for any specific procurement of a transaction value more than R200 000. Whereby specific goals will be applicable as per Preferential procurement Regulations 2022

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

Accounting Officer.

General Conditions Applicable to Bids and Quotations

- 73.** The Municipality shall not consider a bid or quote unless the bidder who submitted the bid or quote:
- 73.1 has furnished the Municipality with that bidder's:
 - 73.1.1 full name;
 - 73.1.2 identification number or company or other registration number; and
 - 73.1.3 tax reference number; and
 - 73.1.4 VAT registration number, if any;
 - 73.1.5 certificate of attendance at a compulsory site inspection, where applicable;
 - 73.2 has submitted an original and valid tax clearance certificate certifying that the provider's tax matters are in order
 - 73.3 has submitted an original or certified BBBEE contributor level certificate and
 - 73.4 has indicated whether:
 - 73.3.1 the provider is in the service of the state, or has been in the service of the state in the previous twelve months;
 - 73.3.2 if the provider is not a natural person, whether any of the directors, managers, principal shareholders or stakeholders is in the service of the state, or has been in the service of the state in the previous twelve months; or
 - 73.3.3 Whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in sub-clause 73.3.2 is in the service of the state, or has been in the service of the state in the previous twelve months.
- 74.** Irrespective of the procurement process, the Municipality may not make any award above R30 000, to a person whose tax matters have not been declared by the SARS to be in order.
- 75.** Before making an award the Municipality must check with SARS if the person's tax matters are in order and, if SARS does not respond within seven days such person's tax matters may, for the purposes of clause 74, be presumed to be in order.

- 76.** Irrespective of the procurement process followed, the Municipality is prohibited from making an award to a person:
- 76.1 who is in the service of the state;
 - 76.2 if the person is not a natural person, of which any director, manager or principal shareholder or stakeholder is in the service of the state; or
 - 76.3 who is an advisor or consultant contracted with the Municipality (refer to clause 95 in this regard).
- 77.** The Accounting Officer shall ensure that the notes to the annual financial statements of the Municipality disclose particulars of any award above R2000 to a person who is a spouse, child or parent of a person in the service of the state, or who has been in the service of the state in the previous twelve months, including:
- 77.1 the name of the person;
 - 77.2 the capacity in which the person is in the service of the state: and
 - 77.3 the amount of the award.

CODE OF CONDUCT OF COMMITTEE MEMBERS

Rights and Responsibilities

78 A person as a member of the Committee obtains certain rights such as a share in the control of the matter for which the meeting is constituted, and the member may exercise this right by making proposals, voting, etc. A member's conduct at the meeting must, however, not infringe on the rights of others. The rules of conduct are based on mutual respect for the rights of each other and respect for the meeting.

Members must accept that-

- a. The chairperson must be respected;
- b. The chairperson has the right to interrupt and ask a member to stop speaking if the address is repetitive or irrelevant to the matter under discussion;
- c. A member must stop speaking if ruled out of order by the chairperson;
- d. Decisions are taken by consensus or by a show of hands when a matter is decided upon by voting;
- e. Once a decision has been taken it is final and not open for discussion, unless additional information, which was not available at the time of decision making can be produced;
- f. Information and documentation are confidential;
- g. A member (including the chairperson or vice-chairperson) shall beforehand declare his/her interest regarding any matter serving before the Committee and the member will then recuses her/himself during the discussion of that matter. No discussion by the member concerned will be allowed prior to the serving of that submission /report. Any personal interest that may infringe, or might reasonably be deemed to infringe on a member's impartiality in any matter relevant to their duties must be recorded;

- h. Outvoted members must abide by the majority decision of the Committee; and
- i. No communication should be made with a bidder/ contractor by any member prior to or after any meeting.

COMPETITIVE BIDS

General

- 78. Competitive bids must be called for any procurement of goods or services, construction works, or consultant services above a transaction value of R200 000 (VAT inclusive), or for any contract exceeding one year in duration.
- 79. Goods or services, construction works, or consultant services may not be split into parts or items of lesser value merely to avoid complying with the requirements relating to competitive bids.
- 80. When determining transaction values, a requirement for goods or services, construction works or consultant services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

Bid Specifications

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

Bid Specification Committee

89. All bid specifications and bid documentation must be compiled by an ad-hoc bid specification committee constituted for each project or procurement activity.
90. Where appropriate a representative of Internal Audit and/or Legal Services and/or an external specialist advisor may form part of this committee.
91. The Bid Specification Committee shall be comprised of at least three Municipality officials, an appointed Chairperson, a responsible official and at least one SCM Practitioner of the Municipality
92. Green procurement must be incorporated as far as reasonable possible, for all specifications of goods, services and construction works. In the development of bid specifications, innovative mechanisms should be explored to render the service or product more resource and energy efficient.
93. In the development of bid specifications, innovative mechanisms should be explored to render the service or product more resource and energy efficient
94. The MM, or his delegated authority, shall, taking into account section 117 of the MFMA, appoint the members of the Bid Specification Committees.
95. No person, advisor or corporate entity involved with the bid specification committee, or director of such corporate entity, may bid for any resulting contracts.
96. Bid Specification Committee meetings must be conducted in accordance with the applicable Rules of Order Regulating the Conduct of Meetings.

Compilation of Bid Documentation

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

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

system or process designed or devised by a consultant in terms of an appointment by the Municipality, shall vest in the Municipality.

Bids less than R10 million

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

- **The Municipal rates for the bidder and its directors in respect of which payment is not overdue for more than 90 days or proof of lease agreement including rates for the landlord. In case where the Company or Director is registered in a rural area where the rates are not paid, please attach proof from Local Authority and Affidavit under oath indicating that there are no municipal rates payable**

116.Bids exceeding R10 million

- If the estimated value of the transaction exceeds R10 million, the bid documentation must require the bidders to furnish:
- if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements -
- for the past three years, or
- since their establishment if established during the past three years,
- **A certificate signed by the bidder certifying that the bidder and any of its directors 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.**
- **The Municipal rates for the bidder and its directors in respect of which payment is not overdue for more than 30 days or proof of lease agreement including rates for the landlord. In case where the Company or Director is registered in a rural area where the rates are not paid, please attach proof from Local Authority and Affidavit under oath indicating that there are no municipal rates payable**
- particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract, and
- a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic and, if so, what portion and whether any portion of payment from the Municipality is expected to be transferred out of the Republic.

117.Alternative Bids

- Bid documentation may state that alternative bids can be submitted provided that a bid free of qualifications and strictly in accordance with the bid documents is also submitted.
- An alternative bid shall be submitted on a separate complete set of bid documents and shall be clearly marked “Alternative Bid” to distinguish it from the unqualified bid referred to above.
- Bid documentation shall state that the Municipality will not be bound to consider alternative bids.

Public Invitation for Competitive Bids

- 118.** On completion of the bid specification and bid document processes the Municipality shall publicly invite bids.
- 119.** Bid invitation shall be by notice published in the National Treasury website, CIDB, notice board or in newspapers circulating in the Sekhukhune District Municipality area, in English and on the Municipality’s official website.
- 120.** The bid documents shall as soon as possible be uploaded on the National Treasury E-portal.
- 121.** The bid notice may require payment of a non-refundable tender fee by bidders wanting to collect bid documents at the municipal offices. This tender fee shall be determined by the CFO from time to time.
- 122.** The public notice contemplated by clause 119 above shall specify:
- 122.1 the title of the proposed contract and the bid or contract reference number;
 - 122.2 such particulars of the contract as the Municipality deems fit;
 - 122.3 the date, time and location of any site inspection, if applicable;
 - 122.4 the place where the bid documentation is available for collection and the times between which bid documentation may be collected;
 - 122.5 that bids may only be submitted on the bid documentation provided by the Municipality;
 - 122.6 the deposit payable, if any;
 - 122.7 the place where bids must be submitted;
 - 122.8 the closing date and time for submission of bids; and
 - 122.9 the required CIDB contractor grading for construction work.

- 123.** The bid notice shall further state that all bids for the contract must be submitted in a sealed envelope on which it is clearly stated that such envelope contains a bid and the contract title and contract or bid reference number for which the bid is being submitted.
- 124.** Bid documentation shall be available for collection until the closing date of bids.

Issuing of Bid Documents

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

Site Inspections

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

Two-stage (Prequalification) Bidding Process

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

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

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

Two Envelope System

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

138. Validity Periods

In terms of the SCM Regulation, sub regulation 22 (1) b

The closure date for the submission of bids/quotations, which may not be less than 30days in the case of transactions over R10 million (vat included, or which are of a long-term nature, or

139. 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to the SCM Regulation (2)

140.The bid/quotation offer validity period provided for in the bid/quotation shall not exceed 90 days

141.Extension of validity period

- Extensions include goods and services as well as infrastructure
- Extensions must be done prior to the expiry date of the bid validity period
- When validity lapse, the contractual obligation that the bidder accepted on signing the relevant bid documentation falls away, therefore when a bid expires there is nothing to extend
- The expired bid cannot be evaluated further, and it must be cancelled and readvertised, when applicable
- Extensions must be granted based on good reasons and must be approved by the Accounting Officer.
- Can extend the minimum bids/quotations period by at least 7 days, not exceeding 60 calendar days.
- An extension of validity must be requested in writing from all bidders before expiry date.
- All bidders must be notified in writing and submit their intentions to abide by the terms and conditions and participate further in the bid. Only those bidders who agree to the extension will be evaluated.

- Once an extension is granted, proper planning must be done to ensure that the process of evaluation and awarding of bids is carried out before the expiry of the bid validity period.
- Should the validity period expire on a Sunday, Saturday or public holiday, the bid must remain valid and open for further acceptance until the closure on the following working day.

Contract Price Adjustment

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

Contracts providing for Compensation Based on Turnover

148. If a service provider acts on behalf of the Municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and the Municipality must stipulate;
 - a. a cap on the compensation payable to the service provider; and
 - b. that such compensation must be performance based.

Provisional Sums and Prime Cost Items

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

Samples

151. 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.
152. Bids may not be included in parcels containing samples.
153. If samples are not submitted as required in the bid documents or within any further time stipulated by the Chairperson of the Bid Evaluation Committee in writing, then the bid concerned may be declared non-responsive.
154. Samples shall be supplied by a bidder at his/her own expense and risk. The Municipality shall not be obliged to pay for such samples or compensate for the loss thereof, unless otherwise specified in the bid documents, and shall reserve the right not to return such samples and to dispose of them at its own discretion.
155. If a bid is accepted for the supply of goods according to a sample submitted by the bidder, that sample will become the contract sample. All goods/materials supplied shall comply in all respects to that contract sample.

Closing of Bids

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

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

160. For banking services, the bid closing date must be at least 60 (sixty) days after publication of the notice.
161. For proposal calls using a two envelope system, the bid closing date must be at least 30 (thirty) days after publication of the notice.
162. The bid closing date may be extended by the CFO if circumstances justify this action; provided that the closing date may not be extended unless a notice is published in the press prior to the original bid closing date. This notice shall also be posted on the official notice boards designated by the MM, and a notice to all bidders to this effect shall be issued.
163. The MM may determine a closing date for the submission of bids which is less than any of the periods specified in clauses 156 to 160 above, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.

Communication with bidders before bid closing

164. The Bid Specification Committee Chairperson may, if necessary, communicate with bidders prior to bids closing.

165. Such communication shall be in the form of a notice issued to all bidders by the CFO or his/her delegates by either; e-mail, facsimile, or registered post as appropriate. A copy of the notice together with a transmission verification report/proof of posting shall be kept for record purposes. Notices should be issued at least one week prior to the bid closing date, where possible.

165. Notwithstanding a request for acknowledgement of receipt of any notice issued, the bidder will be deemed to have received such notice if the procedures in clause 164 have been complied with.

Submission of Bids

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

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

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

169. Postal bids will not be accepted for consideration.

170. No bids forwarded by telegram, facsimile or similar apparatus shall be considered. However, Photostat copies of bids or facsimiles which are submitted in the prescribed manner will be considered, provided the original Forms of Bid/Offer can be shown to have been posted or couriered prior to the close of bids.

171. Electronic bids will not be accepted.

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

173. No person may amend or tamper with any bids or quotations after their submission.

Late Bids

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

175. A late bid shall not be admitted for consideration and where feasible shall be returned unopened to the bidder with the reason for the return thereof endorsed on the envelope.

Opening of Bids

177. At the specified closing time on the closing date the applicable bid box shall be closed.
178. The bid box shall be opened in public as soon as practical after the closing time.
179. Immediately after the opening of the bid box, all bids shall be opened in public and checked for compliance.
180. The official opening the bids shall in all cases read out the name of the bidder and, if practical, the amount of the bid.
181. As soon as a bid or technical proposal has been opened:
- 181.1 the bid/proposal shall be stamped with the official stamps, and endorsed with the opening official's signature;
 - 181.2 the name of the bidder, and where possible, the bid sum shall be recorded in a bid opening record kept for that purpose; and
 - 181.3 the responsible official who opened the bid shall forthwith place his/her signature on the bid opening record.
182. Bids found to be inadvertently placed in the incorrect bid box will be redirected provided that the applicable bids either closed on the same day at the same time, or are still open (in which case the Municipality disclaims any responsibility for seeing that the bids are in fact lodged in the correct bid box). A record of all bids placed in an incorrect box shall be kept.
183. Bids received in sealed envelopes in the bid box without a bid number or title on the envelope will be opened at the bid opening and the bid number and title ascertained. If the bid was in the correct bid box it will be read out. If the bid is found to be in the incorrect bid box, it will be redirected provided that the applicable bids either closed on the same day at the same time, or are still open. If the bid closes at a later date, the bid will be placed in a sealed envelope with the bid number and title endorsed on the outside, prior to being lodged in the applicable box. The Municipality however disclaims any responsibility for seeing that the bid is in fact lodged in the correct box.

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

184. If a two envelope system is followed, only the technical proposal will be opened at the bid opening.
185. The unopened envelope containing the financial proposal shall be stamped and endorsed with the opening official's signature, and be retained by him/her for safekeeping.

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

Invalid Bids

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

Bid Sum

192. A bid will not necessarily be invalidated if the amount in words and the amount in figures do not correspond, in which case the amount in words shall be read out at the bid opening.
193. All rates, with the exception of rates only bids, and proprietary information are confidential and shall not be disclosed.

Bid Evaluation

General

- 194.** The Municipality shall not be obliged to accept any bid.
- 195** For goods and services bids, the Municipality shall have the right to accept the whole bid or part of a bid or any item or part of an item or accept more than one bid.
- 196** Functionality must be included as a criterion in the evaluation of a tender that is specialised or technical in nature, in order to ensure the quality of the goods/ or services procured. The evaluation criteria for measuring functionality, and the weighting attached to each criterion must be listed in the Request for Tender document.
- 197** A minimum threshold of points for functionality must be identified and disclosed in the Request for Tender document. Bids that do not meet this threshold must automatically be disqualified from further evaluation.
- 198** Thereafter, only qualifying bids must be evaluated in terms of the 90/ 10 or 80 /20 preference point system, where 90/ 80 points are allocated for price only and 10/ 20 points are allocated for HDI ownership and achieving prescribed RDP goals, in accordance with the Preference Points Claim Form. The bidder submitting the lowest quote in terms of amount will score 90/ 80 points for price.

Bid Evaluation Committee

- 196.** An ad-hoc Bid Evaluation Committee shall be constituted for each project or procurement activity to evaluate bids received.
- 197.** The Bid Evaluation Committee shall be comprised of at least three Municipality officials, an appointed Chairperson (who may be the same person as the Chairperson of the Bid Specification Committee), a responsible official and at least one SCM Practitioner of the Municipality.
- 198.** Where appropriate, a representative of Internal Audit and/or Legal Services may form part of this committee, which may also include other internal specialists/experts as necessary. External specialists/experts may advise the Bid Evaluation Committee, as required.
- 199.** The MM or his delegated authority shall take into account section 117 of the MFMA, when appointing members of the Bid Evaluation Committees.
- 200.** Bid Evaluation Committee meetings must be conducted in accordance with the applicable Rules of Order Regulating the Conduct of Meetings.
- 201.** The Responsible Agent shall carry out a preliminary evaluation of all valid bids received and shall submit a draft bid evaluation report to the Bid Evaluation Committee for consideration.
- 202.** Evaluation of bids must done during the evaluation committee meetings, no evaluation of bids that will be performed outside the BEC meeting;

203. Any evaluation of a bid shall consider the bids received and shall note for inclusion in the evaluation report, if the bidders:

- 202.1 does not comply with the provisions for combating abuse of this Policy;
- 202.2 whose bid does not comply with the general conditions applicable to bids and quotations of this Policy;
- 202.3 whose bid is not in compliance with the specification;
- 202.4 whose bid does meet the minimum score for functionality,
- 202.5 whose bid is not in compliance with the terms and conditions of the bid documentation;
- 202.6 whose bid does not comply with any minimum goals stipulated in terms of the preferential procurement section of this Policy;
- 202.7 who, in the case of construction works acquisitions, does not comply with the requirements of the Construction Industry Development Board Act regarding registration of contractors;
- 202.8 who has failed to submit an original and valid tax clearance certificate from the South African Revenue Services (SARS) certifying that the taxes of the bidder are in order or that suitable arrangements have been made with SARS, and
- 202.9 who fails to comply with any applicable Bargaining Council agreements.

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

- 203.1 bid price (corrected if applicable and brought to a comparative level where necessary),
- 203.2 the unit rates and prices,
- 203.3 the bidder's ability to execute the contract,
- 203.4 any qualifications to the bid,
- 203.5 the bid ranking obtained in respect of preferential procurement as required by this Policy,
- 203.6 the financial standing of the bidder, including its ability to furnish the required institutional guarantee, where applicable,
- 203.7 any other criteria specified in the bid documents.

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

- 205.** The Bid Evaluation Committee shall check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears.
- 206.** Additional information or clarification of bids may be called for if required but only in writing.
- 207.** Alternative bids may be considered, provided that a bid free of qualifications and strictly in accordance with the bid documents is also submitted. The Municipality shall not be bound to consider alternative bids.
- 208.** If a bidder requests in writing, after the closing of bids, that his/her bid be withdrawn, then such a request may be considered and reported in the bid evaluation report for decision by the Bid Adjudication Committee.
- 209.** The bidder obtaining the highest number of points should be recommended for acceptance unless there are reasonable and justifiable grounds to recommend another bidder.
- 210.** If, after bids have been brought to a comparative level, two or more score equal total adjudication points, the recommended bidder shall be the one scoring the highest preference points.
- 211.** If two or more bids are equal in all respects, the Bid Evaluation Committee shall draw lots to decide on the recommendation for award, or may, in the case of goods and services, recommend splitting the award proportionately, where applicable.
- 212.** All disclosures of a conflict of interest shall be considered by the Bid Evaluation Committee and shall be reported to the Bid Adjudication Committee.

18 PREFERENTIAL PROCUREMENT

Preference Point System

- 213** As a public entity, the SDM must determine and stipulate the appropriate preference point system in line with Preferential Procurement Regulations 2022 to be used in the evaluation and adjudication of tenders. The objective of the preference point system is to ensure consistent application and alignment of the SDM preferential procurement system to the prescripts and regulations contained in the Preferential Regulations 2022
- 214** The SDM must indicate in each invitation to submit a tender, whether that tender will be evaluated on 80/20 or 90/10 specific goals
- 215** Some tenders will include Functionality, Functionality means the measurement, according to pre-determined norms of a service or commodity designed to be practical and useful, working or operating, taking into account quality, reliability, viability and durability of a service or commodity.
- 216** The evaluation criteria for measuring functionality must be objective.
- 217** The following must be clearly specified in the invitation to submit a tender, or in the RFT document :
- Evaluation criteria for measuring functionality;
 - Weight attached to each criterion;

- Applicable values; and
- Minimum qualifying score for functionality.

218 The evaluation of bids must be conducted in two stages. Firstly, the assessment of functionality must be done in terms of the evaluation criteria and the minimum threshold. A bid must be disqualified if it fails to meet the minimum threshold for functionality, as specified in the RFT document.

219 Thereafter, only qualifying bids are evaluated in terms of the 80/ 20 or 90/ 10 preference points system, where 80 or 90 points are allocated for price only, and 20 or 10 points are allocated based on specific goals. The bidder submitting the lowest quote in terms of amount, will score the full 80 or 90 points for price, depending on the preference point system applicable

220 No tender must be regarded as an acceptable tender if it fails to achieve the minimum qualifying score for functionality, as indicated in the RFT document.

221 The 80/ 20 preference points system will be used for the acquisition of services, works \or goods up to and including a value of R50 000 000.00

222 The 90/ 10 preference points system shall be used for the acquisition of services, works or goods above R50 000 000.00 in value.

223 The contract must be awarded to the bidder who scores the highest points on price and HDI

224 Bidders are required to submit copies of their company registration certificates for verification of their HDI specific goals

225 Bidders should not be disqualified for failing to achieve the HDI specific goals
Points awarded for HDI Status (Historically Disadvantaged Individuals) Blacks, Coloureds and Indians.

Identification of specific goals for Tenders and Quotations

HDI points will be allocated as per below specific goals

| HDI SPECIFIC GOALS | HDI SPECIFIC GOALS FOR (90/ 10-point system) | HDI SPECIFIC GOALS FOR (80/ 20-point system) |
|---|---|---|
| HDI SPECIFIC GOALS | 10 | 20 |
| 1 Not having voting rights prior 1994.(Blacks, Coloureds and Indians) | 6 | 12 |
| 2 Woman – ownership of more than 50% | 1 | 2 |

| | | |
|--|----------|----------|
| Disability ownership of more than 50%(Physically impaired) | 1 | 2 |
| HDI youth | 1 | 2 |
| Locality within SDM jurisdiction | 1 | 2 |
| TOTAL | 10 | 20 |
| Non-compliant Bidder | 0 | 0 |

226 Procurement will be based on quality and cost.

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

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

Price

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

A maximum of 80 or 90 points is allocated for price on the following basis:
80/ 20 or 90/ 10

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

□□

$$\square \quad P_{min} \quad \square \quad \square \quad P_{min} \quad \square$$

Where

- Ps = Points scored for comparative price of bid under consideration**
- Pt = Comparative price of bid under consideration**
- Pmin = Comparative price of lowest acceptable bid**

230. Bids will be Evaluated on price , specific goals and functionality where is applicable.

Duration of Contracts

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

Recommendation to Bid Adjudication Committee

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

Bid Adjudication

Bid Adjudication Committee

233. The Bid Adjudication Committee shall comprise at least four senior managers, and shall include:
- 214.1 the CFO or a Manager designated by the CFO;
 - 214.2 at least one senior SCM practitioner of the Municipality; and
 - 214.3 a technical expert in the relevant field who is an official of the Municipality, if the Municipality has such an expert.
234. The MM shall appoint the members and chairperson of the Bid Adjudication Committee. If the chairperson is absent from a meeting, the members of the committee who are present shall elect one of the committee members to preside at the meeting.
235. Neither a member of a Bid Specification Committee, Bid Evaluation Committee, nor an advisor or person assisting such committees, may be a member of a Bid Adjudication Committee.

Adjudication and Award

236. The Bid Adjudication Committee shall consider the report and recommendations of the Bid Evaluation Committee and make a final award or make another recommendation to the Accounting officer on how to proceed with the relevant procurement.
237. The Bid Adjudication Committee may make an award to a preferred bidder, subject to the MM negotiating with the preferred bidder in terms of clause 231 of this Policy.
238. The Accounting officer may at any stage of the bidding process, refer any recommendation made by the Bid Evaluation or Bid Adjudication Committee back to that committee for reconsideration of the recommendation.

Approval of Bid not recommended

239. If a Bid Adjudication Committee decides to award a bid other than the one recommended by the Bid Evaluation Committee, the Bid Adjudication Committee must, prior to awarding the bid:
- a. check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears;

- b. check in respect of the preferred bidder that it has the resources and skills required to fulfil its obligations in terms of the bid document.
- c. notify the Accounting Officer.

240. The Accounting Officer may:

- 241.1 after due consideration of the reasons for the deviation ratify or reject the decision of the Bid Adjudication Committee referred to in clause 220 above.
- 241.2 If the decision of the Bid Adjudication Committee is rejected, the Accounting Officer can refer the matter back to the adjudication committee for reconsideration.

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

242. The requirement of clause 220.3 does not apply if a different bid was approved in order to rectify an irregularity.

Reconsideration of Recommendations

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

Right of Appeal

244. In terms of Section 62 of the Systems Act, a person whose rights are affected by a decision taken by the Municipality, in terms of a delegated authority, in the implementation of its SCM system, may appeal against that decision by giving written notice of the appeal and reasons to the Accounting Officer within 21 days of the date of receipt of the notification of the decision.

245. Tender documents must state that any appeal in terms of clause 225 must be submitted to the Accounting Officer at the address stated, and must contain the following:

- a. reasons and/or grounds for the appeal;
- b. the way in which the appellants rights have been affected; and
- c. the remedy sought by the appellant.

246. No tender shall be formally accepted until either the expiry of the 21 day appeal period, or confirmation in writing before the expiry of the 21 day appeal period that none of the affected parties intend to appeal, or confirmation of the satisfactory resolution of any appeals.

Notification of Decision

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

Negotiations with Preferred Bidders

250. The MM may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders provided that such negotiation:
 - 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.
251. Minutes of such negotiations must be kept for record purposes.

Cancellation of Bids

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

Increase in Contract Period or Contract Sum

258. Any increase in the contract period (in respect of term bids) or contract sum (in respect of once-off contracts) that may become necessary as a result of exceptional circumstances, or which are considered to be in the public's interest,

may be approved by the Bid Adjudication Committee. Such approval must be obtained prior to the contract period expiring or contract sum being exceeded.

259. Where community participation has been a part of the contract, the community must be advised of the proposed increase and be invited to provide written comment.
260. Any unapproved increases in the contract sum or contract period that have become necessary as a result of exceptional circumstances, or which have been considered to be in the public's interest, must be explained in a report to the Bid Adjudication Committee requesting condonation and approval for such unapproved increase.

Term Bids

General

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

Evaluation and Adjudication of Term Bids

267. The process for considering term bids shall be in terms of the evaluation and adjudication procedures for conventional competitive bids.
268. Subsequent to award, where different selections of items are required in terms of the same term bid and it is not possible or practical to separate orders for different items from different suppliers, service providers or contractors (in the case of construction works, for example), then a selection process will have to be carried out in respect of each application by the Responsible Agent. Individual orders will then be placed (or contracts awarded) on the basis of the highest total evaluation points received, per application.
269. If the selected supplier, contractor or service provider, in terms of the selection process specified in the term bid documentation, is unable to provide the required goods, services or construction works at the required time and confirms as such

in writing then the bidder with the next highest evaluation points shall be selected. If after a contract is awarded, or an order is placed in terms of a term bid, the supplier, contractor or service provider fails to supply the goods or service required, then the remedies in terms of the contract shall apply.

Formal Written Price Quotations General

270. Where the Municipality intends to enter into any contact which is for the supply of any goods or services, or the execution of any construction work which involves or is likely to involve a transaction value over R10 000 and up to R200 000 (VAT inclusive), then a minimum of three written quotes shall be obtained from providers who are suitably qualified and experienced, having the necessary resources, and who are registered and verified on the CSD database. Ongoing competition amongst providers shall be promoted, including by inviting providers to submit quotations on a rotational basis. Quotations may be obtained from providers who are not listed on the National Treasury database, provided that such providers must meet the listing criteria referred to in this Policy.
271. If it is not possible to obtain at least three written quotations, the reasons must be recorded and approved by the CFO.
272. The names of the potential providers and their written quotations must be recorded.
273. The practice of breaking out (parcelling) projects in order to circumvent the competitive bid process is not permissible.

Quotation Documentation

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

Validity Periods

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

Quotation Prices

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

Submission of Documentation

280. Quotation documents issued by the Municipality shall clearly state the place where such documents must be submitted and the date and time by when they must be submitted.
281. No quotations submitted after any stipulated closing date and time shall be considered.
Opening of Quotations (where lodged in a quotation box)
282. The provisions of clauses 177 to 183 of this Policy shall apply with regard to quotations that are required to be lodged in a quotation box, with the exception of clause 182 where, with respect to quotations, the Municipality disclaims any responsibility for seeing that the quotations are lodged in the correct quotation box. Quotations found in the incorrect box shall be declared invalid and will not be considered.

Consideration and Acceptance of Quotations

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

Written Price Quotations General

284. Where the Municipality intends to procure any goods or services, which involves a transaction value of up to R10 000 (VAT inclusive), written price quotations shall be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the National Treasury database, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria referred to in this Policy. Ongoing competition amongst providers shall be promoted, including by inviting providers to submit quotations on a rotational basis.
285. If it is not possible to obtain at least three written quotations, the reasons must be recorded and approved by the CFO.
286. The names of the potential providers requested to provide quotations and their written quotations must be recorded.
287. The practice of breaking out (parcelling) purchases in order to circumvent the formal written price quotation process is not permissible.
288. All orders in respect of written price quotations shall be approved and released by the MM, or his delegated authority.

Petty Cash Purchases (If applicable) General

289. Where there is a need to purchase any goods or services using a petty cash system, which involves a transaction value up to R2 000 (VAT inclusive), the Municipality's Procedures and Guidelines for Petty Cash Purchases shall be adhered to.

290. The delegated official responsible for petty cash must compile monthly reconciliation report for the CFO, which must include the total amount of petty cash purchases for that month and receipts and appropriate documents for each purchase.
291. The practice of breaking out (parcelling) purchases in order to circumvent the formal written price quotation and written price quotation processes is not permissible.

Appointment of Consultants General

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

Procurement Process (over R200 000)

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

Procurement Process (up to R200 000)

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

Single-source Selection

- 299. National Treasury Guidelines provide for single-source selection in exceptional cases. The justification for single-source selection must be examined in the context of the overall interests of the Municipality and the project.
- 300. Single-source selection may be appropriate only if it presents a clear advantage over competition:
 - 300.1 for services that represent a natural continuation of previous work carried out by the consultant, and continuity of downstream work is considered essential;
 - 300.2 where rapid selection is essential;
 - 300.3 for very small appointments;

- 300.4 When only one consultant is qualified, or has experience of exceptional worth for the project.
- 300.5 The reasons for single-source selection must be fully motivated in a report and approved by the Bid Adjudication Committee prior to conclusion of a contract, provided that if the award is for an amount of R200 000 (VAT inclusive) or less, such award shall be approved by the CFO or as per MFMA delegation.

Deviation from the Procurement Processes General

- 301 The Accounting Officer or the CFO depending on the threshold may dispense with the official procurement processes established by this Policy depending on the threshold, and procure any required goods or services through any convenient process, which may include direct negotiation, but only in respect of:
- i. any contract relating to an emergency (as described in clauses 285 and 286 below) where it would not be in the interests of the Municipality to invite bids,
 - ii. any goods or services which are available from a single provider only,
 - iii. the acquisition of animals for zoos, or
 - iv. the acquisition of special works of art or historical objects where specifications are difficult to compile;
 - v. any other exceptional circumstances where it is impractical or impossible to follow the official procurement process, including: accommodation, conference facilities, car hire, travel agencies, towing services, courier services and where organizers of the event are the sole providers of services.
 - vi. any purchase on behalf of the Municipality at a public auction sale;
 - vii. any contract in respect of which compliance therewith would not be in the public interest;
 - viii. ad-hoc repairs to plant and equipment where it is not possible to ascertain the nature or extent of the work required in order to call for bids; and
- 302 The Accounting Officer or CFO depending on the threshold or as per MFMA may condone a deviation from the procurement processes, provided that such deviation is limited to the circumstances referred to in clause 283.

Emergency Dispensation

303. The conditions warranting Emergency dispensation should include the existence of one or more of the following:
- a. the possibility of human injury or death;

- b. the prevalence of human suffering or deprivation of rights;
 - c. the possibility of damage to property, or suffering and death of livestock and animals;
 - d. the interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the Municipality as a whole;
 - e. the possibility of serious damage occurring to the natural environment;
 - f. the possibility that failure to take necessary action may result in the Municipality not being able to render an essential community service; and
 - g. the possibility that the security of the state could be compromised.
304. 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.
305. Where possible, in an emergency situation, three quotes in accordance with general acquisition management principles should be obtained and a report submitted to the MM for approval. However, where time is of the essence, the emergency shall be immediately addressed, and the process formalised in a report to the Accounting Officer as soon as possible thereafter.

Unsolicited Bids

306. The Municipality is not obliged to consider any unsolicited bids received outside of the normal bidding process.
307. The Municipality may only consider an unsolicited bid if the following have been complied with:
- a. the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
 - b. the product or service offered will be exceptionally beneficial to, or have exceptional cost advantages for, the Municipality;
 - c. the person or entity that made the bid is the sole provider of the product or service; and
 - d. the reasons for not going through the normal bidding processes are found to be sound by the Accounting Officer. In this regard a report must be submitted to the Accounting Officer seeking approval to take the unsolicited bid process further.

308. If the Accounting Officer considers the unsolicited bid worthy of pursuing, the decision to consider such bid shall be made public in accordance with section 21A of the Systems Act together with:
- a. reasons as to why the bid should not be open to other competitors;
 - b. an explanation of the potential benefits for the Municipality were it to accept the unsolicited bid; and
 - c. an invitation to the public and other potential suppliers to submit their written comments within 30 (thirty) days of the notice being published.
309. Details of the unsolicited bid, together with any written comments received pursuant to clause 290.3 as well as any responses from the bidder, shall be submitted to the provincial and National Treasury for comment.
310. The unsolicited bid shall then be submitted to the Bid Adjudication Committee, together with any written comments submitted by the public and any written comments or recommendations of the provincial or National Treasury, for consideration.
311. The Bid Adjudication Committee may award the bid in respect of any amount.
312. Any meeting of the Bid Adjudication Committee to consider an unsolicited bid shall be open to the public.
313. If any recommendations of the Provincial or National Treasury are rejected or not followed, the Accounting Officer shall submit to the Auditor-General, the Provincial Treasury and the National Treasury the reasons for rejecting or not following those recommendations. Such submission shall be made within 7 (seven) days of the decision to award the unsolicited bid. No contract committing the Municipality to the bid may be entered into or signed within 30 (thirty) days of the submission.

Ratification of Minor Breaches of the Bid Processes

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

Condonation of Expenditure

315. The MM may, upon recommendation of the Bid Adjudication Committee, condone any expenditure incurred in contravention of, or that is not in accordance with, a requirement of this Policy. This power may not be sub-delegated by the Accounting Officer. Such condonation shall not preclude the taking of disciplinary steps against the responsible official.

CODE OF ETHICAL STANDARDS

General

316. In addition to this Code of Ethical Standards, the codes of conduct for municipal councilors and employees shall apply in the application of this SCM Policy.
317. A code of ethical standards is hereby established for officials and all role players in the SCM system in order to promote:
- mutual trust and respect; and
 - an environment where business can be conducted with integrity and in a fair and reasonable manner.
318. An official or other role player involved in the implementation of the SCM policy:
- must treat all providers and potential providers equitably;
 - may not use his or her position for private gain or to improperly benefit another person;
 - may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350;
 - notwithstanding clause 361.3, must declare to the MM details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
 - must declare to the MM details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the Municipality;
 - 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;
 - must be scrupulous in his or her use of property belonging to the Municipality;
 - must assist the MM in combating fraud, corruption, favoritism and unfair and irregular practices in the SCM system; and
 - must report to the MM any alleged irregular conduct in the SCM system which that person may become aware of, including;
 - any alleged fraud, corruption, favoritism or unfair conduct;
 - any alleged contravention of this policy; or
 - any alleged breach of this code of ethical standards.
319. Declarations in terms of clause 361.5 must be recorded in a register which the MM must keep for this purpose.
320. The Municipality has adopted the National Treasury's code of conduct for practitioners and other role players involved in supply chain management. This code of conduct is

binding on all officials and other role players involved in the implementation of the SCM policy.

321. A copy of the National Treasury code of conduct is available on the website www.treasury.gov.za/mfma located under “legislation”.
322. A breach of the code of conduct adopted will be dealt with in accordance with schedule 2 of the Systems Act.

Inducements, Rewards, Gifts and Favours

323. 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:
- any inducement or reward to the Municipality for or in connection with the award of a contract; or
 - any reward, gift, favour or hospitality to any official or any other role player involved in the implementation of the SCM policy.
324. The MM must promptly report any alleged contravention of clause 366 to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury’s database of persons prohibited from doing business with the public sector.
325. Clause 366 does not apply to gifts less than R350 in value or gifts from a single source in any calendar year that does not exceed R350 in value.

Sponsorships

326. The MM must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is:
- a provider or prospective provider of goods or services; or
 - a recipient or prospective recipient of goods disposed or to be disposed.

Objections and Complaints

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

Resolution of Disputes, Objections, Complaints and Queries

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

- any decisions or actions taken in the implementation of the SCM system; or
- any matter arising from a contract awarded in the course of the SCM system; or
- to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

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

The person appointed must;

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

queries received; and

submit monthly reports to the MM on all disputes, objections, complaints or queries received, attended to or resolved.

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

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

331. 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.

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

A. IMPLEMENTATION

This code of conduct must be signed by employees of the municipality and service providers who provide goods and services to the municipality.

The code should form part of the tender document/contract to be entered into between the municipality and the service provider.

B. CERTIFICATE OF ENDORSEMENT:

This Policy shall come into effect on the date of endorsement and shall cease only in the event where such changes/variations has been reduced to writing, approved by council and

been signed by the Speaker. Unless in the event where any changes in any applicable Act, Legislation has jurisdiction to supersede.

LOGISTICS MANAGEMENT SYSTEM

333.. System of Logistics Management

- (1) The Accounting Officer must establish 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.

334. The Logistics management process

- (1) For stock or inventory items the following functions will amongst others be performed
 - i. coding of items;
 - ii. setting of inventory levels;
 - iii. placing of orders;
 - iv. receiving and distribution of material;
 - v. stores or warehouse management
 - vi. transport management; and
 - vii. vendor performance.

- (2) For fixed capital items (construction and road projects, immovable property) a similar process must be adopted, mutatis mutandis, viz. ensuring appropriate classification, recording additions to asset and property registers, valuation, main use, etc.
- (3) The financial system necessary to generate payments must be implemented in a manner which is consistent with the principles attached to the logistics management process.

335. Setting of inventory levels

- (1) Stock items shall be systematically replenished using the re-order point planning strategy in conjunction with minimum and maximum levels.

336. Stores and warehouse management

- (1) The stores and warehousing function shall operate under the jurisdiction of the Budget and Treasury Office (BTO).
- (2) The BTO must uphold the principles of effective administration, property stock holding and control, product standardization, quality of products and high standards of service levels.

337. Inventory valuation method

The cost of inventories at municipality is assigned using the FIFO cost formula.

Disposal Management

338. System of Disposal management

- (1) The Accounting Officer must establish 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.
- (2) Assets must be disposed of by, inter alia -
 - (a) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;
 - (b) transferring the asset to another organ of state at market related value or, when appropriate, free of charge; (c) selling the asset; or
 - (d) destroying the asset.
- (3) 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 may be sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;
 - (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 must be 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.

338. The Disposal Management Process

- (1) For purposes of the disposal management process, the Accounting Officer must ensure that the following steps are undertaken in respect of movable assets:
 - (a) Obsolescence planning must be effected, alternatively depreciation rates per item must be calculated;
 - (b) A data base of all redundant assets must be compiled and maintained;
 - (c) Assets identified for disposal must first be inspected for potential re-use;
 - (d) A strategy must be determined for the disposal of assets; and,
 - (e) The actual disposal of assets must be effected in compliance with this chapter.
- (2) Similar steps to those set out in terms of subsection (1) must be undertaken in respect of immovable assets.

Risk Management

339. System of risk management

- (1) The Accounting Officer must establish an effective system of risk management for the identification, consideration and avoidance of potential risks in the supply chain management system.
- (2) Managing risk must be part of the Municipality's philosophy, practices and business plans and should not be viewed or practiced as a separate activity in isolation from line managers.
- (3) Risk management shall be an integral part of effective supply chain management practice.
- (4) Risk management must include –
 - (a) the identification of risks on a case-by-case basis;
 - (b) the allocation of risks to the party best suited to manage such risks;
 - (c) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
 - (d) the management of risks in a pro-active manner and the provision of adequate cover for residual risks; and
 - (e) the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

340. The risk management process

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

341. Key principles

The key principles of managing risk in supply chain management include:

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

342. Guidelines

The Municipality shall demonstrate that in its supply chain management:

- (1) there exists a systematic approach to identifying risks including potential conflicts of interest, analysing their possible likelihood, impacts and consequences and managing those risks as the project proceeds through the phases of pre-bid, post-bid and contract management;
- (2) the integrity and correctness of the process of risk identification analysis, assessment and treatment is such that the relevant municipal department can demonstrate the scope of the risk analysis is appropriate for the stated objectives;
- (3) all pertinent matters and assumptions have been tested adequately and that appropriate risk treatment techniques have been implemented;
- (4) the causes of risk are clearly identified;
- (5) the means of treating the identified risks are apparent;
- (6) the party who accepts the risks also accepts responsibility for management of those risks, except where informed, and objective decisions are taken to share risks;
- (7) alternatives have been evaluated; and
- (8) appropriate conditions are to be incorporated in contracts to avoid or minimize risk including warranties and penalties where appropriate.

343. Steps in risk management

There are six steps in the risk management process, namely:

- (1) establish a framework;
- (2) risk identification;
- (3) risk analysis;

- (4) risk assessment;
- (5) risk treatment; and
- (6) implementation, monitoring and review.

344. Penalties

- (1) The Municipality must, upon detecting that a preference in terms of the Preferential Procurement Policy Framework Act, 2000, its regulations and the MFMA, as defined, has been obtained on a fraudulent basis, or any specified goals are not attained in the performance of the contract, act against the person awarded the contract.
- (2) The Municipality may in addition to any other remedy it may have against the person contemplated in subsection (1):
 - (a) recover all costs, losses and damages it has incurred or suffered as a result of that person's conduct;
 - (b) cancel the contract and claim any damages which it has suffered as a result of having to make less favourable arrangements due to such cancellation;
 - (c) impose a financial penalty more severe than the theoretical financial preference associated with the claim which was made in the bid; and
 - (d) restrict the contractor, its shareholders and directors from obtaining business from any organ of state for a period not exceeding 10 years.

Insurance

- (1) The Accounting Officer must ensure that steps are taken to:
 - (a) insure the Municipality against procurement related risks;
 - (b) establish risk management programmes; and
 - (c) make advance provision for losses associated with such risks.
- (3) The Accounting Officer shall further ensure that insurance related excesses do not cause the failure of emerging small and micro enterprises.

346. Guarantees

- (1) The Municipality must adhere to the following general principles with regard to performance guarantees:
 - (a) the aforesaid performance guarantees must be commensurate with the degree of contractual risk to which the Municipality will be exposed;
 - (b) in the case of large and complex contracts, performance guarantees must be requested in order to discourage the submission of irresponsible bids; and,
 - (c) the risk of failure must be distributed between the contracting parties and should be managed so that the Municipality's costs resulting from any such failure are recoverable.
- (2) With regard to contracts pertaining to engineering and construction works:
 - (a) adequate provision should be made by the Municipality to ensure that funds are available to rectify defects; and,
 - (b) performance guarantees may be waived in the case of low value and low risk contracts or where a third party bears the risk of failure.

347. Declaration

For purposes of establishing control measures to eliminate fraud and corruption:

- (a) a declaration schedule must form an integral part of all the Municipality's bid documents and must be completed and signed at the time of submitting the bid to the Municipality;
- (b) employees of any organ of state will be required to complete the schedule as a prerequisite to the bid.

348. Declaration of interest by officials, suppliers, service providers and consultants

- (1) In order to obtain the disclosure of any interests that an official, supplier, service provider or consultant may have with regard to a bid, the declaration of interest schedule must be completed prior to the award of a bid.
- (2) The declaration of interest must be completed by the following persons:
 - (a) all officials involved in the evaluation or approval of a bid;
 - (b) all suppliers, service providers or consultants who are involved in the preparation of bid documentation and bid reporting; and,
 - (c) any other person who played a role in the preparation, specification, evaluation and approval of a bid and who has an interest in the award thereof.

349. General risk management

- (1) For purposes of establishing general risk management measures, the Municipality must apply the following principles:
 - (a) business plans, where applicable, will be required for approval prior to the commencement of all projects;
 - (b) feasibility or design reports will be required by the SDM before bids for projects are called;
 - (c) bid documents will be specific and detailed;
 - (d) applicable project standards must be made available for public perusal;
 - (e) officials must ensure time, cost and quality control while projects are being implemented;
 - (f) where applicable, bidders must obtain public liability insurance to cover the SDM; and,
 - (g) variation orders will only be approved by the Accounting Officer or a duly delegated SDM official, subject to the provisions of Chapter 16 of this policy.

350. Surety

- (1) Sureties must be obtained in respect of construction projects, classified as follows:

| AMOUNT | PERCENTAGE |
|------------------------------|-------------------|
| R300 000 | Nil |
| R300 001-R1 000 000 | 2.5% |
| R1 000 001-R3 000 000 | 5% |
| R3 000 001-R5 000 000 | 7.5% |

| | |
|------------------------------|------------|
| R5 000 001- and above | 10% |
|------------------------------|------------|

- (2) In the event that a contractor is unable to raise the required surety, the Municipality may allow such surety to be deducted in full or part from monies that are to become due to the contractor, in which event this shall be affected by way of deductions from the first three [3] payment certificates issued in favour of the contractor.
- (3) The Municipality may waive the requirement for a surety on construction contracts that are estimated to be equal to or lower than R1 000 000.
- (4) With regard to the waiving of sureties:
 - (a) this may be permitted to assist emerging and HDI entrepreneurs in the small works sector of the construction industry;
 - (b) it may further be permitted where a surety, a performance guarantee or funds cannot be obtained with the assistance of the Eastern Cape Development Corporation (ECDDC) or a similar institution, provided that a written indication thereof is submitted to the Municipality; and,
 - (c) the Municipality may bear the risks associated with such waiver in order to promote emerging and HDI entrepreneurs.
- (5) No contractor, supplier or service provider may be permitted to undertake more than two contracts simultaneously where sureties have been waived.
- (6) Sureties will be released from their obligations upon their application to the Municipality and provided that the Municipality is satisfied that the contract has been completed satisfactorily.

351. Retention

- (1) A percentage of the costs in respect of construction contracts must be set aside as retention funds.
- (2) No more than 10% of the value of the construction contract must be set aside for purposes of subsection (1).
- (3) With regard to the release of retention funds:
 - (a) half of the retention funds shall be released upon the issue of a completion certificate; and,
 - (b) the balance of the retention funds shall be released upon completion of the defects liability period.

352. Cessions

- (1) A cession agreement may be concluded by the Municipality, a contractor, supplier, service provider or financial institution and any other third party in order to assist emerging and HDI entrepreneurs.
- (2) The municipality will allow a financial institution to assist a contractor, supplier or service provider to implement projects on behalf of the employer.
- (3) When entering into a cession agreement for bridging finance, bridging finance will be restricted to a maximum of 80% of the total contract value.
- (4) The conclusion of a cession agreement shall be approved at the discretion of the accounting officer.
- (5) Types of sessions may include: bridging finance, material, plant hire.

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

- (1) The Accounting Officer must ensure that, irrespective of the procurement process followed, no award is given to a person whose tax matters have not been declared by the South African Revenue Service to be in order.
- (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.
- (3) If SARS does not respond within seven (7) days such person's tax matters may for purposes of subsection (1) be presumed to be in order.

354. Prohibition on awards to persons in the service of the state

- (1) The Accounting Officer must ensure that irrespective of the procurement process followed, no award may be given to a person –
 - (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) who is an advisor or consultant contracted with the Municipality.

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

- (1) The notes to the annual financial statements must disclose particulars of any award of more than R2 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.

356. Compliance with ethical standards

- (1) In order to create an environment where business can be conducted with integrity and in a fair and reasonable manner, the SDM will strive to ensure that the Accounting Officer and all representatives of the Municipality involved in supply chain management activities shall act with integrity and in accordance with the highest ethical standards.
- (2) All municipal representatives shall adhere to the code of conduct for municipal staff contained in Schedule 2 of the Municipal Systems Act and the SDM's Code of Ethical Standards.

- (3) A Code of Ethical Standards is hereby established, in accordance with subsection (2), for officials and other role players in the supply chain management system 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.
- (4) An official or other role player involved in the implementation of the supply chain management 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;
 - (d) notwithstanding subsection (4)(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 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 the 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 subsection 103(1) of this policy; or
 - (i) any alleged breach of this Code of Ethical Standards.
- (5) The Municipality shall ensure that:
- (a) all declarations in terms of subsections (4)(d) and (e) must be recorded in a register which the Accounting Officer must keep for this purpose;
 - (b) all declarations by the Accounting Officer must be made to the executive mayor of the Municipality who must ensure that such declarations are recorded in the register; and
 - (c) appropriate action is taken against any official or other role player who commits a breach of the code of ethical standards.

- (6) A breach of the code of ethics must be dealt with as follows:
- (a) in the case of an employee, in terms of the disciplinary procedures of the Municipality envisaged in section 67(1)(h) of the Municipal Systems Act;
 - (b) in the case a role player who is not an employee, through other appropriate means in recognition of the severity of the breach;
 - (c) In all cases, financial misconduct must be dealt with in terms of chapter 15 of the Act.

357. Inducements, rewards, gifts and favours to the Municipality, officials and other role players

- (1) No person who is a provider or prospective provider of goods or services to the Municipality, or a recipient or prospective recipient of goods disposed or to be disposed of by the Municipality, may either directly or through a representative or intermediary promise, offer or grant:
 - (a) any inducement or reward to the Municipality for or in connection with the award of a contract; or
 - (b) any reward, gift, favour or hospitality to:
 - (i) any official; or
 - (ii) any other role player involved in the implementation of the supply chain management policy.
- (2) The Accounting Officer must promptly report any alleged contravention of subsection (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) Subsection (1) does not apply to gifts less than R350 in value.

358. Sponsorships, events and catering

- (1) The Accounting Officer must promptly disclose to the National Treasury and the 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 to the Municipality; or
 - (b) a recipient or prospective recipient of goods disposed or to be disposed of by the Municipality.
- (2) No catering expenses will be incurred for meetings which are only attended by persons in the employ of the municipality, unless the prior written approval of the Accounting Officer is obtained.
- (3) Catering expenses may be incurred for the hosting of meetings, conferences, workshops, courses, forums, recruitment interviews, and proceedings of council that exceed five hours.
- (4) No expenditure on alcoholic beverages may be incurred unless the expenses can be recovered from the sale of such beverages.
- (5) Social events, team building exercises, year-end functions, sporting events and budget vote dinners may not be financed from the municipality's budgets or by any suppliers or sponsors.

342. No expenditure on corporate branded items like clothing or goods for personal use of officials, other than uniforms, office supplies and tools of trade unless costs related thereto are recovered from affected officials or is an integral part of the business model.
- (7) Expenditure may be incurred not exceed the limits for petty cash usage to host farewell functions in recognition of officials who retire after serving the municipality for ten or more years or retire on grounds of ill health.
343. Objections and complaints
- (1) 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.
344. Resolution of disputes, objections, complaints and queries
- (1) The Accounting Officer must appoint an independent and impartial person, not directly involved in the supply chain management processes:
- (a) to assist in the resolution of disputes between the Municipality and other persons regarding:
- (i) any decisions or actions taken in the implementation of the supply chain management system; or
- (ii) any matter arising from a contract awarded in the course of the supply chain management system; or
- (b) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
- (2) The accounting officer, or another official designated by the accounting officer, is responsible for assisting the appointed person to perform his or her functions effectively.
- (3) The person appointed must:
- (a) strive to resolve promptly all disputes, objections, complaints or queries received; and
- (b) submit monthly reports to the Accounting Officer on all disputes, objections, complaints or queries received, attended to or resolved.
- (4) A dispute, objection, complaint or query may be referred to the 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 section must not be read as affecting a person's rights to approach a court at any time.
345. Contracts providing for compensation based on turnover
- (1) If a service provider acts on behalf of a Municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and the Municipality must stipulate:
- (a) a cap on the compensation payable to the service provider; and (b) that such compensation must be performance based.

Supply Chain Performance

346. The performance management process

- (1) The Accounting Officer must establish an effective 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.
- (2) Performance management shall accordingly be characterized by a monitoring process and retrospective analysis to determine whether:
 - (a) proper processes have been followed;
 - (b) value for money has been attained;
 - (c) desired objectives have been achieved;
 - (d) there is an opportunity to improve the processes;
 - (e) suppliers have been assessed and what that assessment is;
 - (f) there has been a deviation from procedures and, if so, what the reasons for that deviation are.

347. System of supply chain performance

- (1) For purposes of internal monitoring, at least the following may be considered:
 - (a) achievement of objectives;
 - (b) compliance with norms and standards;
 - (c) savings generated;
 - (d) stores efficiency;
 - (e) cost variance per item;
 - (f) possible breaches of contract;
 - (g) cost of the procurement process itself;
 - (h) whether supply chain objectives are consistent with national government's policies;
 - (i) increasingly alignment of material construction standards with international best practice;
 - (j) observance of principles of co-operative governance; and (k) reduction of regional economic disparities are promoted.

348. Performance evaluation of the services provided by a contractor / service provider / supplier contracted by the Municipality

- (1) Performance targets are identified as part of the initial planning for a contract, and set out in the business case and request for bid documentation. Targets are generally associated with cost, timeliness and the quality of products and services to be purchased as the outputs of the contract.
- (2) The project manager together with the contract management officials are expected to monitor and evaluate the contractor's performance. This is essential in determining whether the requirements are being met and to avoid any future conflicts over unsatisfactory performance.
- (3) Contractors should be required to report to the project manager on progress in accordance with the agreed timeframes and review schedules. The project manager must inform the contractor in writing where there is evidence that the contractor's performance is inadequate or behind schedule. If there is continuing concern that obligations are not being met, advice should be sought immediately from the Bid Adjudication Committee.

- (4) Disputes must be resolved promptly and not be allowed to escalate into costly legal battles.
- (5) A copy of all performance reports and reports on contract outcomes should be forwarded to the SCM Unit. The SCM Unit must ensure that these reports are available for reference purposes to staff inquiring about a contractor's performance.

349. Unsatisfactory performance

- (1) Unsatisfactory performance occurs when performance is not in accordance with the contract. Subject at all times to the terms and conditions of such contract, the contractor must be warned in writing (with a registered letter) that action will be taken against him/her unless he/she complies with the contract and delivers satisfactorily within a specified reasonable period. If the contractor still does not perform satisfactorily despite the warning, a recommendation may be made to the Bid Adjudication Committee to cancel the contract.
- (2) If during the guarantee period, a supplier does not comply with the requirements due to faulty material or otherwise, the contractor must be requested to repair or replace the faulty material at his or her cost without delay, and that it must be guaranteed for the same period as the original supplies.
- (3) Continuously communicate unsatisfactory performance to contractors in writing compelling the contractor to perform according to the contract and thus to rectify or to restrain from unacceptable actions.
- (4) If the performance is not rectified, the Project Manager must inform the SCM Unit of this fact.
- (5) Before action is taken in terms of the general conditions of contract or any other special contract condition applicable, the Municipality must warn the contractor by registered mail that action will be taken in accordance with the contract conditions unless the contractor complies with the contract conditions and delivers satisfactory supplies or services within a specified reasonable time. If the contractor still does not perform satisfactorily despite a final warning, the SCM Unit may make a recommendation to the Accounting Officer or the delegate for the appropriate penalties to be introduced or make a recommendation to the Accounting Officer for the cancellation of the contract concerned.
- (6) When correspondence is addressed to the contractor, reference must be made to the contract number, the item number and the number and date of any relevant invoice, statement or letter received from the contractor. Otherwise the number and date of the order, a short description of the supply or service and details of the destination if applicable, must be supplied.
- (7) When the Municipality has to satisfy its need through another provider (for the contractor's expense), the loss to SDM must always be restricted to the minimum since it is difficult to justify the recovery of unreasonable additional costs from the contractor.
- (8) Record must be kept by the SCM Unit of details of all cases of non-performance by contractors. If rejected supplies are in the possession of the SDM, the contractor must be requested to collect the supplies at his/her own expense, failing which the goods will be sent back and the cost will be for the contractor's account.

Contract Management process

350. The contract management process

The Accounting Officer must develop and implement mechanisms to effectively manage important aspects relating to contracts awarded through the supply chain management system of Council. A Municipality cannot operate at all without entering into contracts on a regular basis and the obligations and rights created by the conclusion of these contracts should be

managed in order to protect the interests of both the Municipality and the other contracting party.

351. The concept of contract management

Contract management consists of the process that enables the Municipality, as a party to a contract, to protect its own interests and to ensure that it complies with its duties, as agreed upon in the contract. Non-performance or inadequate performance of these will compromise the municipality's legal position and will have a detrimental impact on the effectiveness of the Municipality, with related financial losses.

The process to manage contracts properly involves the following distinct aspects: the administration process, and the delivery or performance process.

352. The administration process

This process encompasses the totality of the administrative management of contracts, which includes the following:

(1) The co-ordination of all activities relating to contracts

(a) Centralised control point

This is normally performed by the Corporate Services Department, which takes full responsibility as main contact point between the parties to the contract, on the one hand, and as contact point between the functionaries of the Municipality, on the other. All the following matters will thus be handled at the central point, namely:

- (i) enquiries;
- (ii) liaison; and (iii) correspondence.

(b) Centralised registering point

All contracts concluded must be recorded in a register. The contract register should preferably contain the following information:

- (i) name of party;
- (ii) type of contract (lease, loan, encroachment, etc.);
- (iii) date concluded (this refers to the date on which the contract comes into operation and not the date of signing of the contract);
- (iv) date of expiry; and
- (v) action date (this indicates the ideal date on which action must be taken in order to either renew the existing contract or to implement appropriate action prior to termination of the contract).

The contract register must be kept electronically and in alphabetical order. All new contracts that have been entered into must immediately be recorded in the register. Contracts that have expired or no longer exist for whatever reason must be removed from the register and be recorded on a register or list for cancelled or terminated agreements.

(c) Reproduction and distribution of contracts

Once a contract is signed copies must be made and:

- (i) be placed in the relevant file;
- (ii) be furnished to relevant departments under cover of a memorandum. If, for example, the contract places a duty on the Budget and Treasury

- Office and the Engineering Services Department, copies must be furnished to those departments;
- (iii) the original document must be dealt with as indicated in subsection (1)(d) below; and
 - (iv) an original contract must be furnished to the other party.
- (d) Safekeeping of contracts
- (i) The original contract must always be archived centrally.
 - (ii) It must be placed in a special file separate from other documents, which must be stored in a locked cabinet that is situated in a strong room.
 - (iii) Only one official must exercise control over original contracts.
 - (iv) Original contracts should preferably not be made available to persons other than the parties to the contract. If a third party is authorized to have sight of the contract, such third party must sign for receipt of the contract.
- (e) Contract formalisation
- (i) On the award of a bid or quote the Acquisition Section shall forward the original submission together with details of the award to the Contract Administration Section.
 - (ii) The Contract Administration will review the contract data and record the award.
 - (iii) On notification of the award of contract the Contract Administration Section and Legal Services will invite the authorised representative of the successful vendor, whose signature appears on the Resolution of Board of Directors, to attend a meeting where the following shall take place:
 - (aa) review of contract data;
 - (bb) submission of a surety, if any, in the amount stated in the Form of Guarantee;
 - (cc) submission by the vendor of contractual insurances, if any, for the various aspects and in the amounts stated in the bid or quotation document;
 - (dd) submission by the vendor of any other document and/or information stated in the bid or quotation document as a prerequisite for commencement of the contract; and
 - (ee) signature by the authorised representative of the successful vendor and a witness of all contractual documents.
 - (iv) After the meeting, the Contract Administration Section will forward the documentation to the Legal Services Unit. Upon receipt of the documentation Legal Services shall take the following steps:
 - (aa) in the case of infrastructure related contracts; ensure that the "acceptance" portion of the Form of Offer and Acceptance is

- signed on behalf of the "Employer" by the official with the delegated authority; or
- (bb) in the case of all other categories of acquisition, ensure that the Part 2 of the Contract Form : Purchase of Goods/Works or Contract Form : Rendering of Service is signed on behalf of the "Employer" by the official with the delegated authority.
- (v) Contracts relating to information technology shall be prepared in accordance with the State Information Technology Act, 1998 (Act No. 88 of 1998), and any regulations made in terms of that Act.
 - (vi) Under no circumstances will the Users/Project Managers communicate the award to the successful vendor or issue instructions to the successful vendor to commence with the contract unless the requirements of the above have been met.
 - (vii) The Project Manager together with the Contract Administration Section shall monitor performance of the contract to ensure that socioeconomic objectives undertaken by the vendor at the bidding or quotation stage are adhered to.
 - (viii) The contract should be written in English or in any other language chosen by the parties, and proper contract documents should be used.
 - (ix) Contracts should be signed, after mutual consensus, by all parties to the contract.
 - (x) All agreements regarding the supply of goods and services to the Municipality must:
 - (aa) be concluded in writing;
 - (bb) stipulate the terms and conditions of the contract or agreement, which must include provisions providing for:
 - (aaa) the termination of the contract or agreement in the case of non- or under-performance;
 - (bbb) dispute resolution mechanisms to settle disputes between the parties;
 - (ccc) a periodic review of the contract or agreement once every three years in the case of a contract or agreement for longer than three years; and (ddd) any other matters that may be prescribed.
 - (xi) The Accounting Officer must take all reasonable steps to ensure:
 - (aa) that a contract or agreement procured through the supply chain management policy is properly enforced;
 - (bb) monitor on a monthly basis the performance of the contractor under the contract or agreement;
 - (cc) establish capacity in the administration of the municipality- (aaa) to assist the Accounting Officer in carrying out the duties set out in

- (bbb) to oversee the day-to-day management of the contract or agreement; and
- (ccc) regularly report to the council of the municipality on the management of the contract or agreement and the performance of the contractor/service provider/supplier.
- (dd) A contract or agreement procured through the supply chain management policy may be amended by the parties, but only after:
 - (aaa) the reasons for the proposed amendment have been tabled at the council of the municipality or, in the case of a municipal entity, in the council of its parent municipality; and
 - (bbb) the local community-
 - (1) has been given reasonable notice of the intention to amend the contract or
 - (2) has been invited to submit representations to the municipality.
- (xii) Copies of the original contract must be made and must be kept in a secure place, as indicated in subsection (d)(iv) above.

(f) Approval of contracts

All contracts to be concluded by the Municipality must be approved by the Accounting Officer or the delegated official. All contracts must indicate the name of the responsible person delegated by the Accounting Officer to sign on his or her behalf. The full name and signature of the Accounting Officer or responsible person in question must be added in the space provided. No official can sign on behalf of someone else unless properly authorized to do so.

(g) Signing of contracts

The signing of a contract takes place as soon as possible after the approval thereof. The following must be prudently adhered to when a contract is signed:

- (i) the representative of the Municipality must have the required authority to sign the contract;
- (ii) if the other party is a company, a close corporation, partnership or other form of legal entity, then a written resolution must be produced and attached to the contract, authorizing the signatory to sign on behalf of the other party;
- (iii) that the committee resolution, in terms whereof the contract was approved, is recorded in the contract;
- (iv) that the contract is signed with a pen using indelible ink;
- (v) that the contract is signed in the presence of two witnesses; and
- (vi) that a sufficient number of copies of the original contract are made for the parties involved.

(h) Expiry or termination of contracts

The following action is required when a contract is terminated:

- (i) The Municipality must ensure that it notifies the other contracting party, in writing, of the imminent expiry of the contract.
 - (ii) The notification referred to above must contain the information required in terms of the contract.
 - (iii) When an option to renew has been granted to the other contracting party, such party must be notified of such option in writing, and well in advance of the date on which he, she or it is required to exercise the option.
 - (iv) The termination of a contract prior to its expiry date can take place in any of the following ways:
 - (aa) in accordance with a termination clause;
 - (bb) as a consequence of the breach of contract by either party;
 - (cc) death of a party;
 - (dd) destruction of the object of the contract;
 - (ee) where the parties become one party, e.g. when two or more municipalities amalgamate;
 - (ff) by operation of law; and
 - (gg) where the cause of the relationship in terms of the contract ceases to exist, for whatever reason.
 - (i) Termination of a contract must be done strictly in accordance with the terms and conditions set out in the termination clause.
 - (ii) Termination of a contract, for whatever reason, must be dealt with judiciously and in consultation with the SDM's legal advisor.
 - (iii) As indicated in subsection (1)(b) above, all terminated contracts must be clearly indicated as such in a separate register.
- (i) Delivery or performance process
- This process commences as soon as a contract is concluded. The parties are entitled to exercise their respective rights and are obliged to fulfil the duties stipulated in the contract. The nature of management required will ultimately depend upon the type of each individual contract. In some cases, contracts can be managed adequately with little involvement, whilst in other cases proper management without a competent project team is impossible. A good example of the latter is capital projects or service delivery agreements of considerable extent.

The nature of a contract will also indicate which department of the Municipality will be required to accept responsibility for the successful implementation of the project. Circumstances will dictate the responsibility of the various departments involved and what level of management will be required.

353. Managing contracts

- (1) The Municipality must ensure that contracts are administered in terms of the specifications and conditions contained in the contract, as well as any applicable legal provisions of a general nature.
- (2) The contract must be implemented according to proposed strategy, with reference to the budget, strategic and procurement plan.

- (3) The contract register for the Municipality should be checked on a regular basis to ensure that it is up to date and accurate.
- (4) The outcomes of a contract must be monitored with reference to any documented expectations to ensure that the benefits realized by the Municipality are in line with such expectations.
- (5) The lifespan of the project must be monitored in line with the available budget approved.
- (6) Delivery must be assessed on the basis of the signed contract.
- (7) Orders are to be monitored continuously to ensure proper supply and delivery in accordance with the terms and conditions of the contract.
- (8) The Municipality must ensure that all parties to the contract observe acceptable ethical standards.
- (9) Necessary approval from the Accounting Officer and the bid adjudication committee, for non-contractual price adjustments, must be obtained, provided that such adjustments are lawful and not in contravention of the principles contained in this policy.
- (10) Contractual price adjustments may be considered, provided that these are in line with the terms and conditions of the contract and the supplier provides documentary proof or an audited certificate of price adjustments claimed to warrant such an adjustment.
- (11) Subject to the terms and conditions of the contract, the supplier or successful bidder must, within 30 days of the formation of the contract, provide security in the amount specified. Similarly, the supplier or successful bidder must provide a warranty for the goods and services to be provided.
- (12) If it was a condition of the bid invitation that the bidder or contractor must allow the Municipality to carry out inspections, tests and analysis, then the bidder must be open, at all reasonable hours, for such inspection, tests or analysis by the Municipality. The inspection, testing and analysis of any contract for supplies is recommended and may be rejected for non-compliance.
- (13) The Municipality must ensure that payment to a service provider is made in accordance with contract terms and conditions, and only after proper delivery of the goods or services and upon receipt of an invoice.
- (14) Goods and services should be provided by a service provider in accordance with the time schedule and quality specifications stipulated in the contract. A delay should be explained by the service provider in writing and may result in the imposition of penalties by the institution. The implementation of penalties for non-delivery must be adhered to.
- (15) Once a contract has been concluded, a close out report must be compiled.
- (16) The Municipality must ensure that the service provider does not assign or subcontract a portion or the whole contract to another party without the approval of the Municipality.
- (17) **End User departments should be notified in writing six(6) months before the contract expires.**
- (18) **Contract extensions should be done through Supply Chain Unit**
- (19) Subject to the terms and conditions of the contract, the Municipal Manager and Bid Adjudication Committee may terminate the contract for non-performance.
- (20) Any breach of contract must be clearly documented and reported to SCM and the Municipal Manager.

354. Application

The contract management provisions above are applicable only to contracts for the provision of goods and services.

PART B

INFRASTRUCTURE PROCUREMENT

POLICY

Infrastructure Procurement and Delivery Management Policy

Preamble

This policy is aligned with the provisions of the MFMA Circular 77, Model SCM policy for Infrastructure Procurement and Delivery Management, and is consistent with the provisions of the National Treasury Standard for Infrastructure Procurement and Delivery Management.

Organs of state requiring infrastructure projects need to perform the following basic client functions as necessary:

- initiate and finance projects, approve or change the project brief or requirements and own the business case;
- put in place the delivery team that is required to deliver infrastructure projects;
- pay contracted resources on time;

- provide client leadership and direction to and accept the outputs of the delivery team;
- set the delivery team up for successful delivery and remove obstacles or blockages to progress;
- ensure that adequate maintenance regimes and protocols are put in place to ensure long term sustainability of infrastructure projects;
- ensure compliance with legislative provisions including those relating to health, safety and the environment;
- oversee the management of scope (demand), budgets and cash flows, procurement of implementation resources, payment of contracted persons, accounting for expenditure, compliance with legislation, etc.; and
- lead engagements with internal and external stakeholders and utilities.

The principal role of a client is to ensure that a solution to the business case for a project is achieved. As a client, Sekhukhune District Municipality (SDM) owns the business case of the project and is accountable for project outcomes. Accordingly, SDM as a client needs to provide effective leadership of the project throughout the project life cycle, commencing at a strategic level and ending at the close out of a project after SDM has accepted and commenced operation of the infrastructure project that is delivered. Effective leadership by SDM is achieved through knowledgeable client delivery management, effective governance and procurement arrangements, which are underpinned by this infrastructure procurement and delivery management policy.

SDM needs to contract the necessary resources to deliver the required infrastructure projects. The procurement of general goods and services for consumption usually involves the direct acquisition of products and services which are standard, well-defined and readily scoped and specified. The process normally involves the production of a specification which then forms the requisition. An immediate choice can be made in terms of the cost of goods and services satisfying the specified requirements, which can be paid for upon delivery.

There are many more risks to manage in infrastructure procurement than for general goods and services, due to many risks which can manifest during the delivery of the project. In addition, infrastructure requirements are often established from a perspective of desired performance, rather than a well-defined specification. A range of different combinations of goods and services with differing characteristics such as initial cost, reliability, life-cycle costs, and operating costs may satisfy performance requirements. An infrastructure product is also usually delivered and paid for incrementally over a period and is “manufactured” on a site. For these reasons, infrastructure procurement needs to be treated differently to the procurement of general goods and services, and hence a dedicated policy for infrastructure procurement and delivery management is required.

Section 217 of the Constitution requires that the procurement system be fair, equitable, transparent, competitive and cost effective and permits a deviation from these requirements to implement a preferential procurement policy in accordance with the requirements of the Preferential Procurement

Policy Framework Act. This does not preclude the use of procurement to achieve socio-economic objectives such as participation of local contractors and BBBEE. This policy is fully aligned to the empowerment provisions of the PPPFA.

Section 195 of the Constitution requires that the public administration must promote the efficient, economic and effective use of resources (value for money). This policy is structured to comply with these constitutional imperatives in the area of infrastructure procurement and delivery management.

The Municipal Finance Management Act (section 115) and the Municipal Supply Chain Management Regulations (regulations 4 and 5) make the Municipal Manager responsible for implementing the supply chain management policy of the municipality and allows the Municipal Manager to subdelegate responsibility for implementing aspects of the policy to other officials in the Municipality.

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1 Purpose

The purpose of this policy is to establish an approved procurement and delivery management system for SDM aligned with the provisions of Section 217 of the Constitution, the Local Government: Municipal Finance Management Act of 2003 and the Preferential Procurement Policy Framework Act of 2000, which promotes the efficient, economic and effective use of resources in the procurement and delivery of infrastructure projects.

2 Scope

This document establishes the SDM policy for infrastructure procurement and delivery management. It includes the procurement of goods and services necessary for a new facility to be occupied and used as a functional entity. It excludes:

- a) the storage of goods and equipment following their delivery prior to being issued to contractors or to employees;
- b) the disposal or letting of land;
- c) the conclusion of land availability agreements;
- d) the leasing or rental of moveable assets;
- e) public private partnerships; and
- f) the provisions of municipal services by means of external mechanisms referred to in Chapter 8 of the Municipal Systems Act.

This policy does not include any sub-delegations from the Municipal Manager to other officials in the Municipality, which shall be dealt with separately by the Municipal Manager.

3 Definition of concepts

Infrastructure comprises immovable assets which are acquired, constructed or which result from construction operations and includes moveable assets which cannot function independently from purpose built immovable assets. It includes Information and Communication Technology (ICT) networks and systems that are used to communicate and to create disseminate, store and manage information.

Procurement is the process which creates, manages and fulfils contracts. Procurement commences once a need for goods and services or any combination thereof has been identified and it ends when the goods are received and the services are completed and contracts closed out. There are accordingly three phases to the procurement process associated with infrastructure, namely:

- a planning phase during which decisions are made as to what, where and when goods and services are required, which project delivery route is to be pursued and what is the number, type, nature and timing of the required contracts;
- an acquisition phase during which contracts are entered into following the execution of a selection procedure; and
- a contract management (or contract administration) phase during which compliance with requirements, changes in requirements and risk events which manifest during the execution of contracts are managed.

Infrastructure delivery management is the critical leadership role played by a knowledgeable client to deliver infrastructure projects efficiently and effectively, resulting in value for money. Infrastructure delivery management includes knowledgeable leadership, consistent governance and systematic administration of infrastructure procurement, contracts and project finances.

Delivery management activities commence with the SDM vision and business objectives, which inform its spatial vision and the continuous assessment of needs for more infrastructure or to modify or to maintain the functionality of existing infrastructure. In the case of new infrastructure or the rehabilitation, refurbishment or alteration of infrastructure, delivery management activities involve planning at a programme and project level and the procurement and management of a network of suppliers, including professional services, contractors and subcontractors to design, detail, deliver, rehabilitate, refurbish or alter infrastructure on a site.

Value for money refers to a project that is well worth the money spent on it. It is the effective, efficient and economic use of resources, or the optimal use of resources, to achieve intended outcomes. Value for money is the attainment of a desirable or satisfactory outcome in relation to a carefully considered budget. In the context of infrastructure projects, final value is benchmarked against the client's value proposition, usually set at the outset of the project and perhaps modified at the start of construction or supply.

4 Principles, procedures and delegations

4.1 Delegations

4.1.1 The Council of SDM hereby delegates all powers and duties to the Municipal Manager which are necessary to enable the Municipal Manager to:

- a) discharge the supply chain management responsibilities conferred on accounting officers in terms of Chapter 8 or 10 of the Local Government Municipal Finance Management Act of 2003 and this document;
- b) maximise administrative and operational efficiency in the implementation of this document;
- c) enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this document; and
- d) comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Local Government Municipal Finance Management Act of 2003 Act.

4.1.2 No departure shall be made from the provisions of this policy without the approval of the Municipal Manager of SDM.

4.1.3 The Municipal Manager shall for oversight purposes:

- a) within 30 days of the end of each financial year, submit a report on the implementation of this the policy and the equivalent policy of any municipal entity under the sole or shared control of SDM, to the council of SDM / within 20 days of the end of each financial year,

- submit a report on the implementation of this policy to the board of directors, who must then submit the report to the Municipal Manager of SDM for submission to the council;
- b) whenever there are serious and material problems in the implementation of this policy, immediately submit a report to the council.
 - c) within 10 days of the end of each quarter, submit a report on the implementation of the policy to the Mayor; and
 - d) make the reports public in accordance with section 21A of the Municipal Systems Act of 2000.

4.2 Delivery of infrastructure projects

4.2.1 General

4.2.1.1 The Director: Engineering Services shall for each infrastructure project or group of infrastructure projects, appoint a client delivery manager to perform the roles and functions as described in Annex A.

4.2.1.2 The appointed client delivery manager shall establish a competent client delivery management team and a competent delivery team (see Annex A) to implement the project or group of projects.

4.2.1.3 The project governance arrangements for infrastructure projects shall be as described in Annex B. The senior line manager overseeing infrastructure delivery is the Director: Engineering Services who shall appoint the members of project steering committees which shall meet at least once a quarter.

4.2.1.4 SDM shall directly employ, or work towards the direct employment of a client delivery manager and the staff necessary to effectively function as the client delivery management administrative team as described in Annex A. The client delivery manager and team shall provide knowledgeable leadership and administration and support the governance functions associated with infrastructure procurement and delivery.

4.2.2 Control framework for the planning, design and execution of infrastructure projects

4.2.2.1 The control framework for the planning, design and execution of infrastructure projects shall comprise the stages, gates and key deliverables as set out in Annex E. The responsibilities for approving or accepting end of stage deliverables shall be as stated in Table 1. The client delivery manager shall ensure that all relevant approvals and acceptances that are obtained are recorded on suitable templates and are retained for record purposes in a secured environment for a period of not less than five years after such acceptance.

Table 1: End of stage deliverables requiring approval or acceptance by the Municipal Manager or his/her delegate

| Stage | | Person assigned the responsibility for approving or accepting end of stage deliverables |
|-------|--------------------------|--|
| No | Name | |
| 0 | Project initiation | Municipal Manager or his/her delegate approves the initiation of the project |
| 1 | Infrastructure planning | Municipal Manager or his or her delegate approves the infrastructure management plan |
| 2 | Strategic resourcing | Municipal Manager or his or her delegate approves the delivery and / or procurement strategy |
| 3 | Pre-feasibility | Municipal Manager or his/her delegate accepts the pre-feasibility report |
| | Preparation and briefing | Municipal Manager or his/her delegate accepts the strategic brief |
| 4 | Feasibility | Municipal Manager or his/her delegate accepts the feasibility report other than a PPP Municipal Manager or his/her delegate accepts the feasibility report for a PPP |
| | Concept and viability | Municipal Manager or his/her delegate accepts the concept report |
| 5 | Design development | Municipal Manager or his/her delegate or his or her delegate accepts the design development report |
| 6 | Design documentation | 6A Production information Municipal Manager or his/her delegate or his or her delegate accepts the parts of the production information which are identified when the design development report is accepted as requiring acceptance |
| | | 6B Manufacture, fabrication and construction information The contract manager (person or entity appointed by ADM to administer the contract) accepts the manufacture, fabrication and construction information] |
| 7 | Works | The contract manager certifies completion of the works or the delivery of goods and associated services |
| 8 | Handover | Municipal Manager or his/her delegate accepts liability for the works |
| 9 | Package completion | The contract manager certifies the defects certificate in accordance with the provisions of the contract The contract manager certifies final completion in accordance with the provisions of the contract Municipal Manager or his/her delegate or his or her delegate accepts the close out report |

4.2.2.2 The approval of the infrastructure plan and the securing of the necessary budget shall be obtained prior to advancing to stage 3. Such approval may be for the whole or a part of the SDM's infrastructure budget. All subsequent stages shall only proceed if the necessary budget is in place.

4.2.2.3 Prefeasibility and feasibility reports shall be undertaken, where one or more of the following applies:

- a) the Director Engineering Services (DES) or his or her delegate instructs that a prefeasibility and feasibility report be undertaken;
 - 1) where the project delivery route (see Annex D) involves a design, build and operate contract;
 - 2) the project comprises infrastructure which requires special design considerations (e.g. new / untried technologies).

4.2.2.4 The DES or his or her delegate shall, prior to acquiring existing infrastructure, approve:

- a) a valuation and due diligence report relating to the purchase of existing infrastructure which demonstrates the value for money proposition of the acquisition; or
- b) a favourable due diligence report which establishes the potential usage and benefits, ownership risks and liabilities, status assessment and financial implications of infrastructure which is to be donated.

4.2.2.5 The DES or his or her delegate may, if deemed necessary, appoint a gateway review team to undertake a gateway review of the stage 4, 5 and 8 deliverables in the control framework for the planning, design and execution of infrastructure projects prior to making a final decision to proceed with a project in accordance with the provisions of Annex E. The DES or his or her delegate shall nevertheless appoint a gateway review team to review:

- a) the end-of stage 4 deliverable on all major capital projects (an infrastructure project or a series of interrelated infrastructure projects on a single site having an estimated cost, including those required for new facilities or systems to become fully operational) where the estimated cost inclusive of VAT exceeds R 50 million / R 100 million and notify the provincial Treasury three weeks prior to the conducting of the review, together with the names and qualifications of the reviewers and the time frames for the review so that the provincial Treasury can nominate additional persons to serve on the review team; and
- b) any of the end-of -stage deliverable following the receipt of a notification of a required review and the focus of the review from the provincial Treasury.

4.2.2.6 The DES or his or her delegate may appoint a gateway review team to undertake a gateway review of the stage 4 deliverable in the control framework for the planning, design and execution of infrastructure projects prior to making a final decision to proceed with a project in accordance with the provisions of Annex E. The contents of the gateway review report shall be taken into account when accepting the stage 4 deliverable. A stage 4 deliverable shall not be accepted until such time that all code red risks (risks that pose a significant risk to the project or package) have been addressed in the stage 4 end-of-stage deliverable.

4.2.3 Oversight requirements

4.2.3.1 The client delivery manager shall, appropriate to the adopted project delivery route for the delivery of new or altered, refurbished or rehabilitated infrastructure (see Annex D), ensure that there is a level of expertise and resources that are available to ensure that:

- a) contracts which include infrastructure are entered into as an informed client;
- b) due diligence is undertaken at an appropriate level to confirm that the requirements of a contract which includes infrastructure is actually delivered in accordance with the terms of that contract; and
- c) an appropriate level of independent scrutiny is undertaken in relation to all aspects of design and construction or installation that are in effect largely or partly self-certified by those producing them.

4.2.3.2 A contract manager, who may or may not be a member of staff, shall be appointed to administer infrastructure projects on behalf of SDM. Such a person shall act as stated in the contract that is entered into, subject to any constraints that may be imposed by SDM and this policy and:

- a) provide all relevant data associated with the contract which is required for reporting and cashflow purposes;
- b) make an assessment of the amount due in terms of the contract and certify payment; and
- c) revise the forecast of the final total of the prices of the contract whenever a change in the prices occurs in accordance with the provisions of the contract.

4.2.3.3 The contract manager responsible for the administration of a contract or order relating to the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure other than ICT, shall be registered in a professional category of registration appropriate to the work being undertaken in terms of the Architectural Profession Act, the Engineering Profession Act, Landscape Architectural Profession Act, the Project and Construction Management Professions Act or Quantity Surveying Profession Act

4.2.3.4 The client delivery manager shall ensure that financial data is gathered to enable a financial report to be generated at regular intervals which:

- a) lists the packages (work which has been grouped together for delivery under a single contract or an order issued in terms of a framework agreement) which have completed stage 7 (works) together with actual expenditure;
- b) indicates the following for packages which have advanced beyond stage 4 (concept and viability or feasibility) but have not yet completed stage 7 (works):
 - 1) budget for the financial year;
 - 2) expenditure committed to date;
 - 3) actual expenditure to date;

- 4) remaining budget for the year;
 - 5) forecast expenditure for the remainder of the year; and
 - 6) forecast over/under expenditure for the year;
- c) indicates professional fees associated with a project or package; and
- d) enables “actual” versus “committed” and “planned” expenditure to be compared.

4.2.3.5 Payment shall be made by the SDM against the amount certified by the contract manager. Any corrections to a certified amount other than a final amount shall be effected in the subsequent payment certificate.

4.2.4 Implementation plans and control budgets

4.2.4.1 The client delivery manager shall ensure that an implementation plan is produced, for all projects for which he or she is responsible, prior to the start of a financial year which indicates at least the information indicated in Annex F. Such a plan shall be approved by the DES. The client delivery manager shall update the implementation plan at least quarterly and provide the DES with a copy of such a plan.

4.2.4.2 The client delivery manager shall establish an annual control budget for all projects for which he or she is responsible for delivering in a financial year as well as for each individual infrastructure project. Such a budget shall include all costs associated with the delivery of a work package including professional fees and make provision for contingencies and price adjustment for inflation.

4.2.4.3 Costs shall be proactively managed through the setting and proactive monitoring of control budgets for projects through the project planning, detailed design and site processes.

4.2.5 Risk management

4.2.5.1 Risk registers shall be established and maintained to enable risk mitigation relating to infrastructure procurement and delivery management to be proactively managed at all levels.

4.2.5.2 Risks that have a significant negative impact upon project outcomes shall be escalated through the project governance structure established in 4.3.1.2 in order to mitigate the risk.

4.3 Infrastructure procurement

4.3.1 General

4.3.1.1 Procurement shall be undertaken in accordance with the provisions of Section 217 of the Constitution, the provisions of the Preferential Procurement Policy Framework Act of 2001 and

- a) the relevant requirements of SANS 10845-1, SANS 10845-2, SANS 10845-3 and SANS 10845-4;
- b) the provisions of Annex G; and

- c) the administrative procedures embedded in the adopted standard forms of contract identified in Annex G.

4.3.1.2 Preferences may only be applied in the procurement process in accordance with the provisions of the Preferential Procurement Policy Framework Act of 2001.

4.3.1.3 Quality may be evaluated in tender submissions as other objective criteria as provided for in the Preferential Procurement Policy Framework Act in accordance with the provisions of SANS 10845-1.

4.3.1.4 The Municipal Manager may approve a request from another organ of state to make use of a framework contract put in place through this policy.

4.3.2 Control framework

4.3.2.1 The control framework for infrastructure procurement shall be as set out in Annex H. The responsibilities for taking the key actions associated with the formation and conclusion of contracts including framework agreements above the quotation threshold shall be as stated in Table 2. The responsibilities for taking key actions associated with the issuing of orders in terms of a framework agreement are as indicated in Table 3.

Table 2: Procurement activities and gates associated with the formation and conclusion of contracts above the quotation threshold

| Activity | | Principal action (see Table H1 in Annex H) | | Responsible person or body |
|----------|----------------------------------|--|---|---------------------------------------|
| 1* | Establish what is to be procured | 3 PG1 | Decide to proceed / not to proceed with the procurement. | Municipal Manager or his/her delegate |
| 2* | Decide on procurement strategy | 5 PG2 | Confirm procurement strategy so that tender offers can be solicited | Municipal Manager or his/her delegate |
| 3 | Solicit tender offers | 2 PG3 | Grant approval for the issuing of the procurement documents | Procurement documentation committee |
| | | 3 PG4 | Confirm that finance is available for the procurement to take place | Municipal Manager or his/her delegate |
| 4 | Evaluate tender offers | 4.2 PG5 | Ratify recommendations of the evaluation report and authorise progression to the next stage of the tender process | Evaluation committee |
| | | 4.7 PG6 | Make recommendation to award a contract or refer the evaluation report back to the evaluation committee for reconsideration | Tender committee |

| | | | | |
|---|---|----------|---|--|
| 5 | Award contract | 5.3 PG7 | Accept the tender offer in writing | Municipal Manager or his or her delegate |
| | | 5.5 GF1 | Authorise the uploading of financial data on the financial system | Municipal Manager or his/her delegate |
| 6 | Administer contracts and confirm compliance with requirements | 6.4 PG8A | Approve waiver of penalties or low performance damages | Municipal Manager or his/her delegate |
| | | 6.5 PG8B | Grant permission for the referral of a dispute to an adjudicator or for final settlement to an arbitrator or court of law | Municipal Manager or his/her delegate |
| | | 6.6 PG8C | Approve amount of time and cost overruns up to a threshold | Municipal Manager or his/her delegate |
| | | 6.7 PG8D | Approve amount of time and cost overruns above a threshold | Municipal Manager or his or her delegate |
| | | 6.8 PG8E | Approve cancellation or termination of a contract | Municipal Manager or his or her delegate |
| | | 6.9 PG8F | Approve proposed amendment to contract | Municipal Manager or his or her delegate |

4.3.2.2 The responsibilities for taking the key actions associated with the quotation procedure and the negotiation procedure or the issuing of orders where the value of the contract is less than the threshold set for the quotation procedure shall be as follows:

- a) the Director Engineering Services shall grant approval for the issuing of the procurement documents, based on the contents of a documentation review report developed in accordance with the provisions of Annex H; and
- b) the authorised person may award the contract if satisfied with the recommendations contained in the evaluation report prepared in accordance with the provisions of this policy and finalized by the evaluation committee.

Table 3: Procurement activities and gates associated with the issuing of an order above the quotation threshold in terms of a framework agreement

| Activity | | Responsible person |
|----------|---|--|
| 1 FG1 | Confirm justifiable reasons for selecting a framework contractor where there is more than one framework agreement covering the same scope of work | Director Engineering Services (DES) |
| 3 FG2 | Approve procurement documents | Procurement documentation committee |
| 4 FG3 | Confirm that budgets are in place | Director Engineering Services (DES) |
| 6 FG4 | Authorise the issuing of the order | Municipal Manager or his or her delegate |

4.3.2.3 Prior approval shall be obtained for the following selection methods from the following;

- a) The Chief Financial Officer shall authorise the use of the negotiated procedure above the thresholds provided in Annex H except where a rapid response is required in the presence of, or the imminent risk of, an extreme or emergency situation arising from the conditions set out in Annex H and which can be dealt with or the risks relating thereto arrested within 48 hours; and
- b) The Chief Financial Officer shall authorise the use of the confined procedure.

4.3.2.4 The Municipal Manager or his or her delegate shall authorise the award of a contract where the shopping procedure has been applied, provided that such person is satisfied that the procedure has been undertaken in accordance with the provisions of this policy.

4.3.2.5 The tender adjudication committee shall report to the Municipal Manager any recommendation made to award a contract to a tenderer other than the tenderer recommended by the evaluation committee, giving reasons for making such a recommendation.

4.3.3 Committee system for procurement

4.3.3.1 A committee system comprising the procurement documentation committee, evaluation committee and tender adjudication committee shall be applied to all selection methods where the estimated value of the procurement exceeds the financial threshold for quotations and to the putting in place of framework agreements in accordance with Annex H.

4.3.3.2 The procurement documentation committee shall comprise one or more persons. This committee shall be chaired by an employee of SDM appointed by the Municipal Manager. The chairperson shall appoint on a procurement by procurement basis:

- a) other members of the procurement documentation committee which shall, where relevant, include a representative of the end user; and
- b) Persons to review the procurement documents and to develop a procurement documentation review report.

4.3.3.3 The evaluation committee shall comprise at least three persons. This committee shall be chaired by an employee of SDM appointed by the Municipal Manager. The chairperson shall appoint on a procurement by procurement basis:

- a) persons to prepare the evaluation report and, where applicable, the quality evaluations, in accordance with Annex H; and
- b) the members of the evaluation committee, which shall, where relevant, include a representative of the end user.

a) **4.3.3.4** The tender committee shall consist of at least four senior managers of the Municipality appointed by the Municipal Manager, and shall include the Chief Financial Officer, at least one senior supply chain management practitioner and a technical expert

in the relevant field. The Municipal Manager shall appoint the chairperson of the tender committee.

4.3.4 Disposal committee

4.3.4.1 The Municipal Manager shall appoint on a disposal by disposal basis in writing the chairperson and the members of the disposal committee to decide on how best to undertake disposals in accordance with the provisions of Annex G.

4.3.4.2 The disposal committee shall comprise not less than three people.

4.3.4.3 The disposal committee shall make recommendations to the Municipal Manager or his or her delegate who shall approve the recommendations, refer the disposal strategy back to the disposal committee for their reconsideration, decide not to proceed or to start afresh with the process.

4.3.5 Unsolicited proposal

4.3.5.1 SDM is not obliged to consider unsolicited offers received outside a normal procurement process but may consider such an offer only if:

- a) the goods, services or any combination thereof that is offered is a demonstrably or proven unique innovative concept;
- b) proof of ownership of design, manufacturing, intellectual property, copyright or any other proprietary right of ownership or entitlement is vested in the person who made the offer;
- c) the offer presents a value proposition which demonstrates a clear, measurable and foreseeable benefit for the SDM;
- d) the offer is in writing and clearly sets out the proposed cost;
- e) the person who made the offer is the sole provider of the goods or service; and
- f) the Municipal Manager finds the reasons for not going through the normal tender processes to be sound.

4.3.5.2 The Municipal Manager may only accept an unsolicited offer and enter into a contract after considering the recommendations of the tender committee if:

- a) the offer relates to known requirements that cannot, within reasonable and practical limits, be acquired through a competitive or competitive negotiation procedure as provided for in SANS 10845-1; and
- b) the person who made the offer satisfies all other requirements which are conditional upon the award of a contract.

4.3.6 Legal review of procurement documents

SDM's preapproved templates for Part C1 (Agreements and contract data) of procurement documents shall be utilised to obviate the need for legal review prior to the awarding of a contract. All modifications to the standard templates shall be approved by municipal manger prior to being issued for tender purposes.

4.3.7 Placing of contractors under restrictions

4.3.7.1 SDM shall not enter into a contract with a person who is listed in the National Treasury's Register for Tender Defaulters or the List of Restricted Suppliers.

4.3.7.2 If any tenderer which has submitted a tender offer or a contractor which has concluded a contract has, as relevant:

- a) withdrawn such tender or quotation after the advertised closing date and time for the receipt of submissions;
- b) after having been notified of the acceptance of his tender, failed or refused to commence the contract;
- c) had their contract terminated, for reasons within their control, without reasonable cause;
- d) offered, promised or given a bribe in relation to the obtaining or the execution of such contract;
- e) acted in a fraudulent, collusive or anti-competitive or improper manner or in bad faith towards SDM; or
- f) made any incorrect statement in any affidavit or declaration with regard to a preference claimed and is unable to prove to the satisfaction of the SDM that the statement was made in good faith or reasonable steps were taken to confirm the correctness of the statements,

The Manager:SCM shall prepare a report on the matter and make a recommendation to Municipal Manager for placing the contractor or any of its principals under restrictions from doing business with SDM.

4.3.7.3 The Municipal Manager or his or her delegate may, as appropriate, upon the receipt of a recommendation made in terms of 4.3.5.1 and after notifying the contractor of such intention in writing and giving written reasons for such action, suspend a contractor or any principal of that contractor from submitting a tender offer to SDM or a period of time.

4.3.7.4 The Manager:SCM shall record the names of those placed under restrictions in an internal register which shall be accessible to employees and agents of SDM who are engaged in procurement processes.

4.3.8 Complaints

4.3.8.1 All complaints regarding the SDM's infrastructure procurement system shall be addressed to the Senior Manager: Legal Services. Such complaints shall be in writing.

4.3.8.2 The Senior Manager: Legal Services shall investigate all complaints regarding the infrastructure procurement and delivery management system and report on actions taken to the Municipal Manager who will decide on what action to take.

4.4 Conduct of those engaged in infrastructure procurement and delivery management

4.4.1 SDM employees and agents (any person or organization that is not an employee of ADM that acts on the SDM's behalf) shall:

- a) conduct themselves in accordance with the provisions of Annex I; and
- b) without delay report to the Municipal Manager or his or her delegate any incidences of a respondent, tenderer or contractor who directly or indirectly offers a gratification to them or any other person to improperly influence in any way a procurement process, procedure or decision.

4.4.2 Gifts in kind other than meals and entertainment, promotional material, incidental hospitality and complimentary tickets as described in Annex I which have an intrinsic value not more than R750 shall be declared to manager manger.

4.5 Measures to prevent abuse of the infrastructure delivery system

4.5.1 The Municipal Manager or his or her delegate shall investigate all allegations of corruption, improper conduct or failure to comply with the requirements of this policy against an employee or an agent, a contractor or other role player and, where justified:

- a) take steps against an employee or role player;
- b) report to the South African Police Service any conduct that may constitute a criminal offence;
- c) lodge complaints with any other relevant statutory council where a breach of such council's code of conduct or rules of conduct are considered to have been breached;
- d) cancel a contract if:
 - 1) it comes to light that the contractor has made a misrepresentation, submitted falsified documents or has been convicted of a corrupt or fraudulent act in competing for a particular contract or during the execution of that contract; or
 - 2) an employee or other role player committed any corrupt or fraudulent act during the tender process or during the execution of that contract.

4.5.2 SDM employees and agents shall promptly report to the Municipal Manager of his or delegate any alleged improper conduct which they may become aware of, including any alleged fraud or corruption.

4.6 Written reasons for actions taken

4.6.1 Written reasons for actions taken shall be provided by the Accounting Officer.

4.6.2 The written reasons for actions taken shall be as brief as possible and not divulge information which is not in the public interest or any information which is considered to prejudice the legitimate commercial interests of others or might prejudice fair competition between tenderers. Such reasons, where relevant, shall be framed around the clauses in the:

- a) ISO 10845-3, *Construction procurement - Part 3: Standard conditions of tender*, and giving rise to the reason why a respondent was not short listed, prequalified or admitted to a data base; or
- b) ISO 10845-4, *Construction procurement - Part 4: Standard conditions for the calling for expressions of interest*, as to why a tenderer was not considered for the award of a contract or not awarded a contract.

4.7 Reporting to the National Treasury

SDM shall report to the National Treasury on procurement and delivery management matters in accordance with the provisions of Annex J.

4.8 Departures from this policy

No departure shall be made from the provisions of this policy without the written approval of the Municipal Manager.

Annex A: Client functions

A1 Introduction

The principal role players in the delivery of infrastructure are the client delivery management team, the delivery team and stakeholders as indicated in Figure A1. The client delivery management team needs to provide effective leadership and direction to the delivery team and meaningfully engage with internal and external stakeholders. The delivery team needs to deliver the required infrastructure and manage the interfaces between the client delivery management team and stakeholders in doing so. The client delivery management team accordingly performs a “buying function”. The delivery team, on the other hand is responsible for supplying the goods and services which are necessary to delivery infrastructure projects and as such performs a “selling” or “supplying function.” Both of these teams are driven by different objectives in the “buying” and “selling” exchange.

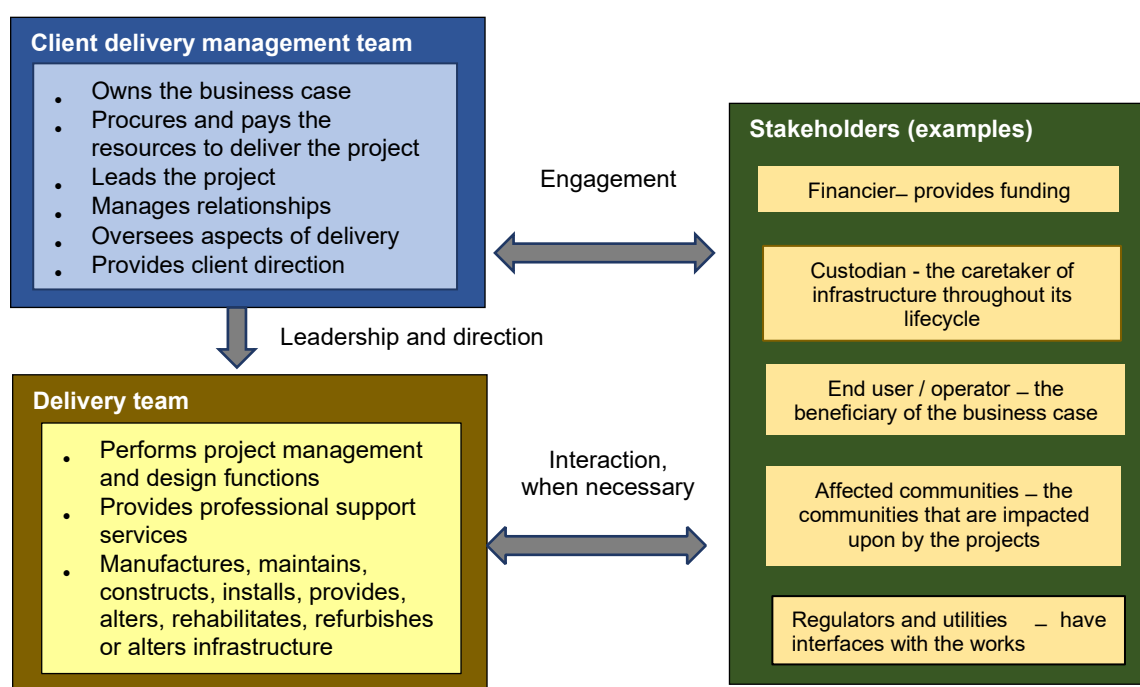


Figure A1: The principal role players in the delivery of infrastructure

A2 The role of the client

Led by a client delivery manager, a client needs to:

- establish a clear business case, which captures intent, at the inception of a project, and constantly revisit the business case to verify its assumptions, objectives and ongoing validity;
- create and communicate a clear vision for the project, which may unfold over time, that enables all participants to understand its purpose;
- decide on the project delivery route that is to be pursued as well as the procurement strategy and tactics associated with each procurement (see Annex D),
- procure on a long term and overall best value basis rather than on short-term capital lowest cost;
- create an enabling environment with a clear structure and responsibilities within which decisions and authorisations can be made to progress projects in an efficient and effective manner;

- apply effective leadership and governance in the way in which a project is authorised, conducted and overseen in order to create a platform for successful delivery;
- provide strategic thinking, intent and approach in delivering infrastructure projects;
- set the priorities between cost, time, quality and the attainment of secondary or developmental objectives to provide crucial direction to the delivery team when hard choices need to be made to steer a project through the complexities of decision making;
- carefully monitor objectives and remain vigilant for changes throughout the life cycle that can impact on a project and its business case;
- gain insight into and find ways where possible to satisfy the requirements of stakeholders;
- ensure that:
 - the budget contained in the business case is realistic and provides value for money;
 - the schedule is not only realistic but is also likely to be attractive to the market and attract competitive prices; and
 - clear briefs are provided to the delivery team before design commences;
- focus on strategy, the project environment, the context, the business case, high level progress, corrective action, communication, managing internal and external stakeholders and feedback from continuous improvement reviews;
- assess relevant risks and agree the management measures within both client and delivery teams;
- proactively manage risks and changes to what was planned; and
- ensure that projects are commissioned and properly tested prior to completion and handover.

A3 The function and structure of the client delivery management team

A3.1 Client delivery manager

A client delivery manager (named individual) needs to be held accountable for project outcomes. Such a manager also needs to lead the client team with single point accountability and have direct access to the senior client management when decisions regarding a significant departure from the plan or budget need to be taken (see Annex B).

The client delivery manager's primary function is to:

- own the business case for a project on behalf of the client so that there is no ambiguity about who is acting in the client role;
- perform an oversight and governance role, providing effective and strategic leadership, within the client delivery management team which permeates through all levels of the supply chain;
- set the team up for successful delivery and remove obstacles or blockages to progress;
- direct the project in such a manner that the value proposition that is expected at the end of the project is realised as far as is possible;

- intervene when necessary e.g. when relationships begin to break down, stakeholder interference or lack of performance threatens objectives, recurring issues are not being dealt with, unforeseen risks begin to manifest, risk mitigation measures are not yielding the required results, etc.
- take corrective action where necessary to align projects with what was planned or change the plan to reflect the changed circumstances; and
- develop a strategy to approach the market and make decisions as to when the market should be approached for resources.

A3.2 Technical and administrative teams

A client delivery manager needs to be supported by both a technical team and an administrative team. The technical team may be required to:

- provide advice on a range of matters, including compliance with legislative requirements, advice on contractual matters that may arise and the gathering, processing and storage of information that is necessary to manage the delivery of projects;
- manage activities associated with the initiation of projects;
- formulate, shape and document the client's specific architectural, urban planning, engineering, ITC etc. requirements during the initial stages of the project as well as to monitor and evaluate the outputs of the delivery team;
- establish financial and cost controls and reporting systems; and
- procure the resources which are necessary to deliver the project.

The administrative team needs to prepare the necessary documents for payment by the SDM 's finance department and be required to develop and maintain and keep up to date the following for project governance purposes:

- a planned procurement and commitment register for each project covering a number of contracts or orders issued in terms of a framework agreement, which contains a record of money allocated to a planned procurement so that at any point in time the total value of work that is committed for a project can be compared with the authorised expenditure;
- a contracts register which contains particulars of all contracts and orders issued in terms of a framework agreement, including information relating to the starting price, details relating to the time for completion and any changes in the time for completion;
- a payment register which records all the payments that have been certified for payment against each contract or order; and
- a purchase order register which links contracts and orders and payments relating thereto to the authorised amounts within the financial management system.

Annex B: Project governance

Project governance provides the framework within which decisions are made in the delivery of infrastructure projects. Such arrangements provide SDM with a structured approach to conduct both its business-as-usual activities and its business change, or project activities. Project governance sits above and outside of the project management domain.

Project governance is all about leadership and provides a way for senior management and key stakeholders to exercise oversight and ensure that strategic outcomes are realised. It is a mechanism for engaging the SDM in a project, for securing buy-in of key players and for driving executive decision making. There can be no effective leadership without governance.

An indicative SDM's governance structure is shown in Figure B.1.

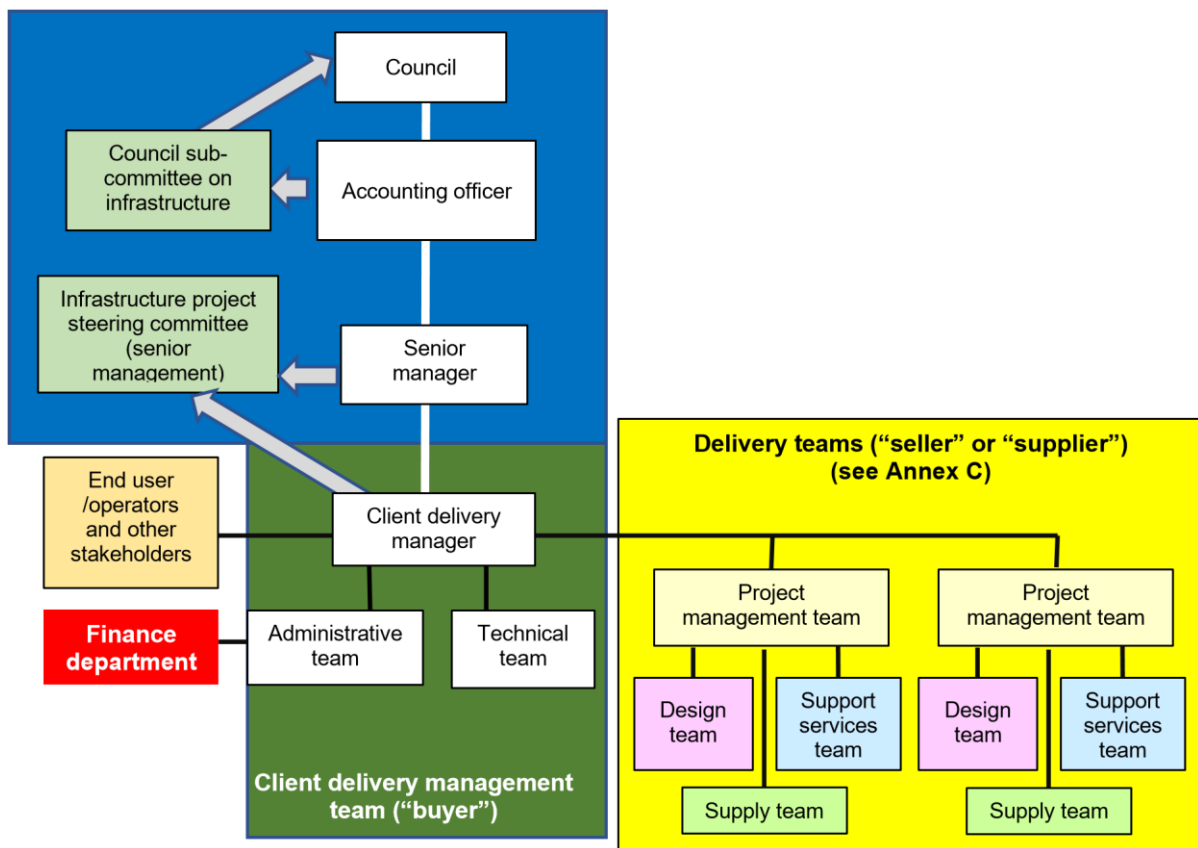


Figure B.1: Line function reporting and governance arrangements

Annex C: Allocation of responsibilities within the delivery team

The physical delivery of infrastructure necessitates that a delivery team be put in place using the SDM's own resources or contracted resources comprising as necessary:

- a project management team which manages the development and implementation of the project and has overall management of the members of the delivery team;
- a design team which provides as necessary, architectural, landscape architectural and engineering services in integrating the client's requirements into workable solutions;
- a support services team which provides specialist support services in areas such as health and safety, condition assessments, environmental compliance, cost planning and control, geotechnical investigations, traffic studies etc.; and
- a supply team which manufactures, maintains, repairs, constructs, installs, provides, alters, refurbishes or rehabilitates infrastructure or parts thereof.

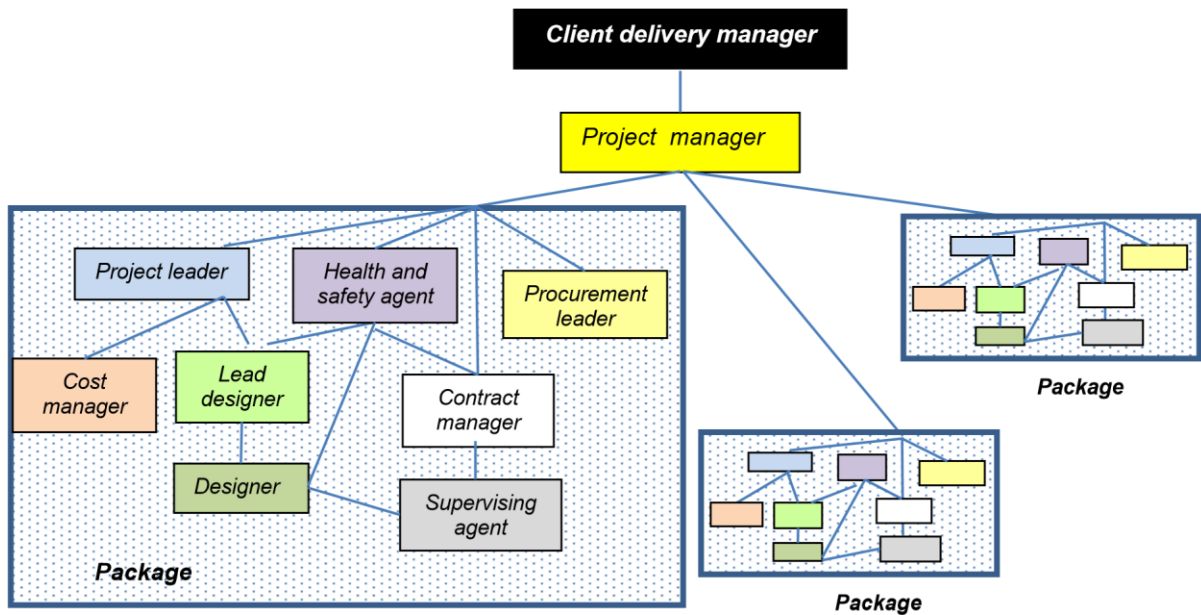
The functional roles provided by built environment professionals associated with the delivery team may include some or all of the following services:

- project manager;
- procurement leader;
- project leader;
- contract manager;
- lead designer;
- designer;
- cost manager;
- supervising agent; and
- health and safety agent

The basic lines of reporting and assigned responsibilities for each of these functional roles for each package associated with an infrastructure project are as indicated in Figure C.1.

There are many options available to a client in assigning functional responsibilities to particular persons (own staff or consultant and within professions which overlap). This ensures flexibility. For example, in some projects different persons will be assigned functional responsibilities for each of the identified roles. In other projects it may be desirable to combine functional roles and responsibilities e.g. the project leader can also be the procurement leader or the same person can be appointed to function as project leader, lead designer, designer and cost manager or the contract manager and supervising agent.

The disciplines and subdisciplines associated with design services relating to buildings is indicated in Table C.1.



Designation Primary actions

- Client delivery manager** Initiates the project, owns the business case and leads the project
- Project manager** Manages the development and implementation of an infrastructure project and administers professional service contracts on behalf of the client
- Project leader** Leads and directs the design team in a non-technical role including the monitoring and integration of the activities, development and maintenance of a schedule, monitoring of progress and facilitation of the client acceptance of an end of stage deliverable
- Lead designer** Establishes and refines the design approach or solution so that it achieves the brief as it is progressively developed and is co-ordinated within the project team
- Designer** Provides design or conditional assessment services
- Cost manager** Provides independent and impartial estimation of cost, value management, budget, control and validation of cost of constructing, rehabilitating refurbishing and altering infrastructure
- Procurement leader** Oversees the development of the procurement documents and manages the procurement process
- Contract manager** Administers a package on behalf of the client in accordance with the provisions of the contract
- Supervising agent** Confirms that the works are proceeding in accordance with the provisions of the contract

Health and safety agent Assumes statutory responsibilities imposed by the Construction Regulations and other pieces of health and safety legislation and leads health and safety risk compliance processes

NOTE: The environmental compliance monitoring agent is excluded from the above. Where such a person is required their primary action is to independently monitor environmental requirements during construction in accordance with legislative requirements and to monitor, review and audit the on-site implementation of a contractor's environmental management plan.

Figure C1: Primary action of common functional roles within the professional team

Table C.1: Design disciplines and subdisciplines associated with the design of a building.

| Service area | Principal activities |
|--------------|---|
| Architecture | Plan, design and review the construction, extension or refurbishment of buildings, spaces, structures and associated site works for the use of people by the creative organization of materials and components with consideration to mass, space, form, volume, texture, structure, light, shadow, materials and the project brief. |

| | |
|------------------------|--|
| Civil engineering | Plan, design and review the construction of site works comprising a structure such as a road, pipeline or sewerage system or the results of operations such as earthworks or geotechnical processes. |
| Electrical engineering | Plan, design and review the installation of the electrical and electronic systems for and in a building or structure |
| Fire safety | Plan, design and review the fire protection system to protect people and their environments from the destructive effects of fire and smoke. |
| Landscape architecture | Plan, design and review the construction of outdoor and public spaces to achieve environmental, sociobehavioural, or aesthetic outcomes or any combination thereof |
| Mechanical engineering | Plan, design and review the construction, as relevant, of the gas installation, compressed air installations, thermal and environmental control systems, materials handling systems or mechanical equipment for and in a building |
| Structural engineering | Plan, design and review the construction of buildings and structures or any component thereof to ensure structural safety and structural serviceability performance during their working life in the environment in which they are located when subject to their intended use in terms of one or more of the following: i) external and internal environmental agents; ii) maintenance schedule and specified component design life; or iii) changes in form or properties |
| Wet services | Plan, design and review the construction, within buildings or from a point of drainage installations intended for the reception, conveyance, storage or treatment of sewage, water installations which conveys water for the purpose of fire-fighting or consumption and roof drainage arrangements within a building. |

Annex D: Procurement strategy

D.1 Introduction

Project outcomes in infrastructure projects are sensitive not only to the decisions made during the planning, design and execution of such projects but also to the manner in which resources are structured and procured to deliver infrastructure projects. There are a number of different approaches to procuring goods and services and any combination thereof, each of which can result in different outcomes. Procurement strategy is all about the choices made in determining what is to be delivered through a particular contract, the contracting arrangements, how secondary procurement objectives are to be promoted and which selection method will be employed to solicit tender offers.

Procurement strategy is formulated around procurement objectives which may relate to either the delivery of the product (primary objectives) or what can be promoted through the delivery of the product (secondary objectives) i.e. broader societal objectives. Procurement strategy is also informed by spend, organisational, market and stakeholder analyses.

D.2 Primary and secondary objectives

Procurement objectives are informed by the client's values and value proposition for the project i.e. the promise of measurable benefits resulting from the project. Procurement objectives should not be confused with objectives relating to the conceptualisation, planning, design, construction and maintenance of construction works.

The primary objectives relating to the delivery of goods or services or any combination thereof include:

- tangible objectives including budget (cost of the project), schedule (time for completion), quality, and performance characteristics required from the completed projects and rate of delivery (how quickly portions of the works or a series of projects can be delivered or funds can be expended);
- environmental objectives;
- health and safety objectives; and
- intangible objectives including those relating to:
 - buildability (the ease with which the designed works is constructed),
 - relationships (e.g. long term relationships to be developed over repeat projects, early contractor involvement, integration of design and construction etc),
 - client involvement in the project,
 - end user satisfaction, and
 - maintenance and operational responsibilities.

Secondary objectives commonly relate to the promotion of Broad-Based Black Economic Empowerment in accordance with the provisions of the Broad-Based Black Economic Empowerment Act, and where appropriate, the promotion of work, business and skills opportunities to target groups and national development goals.

Secondary or developmental procurement objectives are additional to those associated with the immediate objective of the procurement itself. Secondary procurement policy objectives influence

procurement strategies both directly and indirectly. Competing primary and secondary priorities need to be balanced. Trade-offs against priorities may be required.

D.3 Project delivery route

A project delivery route (see Figure D.1) needs to be decided upon where projects involve the provision, alteration, refurbishment or rehabilitation of infrastructure. The client need to make decisions which include who funds the acquisition, who owns the infrastructure and which party to the contract assumes responsibility for design and interface management between contracts.

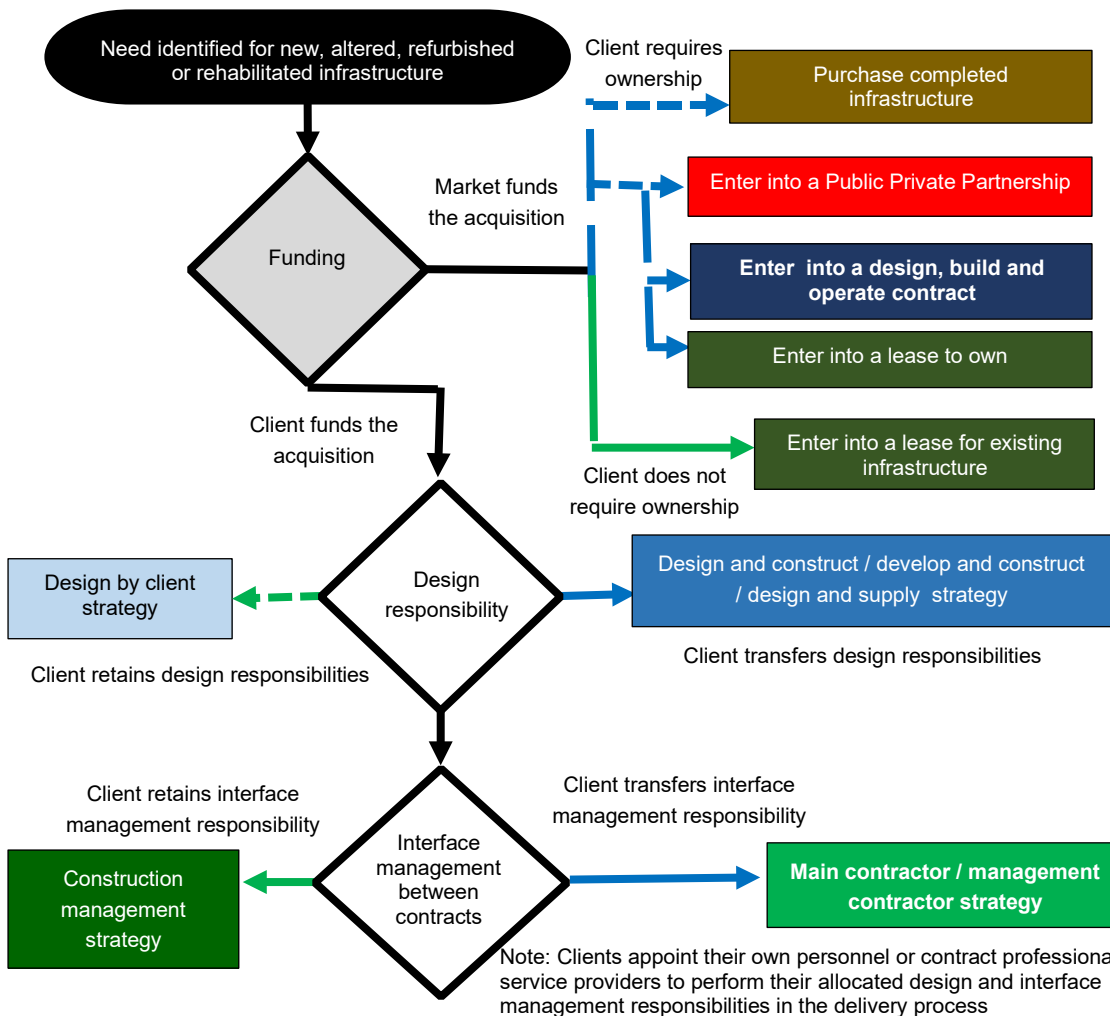


Figure D.1: Common project delivery routes for new, altered, refurbished or rehabilitated infrastructure

D.4 Developing a procurement strategy

D.4.1 General

A spend, organisational, market and stakeholder analysis provides a backdrop against which all decisions are made. Such analysis should be in sufficient detail to enable informed decisions to be made, based on identified strengths and weaknesses and the appetite for transferring or accepting risks. The analysis should furthermore identify what internal skills, capabilities and resources are available or can be committed by the organisation to deliver the project.

The components of a procurement strategy for a particular procurement where the client funds the acquisition includes the development of:

- a packaging strategy which focuses on the organisation of work into contracts or orders issued in terms of a framework agreement;
- a contracting strategy which focuses on the selection of a suitable form of contract including the basis for remunerating contractors, which, if relevant, is informed by decisions made when determining the project delivery route;
- a targeting strategy which identifies the procedures for promoting secondary procurement objectives; and
- a selection method which identifies the methodology by which tenderers will be solicited from the market.

The framework for the development of a procurement strategy is indicated in Figure D.2.

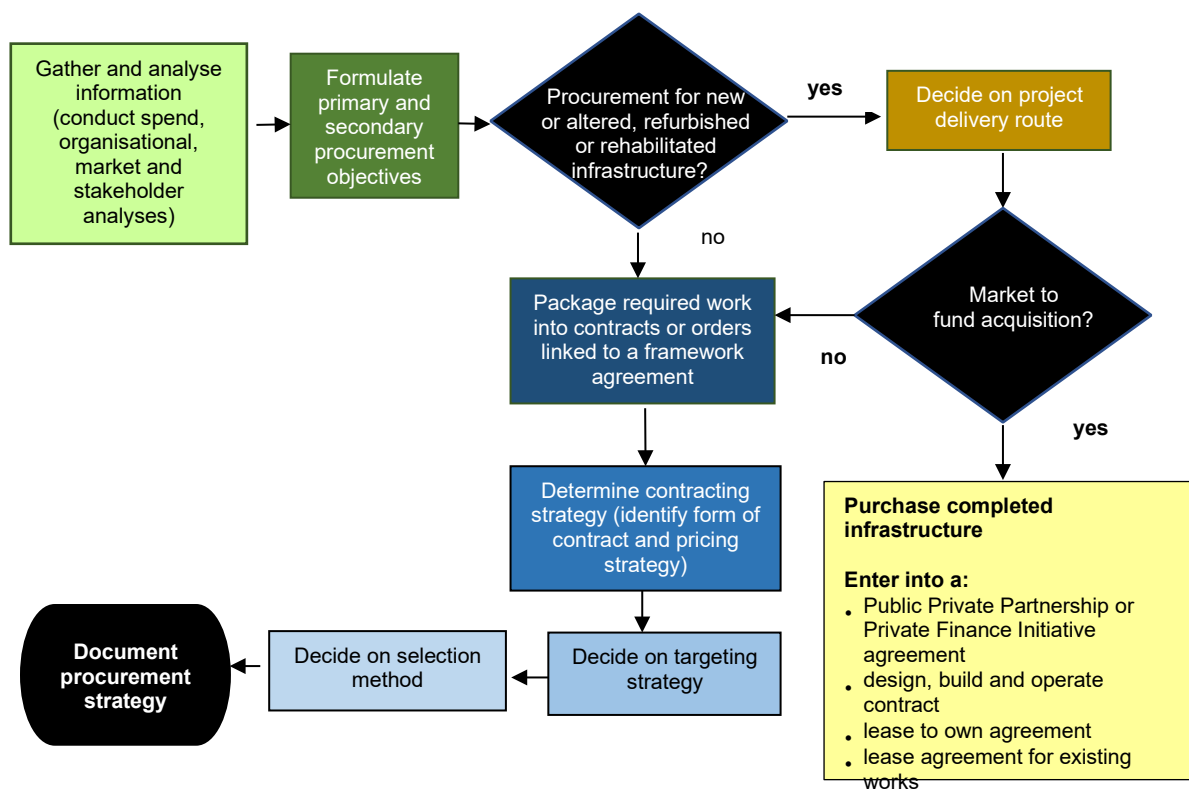


Figure D2: Framework for the development of a procurement strategy

The procurement strategy that is decided upon for a particular procurement or category of procurement needs to be documented in such a manner that the logic behind the choices that are made at each step can be communicated to and reviewed by others. It should also summarise the decisions made in respect of the component strategies in respect of each contract or group of contracts as indicated in Table D1.

D.4.2 Packaging strategy

Projects needs to be broken down into one or more work packages i.e. a deliverable or project work component or a group of tasks within a work breakdown structure. The work packages can then be programmed, resourced and managed, and where necessary procured. Accordingly, a packaging strategy is the organisation of work packages into contracts or orders issued in terms of a framework agreement over the term of such an agreement

D.4.3 Contracting strategy

The fundamental exchange between a client and a contractor is the delivery of work in accordance with stated requirements for a price. A contracting strategy is the strategy that governs the nature of the relationship which the client wishes to foster with the contractor, which in turn determines the risks and responsibilities between the parties to the contract and the methodology by which the contractor is to be paid.

Table D1: Headings and illustrative content of a documented strategy for a particular contract

| Aspect of strategy | Comments |
|-------------------------|--|
| Project delivery route* | design strategy: design by client / develop and construct / design and construct / design and supply+ interface management strategy: construction management / management contractor / general contractor+ |
| Packaging strategy | framework / non-framework+ |
| Contracting strategy | contract type: construction / design, build and operate / professional service/ service / supply+ standard form of contract: bespoke / [name form of contract e.g.NEC3 Professional Service Contract)+ |
| | pricing strategy: price-based (activity schedule / bill of quantities / lump sum /percentage of cost of construction / price list / price schedule) / cost-based (cost plus / target cost / time based)/ performance-based+ |
| Targeting strategy | goal associated with strategy: (describe) targeting strategy: granting of tender evaluation points / accelerated rotations / evaluation points in expressions of interest / financial incentives / creation of contractual obligations+# |
| Selection method | negotiation / competitive selection (nomintaed / open / qualified / quotation / proposal using a two envelope system / proposal using a two stage system / confined market procedure) / competitive negotiations (restricted / open) + |

* delete row if the project delivery route has no impact on the documented procurement strategy +
delete options which do not apply

describe so that readers understand the essence of the strategy and the KPI that is promoted

Standard forms of contract provide fixed terms and conditions which are deemed to be agreed and are not normally subject to further negotiation or amendment following the receipt of tenders. Such forms of contract usually include the method of payment and allocate risks to the parties and how the contractor is compensated for risks for which he is not at risk should they materialise. The scope and nature of the project affects the selection of the type of contract.

The project delivery route that is selected informs the allocation of responsibilities and associated risks in construction contracts. In complex construction contracts there might be several subcontracts some of which should be selected by the client's team in order to harness the design skills of specialist trade contractors.

A pricing strategy is the strategy which is adopted to secure financial offers and to remunerate contractors in terms of the contract. The pricing strategy determines who takes the risk for the differences between the actual prices paid in terms of the contract and those estimated when the total

of the prices for the works are agreed and how changes to the scope of work are assessed and paid for.

D.4.4 Targeting strategy

A targeting strategy is a strategy used to promote secondary procurement objectives. A targeted procurement procedure is the process used to create a demand for the services or goods of, or to secure the participation of, targeted enterprises and targeted labour in contracts in response to the objectives of a secondary procurement policy. There are a number of targeted procurement procedures which can be used to promote secondary procurement objectives as indicated in D.2.

Key performance indicators (KPIs) in the form of quantitative or qualitative measures of impacts or changes that may be beneficial which relate directly to secondary procurement objectives (desired results) need to be formulated. Such indicators need to be formulated in such a manner that they are contractually enforceable. They need as such to be described in qualitative terms and to be linked to measurable and quantifiable targets and be provided with a means of verifying and auditing claims regarding performance in relation to the target.

Table D2: Targeted procurement procedure options

| Targeted procurement procedure | Outline of procedure |
|---|--|
| Granting of tender evaluation points | Tender-evaluation points for contract-specific goals are granted to tenderers who undertake to achieve a specified KPI in the performance of the contract |
| Accelerated rotations on electronic databases | Target groups are identified and accelerated at a faster rate than non-target groups on electronic data bases linked to the nominated procurement procedure |
| Granting of a percentage of the total number of evaluation points used to short-list tenderers following a call for expressions of interest | A point scoring system is used to shortlist respondents following a call for expressions of interest in the qualified procedure, a percentage of the total points on offer are linked to the attainment of KPIs. |
| Financial incentives for the attainment of key performance indicators in the performance of the contract | An incentive payment is linked to the improvement upon or attainment of a KPI in the execution of a contract |
| The creation of contractual obligations to engage target groups in the performance of the contract by establishing requirements for the tendering of subcontracts in terms of a specified procedure or establishing obligations to attain contract participation goals in accordance with the relevant provisions of ISO 10845. | Contractors can be required, as a contractual obligation, to subcontract a percentage of the work to targeted enterprises or contract goods or services from targeted enterprises. They may also be required to enter into joint ventures with targeted enterprises or engage targeted labour in the performance of a contract. This can most readily be achieved by requiring contractors to archive a minimum contract-participation goal in accordance with the requirements of SANS 10845-5:2011, SANS 10845-6:2011, SANS 10845-7:2011 or SANS 10845-8:2011 Alternatively, contractors may be required to subcontract specific portions of a contract to targeted enterprises |

D.4.5 Selection method

A selection method is the procedure used to solicit tender offer with a view to entering into a contract for goods or services or any combination thereof with the successful tenderer (see SANS 10845-1).

Annex E: Control framework for infrastructure delivery management

E1 Controlling work flows

Workflow may be regarded as the sequence of activities with explicit start and end points to describe a task. An activity as a series of operations (sequential, parallel, mixed) is punctuated by decisions as illustrated in Figure E1.

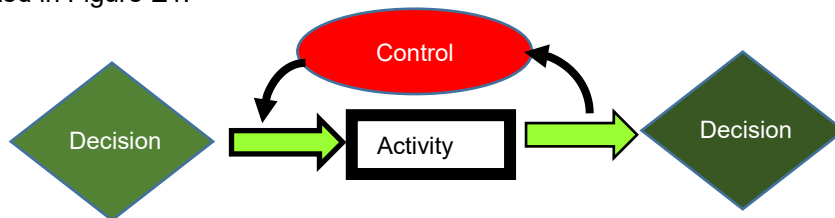


Figure E1: The context of project activity

In order for an infrastructure project to progress meaningfully, its objectives and their achievement need to be closely allied to the decision structure. Decisions give purpose to activity. A project begins and ends with decision points.

Decision points (controls or decision gates) form the major boundaries to activities. Decision gates provide an opportunity to:

- authorise the proceeding with an activity within a process, or the commencing of the next process;
- confirm conformity with requirements before completing processes; or
- provide information which creates an opportunity for corrective action to be taken.

Control systems are necessary to regulate work in relation to its context which may from time to time change in order to match performance against objectives. Such systems are also the mechanism that deals with the boundary between project context and project activity as indicated in Figure E2.

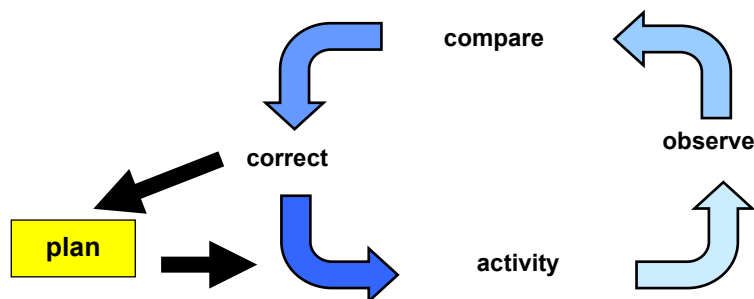


Figure E2: Control system

Control systems accordingly involve the comparing of progress against requirements, objectives or targets and where necessary taking some corrective action such as:

- taking steps to change the performance of the activity to bring it closer to what was planned; or
- changing the plan so that it more closely reflects the changed situation brought about by the departure from the plan.

E2 Controlling workflows in infrastructure projects

A stage is a collection of logically related activities in the delivery cycle of infrastructure projects that culminates in the completion of a major deliverable. The workflow for the delivery of infrastructure projects comprises the applicable stages indicated in Figure E3. Each of these stages are linked to tasks mapped out in the supply chain indicated in Figure E3. The key deliverables associated with each task informs the decisions which are made at each decision gate are described in Table E1.

The control framework shown in Figure E3 deals with the generic work flow associated with the planning, design and execution of infrastructure projects i.e. the project life cycle for the delivery of infrastructure projects. It is structured in such a manner that the viability of a project may be tested and monitored and controlled by the client delivery management team as it progresses. It generates information which informs decisions at particular points in the process. The framework is independent of the procurement strategy that is pursued to appoint infrastructure contractors.

E3 Outline of stages

Stage 0 admits projects into the pipeline of projects so that they can be further prepared prior to a decision being taken to implement them. The infrastructure management plan (stage 1) is not a static document as project parameters relating to cost and schedule of a pipeline of projects need to be adjusted as projects unfold and to meet changing business needs. New initiation reports are accepted at stage 0 to the pipeline of projects on an ongoing basis. Such a plan needs to be reviewed and updated regularly, at least once a year to reflect revised information, emerging business needs and changing priorities. This also necessitates revisions to deliverables associated with stage 2 (strategic resourcing).

Stage 4 is the stage where a decision is taken on whether or not the project is likely to yield the desired outcome. The decision taken at the end of stage 4 may authorise implementation, defer implementation or terminate the project (see Figure E3).

Stages 3 (preparation and briefing) and 4 (concept and viability) need to be repeated for each package if the acceptance at stage 4 (feasibility) is for the acceptance of a project comprising a number of packages which are to be delivered over time or there is insufficient information to proceed to stage 5. It is necessary, particularly with projects spanning a number of years, to revalidate the parameters which informed decisions to proceed to implementation in a feasibility report so that visible and conscious decisions can be made should adjustments be necessary to reflect changes in the project environment in different packages. Stage 4 (concept and viability) results in a solution for an infrastructure project. The design or solution is accordingly "frozen" at the end of stage 4.

Detailed design during stage 5 includes the selection of materials and components. At this stage there will often be an iterative process of proposing a component, checking its predicted performance against the brief, and amending selections if required. The design development report translates the concept report into a document which paints a picture of what is to be delivered. The report needs to describe how structures, services or buildings and related site works, systems, subsystems, assemblies and components are to function, how they are to be safely constructed or installed, how they are to be maintained and, if relevant, how they are to be commissioned.

The outline specifications developed during stage 5 needs to be in sufficient detail to enable a view to be taken on the operation and maintenance implications of the design and the compatibility with existing plant and equipment.

The design development report relates to what is to be delivered. Record information relates to what has been delivered. Accordingly, the record information is an updated version of the design development report.

Production information is developed during stage 6A of the design documentation stage. This information enables manufacture, fabrication and construction information to be produced during stage 6B by or on behalf of the contractor, in response to the production information that is provided.

Stage 7 can also include the design, supply and installation of plant which is incorporated into the works.

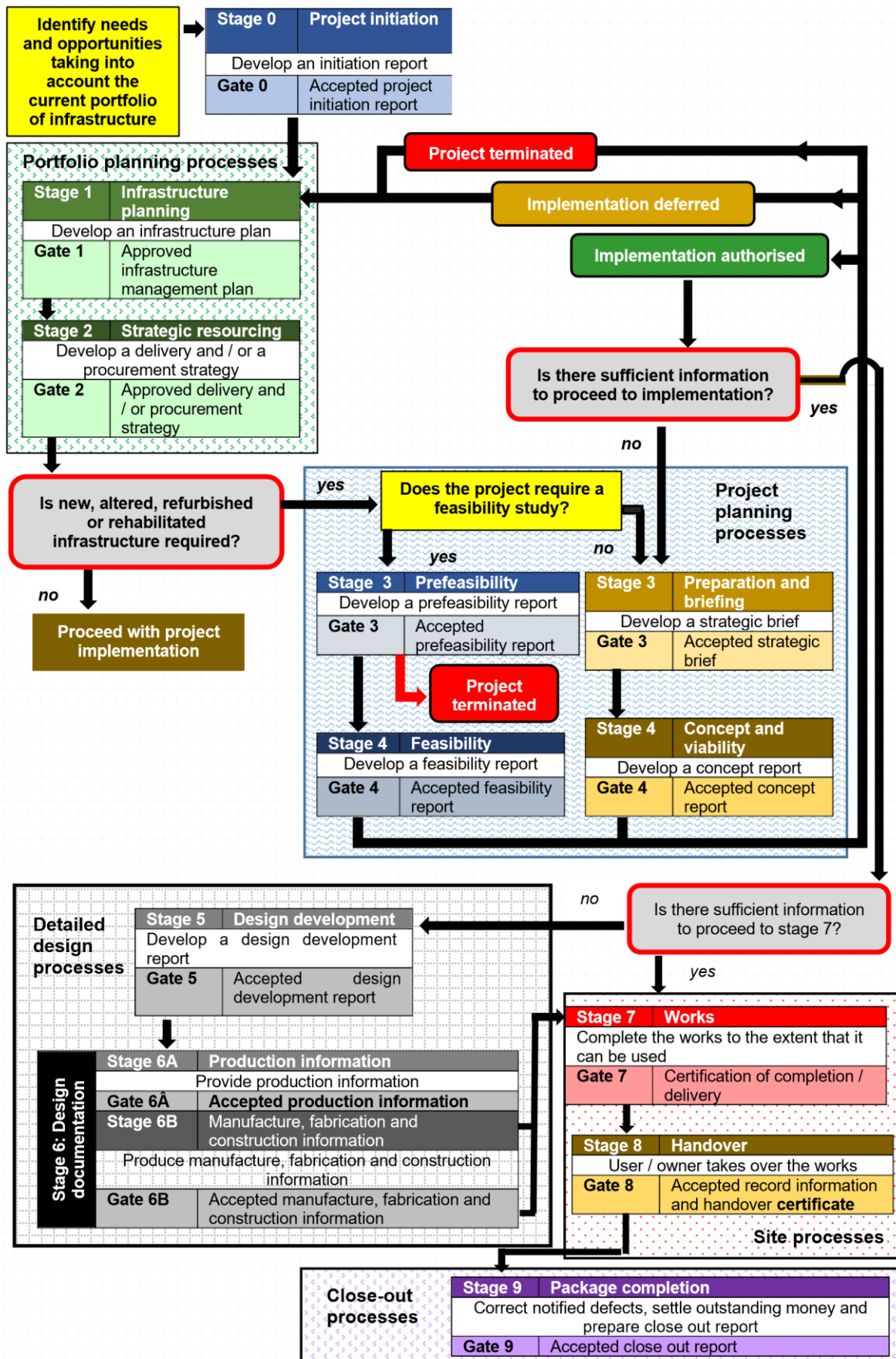


Figure E3: The control framework for the planning, design and execution of infrastructure projects

Table E1: End-of-stage deliverables

| Stage | | End-of-stage deliverable | |
|-------|-------------------------|--|---|
| No | Name | Description | Considerations |
| 0 | Project initiation | An initiation report which outlines the high-level business case together with the estimated project cost and proposed schedule for a single project or a group of projects having a similar high-level scope | The initiation report for a project should as a minimum: <ul style="list-style-type: none"> • provide a project description and high-level scope of work; • outline key issues and solution options that were interrogated and the options that were evaluated; • indicate the high-level business case; and • provide the estimated project cost and indicative high-level time schedule The decision-making criteria, findings, assumptions and recommendations should be documented |
| 1 | Infrastructure planning | An infrastructure management plan which identifies and prioritises projects and packages against a forecasted budget over a period of not less than 5 years | The infrastructure management plan, which should be described by the high-level scope of work for each project, the proposed time schedule, the estimated total project cost and annual budget requirement, the geographical location, any known encumbrances and estimated timeframes for removing these encumbrances, should: <ul style="list-style-type: none"> • identify the infrastructure requirements to meet the ADM's strategic objectives and operational commitments within available resources; • cover the ADM's whole infrastructure portfolio for all types of infrastructure, including new infrastructure, as well as plans for maintenance, refurbishment and rehabilitation of existing infrastructure, and disposal of infrastructure which is no longer required to meet the ADM's objectives; • include short and medium-term plans as well as longer-term plans where required for alignment to the ADM's long-term strategic objectives and for life-cycle asset management considerations; and • be informed by life-cycle infrastructure asset management planning This medium-term infrastructure management plan should be aligned to the ADM's long-term and five-year strategic plans and, if relevant, annual performance plan and the ADM's infrastructure management policy |
| 2 | Strategic resourcing | Procurement strategy for each project and package in at least the first year of the infrastructure management plan together with the structure and composition of the client delivery management team to oversee the implementation of such strategy | The procurement strategy (see Annex D) should describe the primary and secondary procurement objectives, outline the outcomes of any spend, market, organisational and stakeholder analysis, identify the project delivery route, as necessary and indicate the packaging, contracting and targeting strategy and selection method for a procurement The manner in which the client delivery management team fulfils the necessary client functions should be described as well as how resources which are required are to be sourced i.e. through a public private partnership, another organ of state's procurement system on an agency basis, another organ of state's framework agreement, own resources or own procurement system |
| 3 | Prefeasibility | A prefeasibility report which determines whether or not it is worthwhile to proceed to the feasibility stage | The following activities, as necessary, should be undertaken, if a feasibility report is required or warranted: <ul style="list-style-type: none"> • document the owner or user requirements specification; • shortlist the options that were considered; • provide a preliminary design for study options, provide preliminary capital estimates and the proposed schedule; and • present the study outcomes |

| | | |
|--------------------------|---|---|
| Preparation and briefing | A strategic brief which defines project objectives, needs, acceptance criteria and client priorities and aspirations, and which sets out the basis for the development of the concept report for one or more packages | <p>The following activities, as necessary, should be undertaken:</p> <ul style="list-style-type: none"> • confirm the scope of the package and identify any constraints; • establish the project criteria, including the performance and reliability requirements, design life, service life of components, function, maintenance and replacement requirements, mix of uses, scale, location, quality, value, time, safety, health, environment and sustainability as well as the control budget and schedule for the package or series of packages; and • identify statutory permissions, utility approvals, applicable policies and strategies to take the package forward, risks that need to be mitigated as well as interfaces between packages |
|--------------------------|---|---|

| Stage | | End-of-stage deliverable | |
|-------|-----------------------|--|---|
| No | Name | Description | Considerations |
| 4 | Feasibility | A feasibility report which presents sufficient information to determine whether the project should be implemented | <p>The feasibility report should, as necessary and if a feasibility report is required or warranted, include:</p> <ul style="list-style-type: none"> • details regarding the preparatory work covering a needs and demand analysis with output specifications and an options analysis; • a viability evaluation covering a financial analysis and an economic analysis; • a risk assessment and sensitivity analysis; • a professional analysis covering a technology options assessment, an environmental impact assessment and regulatory due diligence; and • implementation readiness assessment covering institutional capacity and a procurement plan |
| | Concept and viability | A concept report which establishes the detailed brief, scope, scale, form and control budget, and sets out the integrated concept for one or more packages | <p>The following activities, as necessary, should be undertaken:</p> <ul style="list-style-type: none"> • document the initial design criteria and design options or the methods and procedures required to maintain the condition of infrastructure; • establish the detailed brief, scope, scale, form and cost plan; • develop an indicative schedule for documentation and required services; • develop a site development plan or other suitable schematic layouts of the works; • identify the statutory permissions, funding approvals or utility approvals required to proceed with the works; • develop a baseline risk assessment and a health and safety plan required in terms of legislative requirements; • develop a risk report linked to the need for further surveys, tests, other investigations and consents and approvals, if any, during subsequent stages and indicates how identified health, safety and environmental risk are to be mitigated; • develop an operations and maintenance support plan; • confirm the financial sustainability of the project; and • establish the feasibility of satisfying the strategic brief within the control budget established during stage 3 and, if not, motivate a revised control budget |
| 5 | Design development | A design development report which develops in detail the approved concept to finalise the design and definition criteria, sets out the integrated developed design, and contains the cost plan and schedule for one or more packages | <p>The following activities, as necessary, should be undertaken:</p> <ul style="list-style-type: none"> • develop in detail the accepted concept to finalise the design and definition criteria; • establish the detailed form, character, function and costings; • define all components in terms of overall size, typical detail, performance and outline specification; • describe how infrastructure, or elements or components thereof, are to function, how they are to be safely constructed, how they are to be maintained and how they are to be commissioned; and • confirm that the works can be completed within the control budget or propose a revision to the control budget |

| | | | |
|--------------|----------------------|--|--|
| 6 | Design documentation | Production information and manufacture, fabrication and construction information | 6A Production information Provide production information which provides the detailing, performance definition, specification, sizing and positioning of all systems and components enabling either construction (where the constructor is able to build directly from the information prepared) or the production of further information for construction |
| | | | 6B Manufacture, fabrication and construction information Provide manufacture, fabrication and construction information produced by or on behalf of the constructor, based on the production information provided for a package, which enables manufacture, fabrication or construction to take place |
| Stage | | End-of-stage deliverable | |
| No | Name | Description | Considerations |
| 7 | Works | Completed works which are capable of being occupied or used | Undertake, as necessary, activities in relation to the works such as the provision of temporary and permanent works, manage risks associated with health, safety and the environment on the site, confirm that design intent is met and correct notified defects which prevented the client or end user from using the works and others from doing their work Certify completion of the works or that the goods and associated services as delivered are in accordance with the provisions of the contract |
| 8 | Handover | Works which have been taken over by the user or owner complete with record information | Finalise and assemble record information which accurately reflects the infrastructure that is acquired, rehabilitated, refurbished or maintained and hand over the works and record information to the user or owner and, if necessary, train end user's or owner's staff in the operation of the works Issue the handover certificate Note: The record information should, as relevant: <ul style="list-style-type: none"> • accurately document the condition of the completed works or the works as constructed or completed; • contain information on the care and servicing requirements for the works or a portion thereof or instructions on the use of plant and equipment; • confirm the performance requirements of the design development report and production information; • contain certificates confirming compliance with legislation, statutory permissions and the like; and • contain guarantees that extend beyond the defects liability period provided for in the package Arrangements should be put in place to secure and safeguard the works from the time that the contractor's liabilities for damage to the construction works end until such time that the works are handed over to the end user or owner who accept such liabilities |
| 9 | Package completion | Works with notified defects corrected, final account settled and the close out report issued | The following activities, as necessary, should be undertaken: <ul style="list-style-type: none"> • correct all defects that are detected during the defects liability period; • complete the contract by finalising all outstanding contractual obligations, including the finalisation and payment of amounts due after the expiry of the defects correction period, and the issuing of certificates required in terms of the contract; • evaluate package outcomes; and • compile a completion report for the package making suggestions for improvements and outlining what was achieved in at least the following: <ul style="list-style-type: none"> - the performance parameters specified by the ADM or success factors outlined in the strategic brief; - unit costs of completed work or major components thereof; and - the value of key performance indicators relating to the objectives of a secondary procurement policy that were achieved |

There is a difference between achieving completion of the works in accordance with the provisions of the contract (stage 7) and the handing over of the works to the owner, end user or those responsible for the operation and maintenance of the works (stage 8). Upon completion or soon thereafter, risks associated with loss, of or wear or damage to the works are no longer borne by the contractor. Arrangements may need to be put in place to safeguard the works from the time that the contractor's liabilities cease until the time that the works are handed over.

Record information which is produced during stage 8 needs, as relevant, to provide those tasked with the operation and maintenance of infrastructure with the information necessary to:

- a) understand how the designers intended the works, systems, subsystems, assemblies and components to function;
- b) effectively operate, care for and maintain the works, systems, subsystems, assemblies and components to function;
- c) check, test or replace systems, subsystems, assemblies or components to ensure the satisfactory performance of works, systems, subsystems, assemblies and components over time;
- d) develop maintenance plans;
- e) determine stock levels for components and assemblies that need to be regularly replaced; and
- f) budget for the operation and maintenance of the works, systems, subsystems and components over time.

Stage 9 (close out) closes out not only the contract or order issued in terms of a framework contract but also the project. Such a report needs to outline what was achieved and make suggestions for improvements on work of a similar nature. It also needs to comment on the performance of the contractor.

E4 Applying the control framework

Stages 5 and 6 may be omitted if sufficient information to proceed to stage 7 is contained in the stage 4 deliverable.

Stage 3 (preparation and briefing) and 4 (concept and viability) may have to be undertaken following the acceptance of a feasibility report where there is insufficient information to proceed to implementation or such acceptance is for a project comprising a number of packages which are to be delivered over time.

Decisions to proceed to the next stage at each gate are based on the acceptability or approval of the end-of-stage deliverable as indicated in Figure E3. A stage is only complete when the deliverable at the end of a task is approved or accepted. Activities associated with stages 5 to 9 may be undertaken in parallel or in series, provided that each stage is completed in sequence.

The level of detail contained in a deliverable associated with the end of each stage should be sufficient to enable informed decisions to be made to proceed to the next stage. In the case of stages 3 to 6, such detail should, in addition, be sufficient to form the basis of the scope of work for taking the package forward in terms of the selected contracting strategy.

E5 Gateway reviews

Gateway reviews at the end of stage 4 provide an effective means for moderating the projected project outcomes and identifying gaps and shortcomings in the information upon which a decision is made to proceed to implementation. Gateway reviews deliver a team review in which independent practitioners, from outside of the project, examine the likelihood of the successful delivery and the soundness of a

project, through a series of interviews and documentation reviews. Review teams can also provide valuable additional perspectives on issues facing the project team and are able to challenge the robustness or validity of the end of stage deliverable. The gateway review process provides clients with

E7

the confidence that an appropriate level of discipline is being applied in the delivery process and the best options to meet needs are being selected. Alternatively, they can be used to review the quality of the end of stage deliverables that were developed.

A gateway review of the end-of-stage 4 deliverable, prior to the acceptance of such deliverable needs to focus in the first instance on the quality of the documentation, and thereafter on:

- a) deliverability (the extent to which a project is deemed likely to deliver the expected benefits within the declared cost, time and performance envelope);
- b) affordability (the extent to which the level of expenditure and financial risk involved in a project can be taken up on, given the SDM's overall financial position, both singly and in the light of its other current and projected commitments); and
- c) value for money.

A gateway review team needs to comprise not less than three persons who are not involved in the project associated with the works covered by the end of the stage 4 deliverable, and who are familiar with various aspects of the subject matter of the deliverable at the end of the stage under review. Such a team needs to be led by a person who has at least six years post-graduate experience in the planning of infrastructure projects and is registered either as a professional engineer in terms of the Engineering Profession Act, a professional quantity surveyor in terms of the Quantity Surveying Profession Act or a professional architect in terms of the Architectural Profession Act. The members of the team need, as relevant, to have expertise in key technical areas, cost estimating, scheduling and implementation of similar projects.

The gateway review team needs to base its findings primarily on:

- a) the information contained in the end-of-stage deliverables;
- b) supplementary documentation, if any, provided by key staff obtained during an interview process; and
- c) interviews with key staff members and stakeholders.

The gateway review team needs to issue a report at the conclusion of a gateway review which indicates the team's assessment of the information at the end of a stage and provides findings or recommendations on areas where further work may be undertaken to improve such information.

Aspects in the report needs to be flagged as being:

- a) code red: team considers the aspect to pose a significant risk to the project or package;
- b) code amber: team considers the aspects which indicate a minor risk to the project or package; or
- c) code green: team considers the aspect to have been given adequate consideration to the extent that it is unlikely to jeopardise the success of progressing to the next stage, or minor adjustments may be required before proceeding.

Annex F: Implementation plans

Implementation plans for infrastructure projects need as necessary to address the contents indicated in Table F1.

Table F1: Content of implementation plan

| Suggested heading | | Content |
|-------------------|---|--|
| No | Title | |
| 1 | Programme / project objectives | An overview of the programme / project and identified objectives |
| 2 | Scope, budget and schedule | In respect of each project or package for the financial year under consideration: <ul style="list-style-type: none"> • outline of the scope, • the control budget for each project, broken down into financial years • the overarching control budget for each financial year • proposed / actual start and end date for the project |
| 3 | Key success factors and Key Performance Indicators | Key success factors and the key performance indicators which need to be measured, monitored and evaluated |
| 4 | Outline of procurement strategy | Procurement strategy in summary form for each project or order issued in terms of a framework contract i.e. <ul style="list-style-type: none"> • Project delivery route (if applicable) - design strategy and interface management strategy • Packaging strategy - framework / non-framework • Contracting strategy – contract type, standard form of contract and procong strategy • Targeting strategy • Selection method |
| 5 | Time management plan | A time management plan for each project in the form of a Gantt Chart for the financial year under consideration, i.e. the baseline against which progress towards the attainment of milestone (key deliverables) target dates can be measured. |
| 6 | Projected budget and cash flow | The projected budget and cash flows for the financial year under consideration and subsequent financial years, which will enable planned and actual expenditure to be compared and revisions to the budget to be approved, and multiple project budgets to be managed |
| 7 | Procurement plan | The timeline for the financial year under consideration for advertising and closing of tenders and the obtaining of gate approvals leading up to (Annex E) <ul style="list-style-type: none"> • the award of the contract including information such as: - Tender number, title, broad scope of work <ul style="list-style-type: none"> - Estimated total of the prices for the contract / order - Proposed dates for <ul style="list-style-type: none"> ○ Approval of procurement documents (PG3) ○ Advertising of tender or submissions ○ Closing of tenders or submissions ○ Confirmation of the budget (PG4) ○ Authorisation to proceed to the next phase (if applicable) (PG5) ○ Initiation of next phase (if applicable) ○ Tender evaluation completed ○ Approval of tender recommendations (PG6) ○ Acceptance of the offer (PG7) • the issuing of an order in in terms of a framework agreement including information such as: <ul style="list-style-type: none"> - Confirming justifiable reasons for selecting a particular framework contractor (FG1) - Obtaining approval for procurement documents (FG2) - Confirmation of the budget (FG3) - Authorising of the issuing of an order (FG4) |
| 8 | Major risks | The identification of major risks and how such risks are to be mitigated or managed |
| 9 | Health, safety and environmental and socio-economic risks | An outline of the controls and measures which will address health, safety, socio-economic or environmental risks |
| 10 | Quality plan | An indication as to how quality requirements and expectations are to be met and managed |
| 11 | Communication plan | A communication plan which determines the lines of communication and the key activities associated therewith |

| | | |
|----|-------------------------|--|
| 12 | Allocation of resources | An indication of the assigned internal and external resources with implementation responsibilities |
|----|-------------------------|--|

F1

Annex G: Infrastructure procurement

G1 Usage of standard procedures

Goods or services or a combination thereof should generally be procured from the open market. Tenders may, however, be solicited from a confined market where:

- a) it is established with reasonable certainty that only a very limited number of contractors are able to provide goods, services or works which are not freely available in the market, or which are provided solely for the SDM in accordance with unique requirements;
- b) there is justification for standardising goods or making use of manufacturer-accredited contractors;
- c) a change in product or manufacturer requires modifications to related equipment and fixtures, e.g. a replacement pump requires costly changes to mountings, pipework or electrical connections or the replacement of circuit breakers requires costly changes to mounting frames, face panels, bus bars, wiring and the like; or
- d) a replacement model requires the holding of additional spares or maintenance personnel.

The standard selection methods identified in Table G1 are implemented under the stated conditions in accordance with the provisions of SANS 10845-1. Projects may not be subdivided to reduce the estimated tender value to fall within a threshold applicable to a specific selection method.

Table G1: Conditions under which procedures provided for in SANS 10845-1 may be utilised

| Selection method | Conditions which need to be satisfied in order to utilise the procedure |
|-------------------|--|
| Negotiated | |
| | <p>Any procurement where:</p> <ol style="list-style-type: none"> 1) a rapid response is required due to the presence of, or the imminent risk of, an extreme or emergency situation arising from: <ol style="list-style-type: none"> a) human injury or death; b) human suffering or deprivation of human rights; c) serious damage to property or financial loss; d) livestock or animal injury, suffering or death; e) serious environmental damage or degradation; or f) interruption of essential services; 2) the required goods, services or works cannot technically or economically be separated from another contract previously performed by a specific contractor; 3) only one contractor has been identified as possessing the necessary experience and qualifications or product to deliver value for money in relation to a particular need; 4) the services, goods or works, other than professional services, do not exceed R 75 000 including VAT; 5) the service or works being procured are largely identical to work previously executed by that contractor and it is not in the interest of the public or the organ of state to solicit other tender offers; 6) a professional service contract does not exceed R 200 000 and can be based on time and proven cost; 7) the nature of the works, goods or services, or the risks attached thereto, do not permit prior overall pricing; or 8) only one responsive tender is received. |

Table G1 (continued)

| Selection method | Conditions which need to be satisfied in order to utilise the procedure | |
|--|---|--|
| Competitive selection | | |
| Nominated | Any procurement, the estimated value of which does not exceed R 1 500 000 including VAT. | |
| Open | Any procurement, except where the cost of advertising or the evaluation of a large number of tender submissions is disproportionate to the value of the work. | |
| Qualified | Any procurement where: <ol style="list-style-type: none"> 1) a contract requires for its execution a high degree of specialised input, or requires skills and expertise that are not readily available; 2) a contract requires for its execution exceptional management skills or quality; 3) a tender submission requires significant tenderer inputs in order to respond appropriately to requirements so that a financial offer may be determined; 4) it is desirable, in a large programme or project, to link packages of work to tenderers who have the appropriate capacity and capability to compete against one another; 5) the time and cost required to examine and evaluate a large number of tender offers would be disproportionate to the procurement; 6) for practical reasons, it is necessary to limit the number of tender submissions that are received; or 7) the goods or services are not freely available in the market or are manufactured solely for the organ of state in accordance with that organ of state's own specifications. | |
| Quotation | Any procurement where the estimated value does not exceed R 200 000 including VAT. | |
| Proposal using the two-envelope system | Services where tenderers are required to develop and price proposals to satisfy a broad scope of work. | |
| Proposal using the two-stage system | Option 1 | Any procurement in which tenderers are required to submit technical proposals and, if required, cost parameters around which a contract may be negotiated. |
| | Option 2 | Any procurement in which tenderers are invited to submit technical proposals in the first stage and to submit tender offers based on procurement documents issued during the second stage. |
| Shopping procedure | Procurement which involves readily available goods and does not exceed R 10 000 including VAT. | |
| Competitive negotiations | | |
| Restricted competitive negotiations | As for open competitive negotiations, but where: <ol style="list-style-type: none"> 1) a contract requires for its execution a high degree of specialised input, or requires skills and expertise that are not readily available; 2) a contract requires for its execution exceptional management skills or quality; 3) a tender submission requires significant tenderer inputs in order to respond appropriately to requirements so that a financial offer may be determined; 4) the time and cost required to examine and evaluate a large number of tender offers would be disproportionate to the procurement; 5) for practical reasons, it is necessary to limit the number of tender submissions that are received; or 6) a target price is tendered and finalised prior to the award of the contract. | |

| | |
|-------------------------------|--|
| Open competitive negotiations | <p>Any procurement where:</p> <ol style="list-style-type: none"> 1) it is not feasible to formulate detailed specifications for the work or to identify the characteristics of goods or works to obtain the most satisfactory solution to procurement needs; 2) there are various possible means of satisfying procurement needs; 3) the technical character of the goods or works, or the nature of the services, warrants the use of competitive negotiations to realise the most satisfactory solution to procurement needs; 4) the purpose of the contract is research, experimentation, study or development; or 5) all the tenders received in a competitive selection procedure are non-responsive and the calling for fresh tenders is likely to result in a similar outcome. |
|-------------------------------|--|

Prior approval needs to be obtained to make use of the negotiated or confined selection method, unless such a procedure is already provided for in the approved procurement strategy at Gate 2 (see Annex E) except where:

- a) the negotiated procedure above the thresholds identified in Tables E1; and
- b) a rapid response is required in the presence of, or the imminent risk of, an extreme or emergency situation arising from the conditions set out in Table G1 and which can be dealt with, or the risks relating thereto arrested, within 48 hours.

Approval for the use of a confined market is valid for a period not exceeding 18 months.

G2 Framework agreements

Framework agreements may be entered into with contractors by:

- a) inviting tender offers to enter into a suitable contract for the required work, using stringent eligibility and evaluation criteria to ensure that contracts are entered into with only those contractors who have the capability and capacity to provide the required goods, services or works; and
- b) entering into a limited number of contracts (usually not more than 3 but certainly not more than 5), based on the projected demand and geographic location for such goods, services or works.

The term of a framework agreement is not to exceed three years, unless otherwise approved.

Framework agreements that are entered into may not commit the SDM to any quantum of work beyond the first order or bind the SDM to make use of such agreements to meet its needs. The SDM may approach the market for goods or services, or a combination thereof, whenever it considers that better value in terms of time, cost and the quality may be obtained.

Orders:

- a) may only cover goods or services, or any combination thereof, falling within the scope of work associated with the agreement which may not be amended for the duration of the contract;
- b) may not be issued after the expiry of the term of the framework agreement; and
- c) may be completed even if the completion of the order is after the expiry of the term.

The issuing of orders with a number of framework contractors covering the same scope of work may be made with and without requiring competition amongst framework contractors. Where competition is required amongst framework contractors, it needs to be conducted in a non-discriminatory manner such that competition is not distorted.

Competition amongst framework contractors for orders takes place where:

- a) there is no justifiable reason for issuing an order to a particular framework contractor, such as:
 - 1) the framework contractor provided the most economical transaction when the financial parameters included in the contract are applied, and has the capacity to deliver;
 - 2) the required goods, services or works cannot technically or economically be separated from another contract or order previously performed by a specific contractor;
 - 3) the service or works being instructed are largely identical to work previously executed by that contractor;
 - 4) the value of the order is less than the threshold for the quotation procedure;
 - 5) the schedule for delivery necessitates that each of the framework contractors be issued with orders on a continuous basis; or
 - 6) capacity to execute the order;
- b) the terms in the framework agreement are insufficiently precise or complete to cover the particular requirement, e.g. delivery time scales or time estimates to complete the order (productivity); or
- c) a better quality of service can be obtained through a competitive process.

An organ of state may request in writing to make use of a framework agreement put in place in terms of this policy. Such a request, signed by the accounting officer or accounting authority of that organ of state, needs to:

- a) outline the scope and anticipated quantum of work associated with the work that is required;
- b) provide a motivation for the use of the framework agreement; and
- c) detail the benefit for the state to be derived from making use of the framework agreement.

Approval of a request to make use of the framework agreement put in place in accordance with the provisions of this policy be granted, conditionally or unconditionally, if:

- a) the framework agreement was put in place following a competitive tender process and there are demonstratable benefits for doing so;
- b) confirmation is obtained that the framework contract is suitable for the intended use, and the required goods, services and works fall within the scope of such contract;
- c) the framework contractor agrees in writing to accept an order from that organ of state;
- d) the organ of state undertakes to pay the contractor in accordance with the terms and conditions of the agreement; and
- e) the term of the framework agreement does not expire before the issuing of the required orders.

Use may be made of another organ of state's framework agreement provided that such an agreement was put in place following a competitive tender process.

G3 Design competitions

A single or two-stage design competition may be used as a means to identify one or more suitable contractors to provide design services. The conditions for a design competition need to clearly state the purpose of the competition and the intentions of the promoter, the nature of the problem that is to be solved and all the practical requirements to be met by the competitors.

A design competition is initiated following a call for an expression of interest. All respondents who satisfy the admission requirements for a design competition and complete an application form are admitted to the competition as participants.

A jury who is independent of participants in the competition needs to be appointed to collectively decide on the outcome of the competition. Such a jury needs to be autonomous in its decisions or opinions and endeavour to adopt decisions on each individual submission by consensus and record its decisions in writing. Not less than 50% of the members serving on the jury needs to have relevant professional qualifications in the subject matter of the competition.

The design competition needs to be conducted in such a manner that the identity of any particular participant during the process is not known to the jury until after competition winners are announced. The awarding of prizes and honoraria may be linked to such competitions.

A contract may be negotiated with the winner of the design competition. Where more than one contract is awarded to participants in a design competition, all competitors in the final stage of the competition are invited to submit tender offers. Tender offers should be evaluated in terms of method 4 of SANS 10845-3, with the score for quality being based solely on the ranking of the competition jury.

G4 Procurement documentation

G4.1 General

Procurement documents are developed in accordance with the provisions of SANS 10845-1 and SANS 10845-2.

The Form of Offer and Acceptance contained in Annex B of SANS 10845-2 is used, with minimal contract-specific amendments, to form the basis of agreement arising from the solicitation of tender offers.

The formation of a contract (see SANS 10845-2) occurs once:

- a) each and every amendment to the tender documents made in terms of addenda issued prior to the close of tenders and permitted in terms of the conditions of tender, and agreed to in the process of offer and acceptance has either:
 - 1) been reflected in schedule of deviations; or
 - 2) been incorporated into the final contract and a brief summary of the changes made in the final contract document is included in the schedule of deviations so as to allow the reader to understand the nature and extent of the changes; and
- b) the acceptance portion of the Form of Offer and Acceptance has been signed by the person authorised to do so.

A tenderer's covering letter may not be included in the final contract document or referenced in the schedule of deviations. The agreed provisions of such a letter is stated in the schedule of deviations.

G4.2 Tender, submission and auction data

The tender data references the Standard Conditions of Tender contained in SANS 10845-3.

The tender offer validity period provided for in the tender data is not in general to exceed eight weeks, and in exceptional circumstances 12 weeks.

The submission data references the Standard Conditions for the Calling for Expressions of Interest contained in SANS 10845-4.

Auction data is based on the auction data contained in SANS 10845-1.

G4.3 Standard forms of contract

The standard forms of contract are selected from and need to be suitable for use under the conditions described in Table G2.

The standard forms of contract are used with minimal contract amendments which do not change their intended usage and may only be amended when absolutely necessary to accommodate special needs.

Adjudication is used to resolve disputes arising during the performance of a contract prior to proceeding to either arbitration or litigation.

G4.4 Tender assessment schedules

Tender assessment schedules are used to take account of all tendered financial parameters that have an impact upon the final value of the contract.

Table G2: Approved forms of contract related to the delivery and maintenance of infrastructure¹

| Form of contract | Intended usage |
|---|---|
| Construction Industry Development Board (CIDB) | |
| CIDB Standard Professional Service Contract | Professional services |
| CIDB General Conditions of Purchase | An order form type of contract for low-value goods without any incidental work or services on or before a specified date being required. |
| CIDB Contract for the Supply and Delivery of Goods | Simple, regional purchase of readily available materials or commodities which require almost no management of the buying and delivery process, minimal testing, installation and commissioning on delivery. |
| CIDB General Conditions of Service | An order form type of contract where low-value services on or before a specified date are required. |
| Institution of Civil Engineers (ICE) | |
| NEC Engineering and Construction Contract | Engineering and construction including any level of design responsibility. |
| NEC Engineering and Construction Short Contract | Engineering and construction which do not require sophisticated management techniques, comprise straightforward work and impose only low risks on both the employer and contractor. |
| NEC Professional Services Contract | Professional services, such as engineering, design or consultancy advice. |
| NEC Professional Services Short Contract | Professional services which do not require sophisticated management techniques, comprise straightforward work and impose only low risks on both the client and consultant. |
| NEC Term Service Contract | Manage and provide a service over a period of time. |
| NEC Term Service Short Contract | Manage and provide a service over a period of time, or provide a service which does not require sophisticated management techniques, comprises straightforward work and imposes only low risks on both the employer and contractor. |

| | |
|---|--|
| NEC Supply Contract | Local and international procurement of high-value goods and related services, including design. |
| NEC Supply Short Contract | Local and international procurement of goods under a single order or on a batch order basis and is suitable for use with contracts which do not require sophisticated management techniques, and impose only low risks on both the purchaser and the supplier. |
| NEC Design build and operate | Design, construct or modify and operate assets necessary to meet the client's operational requirements |
| South African Institution of Civil Engineering (SAICE) | |
| SAICE General Conditions of Contract for Construction Works | Engineering and construction, including any level of design responsibility. |
| Joint Building Contracts Committee (JBCC) | |
| JBCC Principal Building Agreement | Buildings and related site works designed by the employer. |
| JBCC Minor Works Agreement | Buildings and related site works of simple content designed by the employer. |

G4.5 Guarantees

Bonds which guarantee performance with a stated financial benefit in the event of non-performance:

- a) should as a general rule not be required in service, professional service and supply contracts; and

- b) are between 5% and 12,5% of the contract or package order value, excluding VAT, and may be either a fixed or variable guarantee.

Advance payment, where required in construction and supply contracts and approved by the SDM's chief financial officer, may only be made to contractors against the lodging of a suitable advance payment bond.

G4.6 Retention monies

Retention monies that are held do not exceed 10% of any amount due to a contractor. The total amount of retention monies held are not to exceed 5% of the contract or package order price.

G4.7 Communications

All procurement documents and communications are to be in English.

G4.8 Intellectual property rights

The ADM as a general rule owns the rights over the materials specifically prepared by a contractor in relation to a contract.

G4.9 Budgetary items

Provision for budgetary items in procurement documents are as far as possible be avoided. Assumptions should rather be stated in the pricing data so that they can be priced and adjusted in terms of the contract, should these assumptions be incorrect. Where unavoidable, estimates of the likely costs

may be included in the contract to cover identified work or services to be performed by a subcontractor appointed in terms of the contract.

No provision for contingencies or price adjustment for inflation are to be made in the pricing data or included in the contract price at the time that the contract is awarded or an order is issued.

G4.10 Insurances

Contractors are required to take out all insurances required in terms of the contract.¹

The insurance cover in construction contracts for loss of or damage to property (except the works, plant and materials and equipment) and liability for bodily injury to or death of a person (not an employee of the contractor) caused by activity in connection with a contract is general not less than R 20 million, unless otherwise directed by the client delivery manager.

SASRIA Special Risk Insurance in respect of riot and associated risk of damage to the works, plant and materials shall be taken out on all construction contracts. Lateral earth support insurance in addition to such insurance shall be take out on a case by case basis.

The insurance cover in professional services and service contracts for damage to property or death of or bodily injury to employees of the Contractor arising out of and in the course of their employment in connection with a contract shall not be less than R 10 million for any one event unless otherwise directed by the client delivery manager.

Professional service appointments are as a general rule subject to proof of current professional indemnity insurance being submitted an amount not less than R 3,0 million, except in the case of architectural, structural engineering and geotechnical engineering where the amount is not less than R 5,0 million, without limit to the number of claims, unless otherwise directed by the client delivery manager.

G.4.11 Payment in multiple currencies

Where payment is to be made in multiple currencies, either the contractor or the ADM should take out forward cover. Alternatively, the prices for the imported content should be fixed as soon as possible after the starting date for the contract.

G4.12 Potential conflicts of interest in preparing procurement documents

Agents (person or organization that is not an employee of the SDM that acts on behalf of the SDM) who prepare a part of a procurement document may in exceptional circumstances, where it is in the SDM's interest to do so, submit a tender for work associated with such documents provided that:

- a) the SDM states in the tender data that such an agent is a potential tenderer;
- b) all the information which was made available to, and the advice provided by that agent which is relevant to the tender, is equally made available to all potential tenderers upon request, if not already included in the scope of work; and
- c) the procurement documentation committee is satisfied that the procurement document is objective and unbiased having regard to the role and recommendations of that agent.

G4.13 Non-disclosure agreements

¹ Alternatively state that the insurances shall be principal or employer controlled.

Confidentiality agreements in the form of non-disclosure agreements may, where appropriate, be included in contracts with agents and potential contractors to protect the SDM's confidential information and interests.

G5 Secondary procurement policy

G5.1 General

The SDM shall promote

- a) Broad-Based Black Economic Empowerment in accordance with the provisions of the BroadBased Black Economic Empowerment Act in all its procurement; and
- b) where appropriate, promote work, business, skills opportunities to target groups and national development goals.

G5.2 Permitted targeted procurement procedures

The targeted procurement procedures that may be used to promote social and economic objectives include one or more of the following:

- a) the granting of preferences;
- b) accelerated rotations on electronic databases, where appropriate;
- c) the granting of up to 10% of the total number of evaluation points used to short-list tenderers following a call for expressions of interest;
- d) financial incentives for the attainment of key performance indicators in the performance of the contract; and
- e) the creation of contractual obligations to engage target groups in the performance of the contract by establishing requirements for the tendering of subcontracts in terms of a specified procedure or establishing obligations to attain contract participation goals in accordance with the relevant provisions of SANS 10845.

G6 Disposal management

A disposal committee decides on how best to undertake disposals relating to the demolition or dismantling of infrastructure or parts thereof, and the disposal of unwanted, redundant or surplus materials, plant and equipment.

Disposals are proceeded with only after the feasibility and desirability of using one or more of the following alternative disposal strategies have been considered:

- a) transfer to an organ of state or a charitable organisation at market-related value or free of charge;
- b) recycling or re-use of component materials; or
- c) disposal by means of dumping at an authorised dump site, burning or demolition.

The reasons for adopting a disposal strategy is recorded prior to proceeding with such disposal.

G7 Long lead items

Procurement processes associated with long lead items of plant, equipment and materials may be initiated before the conclusion of stage 4 (concept and viability or feasibility). No contract may be entered into following such processes until stage 4 has been concluded and the budgets are in place to proceed.

G8 Free issue of materials, equipment and plant

Materials, equipment and plant may be procured and issued free of charge to a contractor for incorporation into the works. Care needs to be taken to ensure that suitable arrangements or measures are in place to minimise:

- a) loss or damage to such items until the contractor has received and accepted them; and
- b) delays in supply which can result in increases in the contractor's prices for providing the works.

G9 Receipt and safeguarding of submissions

A dedicated and clearly marked tender box is made available to receive all submissions made.

The tender box is fitted with two locks and the keys kept separately by two people. Such personnel are present when the box is opened on the stipulated closing date for submissions.

G10 Opening of submissions

Submissions are opened by an opening panel comprising two people who have declared their interest or confirmed that they have no interest in the submissions that are to be opened.

The opening panel opens the tender box at the stipulated closing time and:

- a) sorts through the submissions and return those submissions to the box that are not yet due to be opened including those whose closing date has been extended;
- b) returns submissions unopened and suitably annotated where:
 - 1) submissions are received late, unless otherwise permitted in terms of the submission data;
 - 2) submissions were submitted by a method other than the stated method,
 - 3) submissions were withdrawn in accordance with the procedures contained in SANS 10845-3; and.
 - 4) only one tender submission is received and it is decided not to open it and to call for fresh tender submissions;
- c) record in the register submissions that were returned unopened;
- d) open submissions if received in sealed envelopes and annotated with the required particulars and read out the name of and record in the register the name of the tenderer or respondent and, if relevant, the total of prices including VAT where this is possible;
- e) record in the register the name of any submissions that is returned with the reasons for doing so;
- f) record the names of the tenderer's representatives that attend the public opening;

- g) sign the entries into the register; and
- h) stamp each returnable document in each tender submission.

Each member of the opening panel initial the front cover of the submission and all pages that are stamped.

Respondents and tenderers whose submissions are to be returned are afforded the opportunity to collect their submissions.

Submissions are safeguarded from the time of receipt until the conclusion of the procurement process.

G11 Tax compliance and Central Supplier Database (CSD) registration

No contract may be awarded or order issued unless a tenderer or contractor is:

- a) registered on the Central Supplier Database (CSD) for the South African government (see <https://secure.csd.gov.za/>) unless a foreign entity with no local registered entity; and
- b) provides written proof from SARS that the tenderer either has no tax obligations or has made arrangements to meet outstanding tax obligations, unless the entity is not domiciled in the Republic of South Africa and SARS has confirmed that such a tenderer is not required to prove their tax compliance status.

No contract may be awarded to a tenderer who, or the principals of that tenderer, owes municipal rates and taxes or municipal service charges to any municipality or a municipal entity and are in arrears for more than 3 months.

In the case of a partnership or joint venture, each partner needs to be tax compliant.

G12 Collusive tendering

Any submissions made by a respondent or tenderer who fails to declare in a declaration that the tendering entity:

- a) is not associated, linked or involved with any other tendering entity submitting tender offers; or
- b) has not engaged in any prohibited restrictive horizontal practices including consultation, communication, agreement, or arrangement with any competing or potential tendering entity regarding prices, geographical areas in which goods and services will be rendered, approaches to determining prices or pricing parameters, intentions to submit a tender or not, the content of the submission (specification, timing, conditions of contract etc.) or intention to not win a tender is rejected.

G13 Invitations to submit expressions of interest or tender offers

All invitations to submit tenders where the estimated value of the contract exceeds R200 000 including VAT, except where a confined tender process is followed, and expressions of interest need to be advertised on the SDM's website, and or on the National Treasury E-Tender Publication Portal and,

where such advertisements relate to construction works which are subject to the Construction Industry Development Regulations issued in terms of the Construction Industry Development Act of 2000, on the CIDB website.

Where deemed appropriate by the client delivery manager an invitation to tender and a call for an expression of interest shall be advertised in suitable local and national newspapers as directed by such person.

Advertisements to submit tenders shall be advertised for a period of at least 30 days before closure, except in urgent cases when the advertisement period may be shortened as determined by the Municipal Manager.

Invitations to submit expressions of interest or tender offers shall be issued not less than 10 working days before the closing date for tenders and at least 5 working days before any compulsory clarification meeting.

Procurement documents shall be made available not less than 7 days before the closing time for submissions.

G14 Publication of submissions received and the award of contracts

Within 10 working days of the closure of any advertised call for an expression of interest or an invitation to tender where the estimated value of the contract exceeds R200 000 including VAT, the names of all tenderers that made submissions to that advertisement, and if practical or applicable, the total of the prices and the preferences claimed, are published on the SDM's website. Such information should remain on the website for at least 30 days.

The following needs to be published on the SDM's website within 7 working days of the award of a contract:

- a) the contract number and title;
- b) brief description of the goods, services or works;
- c) the total of the prices, if practical;
- e) the names of successful tenderers and their B-BBEE status level of contribution;
- f) duration of the contract; and
- g) brand names, if applicable.

Within 7 working days of the award of a contract the information required by National Treasury on the National Treasury eTender Publication Portal regarding the successful and unsuccessful tenders. Submissions needs to be uploaded. The award of contracts relating to construction works which are subject to the Construction Industry Development Regulations issued in terms of the Construction Industry Development Act of 2000 also need to be notified on the CIDB website.

G15 Request for access to information

Should an application be received in terms of Promotion of Access to Information Act of 2000 (Act 2 of 2000), the "requestor" should be referred to the SDM's Information Manual which establishes the

procedures to be followed and the criteria that have to be met for the “requester” to request access to records in the possession or under the control of the SDM.

Access to technical and commercial information such as a comprehensive programme which links resources and prices to such programme should be refused as such information provides the order and timing of operations, provisions for time risk allowances and statements as to how the contractor plans to do the work which identifies principal equipment and other resources which he plans to use. Access to a bill of quantities and rates should be provided in terms of the Act.

Annex H: Managing procurement activities

H1 Procurement activities and controls

There are typically six principal activities associated with a generic procurement process:

- a) the establishment of what is to be procured;
- b) a decision on procurement strategies;
- c) the solicitation of tender offers;
- d) the evaluation of tender offers;
- e) the award of the contract; and
- f) the administration of the contract and confirmation of compliance with the requirements.

The establishment of what is to be procured (task 1) initiates the procurement process. Procurement strategy (task 2) is all about the choices made in determining which of the required goods and services or combinations thereof are to be delivered through a particular contract, the contracting arrangements, how procurement is to be used to promote secondary procurement objectives, if any, and the selection methods used to solicit tender offers. Conditions for the calling for expressions of interest to prequalify respondents to participate in a specific contract, project or programme and conditions of tender govern tasks 3 to 5. Conditions of contract (i.e. terms that collectively describe the rights and obligations of contracting parties and the agreed procedures for the administration of their contract) govern task 6.

Table H1 establishes a set of principal actions within the six principle tasks i.e. it incorporates actions leading to procedural milestones (control points) (see Figure H1).

Table H1 — Procurement tasks and associated actions

| Description | Principal action |
|--|---|
| Procurement activity 1: Establish what is to be procured (if not specifically identified in stage 1 of Table E1 of Annex E) | |
| 1. Prepare broad scope of work for procurement | Develop a title for the procurement for the purpose of project identification and a broad scope of work. |
| 2. Estimate financial value of proposed procurement | Estimate the financial value of the proposed contract for budgetary purposes, based on the broad scope of work. |
| 3. PG 1 Obtain permission to start with the procurement process ^a | Decide to proceed/not to proceed with the procurement based on the broad scope of work and the financial estimates. |
| Procurement activity 2: Decide on procurement strategies (if not included in stage 2 of Annex E) | |

| | |
|---|--|
| 1. Establish opportunities for promoting secondary procurement policies, if any | Identify the specific goals which are to be pursued, if any, and establish quantitative targets and implementation procedures which are consistent with the employer's objectives. |
| 2. Establish contracting strategy | Decide on an appropriate form of contract and the methodology by which contractors are to be paid. |
| 3. Establish targeting strategy | Decide on the methodology that is to be used to implement secondary procurement policy. |
| 4. Establish selection method | Identify the process that will be followed to solicit tender offers and to conclude a contract. |
| 5. PG 2 Obtain approval for procurement strategies that are to be adopted ^a | Confirm the procurement strategy so that tender offers can be solicited including specific approvals to approach a confined market or the use of the negotiation procedure |

Table H.1 (continued)

| Description | Principal action | |
|--|---|---|
| Procurement activity 3: Solicit tender offers | | |
| 1. Prepare procurement documents | Prepare expressions of interest or tender documents (or both), as appropriate, that are compatible with the approved procurement strategies. | |
| 2. PG 3 Obtain approval for procurement documents ^a | Reviews the procurement document, identifies sections, if any, which require amendments or improvements, and grant the necessary approval. | |
| 3. PG 4 Confirm that budgets are in place ^a | Confirm that finance / the necessary budget is available for the procurement to take place. | |
| 4. Invite tender offers or expressions of interest | Advertise tenders/identify contractor(s) that are to be invited to submit tender offers in accordance with the approved selection method, issue procurement documents, respond to requests for clarification, conduct clarification/site meetings, issue attendees with minutes of such meetings, and issue addenda, as relevant. | |
| 5. Receive submissions | Ensure that arrangements are in place to receive tender offers/expressions of interest and return unopened those that are received late, are not delivered in accordance with instructions given to respondents/tenderers or where only one tender is received and it is decided to call for fresh tenders. | |
| 6. Open and record submissions received | Open submissions and record data relating to the submission | |
| Procurement activity 4: Evaluate tender offers | | |
| Qualified, proposal or competitive negotiations selection methods only | 1. Evaluate and prepare evaluation report on submissions received | Evaluate in accordance with the provisions of the procurement document that was issued and prepare an evaluation report (see ISO 10845-3 and ISO 10845-4) |
| | 2. PG 5 Obtain authorisation to proceed with next phase of the procurement process ^a | Review evaluation report and ratify recommendations so that the next phase of the procurement process can commence or refer the report back to those who performed the evaluation for re-evaluation |
| | 3. Invite tender offers from qualified respondents or selected tenderers | Issue next phase procurement documents |

| | | |
|---|--|---|
| | 4. Open and record submissions received and if necessary repeat 1 to 4 above | Open submissions, record data relating to the submission and evaluate in accordance with the provisions of procurement documents |
| 5. | Evaluate tender offers and prepare a tender evaluation report | Evaluate in accordance with the provisions of the procurement document that was issued and prepare an evaluation report |
| 6. | PG 6 Confirm recommendations contained in tender evaluation report | Review evaluation report and authorise or refer back to those who performed the evaluation for re-evaluation |
| Procurement activity 5: Award contract | | |
| 1. | Notify unsuccessful tenderers of the outcome | Notify the unsuccessful tenderers of the outcome and respond to any correspondence raised in this regard |
| 2. | Compile contract document | Assemble contract document from the relevant tender returnables and issue draft contract to tenderer, capturing all the changes that were agreed to between the offer and acceptance. |
| 3. | PG 7 Award contract | Accept the tender offer in writing and issue the contractor with a signed copy of the contract. |
| 4. | Capture contract award data | Capture, into a database, essential contract data for record purposes. |
| 5. | GF1 Upload data in financial management and payment systems | Authorise the uploading of financial data on the financial system |

Table H.1 (continued)

| Description | Principal action |
|---|--|
| Procurement activity 6: Administer contracts and confirm compliance with requirements | |
| 1. Administer contract in accordance with the terms and provisions of the contract | Administer the contract in accordance with its terms and conditions and pay contractors within the time periods provided for in the contract |
| 2. Confirm compliance with requirements | Monitor contractor's performance for compliance with the requirements of the contract |
| 3. Capture contract completion/ termination data | Record, in a database, key performance indicators relating to time, cost and the attainment of specific goals associated with a secondary procurement policy, or if the contract is terminated or cancelled, the reasons for this. |
| 4. PG8A Obtain approval to waive penalties or low performance damages | Approve waiver of penalties or low performance damages |
| 5. PG8B Obtain approval to notify and refer a dispute to an adjudicator, or for final settlement to an arbitrator or court of law | Grant permission for the referral of a dispute to an adjudicator or for final settlement to an arbitrator or court of law |
| 6. PG8C Obtain approval to increase the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at the award of a contract or the issuing of an order up to a specified percentage | Approve amount of time and cost overruns up to a specified threshold |

| | |
|---|--|
| 7. PG8D Obtain approval to exceed the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at award of a contract or the issuing of an order by more than 20% and 30%, respectively | Approve amount of time and cost overruns above a specified threshold |
| 8. PG8E Obtain approval to cancel or terminate a contract | Approve cancellation of termination of a contract |
| 9. PG8F Obtain approval to amend a contract | Approve proposed amendment to contract |
| 10 Close out the contract | Close out contract and finalise amount due |

*shaded cells indicate the presence of a procurement gate (control point)

Control gates provide an opportunity to:

- authorise the proceeding with an activity within a process, or the commencing of the next process;
- confirm conformity with requirements before completing processes; or
- provide information which creates an opportunity for corrective action to be taken.

Table H2 establishes a set of principal actions associated with the issuing of orders in terms of a framework contract. Table H2 incorporates actions leading to procedural milestones (control points) (see Figure H1).

The level of detail contained in the documentation upon which a decision is made at a gate needs to be sufficient to enable informed decisions to be made to proceed to the next activity or to undertake a particular procedure.

The authorisation to proceed with the next phase (Procurement Gate 5), the approval of tender evaluation recommendations (Procurement Gate 6) and the authorisation for the issuing of an order (Framework Agreement Gate 4) needs to be based on the contents of an evaluation report.

The approvals or acceptances at each gate need to be recorded on suitable templates and be retained for record and audit purposes for a period of not less than five years of such acceptance or approval in a secured environment.

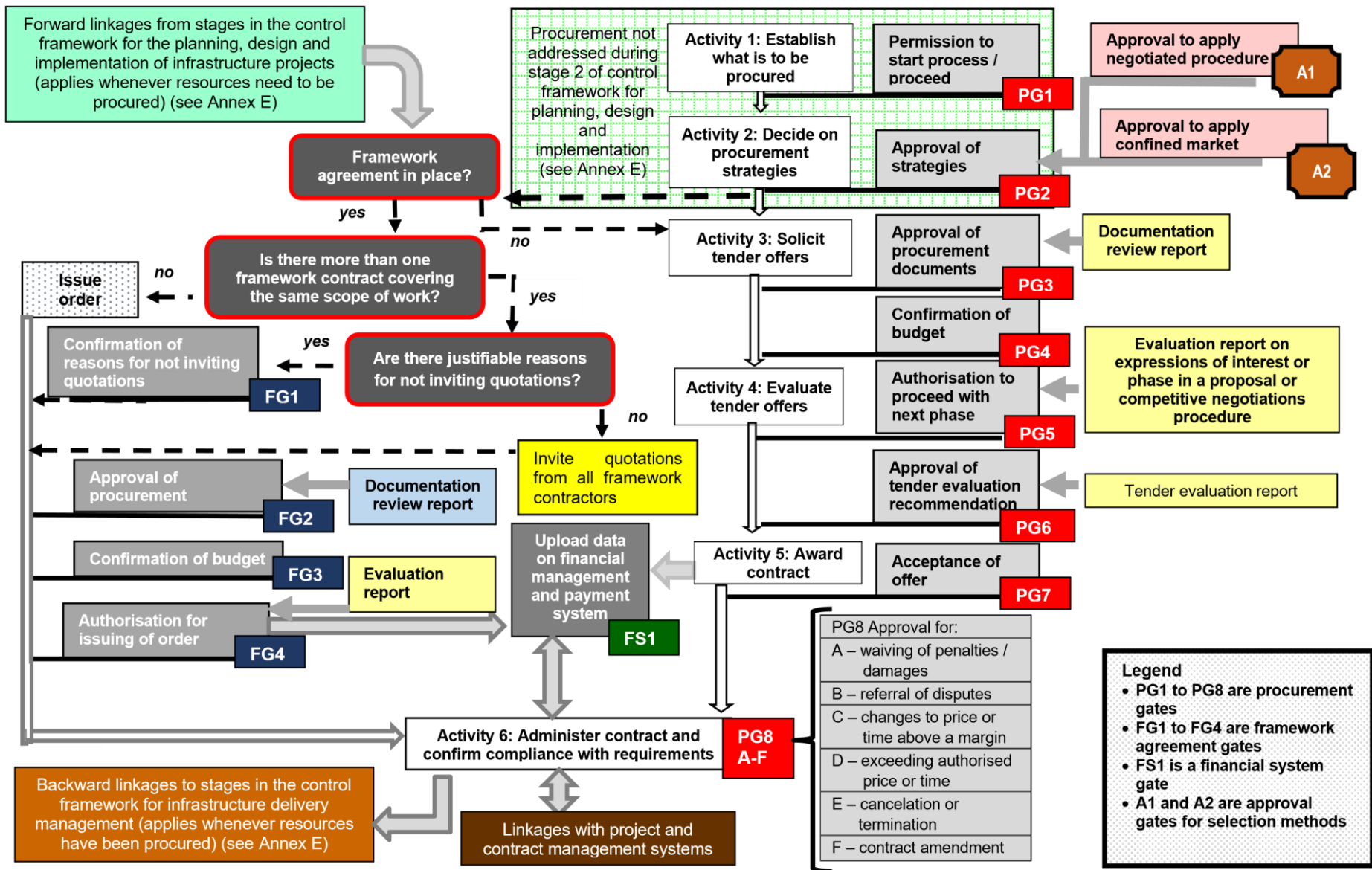


Figure H1: Control framework for infrastructure procurement

Table H2: Procurement activities and gates associated with the issuing of an order in terms of a framework agreement

| Activity* | |
|-----------|--|
| 1 FG1 | Confirm justifiable reasons for selecting a framework contractor where there is more than one framework agreement covering the same scope of work |
| 2 | Prepare procurement documents |
| 3 FG2 | Approve procurement documents |
| 4 FG3 | Confirm that budgets are in place |
| 5 | Quotations amongst framework contractors not invited: Issue draft order documentation and consult with contractor and prepare evaluation report Quotations amongst framework contractors invited: Invite quotations from all framework contractors participating in the agreement, receive and evaluate submissions and prepare evaluation report |
| 6 FG4 | Authorise the issuing of the order |
| 7 | Log order onto management system |
| 8 | Issue order to contractor |
| 9 | Notify issuing of order to oversight person |
| 10 | Administer orders in accordance with contract and confirm compliance with requirements |

*Shaded cells indicate the presence of a framework gate (control point)

Approvals for the reasons for pursuing a particular selection method are required where the confined procedure or negotiated procedure are applied to solicit tender offers (see approval Gates A1 and A2). Such approval confirms that the use of such procedures is in line with the provisions of the documented procurement system.

H2 Amount due in terms of the contract, budget amount and purchase order value

Risk (the effect of uncertainty on objectives) can influence the delivery of a project with respect to time, cost and quality, and in extreme cases, the completion of the contract. The generic sources of risk on infrastructure projects include commercial and legal relationships, economic circumstances, human behaviour, natural events, weather, inherent site conditions, political circumstances, community unrest, technology and technical issues, management activities and controls and individual activity. Risks can also manifest in the failure to make decisions or provide information timeously, to pay promptly or provide timeous access to a site. Accordingly, risk taking is necessary in infrastructure projects.

A central issue that needs to be dealt with is the financial liability relating to the uncertainty of future events, who takes the risk for the difference between the actual prices paid in terms of the contract and those estimated at the time of tender and how changes to requirements to enhance quality, performance in use or the usefulness of outputs or to address shortcomings are assessed and paid for.

Standard forms of contract contain the terms that collectively describe the rights of the contracting parties and the agreed procedures for the administration of the contract. They enable risks to be allocated between the parties to the contract. They also make provision for standard adjustments to the total of the prices and the time for completion. Such adjustments, depending upon the nature of the contract and the contracting strategy that is adopted, can include provisions such as:

- price adjustment for inflation;
- the assessment of the impact on the prices of changes in legislation, foreign currency fluctuations, changes in and the remeasurement of quantities stated in the contract, errors and omissions in bills of quantities and the application of risk sharing mechanisms in target contracts;

- the cost and time implications of risk events that materialise in the contract for which the contractor is not at risk including changes in the specific requirements of contract to enhance quality, performance or to address shortcomings which can impair performance or the usefulness of outputs; and
- correction of assumptions made regarding items which were identified but could not be fully priced at the time of tender e.g. specialist subcontracts.

Accordingly, the application of the aforementioned terms and conditions of a contract, although changing the total of the prices and the time for completion at the start of a contract, does not constitute an amendment to the contract and as such require approval at Procurement Gate PG8F. Amounts due in terms of the contract, nevertheless need to be funded, and the consequences of late delivery need to be accommodated. Accordingly, the project control budget needs to include an estimate for price adjustment for inflation, if applicable, as well as some provision for contingencies (budget covering work or price increases that can be required but cannot be foreseen or predicted with certainty) in order to fund what is due in terms of the contract (see Table H3). At the same time, a mechanism needs to be put in place to enable the contingency amounts to be accessed within the financial system. This requires a capability within the financial system to pay the amount due in terms of the contract in excess of the purchase order value.

Table H3: Amount due in terms of the contract, budget amount and purchase order value

| Component of cost | Amount due in terms of the contract at close out | Budget amount | Purchase order value |
|---|---|--|--------------------------------|
| Base price at time of award | Price at the time of award of the contract, excluding contingencies, based on: <ul style="list-style-type: none"> • work that is priced; and • estimates of costs to cover identified work or services to be performed which cannot be accurately priced e.g. specialist subcontracts | | |
| Price adjustment for inflation | Actual value based on published indices | Estimated value based on forecasted indices | |
| Changes to requirements | Cost of effecting changes assessed in terms of the provisions of the contract | Contingency provided within the control budget for the project (which can if necessary be topped up from contingences spread across multiple projects) | Allowance for some contingency |
| Correction of assumptions | | | |
| Risk events manifesting for which the contractor is not at risk | | | |

A stepwise approach to accessing of contingencies is provided in the control framework as indicated in Figure H2. The price at the time that the contract is awarded or an order is issued needs to be without provision for contingencies or allowances for price adjustment for inflation. Contingencies need to be managed above the contract level. This stepwise approach to accessing contingencies encourages the client delivery management team and the delivery team to seek alternative ways to deal with issues which lead to increases in the total of the prices for a contract or an order.

Accordingly, no provision for contingencies or price adjustment for inflation may be included in the contract price at the time that the contract is awarded or an order is issued. Such a price needs to be the net contract price i.e. the value of the contract, based on the scope of work (document that specifies and describes the goods, services, or works which are to be provided, and any other requirements and constraints relating to the manner in which the contract work is to be performed) at the start of the contract or order. Budgetary items should be discouraged. Estimates of likely costs to cover identified work or services to be performed by a subcontractor appointed in terms of the contract and assumed costs, based on a set of assumptions for known work, may be made. These amounts can be included

in the contract price and adjusted in terms of the contract when the actual costs are known or when such assumptions are found to be incorrect.

Procurement gates PG8C and PG8D enable time and cost overruns to be managed and as such provide stepped access to contingencies. The principle associated with the stepped thresholds provided for at gates 8C and 8D (see Table H1) is that approval to exceed authorised cumulative amounts in excess of these percentages needs to be granted at a more senior level with each quantum increase. The onus is on the contract manager to obtain timeous approval so that the works are not disrupted. The control budgets for projects need to be rolled up into a control budget for a financial year. Such budgets should be periodically adjusted to reflect changing circumstances. PG4 and FG3 gates provide an opportunity to confirm that budget is available to continue with or to delay a particular contract or order.

Data pertaining to contracts needs to be uploaded in the Financial Management System at gate FS1. There are often increases in the total of the prices in infrastructure projects as risks materialise, changes are implemented to enhance the quality or performance of the works or to address shortcomings and the prices are adjusted for the effects of inflation. Accordingly, a value which equates to the total of prices at award excluding contingencies, plus an estimate for increases in the total of the prices associated with price adjustment for inflation, if provided for, and a reasonable percentage for contingencies needs to be uploaded at Gate FS1.

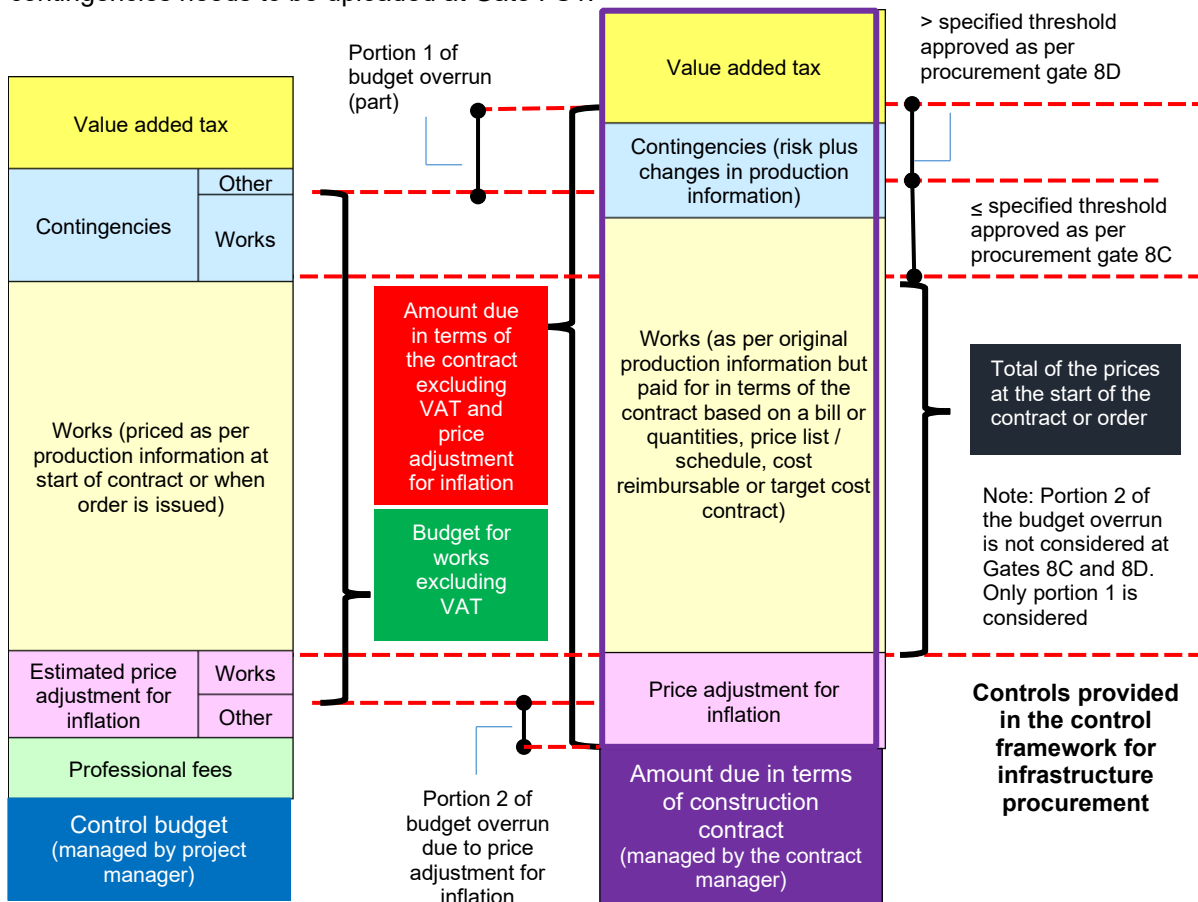


Figure H2: Provisions in the control framework for controlling costs

PG8C and PG8D approvals provide the necessary authorisation for the financial system to permit the payment of amounts due in terms of the contract which exceed the purchase order value.

H3 Committee system

H3.1 General principles

The approval of procurement documents, the validation of tender evaluation reports and the recommendations on the award of contracts to an authorised person for all procurement transactions above the quotation threshold takes place within a committee system comprising three committees.

Persons appointed as technical advisors and subject matter experts may attend any committee meeting. Such advisers and experts may not participate in the decision-making proceedings of such meetings.

No person who is a political officer bearer, a public office bearer including any councilor of a municipality, a political advisor or a person appointed in terms of section 12A of the Public Service Act of 1994 or who has a conflict of interest may be appointed to a procurement documentation, evaluation or tender committee.

Committee decisions need to be as far as possible based on the consensus principle i.e. the general agreement characterised by the lack of sustained opposition to substantial issues. Committees need to record their decisions in writing. Such decisions need to be kept in a secured environment for a period of not less than five years after the completion or cancellation of the contract.

Committees may make decisions at meetings or, subject to the committee chairperson's approval, on the basis of responses to documents circulated to committee members provided that not less than sixty percent of the members are present or respond to the request for responses. Where the committee chairperson is absent from the meeting, the members of the committee who are present may elect a chairperson from one of them to preside at the meeting.

No member of, technical adviser or subject matter expert who participates in the work of the any of the procurement committees or a family member (a person's spouse, whether in a marriage or in a customary union according to indigenous law, domestic partner in a civil union, or child, parent, brother, sister, whether such a relationship results from birth, marriage or adoption) or associate of such a member, may tender for any work associated with the tender which is considered by these committees.

Any submissions made by a respondent or tenderer who declares in the Compulsory Declaration that a principal is one of the following shall be rejected:

- a) a member of any municipal council, any provincial legislature, or 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.

The notes to the annual financial statements of the SDM shall disclose particulars of an award of more than R 2000 to a person who is a family member of a person identified in 6.1.5.1 or who has been in

the previous 12 months. Such notes shall include the name of the person, the capacity in which such person served and the amount of the award.

H3.2 Approval of procurement documents H3.2.1 Procurement documentation committee

A procurement documentation committee needs to approve procurement documents before they are issued to the market in terms of a competitive or competitive negotiation selection method, are finalised in the negotiated selection method or issued to framework contractors. Such approval takes place following the review of the procurement documents by a documentation review team.

The procurement documentation committee needs to take into account the contents of the documentation review report and confirm that the procurement documents are fair, transparent and equitable and are likely to result in a cost-effective procurement outcome. The procurement documentation committee needs in particular to confirm the following as relevant when approving a procurement document:

- c) the proposed eligibility criteria do not unfairly eliminate tenderers from consideration;
- d) compulsory clarification meetings are justifiable in the context of the procurement;
- e) the weightings between price adjusted for a preference and quality are reasonable;
- f) the quality criteria and any weightings between sub-criteria which are to be scored in the evaluation of tenders are fair and reasonable and are justifiable in terms of procurement outcomes; and
- g) the provisions for applying of the Preferential Procurement Regulations are not promoting captive markets and are likely to result in the tendering of market related prices.

H3.2.2 Documentation review requirements

The review of procurement documents associated with the negotiation, competitive selection or competitive negotiation procedure needs to confirm that:

- a) the procurement documents have been formatted and compiled in accordance with the requirements of SANS 10845-2 and this policy and are aligned with the approved procurement strategy;
- b) appropriate prompts for judgement are included in procurement documents in accordance with the requirements of SANS 10845-1 whenever quality is evaluated and scored in the evaluation of calls for expressions of interest or tender offers;
- c) the selected form of contract in the case of a tender that is solicited is in accordance with the requirements of this policy and any standard SDM templates have been correctly applied;
- d) the necessary approval has been obtained for additional clauses or variations to the standard clauses in the conditions of contract, conditions of tender or conditions for the calling for expressions of interest, as relevant, not provided for in the organ of state's approved templates;
- e) the selected submission data in the case of a call for an expression of interest, or tender data and contract data options in the case of a tender, are likely to yield best value outcomes;

- f) the scope of work adequately establishes what is required and the constraints to the manner in which the contract work is to be provided, and satisfies the drafting requirements of SANS 108451;
- g) the submission or returnable documents are necessary and will enable submissions to be evaluated fairly and efficiently; and
- h) the risk allocations in the contract and pricing data are appropriate.

The review of procurement documentation associated with the issuing of an order needs to confirm that:

- a) any standard SDM templates have been correctly applied;
- b) the necessary approval has been obtained for additional clauses or variations to the standard clauses in the conditions of contract not provided in the organ of state's approved templates or the contract;
- c) the scope of work adequately establishes what is required and the constraints to the manner in which the contract work is to be provided;
- d) the provisions for competition amongst framework contractors, if relevant, and the selected options are likely to yield best value outcomes; and
- e) the risk allocations are appropriate.

The documentation review report needs to:

- a) list the names and qualifications of the team members;
 - b) confirm that the documents are in accordance with the requirements of this policy;
 - c) identify sections, if any, which require amendments or improvements;
 - d) capture any comments or opinions which the team may wish to express; and
 - e) recommend that the procurement documents be accepted with or without modifications.
- Where the procurement relates to the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure, the documentation review report needs to be prepared by one or more persons who participated in the review and who are registered as:

- a) a professional architect or professional senior architectural technologist in terms of the Architectural Profession Act or a professional landscape architect or a professional landscape technologist in terms of the Landscape Architectural Profession;
- b) a professional engineer or professional engineering technologist in terms of the Engineering Profession Act; or
- c) a professional quantity surveyor in terms of the Quantity Surveying Professions Act.

H3.3 Evaluation of tenders and submissions

H3.3.1 Evaluation committee

An evaluation committee needs to:

- a) finalise evaluation reports prepared in accordance with H2.3.2 and address any areas in the report should a report be referred back to the committee by the tender committee;
- b) authorise admission to an electronic data base and the proceeding with the next phase of a procurement process in the qualified and two-stage competitive and the restricted and open competitive negotiation selection methods following the:
 - 1) confirmation that the report is complete and addresses all considerations necessary to make a decision;
 - 2) confirmation of the validity and reasonableness of reasons provided for the elimination of tenderers or respondents; and
 - 3) the identification and consideration any risks that have been overlooked which warrant investigation prior to taking a final decision.

H3.3.2 Preparation of evaluation reports

The evaluation report needs to be prepared by one or more persons who are conversant with the nature and subject matter of the procurement documents or the framework contract, and who are registered as:

- a) a professional architect or professional senior architectural technologist in terms of the Architectural Profession Act;
- b) a professional engineer or professional engineering technologist in terms of the Engineering Profession Act;
- c) a professional landscape architect or a professional landscape technologist in terms of the Landscape Architectural Profession;
- d) a professional project manager or a professional construction manager in terms of the Project and Construction Management Professions Act; or
- e) a professional quantity surveyor in terms of the Quantity Surveying Profession Act.

Submissions need to be evaluated strictly in accordance with the provisions of the procurement documents (see Annex C of SANS 10845-3 and Annex C of SANS 10845-4, as relevant). Where quality is evaluated, at least three persons who are professionally registered and satisfy the aforementioned evaluation criteria, are required to undertake such an evaluation.

Quality need to be scored in terms of the prompts for judgement, with fixed scores assigned to each prompt, either individually and averaged or collectively, as appropriate. Those involved in the evaluation of submissions need to record their scores for quality against each of the criteria during the process of evaluation, preferably with notes to substantiate the scores. Individuals should record their own markings on a separate sheet. These documents need to be placed on file as an audit trail and may form the basis of any debriefing that takes place.

Evaluation reports are prepared in accordance with the content headings and relevant guidelines contained in Tables H4 and H5, with modifications as necessary where a two-envelope, two-stage process or competitive negotiation selection method is followed.

Table H4: Content of an evaluation report relating to an expression of interest

| Section heading | | Subsection heading | | Guidelines for the preparation of content |
|-----------------|---------------------------------------|--------------------|---|--|
| 1 | Summary | - | - | <p>Provide an overview of the parameters associated with the expression of interest, preferably in tabular form, including the following as relevant:</p> <ul style="list-style-type: none"> • Contract / project no and contract / project description • Purpose of the expression of interest • Media in which advertisement was placed • Advertisement date(s) • Estimated value of contract or orders which are likely to be awarded during the term of the contract, if applicable • Date from which documents were available • Number and title of addenda issued • Closing date • Details of clarification meeting, including date and place, if any • Number of submissions made • Number of responsive submissions received • Recommended outcomes of the process |
| 2 | An overview of the evaluation process | - | - | <p>Provide an overview of the procurement process, indicating the eligibility criteria that were applied. State points relating to evaluation criteria, prompts for judgement and weightings relating thereto. Reproduce the list of returnable documents.</p> <p>Provide, if applicable, an overview as to how the quality aspects of the submissions were scored.</p> <p>Record that those involved in the evaluation of tenders have no conflicts of interest or have declared any conflict of interest that they may have, and the nature of such conflict.</p> |
| 3 | Evaluation process | 3.1 | Submissions received | <p>List the submissions that were received.</p> <p>Describe any noteworthy events regarding the opening of submissions, e.g. the returning of late submissions.</p> |
| | | 3.2 | Completeness of submissions received | <p>Compare submissions received against the list of returnable documents. State if any submissions were incomplete and outline how clarifications were obtained.</p> <p>Confirm if respondents took into account addenda, if any, in their submission.</p> |
| | | 3.3 | Responsiveness of respondents | <p>Identify which of the submissions received were nonresponsive and provide clear reasons for declaring respondents to be non-responsive.</p> |
| | | 3.4 | Evaluation of submissions | <p>Record the manner in which submissions were evaluated.</p> <p>Record, where relevant, and preferably in a tabular form, the scores for each of the evaluation criteria and the total score (excluding those who failed to score above a threshold, if any).</p> |
| Section heading | | Subsection heading | | Guidelines for the preparation of content |
| | | 3.5 | Reasons for disqualification on the grounds of corrupt or fraudulent practice | <p>State reasons if applicable.</p> |
| | | 3.6 | Compliance with legal requirements | <p>Confirm as relevant that respondents are not barred from participation, tax matters are in order, are registered, etc.</p> |

| | | | | |
|---|---------------------------------|---|---|--|
| 4 | Tender recommendation | - | - | Make a recommendation for the outcome of the process, e.g. admit to a database or prequalify / shortlist respondent to be invited to submit tender offers. Record the names and qualifications of those who performed the evaluation. |
| 5 | Confirmation of recommendations | - | - | Make provision for the confirmation or amendment of the recommended action. |

Table H5: Content of an evaluation report relating to the solicitation of tender offers

| Section heading | Subsection heading | Guidelines for the preparation of content | | |
|-----------------|--|---|------------------------|--|
| 1 | Summary | - | - | <p>Provide an overview of the parameters associated with the solicitation of the tender, preferably in tabular form, including the following as relevant:</p> <ul style="list-style-type: none"> • Contract / Project / Tender number • Contract description • Contract duration • Purpose of tender • Contracting strategy, pricing strategy, form of contract and targeting strategy • Selection method and method of tender evaluation • Tender validity expiry date • Alternative tenders (not permitted or state conditions under which permitted) • Media in which advertisement was placed, if not a nominated or qualified competitive selection procedure or a restricted competitive negotiations procedure <ul style="list-style-type: none"> • Date of advertisement(s) • Date from which documents were available • Details of clarification meeting, including date and place, if any • Tender closing date • Number and title of addenda issued • Number of tenders received • Number of responsive tenders • Recommended tender(s) • Cost estimate (budget), unless a framework contract • Lowest responsive and realistic tender used for comparative purposes (tender price, specific goals, etc.) |
| 2 | An overview of the tender evaluation process | - | - | <p>Provide an overview of the procurement process, indicating the eligibility criteria that were applied and the evaluation criteria. State specific goals and points relating to preferences, as well as any quality evaluation criteria, prompts for judgement and weightings relating thereto.</p> <p>Reproduce the list of returnable documents.</p> <p>Provide an overview as to how the quality aspects of the tender were scored.</p> <p>Record that those involved in the evaluation of tenders have no conflicts of interest or have declared any conflict of interest that they may have, and the nature of such conflict.</p> |
| 3 | Tender evaluation process | 3.1 | Tender offers received | <p>List the tender offers that were received.</p> <p>Describe any noteworthy events regarding the opening of submissions, e.g. the returning of late tenders and the</p> |
| | | | | <p>declaring of submissions non-responsive on the grounds that they were not received in the prescribed manner.</p> |

| | | | | |
|--|--|-----|----------------------------------|---|
| | | 3.2 | Completeness of tenders received | Compare tender submissions received against list of returnable documents. State if any tender submissions received were incomplete and indicate what was not complete. Indicate what steps were taken to make incomplete tenders complete, only where this does not affect the competitive position of the tenderer in question. List all communications with tenderers. Confirm if tenderers took into account addenda, if any, in their tender submission. |
| | | 3.3 | Responsiveness of tenderers | Identify which of the tenders received were non-responsive and provide clear reasons for declaring such tenders to be non-responsive. |

Table H5 (concluded)

| Section heading | | Subsection heading | | Guidelines for the preparation of content |
|-----------------|---------------------------------------|--------------------|---|---|
| 3 | Tender evaluation process (continued) | 3.4 | Evaluation of tender offers | Record the manner in which tenderers were reduced to a common basis: Record preferably in a tabular form: <ul style="list-style-type: none"> the scores for each of the evaluation criteria; the total score (excluding those who failed to score above a threshold); the pricing parameters that were tendered to enable compensation events to be evaluated of contractors to be paid in cost reimbursable or target cost contract. Provide reasons for not granting a preference or considering a financial offer to be unrealistically low. |
| | | 3.5 | Reasons for disqualification on the grounds of corrupt or fraudulent practice | State reasons if applicable. |
| | | 3.6 | Compliance with legal requirements | Confirm as relevant that tenderers are not barred from participation, tax matters are in order, are registered, etc. |
| | | 3.7 | Acceptability of preferred tenderer | State any reasons why the tenderer with the highest points should not be considered for the award of the tender, e.g. commercial risk, restrictions, lack of capability and capacity, legal impediments, etc. Also state any arithmetical corrections that have been made. |
| 4 | Outcome of the evaluation | - | - | Make a recommendation for the award of the tender and state any qualifications / conditions associated with such an award. Record the names and qualifications of those who performed the evaluation. |
| 5 | Confirmation of recommendations | - | - | Make provision for the recommendations for the award of the tender to be confirmed or amended. |

Evaluation reports need to contain extracts from the procurement documents which are linked to the evaluation of submissions, such as eligibility criteria, criteria associated with evaluation methods, preferencing, quality criteria (including prompts for judgement), the method by which tenders are reduced to a common base and lists of returnable documents. Such references enable those who are tasked with making decisions based on these documents to do so without having to refer back to submissions in order to understand the content of the report.

An evaluation report which recommends the award of a contract includes in annexures the reports, if any, of prior processes, e.g. a call for an expression of interest, a round in a competitive negotiation procedure or a stage in a competitive selection procedure.

An evaluation report covering the application of the negotiated procedure for the award of a contract or the issuing of an order, needs to confirm that the negotiated amounts are market-related and represent value for money. Where the total of the prices associated with a target cost contract is negotiated, the total of prices need to be certified as being fair and reasonable by a professional quantity surveyor registered in terms of the Quantity Surveying Profession Act or a professional engineer registered in terms of the Engineering Profession Act.

All communications with respondents and tenderers during the procurement process to obtain information and clarifications is made in writing through the employer's agent named in the submission or tender data. Records of all communications in this regard need to be retained for auditing purposes.

H3.4 Recommendation for the award of a contract

The tender committee needs to:

- a) consider the report and recommendations of the evaluation committee and:
 - 1) verify that the procurement process which was followed complies with the provisions of this policy;
 - 2) confirm that the report is complete and addresses all considerations necessary to make a recommendation;
 - 3) confirm the validity and reasonableness of reasons provided for the elimination of tenderers; and
 - 4) consider risks indicated in the report and identify any risks that have been overlooked or fall outside of the scope of the report which warrant investigation prior to taking a final decision; and
- b) Refer the report back to the evaluation committee for their reconsideration or make a recommendation to the authorised person on the award of a tender, with or without conditions, together with reasons for such recommendation.

The tender committee needs to consider proposals regarding the cancellation, amendment, extension or transfer of contracts that have been awarded and make a recommendation to the authorised person on the course of action which should be taken.

The tender committee needs to consider the merits of an unsolicited offer and make a recommendation regarding the acceptability of such a proposal.

The tender committee may not make a recommendation for an award of a contract if the recommended tenderer has:

- a) made a misrepresentation or submitted false documents in competing for the contract or order;
or
- b) been convicted of a corrupt or fraudulent act in competing for any contract during the past five years.

The tender committee may on justifiable grounds and after following due process, disregard the submission of any tenderer if that tenderer or any of its directors, members or trustees or partners has abused the SDM's delivery management system or has committed fraud, corruption or any other improper conduct in relation to such system.

No member of the evaluation committee may serve on the tender committee. A member of an evaluation committee may, however, participate in the deliberations of a tender committee as a technical advisor or a subject matter expert.

H4 Actions of an authorised person

H4.1 Award of a contract

The authorised person shall, if the value of the contract inclusive of VAT, is within his or her delegation, consider the report(s) and recommendations of the tender committee, or in the case of the awards for contracts below the quotation threshold, the recommendation of the evaluation report and either:

- a) award the contract after confirming that the report is complete and addresses all considerations necessary to make a recommendation and budgetary provisions are in place; or
- b) decide not to proceed or to start afresh with the process.

H4.2 Issuing of an order

The authorised person needs, if the value of an order issued in terms of a framework contract inclusive of VAT, is within his or her delegation either:

- a) decide not to proceed or to start afresh with the process; or
- b) authorise the issuing of an order after:
 - 1) confirming that the required goods or services, or any combination thereof, are within the scope of work associated with the relevant framework contract; and
 - 2) considering the recommendations of the evaluation report where competition amongst framework contracts takes place or a significant proportion of the total of the prices is negotiated, based on the financial parameter contained in the framework contract, and either confirm the reasonableness of such recommendations and sign the acceptance of the order, or refer the evaluation report and recommendation back to those who prepared it.

H5 Payment of contractors

All accounts need to be settled in accordance within 30 days of invoice or statement as provided for in the contract.

Annex I: Conduct of those engaged in infrastructure delivery

I1 General requirements

SDM employees and agents of the *SDM* (any person or organization that is not an employee of the *SDM* that acts on the *SDM*'s behalf) shall:

- a) behave equitably, honestly and transparently;
- b) discharge duties and obligations timeously and with integrity;
- c) comply with all applicable legislation and associated regulations;
- d) satisfy all relevant requirements established in procurement documents;
- e) avoid conflicts of interest; and
- f) not maliciously or recklessly injure or attempt to injure the reputation of another party.

All personnel and agents engaged in the *SDM* 's infrastructure delivery management system shall:

- a) not perform any duties to unlawfully gain any form of compensation, payment or gratification from any person for themselves or a family member or an associate;
- b) perform their duties efficiently, effectively and with integrity and may not use their position for private gain or to improperly benefit another person;
- c) strive to be familiar with and abide by all statutory and other instructions applicable to their duties;
- d) furnish information in the course of their duties that is complete, true and fair and not intended to mislead;
- e) ensure that resources are administered responsibly;
- f) be fair and impartial in the performance of their functions;
- g) at no time afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual;
- h) not abuse the power vested in them;
- i) not place themselves under any financial or other obligation to external individuals or firms that might seek to influence them in the performance of their duties;
- j) assist the *SDM* in combating corruption and fraud within the infrastructure procurement and delivery management system;
- k) not disclose information obtained in connection with a project except when necessary to carry out assigned duties;
- l) not make false or misleading entries in reports or accounting systems; and
- m) keep matters of a confidential nature in their possession confidential unless legislation, the performance of duty or the provision of the law require otherwise.

An employee or agent may not amend or tamper with any submission, tender or contract in any manner whatsoever.

I2 Conflicts of interest

The employees and agents of the SDM who are connected in any way to the SDM's infrastructure procurement and delivery management activities, shall:

- a) disclose in writing to the employee of the SDM to whom they report, or to the person responsible for managing their contract, if they have, or a family member or associate has, any conflicts of interest; and
- b) not participate in any activities that might lead to the disclosure of SDM proprietary information.

The employees and agents of the SDM shall declare and address any perceived or known conflict of interest, indicating the nature of such conflict to whoever is responsible for overseeing the procurement process at the start of any deliberations relating to a procurement process or as soon as they become aware of such conflict, and abstain from any decisions where such conflict exists or recuse themselves from the procurement process, as appropriate.

I3 Evaluation of submissions received from respondents and tenderers

The confidentiality of the outcome of the processes associated with the calling for expressions of interest, quotations or tenders shall be preserved. Those engaged in the evaluation process shall:

- a) not have any conflict between their duties as an employee or an agent and their private interest;
- b) may not be influenced by a gift or consideration (including acceptance of hospitality) to show favor or disfavor to any person;
- c) deal with respondents and tenderers in an equitable and even-handed manner at all times; and
- d) not use any confidential information obtained for personal gain and may not discuss with, or disclose to outsiders, prices which have been quoted or charged to the SDM.

SDM employees and agents shall immediately withdraw from participating in any manner whatsoever in a procurement process in which they, or any close family member, partner or associate, has any private or business interest

I4 Gratifications, hospitality and gifts

SDM employees and agents shall not, directly or indirectly, accept or agree or offer to accept any gratification from any other person including a commission, whether for the benefit of themselves or for the benefit of another person, as an inducement to improperly influence in any way a procurement process, procedure or decision.

SDM employees and agents as well as their family members (a person's spouse, whether in a marriage or in a customary union according to indigenous law, domestic partner in a civil union, or child, parent, brother, sister, whether such a relationship results from birth, marriage or adoption) or associates shall not receive any of the following from any tenderer, respondent or contractor or any potential contractor:

- a) money, loans, equity, personal favours, benefits or services;

- b) overseas trips; or
- c) any gifts or hospitality irrespective of value from tenderers or respondents prior to the conclusion of the processes associated with a call for an expression of interest or a tender.

SDM employees and agents shall not purchase any items at artificially low prices from any tenderer, respondent or contractor or any potential contractor at artificially low prices which are not available to the public.

SDM employees and agents may for the purpose of fostering inter-personal business relations accept the following:

- a) meals and entertainment, but excluding the cost of transport and accommodation;
- b) promotional material of small intrinsic value such as pens, paper-knives, diaries, calendars, etc.;
- c) incidental business hospitality such as business lunches or dinners, which the employee is prepared to reciprocate;
- d) complimentary tickets to sports meetings and other public events, but excluding the cost of transport and accommodation, provided that such tickets are not of a recurrent nature; and
- e) gifts in kind other than those listed in a) to d) which have an intrinsic value not more than R750 unless they have declared them.

Under no circumstances shall gifts be accepted from prospective contractors during the evaluation of calls for expressions of interest, quotations or tenders that could be perceived as undue and improper influence of such processes.

Annex J: Supply chain management reporting

J1 Reporting of award of a contract above a threshold

The client delivery manager shall report to the National Treasury through the office of the chief financial officer within one month of the award of a contract or the issuing of an order, all construction, supply, service and professional service contracts that are awarded, or orders that are issued, should the total of prices, including VAT, exceed the thresholds contained in Table J1. Such a report shall indicate the following:

- a) the title and number of the contract or order;
- b) a brief outline of the scope;
- c) the total of the prices at the time that a contract is concluded or an order issued;
- d) the time for completion or delivery; and
- e) the procurement procedure that was used to put the contract in place, or in the case of a framework agreement, whether or not competition amongst framework contractors was reopened.

Table J1: Thresholds, including VAT, for reporting the award of a contract or an order to the National Treasury

| Value of contract or order including VAT | | | |
|--|-----------------------|--------------|---------------------------|
| Services contract | Professional services | Supply | Construction works |
| R50 million | R50 million | R100 million | R100 million ³ |
| R25 million | R25 million | R50 million | R50 million ⁴ |

J2 Reporting on an award to a tenderer other than the one recommend by the tender committee

The chief financial officer needs to report to the national treasury any contract that is awarded to a tenderer other than the tenderer recommended by the tender committee, giving reasons for such award.

J3 Annual report

The client delivery manager shall prepare an annual report through the office of the chief financial officer which contains the following in respect of a financial year and submit such report to the national treasury within two months after the financial year end:

- a) the performance report which reflects performance in relation to at least the following:
 - 1) expenditure incurred in infrastructure delivery for the financial year, against the budget made available to cover such expenditure at the start of the year;
 - 2) the average variance between planned and achieved completion of stages of all packages and projects;
 - 3) an overview of all packages where stage 7 was completed within the financial year and approval at PG8D was obtained to increase the total of the prices or the time for completion, together with a brief explanation as to why such increases occurred;

J1

- 4) the average time taken, in respect of all packages covered in the report, to complete stage 8 measured from the time that stage 7 is completed;
 - 5) the average time taken to award a contract, measured from the closing date for tender submission or the final submission made in terms of a proposal or competitive negotiations procedure to a decision being taken to award the contract at Procurement Gate 7;
 - 6) the average difference between the total of the prices in the payment certificate that was issued following the completion of stage 7, and the total of the prices at the end of stage 9;
 - 7) the average time taken to award a contract above the threshold for quotations, measured from the closing date for tender submission or the final submission made in terms of a proposal or competitive negotiations procedure, to the acceptance of the tender evaluation report at Procurement Gate 6; and
 - 8) the average number of days that payment is later than that required under the terms of a contract;
- b) a brief progress report which reflects progress in terms of time and cost in relation to the time for completion or delivery and the total of prices at the award of the contract or the issuing of an order, and, if relevant, stages completed, on all contracts and orders above the threshold stated in Table J1;
- c) an outline of the scope, value and duration of all contracts which were awarded as a result of unsolicited proposals, together with a brief motivation for such award;
- d) particulars relating to:
- 1) the cancellation or termination of contracts, together with the reasons therefore;
 - 2) the use of a negotiated or confined market procurement procedure to enter into a supply, services, professional services or engineering and construction contract in excess of R10,0 million, including VAT, together with a brief motivation for doing so;
 - 3) the evoking of the emergency procurement procedures where the value of the ensuing transaction exceeded R10,0 million, including VAT, together with a brief overview of the emergency and the outcomes of the procurement;
 - 4) disputes arising from contracts which have been referred to arbitration or a court of law for settlement; and
 - 5) contracts where the approval has been granted to increase the total of the prices or the time for completion at Procurement Gate 8D.

**CLLR KD CHEGO
CHAIPERSON OF THE COUNCIL
FOR AND ON BEHALF OF THE MUNICIPALITY**

DATE