

SA15/2005

PROPOSED CODE OF GOOD PRACTICE AND POLICY: SUPPLY CHAIN MANAGEMENT AND PREFERENTIAL PROCUREMENT (AMM) (11/1/B)

PURPOSE OF REPORT

To present the proposed Code of Good Practice and Policy: Supply Chain Management and Preferential Procurement to Council for consideration.

INTRODUCTION AND BACKGROUND

Council resolved per item A74/2004 at a meeting held on 30 November 2004 as follows:

“1. That the draft Supply Chain Management Policy **BE FORWARDED** to Section 80 Committees for their inputs.

2. That the policy be **PUBLISHED** for public comments and be **SUBMITTED**, with the inputs, at the Council meeting scheduled for January 2005.”

The Mayoral Committee resolved per item MC53/2005 at the meeting held on 25 May 2005 as follows:

“1. That the matter **BE REFERRED** to a meeting to be scheduled to interrogate on the matter whereafter a decision would be made.”

A workshop on the Code of Good Practice and Policy: Supply Chain Management and Preferential Procurement was conducted on 10 June 2005. It was further agreed that the policy must be submitted to the next Council meeting for adoption as a working document until finality on the Supply Chain Management Policy Model by National Treasury.

The Municipal Finance Management Act (No 56 of 2003) determines as follows with regard to supply chain management:

“111. Each municipality and municipal entity must have and implement a supply chain management policy which gives effect to the provision of this Part.”

*** Attached under **separate cover** are the following documents, incorporating the comments and inputs received.

- A proposed preferential procurement policy ;
- Proposed procurement procedures ;
- Proposed general terms and conditions of procurement

PROBLEM STATEMENT

None

POLICY POSITION

Constitution of the Republic of South Africa 1996
Preferential Procurement Policy Framework Act 2000 (Act No 5 of 2000)
Employment Equity Act 1998
Local Government Ordinance 1962
Preferential Procurement Regulations, 2001
Promotion of Administrative Justice Act 2000
Protected Disclosures Act 2000
Local Government: Municipal Finance Management Act (Act 56 of 2003)

RECOMMENDATIONS

It is recommended:

That Council adopts the proposed Code of Conduct and Practice: Supply Chain Management and Preferential Procurement, as a working document of Council until finality on the Supply Chain Management Policy Model by National Treasury is reached.

SUBMITTED FOR CONSIDERATION

SA15/2005

PROPOSED CODE OF GOOD PRACTICE AND POLICY: SUPPLY CHAIN MANAGEMENT AND PREFERENTIAL PROCUREMENT (AMM) (11/1/B)**PURPOSE OF REPORT**

To present the proposed Code of Good Practice and Policy: Supply Chain Management and Preferential Procurement to Council for consideration.

COUNCIL RESOLVED (12 JULY 2005)

[AMM]

1. That Council **ADOPTS** the proposed Code of Good Practice and Policy: Supply Chain Management and Preferential Procurement, as a working document of Council until finality on the Supply Chain Management Policy Model by National Treasury is reached.
2. That the document **BE PUBLISHED** for public comments.

SEPARATE COVER

A52/2005

**PROPOSED CODE OF GOOD PRACTICE AND
POLICY: SUPPLY CHAIN MANAGEMENT AND
PREFERENTIAL PROCUREMENT (AMM)
(11/1/B)**

No	Subject matter	Page
	Accountability and reporting obligation.....	100
	Confidentiality	100
	Generally prohibited conduct	101
	Inducements, rewards, gifts and favours	101
	Sponsorships	101
	Contract variation	101
	Site inspections during contract execution	102
	Secondary employment	102
	Dealing with former staff and councillors	103

CHAPTER 1 DEFINITIONS

1.1 In this Code, unless the context of a particular tender, contract or order indicates otherwise, a word or expression to which a meaning has been assigned in the Act or the regulations has the same meaning as in the Act or regulations, and:

"**acceptance of an offer**" means awarding a contract to a supplier in response to a tender or price quotation submitted by that supplier;

"**accredited supplier**" means a prospective supplier whose details are recorded in the Register at the time when the Municipality invites offers;

"**acquisition**" means a process of preparing, soliciting, negotiating and concluding a contract for the benefit and on behalf of the Municipality for –

- (a) the acquisition of goods, services and the execution of work or any combination thereof;
- (b) the acquisition of capital assets;
- (c) the acquisition of rights relating to any of the above matters;

"**Act**" means the Local Government: Municipal Finance Management Act 2003 (Act No 56 of 2003);

"**administration**" in relation to the Municipality, means the Municipal Manager and other employees of the Municipality;

"**asset management unit**" means the organisational unit within the department responsible for financial services that was assigned the responsibility for asset management;

"**asset utilisation management**" means is the systematic process of operating, preserving/maintaining and upgrading/restoring assets cost-effectively to meet and continue meeting predetermined standards, including regular performance of condition assessments of assets and reporting there-on and estimating the annual amount required to maintain and preserve assets at the condition level originally established for those assets;

"**bid**" means a written offer for the supply of goods to, the execution of work for or the rendering of a service to the Municipality the value of which exceeds R 200,000 (VAT inclusive) submitted on the official bid documents forming part of an invitation to bid or a request for proposals which invitation has been dealt with in accordance with the requirements of the general terms, conditions and procedures contained in, or any special terms, conditions and procedures issued in terms of, the official bid documents and this Code and has been advertised, unless specifically determined otherwise by the Municipality and includes a "tender";

"**bid committee**" means the appropriate committee contemplated in Chapter 4 of this Code;

"**black-empowered enterprise**" means an enterprise in which at least 25,1% of the equity is owned by HDIs;

"black-owned enterprise" means an enterprise in which at least 50,1% of the equity is owned by HDIs;

"capacity" in relation to a supplier, means the ability of the supplier concerned in terms of the availability to her/him, of the human and financial resources, expertise and administrative infrastructure to execute the contract concerned at the required standard and within the prescribed or agreed time;

"capital asset" means non-consumable movable and immovable property, including land and improvements thereon, of the Municipality;

"certificate of satisfactory execution" means a certificate issued and signed by a departmental head or the Municipal Manager that a specific contract or part of a specific contract has been completed satisfactorily and in accordance with the relevant contract and order;

"closing time" in relation to offers means the date and hour specified in the invitation for the receipt of offers;

"combative practice" includes, but is not limited to –

- (a) suggesting that fictitious lower quotations have been submitted;
- (b) refer to non-existent competition;
- (c) exploit errors in price quotations/bids; and
- (d) soliciting offers from suppliers whose names appear on the Register for Tender Defaulters;

"contract" means the agreement which results from the acceptance of an offer whether or not the parties formalised their agreement by means of negotiation and signing of a single document;

"contractor" means any person whose offer has been accepted and includes a supplier;

"control" in relation to a claim for preference based on ownership of equity in the business of a supplier, means to have and to exercise legal authority to manage the assets, goodwill and daily operations of the business concerned and the active and continuous exercise of meaningful managerial authority in determining the policies of the business and directing its operations;

"delivery" means delivery or completion in compliance with the conditions of the relevant contract or order;

"delivery into store" means delivered and unloaded in the specified store or depot or on the specified site in compliance with the conditions of the relevant contract or order, the contractor bearing all risks and charges involved until the supplies are so delivered and a valid receipt is obtained;

"departmental head" in relation to the Municipality, means any employee of the Municipality who is directly accountable to the Municipal Manager and has been appointed as departmental head, and includes any person lawfully acting in her/his stead or under her/his instructions;

"offer" means a bid or price quotation and "offering" has a similar meaning;

"order" means an official written and properly authorised order for the supply of goods to, the execution of work for or the rendering of a service to the Municipality issued after the acceptance of an offer;

"own" in relation to a claim for preference based on ownership of equity in an enterprise, means having all the customary incidents of ownership including the authority to dispose of and share risks and profits commensurate with the degree of ownership evidenced by the substance rather than the form of ownership arrangements;

"period contract" means a contract entered into for the supply of goods, the rendering of a service or the execution of work during a specified period of time;

"preference" means a percentage of the offered price deducted from the offered price of certain products or services, as determined by the Minister of Finance, for use when calculating the comparative price in terms of Chapter 8 ;

"proposal" means a written exposition of a service to be rendered to the Municipality in response to an invitation to submit offers;

"prospective supplier" means any natural or legal person or association of persons, whether registered in terms of legislation or not, who participates in any procurement process of the Municipality with a view to be awarded a contract to supply goods, render a service or execute work on behalf and for the benefit of the Municipality and includes any such person or association registered in the register;

"policy" means the Municipality's supply chain management policy;

"publish" means publish in a newspaper of record determined by the Municipality in terms of section 21(1)(b) of the Local Government: Municipal Systems Act 2000 (Act No 32 of 2000) and made available in terms of section 21A of the Act;

"purchasing department" means the department or other organisational entity within the Municipality that wishes to –

- (a) acquire any goods or services on behalf and for the benefit of the Municipality; and
- (b) secure a contractor for the execution of work on behalf of the Municipality.

"quotation" means a verbal or written offer for the supply of goods to, the execution of work for or the rendering of a service to the Municipality for which tenders do not need to be invited due to the estimated value of the contract being less than R 200,000 (VAT inclusive);

"register" means the Register of Accredited Prospective Suppliers contemplated in Chapter 7;

"regulations" means the Municipal Supply Chain Management Regulations promulgated in terms of Government Notice No 868 of 2005 (Government Gazette No 27636 of 30 May 2005)

"Republic" means the Republic of South Africa;

"roster" means the Roster of Professional Service Providers contemplated in Chapter 7;

"small, medium or micro enterprise" means a separate and distinct business entity, including cooperative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy mentioned in column 1 of the Schedule to the National Small Business Act 1996 (Act No 102 of 1996) and which can be classified as a micro-, a very small, a small or a medium enterprise by satisfying the criteria mentioned in columns 3, 4 and 5 of the Schedule to the said Act opposite the smallest relevant size or class as mentioned in column 2 of that Schedule;

"supplier" means any natural or legal person or association of persons, whether registered in terms of legislation or not, who has been awarded a contract to supply goods, render a service or execute work on behalf and for the benefit of the Municipality;

"tender" means a bid; and

"written" or "in writing" means handwritten in ink or any form of mechanical writing.

CHAPTER 2 INTRODUCTION, PURPOSE AND OBJECTIVES

Introduction

- 2.1 The primary goal of the Municipality's supply chain management system is –
to find reliable, cost effective suppliers for the Municipality.

This means –

- (a) that acceptable norms and standards of quality, expected service delivery and technical performance will not be relaxed or compromised in respect of historically disadvantaged individuals (HDIs); and
 - (b) that personnel associated with the Municipality's supply chain management system are required to be made aware of this policy and code and are expected to commit themselves to its implementation through good faith and appropriate purchasing procedures and decisions.
- 2.2 It is clear that the local economy is declining. For this purpose the Municipality has incorporated a number of local economic development initiatives and projects in the integrated development plan. The Municipality also realises that its supply chain management policy and practices can play an important role in stimulating local economic growth and development. This policy is therefore designed to contribute to the achievement by the Municipality of its objectives regarding local economic growth and development.
- 2.3 It is also a primary strategic objective of the Municipality to affirm the historically disadvantaged community in order to eradicate the legacy of apartheid and colonialism and the resulting exclusion from opportunity. In this regard the Municipality supports the Government's broad-based black economic empowerment policies and strategy completely. A key objective of this policy is therefore to promote entrepreneurship to allow HDIs access to the mainstream of business opportunities. This will be achieved by increasing business opportunities for HDIs and maximising purchases of goods and services from black owned and black empowered enterprises.
- 2.4 The acquisition and disposal of capital assets were not previously part of the asset management system of the Municipality, but are now included in the supply chain management system as required by the Act. All land transactions, including the acquisition and alienation/disposal thereof, will therefore be dealt with in terms of the provisions of this policy.

Legal framework

- 2.5 Section 217 of the Constitution of the Republic of South Africa requires all organs of state, including municipalities, to contract for goods or services in accordance with a system which is fair, equitable, transparent, competitive and cost effective. This policy aims to give effect to these principles.
- 2.6 The policy further aims to give effect to the enabling legislation outlined in the -

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

Integrated system

- 2.7 The Municipality's supply chain management and contract management systems are integral parts (sub-systems) of its asset management system. It is therefore imperative that the institutional arrangements of the Municipality to implement this policy are contextualised within the broader asset management process and policy of the Municipality.
- 2.8 The principal goal of the Municipality's asset management policy and process is to enable the Municipality to meet its service delivery objectives efficiently and effectively.
- 2.9 The Municipality's asset management system recognises that the life-cycle of any asset consists of four stages, namely -
- (a) Planning during which stage the need for a particular asset is identified or recognised, the acquisition of the asset is budgeted for and the design of the particular asset;
 - (b) Acquisition at which time an asset is purchased, leased, constructed or acquired and the installation and commissioning of the asset concerned;
 - (c) Operation and maintenance during which period the asset receives whatever is necessary to allow it to operate efficiently in the delivery of services; and
 - (d) Disposal at which time the asset may be sold, transferred, demolished or otherwise disposed of when it is no longer required or it has reached the end of its useful life.

Policy objectives

2.10 The specific objectives of this policy are:

- (a) To ensure that all acquisitions, including the appointment of professional service providers, and disposals are conducted in the most effective, efficient, transparent and consistent manner;
- (b) To demonstrate the Municipality's commitment towards the achievement of the national government's black economic empowerment goals;

- (c) To facilitate the engagement of HDIs in the supply chain management system;
- (d) To promote equity, fairness and increased participation of local business in the Municipality's supply chain management system;
- (e) To outline the process followed by the Municipality in competitive bidding and awarding of contracts;
- (f) To consistently ensure that the Municipality receives value for money;
- (g) To adopt a uniform supply chain management system across the Municipality;
- (h) To maintain national standards and pursue best practice;
- (i) To combat corruption;
- (j) To stimulate and promote local economic development in a targeted and focused manner; and
- (k) To increase the small business sector's access to business opportunities created by the Municipality.

Nature and scope of this policy

2.11 This policy must at all times be read with the provisions of relevant legislation listed in paragraph 2.6 above.

Exemptions from this policy

2.12 This policy and Code does not apply –

- (a) to the procurement of water from the Department of Water Affairs or a public entity, another municipality or a municipal entity;
- (b) to the procurement of electricity from Eskom or another public entity, another municipality or a municipal entity;
- (c) if the Municipality contracts with another organ of state for -
 - (i) the provision of goods or services to the municipality or municipal entity;
 - (ii) the provision of a municipal service or assistance in the provision of a municipal service; or
 - (iii) 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.

2.13 The Municipal Manager may procure goods or services for the Municipality under a contract secured by another organ of state, if –

- (a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
- (b) she/he has no reason to believe that such contract was not validly procured;
- (c) there are demonstrable discounts or benefits for the Municipality to do so; and
- (d) that other organ of state and the provider have consented to such procurement in writing.

Institutional locus of the asset management, supply chain management and contract management functions

- 2.14 Asset management and its two sub-systems of supply chain management and contract management are located in the department responsible for financial services.
- 2.15 The asset management unit shall provide asset management (including supply chain management and contract management) services on a shared service centre basis to the Municipality's departments. The asset management unit is therefore required to cooperate closely with the Municipality's other departments.
- 2.16 The Municipality realises that it is not productive, nor efficient to attempt to structurally and functionally ring fence the entire asset management process. Therefore, the following sub-functions and processes are assigned to other organisational units -
 - (a) Asset utilisation management
The organisational unit of the Municipality that is the primary user of a specific asset is responsible and accountable for managing that asset's utilisation.
 - (b) Capital accounting and maintenance of asset records
The Municipality must at all times have an up-to-date inventory of its assets. Such an inventory must be held in the formats required by law and generally recognised accounting practice (GRAP). The capital accounting and asset records function of the Municipality is assigned to the Budget and Treasury Office.
 - (c) Securities related to assets
Original records relating to the acquisition, holding and disposal of assets, such as contracts, deeds of transfer, contracts of sale and lease and notarial deeds shall be held within a secure, fire-proof, limited access facility within the central records and archives office of the Municipality. The manager responsible for corporate services shall be competent to issue such prescripts and procedures regarding the storage, safe-keeping and access to such records as may required in terms of relevant legislation and best practice.

Unsolicited bids

- 2.17 The Municipality is not obliged to consider an unsolicited bid.

Implementation and amendment of policy

2.18 The Municipal Manager must –

- (a) at least annually review the implementation of this policy and code; and
- (b) when she/he considers it necessary, submit proposals for the amendment of the policy to the Executive Mayor for consideration of the Council.

**CHAPTER 3
SUPPLY CHAIN MANAGEMENT SYSTEM**

General object of the supply chain management system

- 3.1 This policy provides for acquisitions and disposals to ensure that an effective, efficient and transparent supply chain management system is implemented for the Municipality.

**Part 1
Demand management**

Duties of departmental heads

- 3.2 Each departmental head shall during the preparation of her/his department's estimates for the budget year –
- (a) determine which functions it performs;
 - (b) determine the products and services it must provide in the performance of those functions;
 - (c) conduct a condition assessment of the assets managed by her/his department;
 - (d) on the basis of its analysis in terms of paragraphs (a), (b) and (c) determine its financial needs during the budget year for –
 - (i) maintaining existing assets at an acceptable level calculated to ensure the continued productivity of the asset in question and minor repairs to such assets;
 - (ii) repairing existing assets;
 - (iii) refurbishing or renovating existing assets;
 - (iv) extensive repairing of existing assets;
 - (v) replacing existing assets; and
 - (vi) acquiring new assets.

Establishment of a corporate programme of acquisitions

- 3.3 The Asset Management Unit shall, after consultation with departmental heads, compile a programme of acquisitions in respect of the budget year, which programme shall be attached to the Municipality's service-delivery and budget implementation plan, taking into account that the process for procuring a contract for banking services must commence at least nine months before the end of an existing contract and that the closure date for the submission of bids in respect of supplying banking services to the Municipality may not be less than 60 days from the date on which the advertisement is placed in a newspaper.

3.4 During consultations between the Asset Management Unit and departmental heads, all reasonable efforts shall be made to determine –

- (a) the desired time at which a specific contract must be awarded;
- (b) the desired time when specific goods must be delivered, services rendered or work executed;
- (c) where any goods to be supplied shall be delivered;
- (d) the quantity and quality of any goods to be supplied; and
- (e) any other relevant matter.

Part 2 Acquisition management

Supremacy of this policy and the approved budget

- 3.4 With due regard for paragraphs 2.12 and 2.13 goods and services may be acquired, and assets disposed of, only in accordance with this policy and code and the relevant law
- 3.5 Expenditure on the acquisition of goods and services and the execution of work, including goods and services referred to in paragraph 3.5 (a) to (c) may be incurred only in terms of an approved budget.

Range of supply chain management processes

- 3.6 Acquisitions by the Municipality shall be made in terms of –
- (a) petty cash purchases;
 - (b) verbal quotations;
 - (c) formal written price quotations; and
 - (d) competitive bids.

Petty cash purchases

- 3.8 A departmental head may authorise the procurement of goods, services or the execution of work to an amount of R 2,000 (VAT inclusive) from petty cash, subject to the Municipality's rules regulating petty cash purchases and the provisions of this policy and Code.
- 3.9 No goods, services or the execution of work with a transaction value between R 500 (VAT inclusive) and R 2,000 (VAT inclusive) may be procured by way of petty cash purchase unless two verbal quotations have been obtained from two different suppliers registered in the Register. The person inviting verbal quotations shall keep a written record of prices quoted. A verbal quotation shall only be accepted against written confirmation of the quoted price.

- 3.10 When inviting verbal quotations the departmental head concerned shall ensure on-going competition between registered suppliers, including inviting suppliers to submit quotations on a rotation basis.
- 3.11 A departmental head may in writing sub-delegate the authority to procure goods, services and the execution of work from petty cash to a manager who is directly accountable to her/him.
- 3.12 The Municipal Manager may in writing –
- (a) lower any amount referred to in paragraph 3.8 or 3.9;
 - (b) direct that written quotations be obtained for the procurement of any specific goods or services or the execution of work of a transaction value lower than R 2,000;
 - (c) limit the number of petty cash purchases or the maximum amount of purchases from petty cash per month for each departmental head, provided that a different number or amount may be set for different departmental heads;
 - (d) exclude any types of expenditure from petty cash purchases, where she/he considers it necessary.
- 3.13 Each departmental head shall within five working days after the end of each month supply to the chief financial officer –
- (a) a written reconciliation report, including –
 - (i) the total amount of petty cash purchases for that month; and
 - (ii) receipts and appropriate documents for each purchase; and
 - (b) a written report on all purchases made in terms of a sub-delegation in terms of paragraph 3.11.

Verbal quotations

- 3.14 No goods, services or the execution of work to an amount over R 2,000 (VAT inclusive) up to R 10,000 (VAT inclusive) shall be acquired unless three verbal quotations have been obtained, preferably from but not limited to, different suppliers registered in the Register. If quotations are obtained from providers who are not listed, such providers must meet the criteria for registration in the Register. The person inviting verbal quotations shall keep a written record of prices quoted. A verbal quotation shall only be accepted (i.e. an order issued) against written confirmation of the quoted price.
- 3.15 If it is not possible to obtain at least three quotations, the relevant departmental head must apply in writing, stating the reasons why three quotations could not be obtained, to the chief financial officer or an official designated by her/him for an exemption from the requirement that three written quotations be obtained. The official designated by the chief financial officer shall, within three working days after the end of each month, submit a

written report to the chief financial officer on any exemption she/he granted during the period since her/his previous report.

- 3.16 When inviting verbal quotations the departmental head concerned shall ensure on-going competition between registered suppliers, including inviting suppliers to submit quotations on a rotation basis.
- 3.17 The Municipal Manager may –
- (a) lower any amount referred to in paragraph 3.14;
 - (b) require that formal written price quotations be obtained for the procurement of any specific goods or services or the execution of any specific work of a transaction value lower than R 10,000 (inclusive of VAT).
- 3.18 A departmental head may in writing sub-delegate the authority to procure goods, services and the execution of work by way of verbal quotations in terms of paragraph 3.14 to a manager who is directly accountable to her/him. Each departmental head shall, within five working days after the end of each month, supply a written report on all purchases made in terms of a sub-delegation in terms of this paragraph to the chief financial officer.

Formal written price quotations

- 3.19 No goods, services or the execution of work to an amount exceeding R 10,000 (VAT inclusive) up to R 200,000 (VAT inclusive) shall be acquired unless three formal written price quotations have been obtained preferably from, but not limited to, different suppliers registered in the Register, provided that if the estimated price of the acquisition is likely to exceed R 30,000 (VAT included) an invitation to submit written price quotations shall be published on the Municipality's website and official notice boards for a period of at least 7 days from the date of publication. If quotations are obtained from providers who are not listed in the Register, such providers must meet the criteria for registration.
- 3.20 If it is not possible to obtain at least three quotations, the relevant departmental head must apply in writing, stating the reasons why three quotations could not be obtained, to the chief financial officer or an official designated by her/him for an exemption from the requirement that three written quotations be obtained. The official designated by the chief financial officer shall, within three working days after the end of each month, submit a written report to the chief financial officer on any exemption she/he granted during the period since her/his previous report.
- 3.21 When inviting formal written price quotations the departmental head concerned shall ensure on-going competition between registered suppliers, including inviting suppliers to submit quotations on a rotation basis.
- 3.22 The Municipal Manager may –
- (a) lower any amount referred to in paragraph 3.19;

- (b) direct that a competitive bidding process be followed for the procurement of any specific goods or services or the execution of work of a transaction value lower than R 200,000.

- 3.23 Each departmental head shall within five working days after the end of each month supply a written report on all purchases made in terms of paragraph 3.19 to the chief financial officer.

Prohibitions with regard to quotations

- 3.24 No compulsory meeting of any nature shall be required in respect of quotations.
- 3.25 No charge shall be levied in respect of the issuing of documentation for quotations.

Quotation documentation

- 3.26 Quotation documents shall be prepared and made available for submitting written price quotations.
- 3.27 Quotation documents shall clearly indicate the terms and conditions of contract, the specifications of the goods or services or execution of work required, evaluation criteria and procedures to be followed.
- 3.28 Quotation documentation shall not be aimed at hampering competition, but rather to ensure fair, equitable, transparent, competitive and cost-effective bidding as well as the advancement of HDIs.
- 3.29 Where the specifications are based on standard documents available to suppliers, reference to those documents in the quotation documents is sufficient.
- 3.30 The Municipality may, if necessary, communicate with suppliers prior to the submission of written quotations in order to supply additional information or to clarify vague points or ambiguities in the quotation documents.

Quotation prices

- 3.31 All prices in written price quotations shall be deemed to be fixed prices unless otherwise stated in the quotation documents.
- 3.32 Quotations regarding the provision of services to the Municipality that may involve travelling, accommodation and subsistence cost by the supplier must include and separately stipulate any travelling, accommodation and other subsistence cost.

Issuing and submission of quotation documentation

- 3.48 Quotation documents pertaining to written quotations shall be issued and written quotations shall be received by the Asset Management Unit only. No prospective supplier shall be required to personally or through the agency of another person collect such documents from the Municipality. The prescribed documentation shall be available for personal collection, transmission by electronic mail or dispatch by ordinary prepaid post.

The Municipality shall not dispatch any quotation documents by courier or similar commercial messenger service.

- 3.34 Quotation documents shall clearly state the place where written quotations must be submitted, the manner of submission and, if necessary, a date and time by when they must be returned.
- 3.35 Written quotations may be submitted by telefacsimile or electronic mail message: Provided that –
- (a) the original signed documentation is submitted to the Municipality upon request; and
 - (b) if such quotation is submitted by electronic mail, it must be in portable document format or other similar format that prevents changes being made in a document.
- 3.36 No written quotation submitted after the stipulated closing date and time (if any) shall be considered.
- 3.37 All prices offered shall remain confidential until all invited quotations have been received or the closing time on the closing date for submission of quotations, as the case may be.
- 3.38 The delegated body may negotiate the final contractual terms in respect of any offer received through the submission of written quotations, provided that such negotiation -
- (a) does not allow the preferred supplier an unfair or second opportunity; and
 - (b) is not to the detriment of any other supplier.

Acceptance of written quotations

- 3.39 A report regarding written quotations received, in the approved format, shall be submitted to the relevant delegated body for consideration.
- 3.40 Written quotations shall be accepted by means of issuing an official order.
- 3.41 Unsuccessful suppliers shall be notified accordingly in writing.

Competitive bids

- 3.42 No goods, services or the execution of work –
- (a) the estimated cost of which is likely to exceed R 200,000 (VAT included); or
 - (b) involving the entering into by the Municipality of a long-term contract
- shall be acquired unless a competitive bidding process has been followed.
- 3.43 Notwithstanding anything to the contrary in this policy or Code a contract for the provision of banking services to the Municipality must be procured through the competitive bidding process described in this policy and Code.

- 3.44 For the acquisition of large complex plant or projects of special nature, when it may be undesirable to compare complete detailed technical specifications in advance, the Municipal Manager may in writing authorise that a two-stage bidding process be followed. Under the first stage un-priced technical proposals on the basis of conceptual design or performance specifications are invited, subject to technical as well as commercial clarifications and adjustments. The second stage shall include amended bidding documents and the submission of final technical proposals and priced bids.
- 3.45 The Municipal Manager may, in exceptional circumstances, where statutory, design, technological or safety reasons require that bidding be restricted to suppliers that have proven their capability and qualifications to meet the specific requirements of the bid authorise that suppliers must pre-qualify. The notice inviting suppliers to pre-qualify shall be in the format determined by the Municipal Manager. Once a supplier has been pre-qualified for a particular project, she/he shall be afforded not less than 7 working days to submit a bid after having been called upon to do so.
- 3.46 Unless specifically authorised by the Municipal Manager no compulsory tender meeting or meeting involving prospective suppliers shall be held in respect of any bid. If the Municipal Manager authorises such a meeting, or the relevant departmental head requires that a compulsory site meeting must be held in respect of bids to be invited for the execution of work on behalf of the Municipality, the invitation inviting bids shall stipulate the full detail as to venue, time and date of such meeting.
- 3.47 No bid may be disqualified for the mere fact that the supplier did not attend a tender meeting, meeting of prospective suppliers or site meeting, whether such meeting was compulsory or not.

Issuing of bid documentation

- 3.49 Bid documents and any subsequent notices shall be issued only by the Asset Management Unit, provided that no prospective supplier shall be required to personally or through the agency of another person collect such documents from the Municipality. The prescribed documentation shall be available for personal collection, transmission by electronic mail or dispatch by ordinary prepaid post. The Municipality shall not dispatch any bid documents by courier or similar commercial messenger service.
- 3.50 The Municipality may raise a non-refundable bid charge for bid documents. If a bid charge is raised in respect of any specific bid, the notice inviting bids must state the amount of such charge. The Asset Management Unit shall transmit the bid documents to a prospective bidder by electronic mail only after receiving proof that the prescribed bid charge has been deposited into, or transferred to, the Municipality's bank account. No person wishing to obtain a copy of the bid documents shall be required to pay the prescribed bid charge in cash or over a counter at the Municipality.
- 3.51 Details of all prospective suppliers who have been issued with bid documents shall be recorded by the Asset Management Unit. Such details shall include -
- (a) the legal and full name of the person or entity drawing documents;
 - (b) a contact person;

- (c) a contact telephone number;
- (d) a contact fax number;
- (e) a postal address; and
- (f) an e-mail address, if any.

3.51 The details recorded as required in paragraph 3.50 shall remain confidential for the duration of the bid period.

Part 3 Logistics management

) Establishment of stores

- 3.52 The Municipality shall have a central store situated in Welkom and such decentralised stores in other places as may be required to ensure that the Municipality is able to perform its functions in an uninterrupted manner.
- 3.53 Every department may, with the consent of the chief financial officer establish a departmental store. A departmental store shall keep such stores as may be necessary to enable such a department to perform its functions in an uninterrupted manner.
- 3.54 The manager responsible for asset management shall be responsible for managing the Municipality's stores.

Stock levels in the Municipality's stores

- 3.55 The chief financial officer shall –
- (a) after consultation with the departmental heads, determine -
 - (i) which items shall be carried in the Municipality's stores; and
 - (ii) the quantities in which such items shall be kept in stock;
 - (b) determine minimum and maximum levels to be kept in stock based on consumption figures or inputs from users; and
 - (c) determine the minimum and maximum levels of stock in store allowing for a safety margin to be added to the minimum level to cover unforeseen circumstances.
- 3.56 Nobody shall place an order for an item which is in stock in a store.

Placing of orders

- 3.57 An order for supplementing stock in store is placed when –
- (a) the stock level in respect of a specific stores item as prescribed by the chief financial officer is reached; or
 - (b) when a requisition is received from an end user for an item which is not held in stock.
- 3.58 Where a contract exists, orders must be placed for the item from the contract.
- 3.59 Where no contract exists the price quotation or competitive bidding method of ordering shall be applied.

Supplier performance

- 3.60 The manager responsible for asset management shall monitor the reliability of suppliers in terms of the following criteria –
- (a) contractual or promised delivery periods;
 - (b) contractual quality; and
 - (c) contractual quantities.
- 3.61 If any supplier is found to be unreliable the manager responsible for asset management shall –
- (a) follow the matter up with the with the vendor concerned; and
 - (b) if it is a contract item, also report the matter to the department that procured the contract.

Stores management

- 3.62 The person who accepts delivery of any item into store must ensure that the conditions reflected on the order form, including any prescripts as to quantity and quality, are complied with. If any discrepancy occurs between the order the order form and actual items delivered, the matter must immediately be followed up with the supplier.
- 3.63 The manager responsible for asset management must ensure that –
- (a) all statutory provisions and safety regulations are complied with when items are being stored;
 - (b) stock and equipment are stored properly and arranged in such a manner that the checking and handling thereof are being facilitated and the possibility of damage, exposure, deterioration and perishing thereof is limited or eliminated;

- (c) a proper records of all the stores items are kept consistent with the prescripts issued by the chief financial officer.

Issuing and distribution of stores items

- 3.64 No items shall be issued from a store unless a proper requisition is submitted for its issuing.
- 3.65 An issue voucher shall be generated for all stores items issued.

Stocktaking

- 3.66 Stocktaking of all stores items in stock shall be conducted at least once a year as may be directed by the Municipal Manager.
- 3.67 The Municipal Manager may at any time order a stock taking to be executed.

Losses and surpluses in stores

- 3.68 The Municipal Manager may issue such prescripts as may be necessary –
- (a) to eliminate theft, losses, wastage and misuse of stores items;
 - (b) to ensure that all damages to and losses of stores items are accounted for in accordance with the relevant prescripts;
 - (c) to ensure that damages and losses are investigated with a view to possible recovery; and
 - (d) to ensure that surpluses are taken on record as assets immediately.

Part 4 Disposal management

- 3.69 Disposal of assets shall be done in accordance with Chapter 6 of this policy.

Part 5 Risk management

- 3.70 The manager responsible for asset management is responsible and accountable for -
- (a) identifying the risks in respect of each contract awarded by the Municipality;
 - (b) ensuring that the risk is allocated to the party best suited to manage such risks;
 - (c) accepting the cost of a risk on behalf of the Municipality where the cost of transferring it is greater than the cost of retaining it;

- (d) pro-actively managing risks and the provision of adequate cover for residual risks; and
- (e) the assignment of clear risk responsibilities to the contracting parties by means of clear and unambiguous contractual stipulations.

Part 6
Performance management

- 3.71 The Municipal Manager shall, not later than 31 July of each year, together with the Chief Financial Officer, set appropriate key performance indicators and performance targets for the Asset Management Unit for the remainder of the financial year.
- 3.72 The manager responsible for asset management shall, within 10 work days after the end of each quarter assess the progress of the Asset Management Unit in achieving its performance indicators and targets.
- 3.73 The Chief Financial Officer shall, within 10 work days after the end of the financial year assess the performance of the Asset Management Unit in achieving its performance indicators and targets and submit a report thereon to the Municipal Manager.

**CHAPTER 4
INSTITUTIONAL ARRANGEMENTS**

Oversight role of the Council

- 4.1 The Council shall maintain oversight of the supply chain management system of the Municipality.
- 4.2 In order for the Council to perform its oversight function, the Municipal Manager shall –
- (a) not later than 10 working days after the end of each quarter, submit a written report regarding the implementation of this policy during the immediately preceding quarter to the Executive Mayor;
 - (b) annually, within 30 days after the end of a financial year, submit a written report on the implementation of this policy during the immediately past financial year, to the Council, provided that the report contemplated in paragraph (a) in respect of the fourth quarter of a year may be incorporated into the annual report; and
 - (c) whenever there are serious and material problems with the implementation of this policy, submit a written report to the Council

provided that any report in terms of this paragraph shall be published in terms of section 21A of the Local Government: Municipal Systems Act 2000 (Act No 32 of 2000).

- 4.3 The Council or the Executive Mayor may at any time require the Municipal Manager to submit a written report regarding a specific activity within the asset management process, including a specific bid.

Role of the Municipal Manager

- 4.4 The Municipal Manager is responsible and accountable for –
- (a) exercising the powers, performing the functions and discharging the duties conferred or assigned to her/him in terms of this policy and any relevant legislation;
 - (b) implementing the Municipality's supply chain management policy;
 - (c) ensuring compliance with the supply chain management policy;
 - (d) annually reviewing the supply chain management policy;
 - (e) approving the re-inclusion of a supplier's particulars in the suppliers' database after rehabilitation of the relevant supplier according to statutory requirements;
 - (f) removing the details of a supplier from any suppliers' database that the Municipality may maintain; and
 - (g) approving and changing the composition of any bid committee.

- 4.5 The Municipal Manager may at any time require the Chief Financial Officer to submit a written report to her/him regarding any aspect of the supply chain management policy and the supply chain management system.

Role of departmental heads

- 4.6 Each departmental head shall be responsible and accountable for –
- (a) exercising the powers, performing the functions and discharging the duties conferred or assigned to her/him in terms of this policy;
 - (b) implementing the Municipality's supply chain management policy and any procedural and other prescripts issued in terms of the policy within her/his area of responsibility;
 - (c) ensuring compliance with the Municipality's supply chain management policy and any procedural and other prescripts issued in terms of the policy within her/his area of responsibility;
 - (d) developing, or causing to be developed, draft specifications and other quotation or bid documents for acquisitions by her/his department exceeding an amount of R 30,000 (VAT inclusive) or such other amount as may be determined by the Municipal Manager generally or in a particular case;
 - (e) developing and approving bid specifications for acquisitions by her/his department for an amount over R 200,000 or such other amount as may be determined by the Municipal Manager generally or in a particular case;
 - (f) financial management in respect of any acquisition or disposal by her/his department in terms of this policy and relevant legislation;
 - (g) asset utilisation management in her/his area of responsibility;
 - (h) properly planning for and, as far as possible, accurately estimating the costs of the provision of services, works or goods for which offers are to be solicited;
 - (i) selecting the appropriate preference point system to be utilised in the evaluation of offers; and
 - (j) achieving any objectives and targets set with regard to acquisitions and disposals.

Role of the Chief Financial Officer

- 4.7 The Chief Financial Officer shall be responsible and accountable for –
- (a) exercising the powers, performing the functions and discharging the duties conferred or assigned to her/him in terms of this policy;

- (b) reporting on progress with the implementation of, and compliance with, the Municipality's supply chain management policy to the Municipal Manager;
- (c) conducting assessments of the entire supply chain management system to identify successes and failures for incorporation into the Municipality's knowledge management database;
- (d) the overall asset management process from solicitation of offers to the processing of invoices for payment;
- (e) promoting a corporate approach to procurement by encouraging standardisation of assets and inventory items acquired by the Municipality to realise economies of scale;
- (f) providing information regarding supplier performance issues to the Municipal Manager and the Council;
- (g) ensuring that acquisitions and disposals are effected through practices that demonstrate compliance with all relevant legislation;
- (h) for managing acquisitions and disposals to ensure that the supply chain management system of the Municipality is adhered to;
- (i) ensuring that the acquisition and disposal process followed adheres to preference targets without compromising price, quality, service delivery and developmental objectives;
- (j) ensuring that all employees involved in the development of enquiry documents, bidding and bid adjudication receive the necessary training to support implementation of this policy;
- (n) establishing the amount to be paid by prospective bidders as a non-refundable charge for bid documents issued by the Municipality, provided that such amount shall not exceed R1,000 (VAT inclusive) for one set of documents;
- (o) verifying all prospective suppliers for inclusion in the register or roster;
- (p) placing an advertisement in the press during February every year to invite prospective suppliers, including professional service providers, to apply for registration in the register or roster; and
- (q) ensuring that all personnel assigned to the Asset Management Unit has the skills, knowledge and expertise to perform their functions effectively and efficiently.

4.8 The Chief Financial Officer may –

- (a) in writing prescribe procedures and best practices regarding asset management in the Municipality consistent with this policy and relevant legislation; and

- (b) in writing assign any employee assigned to her/his Department to temporarily perform the functions and discharge the duties conferred on, or assigned to, the Asset Management Unit.

Establishment of an asset management unit

- 4.9 The Municipal Manager shall establish an Asset Management Unit in the department responsible for financial services.
- 4.10 The Asset Management Unit shall be subject to the management control of, and accountable to, the Chief Financial Officer.
- 4.11 The Asset Management Unit shall consist of –
 - (a) a supply chain management section;
 - (b) a contract management section; and
 - (c) an asset management section.
- 4.12 The manager responsible for supply chain management in the department responsible for financial services shall be responsible and accountable for the day-to-day management of the Asset Management Unit.
- 4.13 The Asset Management Unit shall consist of such personnel as the Municipal Manager may, after consultation with the Chief Financial Officer, assign to the Unit.

Establishment of bid committees

- 4.14 The following bid committees are hereby established –
 - (a) Bid specification committee;
 - (b) Bid evaluation committee; and
 - (c) Bid adjudication committee
- 4.15 The following persons shall not be eligible to become members of a bid committee –
 - (a) a councillor of any municipality; and
 - (b) a member of the Municipality's audit committee or performance audit committee.
- 4.16 No councillor of any municipality may attend a meeting of a bid committee in any capacity, nor make a presentation or representations to or conduct an interview with a bid committee in any capacity.

Independence, impartiality and accountability of bid committees

- 4.17 A bid committee shall perform its functions, exercise its powers and discharge its duties independently and without fear, favour or prejudice.

4.18 A bid committee shall be accountable to the Municipal Manager.

Meetings of bid committees and decision-making

4.19 The chairperson of the relevant bid committee shall determine the date, time and venue of meetings of the committee concerned, provided that at least three working days written notice shall be given of a meeting of a bid committee to all the members.

4.20 A majority of the members of a bid committee must be present before the committee concerned may consider any matter.

4.21 Decisions of a bid committee shall be taken by a majority of the members present at a meeting voting in favour of, or against, a question.

4.22 The Chief Financial Officer shall make appropriate arrangements to ensure that secretarial and such other administrative support services as may be required are provided to a bid committee.

4.23 Minutes shall be kept of each meeting of a bid committee. Such minutes shall –

- (a) be considered and adopted, with or without amendments, as a true and accurate reflection of the proceedings at, and resolutions taken during, a bid committee meeting, by the relevant committee at its first meeting next ensuing;
- (b) be signed by the person presiding at the meeting when they are approved; and
- (c) shall prima facie be evidence of the proceedings at a meeting of the relevant committee until the contrary is proven.

Conduct of bid committee members

4.24 Members of a bid committee shall at all times comply with the Code of Conduct contained in Chapter 16.

Procedures of bid committees

4.25 A bid committee shall determine its own procedures, provided that meetings –

- (a) of the bid specification and bid evaluation committee shall be closed; and
- (b) of the bid adjudication committee shall be open for the public and the media, provided further that the bid adjudication committee may close any of its meetings or part of a meeting having regard to the nature of the business to be conducted and the preference for open and transparent meetings.

Reporting

4.26 A bid committee shall within 7 working days after the end of each month, under the name and signature of its chairperson, submit a written monthly report of its activities to the

Chief Financial Officer who shall submit such report, together with her/his comment and recommendations, if any, to the Municipal Manager.

- 4.27 The Chief Financial Officer may at any time require the chairperson of a bid committee to submit a report to her/him on any matter related to the functions of the committee.

Preparation of bid specifications and other bid documentation

- 4.28 The head of the purchasing department shall prepare, or cause to be prepared, written draft specifications and related documentation in respect of any offer to be invited by his/her department for the procurement of a contract the estimated value of which is likely to exceed R30,000, inclusive of VAT.

4.29 Specifications -

- (a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
- (b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
- (c) where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
- (d) may not create trade barriers in contract requirements in the form of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labeling of conformity certification;
- (e) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the words "equivalent"; and
- (f) must indicate each specific goal for which points may be awarded in terms of the points system set out in this policy.

- 4.30 With due regard for the powers delegated to her/him, a departmental head may acquire the services of an external service provider, which may include the State Information Technology Agency, to assist her/him to write a draft specification and other documentation, provided that –

- (a) the relevant service provider is registered in the roster, except in the case of the State Information Technology Agency; and
- (b) a service provider that has been appointed in terms of this paragraph may not -
 - (i) quote or bid for the relevant contract; or

- (ii) in any other manner acquire an interest in, or benefit from, the relevant contract without the express prior approval of the Municipal Manager having been obtained.

4.31 A specification shall specify –

- (a) the details of the preference point system which shall be used when evaluating a particular offer if the value of the contract, inclusive of VAT, exceeds R 30, 000 or such lower amount as the Municipal Manager may determine in any specific case or category of cases;
- (b) any specific goal for which a point may be awarded in terms of the preference point system must be clearly specified in the specification if the value of the contract, inclusive of VAT, exceeds R 30, 000 or such lower amount as the Municipal Manager may determine in any specific case or category of cases;
- (c) in the case of offers for the provision of goods to the Municipality, at least –
 - (i) the technical specifications of the goods to be acquired;
 - (ii) the quantity of the goods to be supplied; and
 - (iii) any other relevant matter;
- (d) in the case of offers for the provision of services to the Municipality, at least -
 - (i) the scope of work of the service to be rendered, stipulating the desired outputs; and
 - (ii) any other relevant matter;
- (e) in the case of offers for the execution of work on behalf of the Municipality, at least -
 - (i) the date on which delivery of the work is expected; and
 - (ii) any conditions of the Construction Industry Development Board approved by the National Treasury, if applicable; and
 - (iii) any other relevant matter; and
- (f) in the case of offers for the disposal of assets of the Municipality, at least –
 - (i) if it is a land asset, the permitted use or uses for which the land may be utilised; and
 - (ii) any other relevant matter.

4.32 A draft specification in terms of paragraph 4.28 shall be submitted for consideration to the bid specification committee.

Part 1
Bid specification committee

Composition of the bid specification committee

4.33 For each department there shall be a bid specification committee, which shall consist of –

- (a) the head of the relevant department or a manager directly accountable to her/him designated by her/him who shall be the chairperson;
- (b) such other officials of the department as may be determined by the departmental head; and
- (c) an official of the legal services section if, in the opinion of the departmental head, legal expertise is required in respect of the bid documentation or any proposed contract.

4.34 The Municipal Manager may, upon receipt of a written application of the head of the department, appoint an external service provider as additional member of a bid specification committee in any particular case to assist that committee to perform its functions in respect of a specific bid: Provided that such an external service provider –

- (a) shall be compensated per hour worked according to the agreed tariff;
- (b) must be registered on the roster;
- (c) may not vote in respect of any matter before the committee in respect of which a vote may be required;
- (d) shall sign such confidentiality agreement as the Municipal Manager may prescribe; and
- (e) may not bid for the relevant contract.

Object of the bid specification committee

4.35 The object of the bid specification committee is to ensure that–

- (a) comprehensive and proper bid documentation is prepared in respect of each written quotation and bid to be solicited by the Municipality;
- (b) the Municipality acquires goods and services in accordance with its needs;
- (c) construction projects are executed on behalf of the Municipality to acceptable standards; and
- (d) the disposal of assets of the Municipality takes place in a transparent and fair manner.

Functions of the bid specification committee

- 4.36 The bid specification committee shall consider proposed specifications and other bid documentation submitted by a departmental head, and make recommendations to the Municipal Manager, in connection with –
- (a) the procurement of goods and services by the Municipality;
 - (b) the execution of work on behalf of the Municipality; and
 - (c) the disposal of assets of the Municipality.
- 4.37 The chairperson of the bid specification committee shall submit the report and recommendations regarding each specification and other bid documentation considered by the bid specification committee to the Municipal Manager.

Approval of bid specifications

- 4.38 The Municipal Manager shall consider the report and recommendations of a bid specification committee and may approve the specification and other bid documents with or without amendments.
- 4.39 Nobody shall amend, alter, delete or in any other way change a specification approved by the Municipal Manager without the express prior written approval of the Municipal Manager having been obtained: Provided that if such proposed amendment, alteration, deletion or change is material the Municipal Manager may, in her/his sole discretion, require the proposed amendment, alteration, deletion or change to be submitted to the bid specification committee first.

Part 2 Bid evaluation committees

Composition of bid evaluation committees

- 4.40 For each department there shall be a bid evaluation committee which shall consist of -
- (a) the head of the relevant department or a manager directly accountable to her/him designated by her/him who shall be the chairperson;
 - (b) such other officials of the department as may be determined by the departmental head; and
 - (c) the manager responsible for supply chain management or another supply chain management official designated by her/him; and
- 4.41 The Municipal Manager may, upon receipt of a written application of the head of the purchasing department, appoint an external service provider as additional member of the bid evaluation committee to assist the committee to perform its functions in respect of a specific bid: Provided that such an external service provider –
- (a) shall be compensated per hour worked according to the agreed tariff;

- (b) may not vote in respect of any matter before the committee in respect of which a vote may be required;
- (c) shall be registered on the roster;
- (d) shall sign such confidentiality agreement as the Municipal Manager may prescribe; and
- (e) was not a bidder for the relevant contract and does not have any direct or indirect interest in any offer to be considered.

Object of the bid evaluation committee

- 4.42 The object of the bid evaluation committee is to ensure that all written quotations and bids received in response to an invitation by the Municipality to submit offers for the supply of goods or services to, or the execution of work on behalf of, or the disposal of assets by the Municipality are objectively, thoroughly and impartially evaluated.

Function of the bid evaluation committee

- 4.43 The function of the bid evaluation committee is to evaluate all written quotations and bids received in response to an invitation of the Municipality to submit written quotations and bids.

Powers of the bid evaluation committee

- 4.44 In the performance of its function the bid evaluation committee may –

- (a) assess and verify -
 - (i) the capacity of the bidder to execute the contract concerned;
 - (ii) any tax clearance certificate issued by the South African Revenue Services and submitted by the bidder;
 - (iii) that the bidder is not in arrears with the payment of any municipal fees, levies and other charges to the Municipality or any other municipality;
 - (iv) compliance with national industrial participation programme requirements in respect of contracts in excess of R 100 million;
 - (v) any certificate or declaration in terms of section 53 of the Employment Equity Act 1998 (Act No 55 of 1998) submitted or made by a bidder;
 - (vi) any claim for preferential points made by a bidder; and
 - (vii) the financial standing of any bidder;

- (b) require any bidder to make a presentation with regard to or to demonstrate any or all aspects of her/his offer at a venue and time determined by the committee before it formulates an opinion about an offer;
- (e) form an opinion as to whether an offer shall be accepted for consideration; and
- (f) where non-firm prices are offered, require that proof of labour and material costs or other factors which are specified by the bidder, must be submitted.

Evaluation of bids

4.45 Quotations and bids shall be evaluated only in accordance with the criteria specified in the bid specifications, including the preference points so specified.

Recommendations regarding bids

- 4.46 The bid evaluation committee shall submit its report and recommendations regarding the award of -
- (a) quotations, to the relevant delegated body or person; and
 - (b) bids, to the bid adjudication committee.

**Part 3
Bid adjudication committee**

Composition of the bid adjudication committee

- 4.47 The bid adjudication committee shall consist of four senior managers of the Municipality designated by the Municipal Manager, which shall include -
- (a) the chief financial officer or, if the chief financial officer is not available, another manager in the department responsible for financials services reporting directly to the chief financial officer and designated by her/him;
 - (b) the manager responsible for asset management or if she/he is not available, a senior supply chain management practitioner designated by her/him; and
 - (c) a technical expert in the relevant field who is an official of the municipality,

provided that neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.

4.48 The Municipal Manager shall appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present shall elect one of them to preside at the meeting

Object of the bid adjudication committee

4.49 The object of the bid adjudication committee is to ensure that the Municipality -

- (a) procure the best value for money when contracting for the supply of goods or services and the execution of work; and
- (b) disposes of assets in a transparent and fair manner.

Functions of the bid adjudication committee

4.50 The bid adjudication committee shall consider the report of the bid evaluation committee and with due regard for the powers delegated to it, –

- (a) award a bid; or
- (b) submit its report and recommendation with regard to a bid to the Municipal Manager

Provided that if the committee decides to award a bid other than the one recommended by the bid evaluation committee, it shall prior to awarding the bid –

- (i) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears; and
- (ii) notify the accounting officer of its intention to deviate from the bid evaluation committee's recommendation.

Powers and duties of the Municipal Manager with regard to contracts awarded contrary to the recommendation of the bid evaluation committee

4.51 The Municipal Manager may upon receipt of the bid adjudication committee's report in terms of paragraph 4.50 ratify or reject the decision of the bid adjudication committee. If the decision of the bid adjudication committee is rejected the Municipal Manager shall refer the decision of the adjudication committee back to that committee for reconsideration.

4.52 Whenever an offer other than the one recommended in the normal course of implementing this policy is accepted and a contract awarded the Municipal Manager shall within 10 working days after the decision to award the contract has been made in writing notify the Auditor-General, the provincial treasury and the National Treasury of the reasons for deviating from the recommendation.

CHAPTER 5
THRESHOLD VALUES FOR ACQUISITIONS, APPROVAL AUTHORITIES AND
EXEMPTIONS FROM BIDDING REQUIREMENTS

Prohibition on the splitting of acquisitions

- 5.1 Nobody may, in order to avoid compliance with any prescript of paragraphs 3.14, 3.19 or 3.42 split the procurement of any goods, services or the execution of work into lesser items or parts or enter into more than one contract.

Approval authorities

- 5.2 The following approval authority apply for acquisitions in respect of quotations obtained in terms of paragraphs 3.14 and 3.19 for the provision of goods, services (excluding the services of professional service providers) and the execution of work:

Amount (VAT inclusive)	Delegating authority
Acquisitions to a maximum of R 2,000	Managers
Acquisitions to a maximum of R 30,000	Executive Managers
Acquisitions to a maximum of R 100,000	Corporate Executive Managers
Acquisitions to a maximum of R 200,000	Municipal Manager

- 5.3 The following approval authority applies for acquisitions in respect of bids obtained in terms of paragraph 3.42 for the provision of goods, services (excluding the services of professional service providers) and the execution of work:

Amount (VAT inclusive)	Delegating authority
Acquisitions to a maximum value of R 1,5 million	Bid adjudication committee
Acquisitions above R1,5 million	Municipal Manager

- 5.4 The following approval authority applies in respect the appointment of professional service providers in accordance with the prescribed process:

Amount (VAT inclusive)	Delegating authority
Appointments up to R 30,000	Managers
Appointments up to R 60,000	Executive Managers
Appointments up to R 120,000	Corporate Executive Managers
Appointments exceeding R 200,000 up to R 500,000	Bid adjudication committee
Appointments exceeding R 500,000	Municipal Manager

- 5.5 The following approval authorities apply for disposal of capital assets in respect of bids obtained in accordance with the prescribed process (all amounts include VAT):

Subject matter of disposal	Delegating authority
Disposal of all immovable capital assets, except residential land intended for development in terms of a national or provincial housing programme to supply the housing needs of a specific section of the community	Council
Disposal of movable capital assets with an estimated market value above R1 million	Council

Subject matter of disposal	Delegating authority
Disposal of movable capital assets with an estimated market value below R1 million	Municipal Manager

Exemptions from acquisition/procurement requirements

- 5.6 The Municipal Manager may dispense with the prescribed processes and authorise the acquisition of any goods or services through any convenient process -
- (a) in the event of an emergency;
 - (b) if the required goods or services are available from a single supplier only;
 - (c) in any exceptional case where it is impractical to follow the prescribed procedure;
 - (d) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
 - (e) acquisition of animals for zoos; or
 - (f) if the Municipality contracts with another organ of state for the provision of goods or services to the Municipality, or the provision of a municipal service or assistance with the provision of a municipal service or the procurement of goods and services under a contract secured by another organ of state, provided that the supplier concerned consented in writing to such procurement.
- 5.7 A departmental head seeking the approval of the Municipal Manager in terms of paragraph 5.6 shall submit a written report to the Municipal Manager detailing the reasons why the Municipal Manager should authorise a departure from the prescribed requirements. A report in terms of this paragraph shall contain such information as the Municipal Manager may specify.
- 5.8 The Municipal Manager shall record her/his decision with regard to an application in terms of paragraph 5.7 in writing and shall, if she/he grants that application, stipulate the alternative procurement process to be followed.
- 5.9 The decision of the Municipal Manager in terms of paragraph 5.8 shall be final.
- 5.10 The Municipal Manager shall record the reasons for any exemption granted in terms of paragraph 5.8 and report them to the next meeting of the Council and include as a note to the annual financial statements.
- 5.11 Whenever the Municipality procures goods or services in terms of paragraph 5.6(f) the Municipal Manager shall ensure that details of such transaction, including a description of the kind of goods and services procured and the name of the supplier is published in a newspaper of record within seven working days after the relevant contract has been concluded.

CHAPTER 6 DISPOSAL OF THE MUNICIPALITY'S ASSETS

Part 1 Disposal of capital assets

Introduction

- 6.1 In accordance with the provisions of section 14(5) of the MFMA, the transfer of ownership of a capital asset of the Municipality must be fair, equitable transparent, competitive and consistent with this policy.
- 6.2 The Municipality shall not transfer ownership as a result of a sale or other transaction, or otherwise permanently dispose of a capital asset needed to provide the minimum level of basic municipal services.
- 6.3 Capital assets that are not needed for the provision of basic municipal services may be disposed of, but only after the Council, in a meeting open to the public -
- (a) has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services;
 - (b) has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset; and
 - (c) has decided that the asset concerned may be disposed of.
- 6.4 The Council reserves the power to decide on the transfer of ownership or otherwise of the disposal of a capital asset that is not needed to provide a minimum level of basic municipal services.
- 6.5 The power to decide on the transfer of ownership or otherwise of the disposal of a movable capital asset below the value of R 1,000,000 that is not needed to provide a minimum level of basic municipal services is delegated to the Municipal Manager.

Role of the Municipal Manager in disposal of assets

- 6.6 The Municipal Manager must ensure that –
- (a) immovable capital assets are sold at market related prices, unless the public interest or the plight of the poor demands otherwise;
 - (b) movable capital assets are sold either by way of written quotation, a competitive bidding process, auction or at market related prices, whichever is the most advantageous to the Municipality;
 - (c) immovable capital assets are leased/let at market related rates, unless the public interest or the plight of the poor demands otherwise;
 - (d) where assets are traded-in for other assets the highest possible trade-in price is negotiated; and

- (e) all fees, charges, rates, tariffs, scales of fees or other charges relating to the leasing of movable and immovable assets are reviewed annually.

Disposal of immovable capital assets

- 6.7 Subject to the provisions of this policy, the disposal of immovable capital assets shall be effected by means of competitive bidding.

Key principles and values

- 6.8 The Municipality has a core responsibility to acquire land and buildings for its own use for purposes of –
 - (a) developing and maintaining municipal infrastructure;
 - (b) promoting service delivery;
 - (c) facilitating social and economic development; and
 - (d) facilitating spatial integration.
- 6.9 Taking into account reasonable expected future requirements, land assets unrelated to these responsibilities are, by implication, surplus to the Municipality's requirements.
- 6.10 The Municipality further has a responsibility in terms of acquiring, managing, developing and releasing land, buildings and rights there-in or there-on on behalf of residents and ratepayers. In this regard the key consideration is that the best interests of the Municipality (and thus the residents) rather than that of individuals should be paramount in all real estate transactions that the Municipality enters into. This demands that, in all transactions that the Municipality enters into, there should be maximum benefit to the Municipality, its operational requirements and the local community.
- 6.11 Certain interventions are regularly necessary in land transactions pursued by the Municipality as compared to those of the private property market. As the private property market is solely concerned with maximising capital gain, as opposed to the role of the Municipality in acting in the best interests of local communities, it follows that the Municipality will not singularly follow the processes and values of the private property market. Moreover, the historic accumulation of land and property is highly varied and the need for redistribution and reform in this regard must be addressed.
- 6.12 Land and buildings affect the entire Municipality and straddle all organisational units of the Municipality. Therefore, the Municipality's policy in this respect must support its sectoral policies such as economic development, environment management, land use, housing, social and community infrastructure, physical planning and infrastructure and culture and recreation. Market forces will always be the point of departure in any property transaction and must be recognised and acknowledged.
- 6.13 The policy regarding the disposal of immovable property includes any right, interest or servitude therein or there over and must also take account of other legislation, policies and practices relating to land use, health, the built and natural environment and safety.

The Municipality, in subscribing to affirmative action principles, must therefore incorporate these principles within its real estate management process to redress practices of the past.

Categories of land assets

- 6.14 The Municipality's land assets are categorized as follows:
- (a) Land intended to be developed for residential purposes;
 - (b) Land intended to be developed for commercial and industrial purposes;
 - (c) Land intended to be developed for social purposes, including religious, educational and institutional purposes;
 - (d) Land intended to be developed for sport and recreation purposes; and
 - (e) Land intended for agricultural purposes.

Manner of disposal of the Municipality's various categories of land assets

- 6.15 Land incapable of development on its own within predominantly residential areas (e.g. sanitary lanes and unutilised substation erven) will be offered in ownership to the respective adjoining owner(s) at market value. Each transaction will be subject to a rebate of 50%. The purchaser will be responsible and liable for any and all costs associated with the possible relocation of municipal service infrastructure, rezoning, survey, registration and transfer. The creation of a free-standing lot will in each instance be preferred in order that new residential opportunities are created, subject to the Council's policy regarding minimum lot sizes for various uses.
- 6.16 Residential land capable of development on its own will be offered for sale by means of competitive bidding or public auction, as the Council may prefer from time to time, subject to an upset price that is marketed related and will, within certain pricing cohorts (as determined by the Council from time to time) be allocated to take account of HDIs, provided that residential land intended for development and sale to beneficiaries of a housing programme of the national or provincial government, shall be offered for sale by means of private treaty at a price determined by the Council that takes into account the plight of the poor.
- 6.17 In pursuit of the Council's policy stated in par 6.16, the Council shall at least once during every financial every year –
- (a) consider a list of all residential properties that may be sold during the financial year in question;
 - (b) determine the upset price of each such property;
 - (c) determine the permissible use of each such property; and
 - (d) set the terms and conditions of sale of each such properties.

- 6.18 As soon as the Council has made the decisions required in terms of par 6.17, the Municipal Manager shall cause an invitation to bid for the purchase of the properties contained in the approved list to be published.
- 6.19 The Municipal Manager shall, as soon as reasonably possible after the closing date for bids in terms of par 6.18, consider and award bids, provided that no bid in respect of the purchase of a property that is lower than the upset price shall be awarded without the express approval of the Council.
- 6.20 The Municipal Manager shall cause a report concerning the outcome of the bidding process to be submitted to the Council.
- 6.21 Any property that has not been sold as a result of the bidding process shall remain available for sale by private treaty for the remainder of the financial year during which it was subjected to the bidding process.
- 6.22 Land that has been acquired primarily for housing or residential purposes which is thus not immediately required for the Municipality's needs, will be offered on a short-term lease basis. The rental payable will be at a market rate, unless the Council determines otherwise. The property will be offered for rent by private treaty.
- 6.23 Commercial and industrial land that is incapable of development on its own will be offered in ownership to the respective adjoining owner(s) at market value. The purchaser will be responsible for any and all costs associated with the possible relocation of services, rezoning, survey, registration and transfer.
- 6.24 Commercial and industrial land that is capable of development on its own will be offered for sale by public competition (either by public auction or competitive bidding as the Council may prefer from time to time), subject to an upset price that is marketed related and such other conditions supporting the policies and programmes of the Municipality as the Council may decide from time to time.
- 6.25 Land which is located within an area of specific focus or which is subject to a specific development or social programme may be offered for sale or lease, as the Council may determine on a case-by-case basis, through a competitive bidding process. In such instances the maximisation of return will not necessarily be the determining factor and the aims of the Municipality will be clearly articulated in the bid documentation. Land in this category may, within certain pricing cohorts (as determined by Council from time to time) be allocated to take account of HDIs.
- 6.26 Commercial and industrial land not immediately required for the Municipality's needs is land that has been acquired for a capital project which has yet to commence. The property will be offered on a short-term lease basis and the notice period will vary based on when the property will be required. The rental will be at a market rate, unless determined otherwise by the Council.
- 6.27 Ownership of social sites will be offered by means of competitive bidding. Bidders will be subject to a screening process that will take account, amongst other things, of the needs of the community, the nature of the organisation and its ability to discharge its intentions. Sale will be subject to a predetermined price that is market related, or as may be determined by Council.

6.28 Amateur sports bodies are those bodies that are providing sporting opportunities of a nature as may be approved by Council from time to time. In this regard not all sport activity, notwithstanding its possible amateur status, is recognised as a responsibility of the Municipality. However, the Council recognises that amateur sports bodies provide a valuable service to the community in terms of recreation and development and assist the Council in the discharge of its responsibilities. Accordingly -

- (a) Land will be offered in an open and competitive process on a lease-hold basis;
- (b) The lessee will be restricted to amateur status;
- (c) The lease will be subject to development clauses to ensure the discharge of its intentions;
- (d) Rental will be established on the basis of a nominal rental for the total land component of the lease as may be approved by the Council from time to time, together with a percentage of the actual market value of 50% of the land occupied by any buildings erected by the body concerned, such percentage being determined by Council from time to time;
- (e) The lessee will not be liable for rates, but will be responsible for the costs of services consumed;
- (f) The lease will be subject to conditions to allow the Municipality, through its departments, to utilise the grounds, subject to further terms and conditions as agreed by the lessee and the Council;
- (g) The lease will preclude discrimination in the membership of the body concerned and the use of the facilities on any grounds as well as any scheme that may result in the exclusion of any person based on her/his physical features or origins;
- (h) The lease will recognise that the Municipality has limited responsibility in terms of providing for sports and recreation opportunities;
- (i) The lease will ensure that the Municipality retains a minimum base of sport and recreational venues, which might vary from community to community as well as be constrained by operating and capital budgets; and
- (j) Where existing facilities are being taken over, the lease will recognise the asset value of development already existing, whether this has been directly funded by the Municipality or not.

6.29 Agricultural land shall be offered for sale by means of competitive bidding, subject to an upset price that is marketed related and will, within certain pricing cohorts (as determined by the Council from time to time) be allocated to take account of HDIs.

Transactions with Provincial or National Government

- 6.30 Whenever the Provincial or National Government desires to obtain land owned by the Municipality, ownership in such land shall be offered to the relevant organ of state at the full market value.

Part 2 Disposal of other assets

- 6.31 Only movable assets that have been declared unserviceable, redundant or obsolete may be disposed of.
- 6.32 A movable asset that has not yet reached its estimated asset lifespan in terms of generally recognised accounting practices (GRAP) may not be declared unserviceable, redundant or obsolete without the express written approval of the Municipal Manager.
- 6.33 The departmental head who is responsible for the management of the asset concerned shall not later than 31 October of each year supply the Asset Management Unit with a list of assets the control of which vest in her/him that has, in her/his opinion, become redundant, unserviceable or obsolete.
- 6.34 The Asset Management Unit shall inspect the assets included in a list in terms of paragraph 6.33 and shall submit a report on its findings to the Municipal Manager. The departmental head concerned shall supply such assistance as may reasonably be required for the purpose of an inspection to the Asset Management Unit.
- 6.35 The Municipal Manager shall consider the report and recommendations of the Asset Management Unit and shall determine which assets mentioned in the report is unserviceable, obsolete or redundant. The decision of the Municipal Manager regarding an asset is final.
- 6.36 Any asset that has been declared unserviceable, obsolete or redundant must be kept in a place indicated by the manager responsible for corporate asset management until its disposal is decided on.
- 6.37 If an asset that has been declared redundant, obsolete or unserviceable has been financed by means of a loan not yet fully redeemed, the Chief Financial Officer must determine the method in accordance with and source from which the outstanding balance of the loan will be repaid.
- 6.38 The Asset Management Unit shall determine the best method for disposing of any unserviceable, redundant and obsolete assets, including written quotation, competitive bid, public auction or by private treaty at market related prices: Provided that –
- (a) in the case of computer equipment the provincial department of education must first be approached to indicate whether any educational institution may be interested in the equipment; and
 - (b) redundant, unserviceable or obsolete firearms shall, under the supervision of the SAPS, be destroyed.

- 6.39 The provincial department of education shall be deemed not to be interested in any equipment offered to it in terms of paragraph 6.38 if it has not indicated its interest in writing within 30 days after the offer has been made.
- 6.40 No redundant, unserviceable or obsolete computer equipment shall be transferred to the provincial department of education or be sold in any manner unless the manager responsible for information technology services certifies in respect of each such computer that its hard drive has been formatted and that no data of the Municipality or any software programmes of which the Municipality is the owner or holder of a licence is stored on such computer.
- 6.41 The Asset Management Unit shall submit its report and recommendations in terms of paragraph 6.38 to the Municipal Manager.
- 6.42 The Municipal Manager shall consider the report and recommendations of the Asset Management Unit and shall determine the most advantageous method of disposing of the assets referred to in the report.
- 6.43 The Asset Management Unit shall dispose of the assets as determined by the Municipal Manager.

CHAPTER 7
REGISTER OF ACCREDITED PROSPECTIVE SUPPLIERS

Part 1
Register of accredited prospective suppliers

Register of accredited prospective suppliers

- 7.1 The Chief Financial Officer shall establish and maintain a Register of Accredited Prospective Suppliers by means of an electronic database to be used for the procurement requirements of the Municipality for acquisitions below R 200,000. The register must have separate lists per commodity and per type of service.

Procedure for establishing and maintaining the register

- 7.2 The Municipal Manager shall within 30 days of the adoption of this policy cause an invitation to be enrolled in the Register to be published and shall, in such notice, stipulate the information that must be submitted and the closing time and date for submission of such information. The Municipal Manager shall thereafter during February of each year by public notice invite prospective suppliers to apply for evaluation and inclusion in the Register. The particulars of any supplier enrolled in the Register shall be removed there from not later than 31 March of each year unless such supplier applied for registration and evaluation.
- 7.3 The Chief Financial Officer shall make appropriate arrangements to ensure as far as is reasonably possible that –
- (a) the register is updated at least quarterly;
 - (b) prospective suppliers can at any time apply for evaluation and inclusion in the register;
 - (c) no prospective supplier whose name appears on a database maintained by the National Treasury as a person prohibited from doing business with the public sector, is included in the Register; and
 - (d) applications for registration as accredited suppliers may be submitted electronically.
- 7.4 The Municipal Manager shall before she/he publishes an invitation in terms of paragraph 7.2 cause to be compiled a prospective supplier information questionnaire and transmit or give it to all applicants who respond to the invitation, all existing contractors of the Municipality and all known suppliers for completion. Information required shall include –
- (a) Details of the form of the enterprise, e.g. sole proprietor, close corporation, private or public company, trust or any other legal form. Satisfactory proof of the enterprise's legal form must be submitted with its application;
 - (b) Registration details regarding income tax, value-added tax, unemployment insurance and skills development levy;

- (c) Postal and physical address of prospective suppliers that will be used as domicilium citandi et executandi for the purpose of submitting offers;
- (d) Citizenship of owners, e.g. South African or other, provided that a juristic person is deemed to be a corporate South African citizen if the majority of its shares or interests are owned by South African citizens;
- (e) Ownership details, e.g. % HDI ownership of equity;
- (f) Size of enterprise, e.g. micro, small, medium or large;
- (g) Category/ies of goods or services supplied or work performed;
- (h) Number of employees employed by the enterprise; and
- (i) Whether the enterprise is a new (i.e. having been established in the past year) or an existing enterprise.

Evaluation of applications

7.5 In order to ascertain the suitability of applicants for registration, the Chief Financial Officer shall, after consultation with the heads of the Municipality's other departments, –

- (a) evaluate an applicant's capacity and ability to supply goods and services and to complete work, in order to ensure that all contracts or orders awarded are within the capabilities of the enterprise; and
- (b) evaluate the amount of assistance that may be required by each applicant.

7.6 Evaluation criteria shall be based on the following:

- (a) Previous experience;
- (b) Qualifications of owner(s), directors, members, trustees and staff;
- (c) Value of contracts completed in the past year;
- (d) Value and duration of current contracts;
- (e) Persons that may be contacted for references;
- (f) Contracts completed on time and within budget; and
- (g) Contracts awarded as a main contractor or as sub-contractor.

7.7 The Chief Financial Officer shall, as soon as possible after the closing time of the invitation in terms of paragraph 7.2 examine and assess all applications submitted.

Registration in register

7.8 An applicant is suitable for registration on the appropriate list in the Register if she/he, in the opinion of the Chief Financial Officer –

- (a) has the capacity in terms of the availability of personnel, financial resources and administrative infrastructure to execute contracts to a specified value;