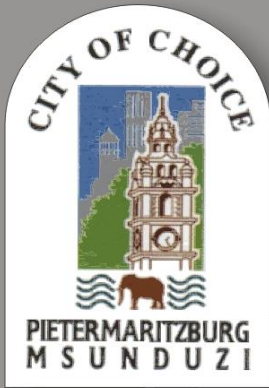


MSUNDUZI MUNICIPALITY



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The Msunduzi Municipality

SUPPLY CHAIN MANAGEMENT POLICY

*Adopted in terms of section 111 of the Municipal Finance Management Act,
No.56 of 2003 and the Municipal Supply Chain Management Regulations*

MUNICIPAL SUPPLY CHAIN MANAGEMENT POLICY
LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003

Date of adoption:

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

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Definitions

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

“black designated groups” has the meaning assigned to it in the codes of good practice issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;

“black people” has the meaning assigned to it in section 1 of the Broad-Based Black Economic Empowerment Act;

“Black Owned Enterprise (BOE)” in this context refers to a “black-owned enterprise” with at least 51% South African black ownership and/or more than 51% management control by South African black people.

“broad-based black economic empowerment” means the economic empowerment of all black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include, but are not limited to:

- (a) increasing the number of black people that manage, own and control enterprises and productive assets;
- (b) facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and other collective enterprises;
- (c) human resource and skills development; achieving equitable representation in all occupational categories and levels in the workforce;
- (d) preferential procurement; and
- (e) investment in enterprises that are owned or managed by black people

“Business Enterprises owned by Women” Means a woman-owned business that is a continuing, independent, for profit business which performs a commercially useful function, and is at least fifty-one percent (51%) owned and controlled by one or more women; or, in the case of any publicly owned business, at least fifty-one percent (51%) of the stock of which is owned and controlled by one (1) or more women and whose management and daily business operations are under the control of one (1) or more women.

“Business Enterprises owned by Youth” means a Business Enterprise with at least 51% ownership and/or more than 51% management control by Youth.

“Business Enterprises owned by Disabled Persons” means a Business Enterprise with at least 51% ownership and/or more than 51% management control by Disabled Persons.

“Business Enterprises owned by Military Veterans” means a business that is directly and unconditionally owned and controlled by at least 51% by one or more veteran(s) or service-disabled veteran(s). The veteran owner(s) must have full control over the day-to-day management, decision-making

“Business Enterprises 51% and above owned by Co-operatives” A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. A co-operative society is defined as a business owned and controlled equally by the people who uses its services or work for it.

“co-operative” means a co-operative registered in terms of section 7 of the Cooperatives Act, 2005 (Act No. 14 of 2005);

“designated group” means(a)
black designated groups;

(b) black people;

(c) women;

(d) people with disabilities;

“Cession” Mean when a contract/ agreement is relinquished to another financial institution or government institution.

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

“designated sector” means a sector, sub-sector or industry or product designated in terms of regulation 8(1)(a);

“EME” means an exempted micro enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;

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

“people with disabilities” has the meaning assigned to it in section 1 of the Employment Equity Act, 1998 (Act No. 55 of 1998);

“military veteran” has the meaning assigned to it in section 1 of the Military Veterans Act, 2011 (Act No. 18 of 2011);

“contract price” the all-inclusive price of the contract over the complete duration of the contract and includes price escalations, cost of contract variations, disbursements, VAT, etc.

“contract price adjustment” the adjustment of rates or tender price due to changes in production cost or material price changes after 12 months on the contract or on Government regulated prices

“Emergency” referred to in subparagraph 36(1) (a) (i) of this policy means a deviation that is based on it being an emergency case that is reasonable/justifiable based on evidence that:

- Immediate action is necessary in order to avoid a dangerous or risky situation or misery;
- The time available would make it impossible/ impractical to go through a bidding process;
- The deviation is not as a result of the need for procurement being identified/agreed upon/budgeted/planned in the past but not attended to timeously and
- The deviation is not as a result of improper planning

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

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

“functionality” means the ability of a tenderer to provide goods or services in accordance with specifications as set out in the tender documents;

Historical Disadvantage Individuals” means a South African citizen - who, due to the Apartheid policy that had been in place, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act 110 of 1983) or the Constitution of the Republic of South Africa, 1993, (Act 200 of 1993) (“the interim Constitution”); and/or who is a female; and/or who has a disability: provided that a person who obtained South African citizenship on or after the coming to effect of the Interim Constitution, is deemed not to be a HDI;

“GCC” means General Conditions of Contract

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

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

“JBCC” means a principal building agreement issued by the Joint Building Contracts Committee

“Location of a Business Enterprise” means Business location is defined as a place or structure occupied by a firm or enterprise to run its operations. This includes any structure or establishment used in conducting a business within the Msunduzi municipality jurisdiction

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

“list of accredited prospective providers” means the list of accredited prospective providers which the municipality must keep in terms of paragraph 14 of this policy;

“Msunduzi” shall mean the Msunduzi Municipality established in terms of the provisions of s. 12 of the Local Government Municipal Structures Act, 1998 (Act No. 117 of 1998).

“Msunduzi Emerging Small Enterprises” means a service provider which was established within the last five years and is majority black owned, black youth owned, black female owned and/or black disabled owned and qualifies as an EME or QSE as defined in the Codes of Good Practice issued pursuant to section 9 of the Broad-Based Black Economic Empowerment Act, No. 53 of 2003, as amended from time to time, and strategic policy of the business.

“Msunduzi manufacturing Enterprise” means an industrial undertaking or a business concern or any other establishment, by whatever name called, engaged in the manufacture or production of goods, in any manner, pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 that occurs within a city-based manufacturer's facility located within the city.

Msunduzi Unemployed youth graduate means a person who is between the ages of 18 and 35 who has graduated from an institute of Higher Education. Youth unemployment is the situation of young people who are looking for a job but cannot find a job. An unemployed person is defined as someone who does not have a job but is actively seeking one. To be qualified as unemployed for official and statistical measurement, the individual

must be without employment, willing and able to work, of the officially designated "working age" (often from the teens to the mid-60s) and actively searching for a position. Youth unemployment rates tend to be higher than adult rates.

"Msunduzi Unemployed youth" means a person who is between the ages of 18 and 35 who are unemployed is the situation of young people who are looking for a job but cannot find a job. An unemployed person is defined as someone who does not have a job but is actively seeking one. To be qualified as unemployed for official and statistical measurement, the individual must be without employment, willing and able to work, of the officially designated "working age" (often from the teens to the mid-60s) and actively searching for a position. Youth unemployment rates tend to be higher than adult rates.

"Msunduzi Qualifying Small Enterprise" means a qualifying small business enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act. In terms of the statement, a Qualifying Small Enterprise (QSE) is an Enterprise with an annual turnover between R10m -R50m where the annual turnover amounts exceed R50m per annum it will be classified as a Generic Enterprise.

"National Treasury" means the National Treasury established by section 5 of the Public Finance Management Act, 1999 (Act 1 of 1999)

"People with disabilities" means people who have a long-term or recurring physical or mental impairment which substantially limits their prospects of entry into, or advancement in, employment

"price" includes all applicable taxes less all unconditional discounts;

"Priority population groups" must mean black individuals who fall into population groups that were not offered a franchise in the national elections before or after the introduction of the 1984 tri-cameral parliamentary system and only received a franchise during 1994".

"Rand value" means the total estimated value of a contract in Rand, calculated at the time of the tender invitation;

"rural area" means-

- (a) a sparsely populated area in which people farm or depend on natural resources, including villages and small towns that are dispersed through the area; or
- (b) an area including a large settlement which depends on migratory labour and remittances and government social grants for survival, and may have a traditional land tenure system;

"Specific goals" means specific goals as contemplated in section 2(1)(d) of the Act which

may include contracting with persons, or categories of persons, historically disadvantaged

by unfair discrimination on the basis of race, gender and disability including the

implementation of programmes of the Reconstruction and Development Programme as

published in Government Gazette No. 16085 dated 23 November 1994;

"small enterprises" means a separate and distinct business entity, together with its branches or subsidiaries, if any, including co-operative enterprises, managed by one owner or more predominantly carried on in any sector or subsector of the economy mentioned in column 1 of the Schedule and 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; in terms of the National Small Enterprise Act, 1996 (Act No. 102 of 1996);

“the Preferential Procurement Policy Framework Act” means the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);

“township” means an urban living area that any time from the late 19th century until 27 April 1994, was reserved for black people, including areas developed for historically disadvantaged individuals post 27 April 1994;

“youth” must mean south African citizens between the ages of 18 and 35.

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

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

“Single provider” referred to in subparagraph 36(1) (a) (ii) of this policy means a deviation that is based on it being a sole supplier/provider case that is reasonable/justifiable based on evidence that:

- A thorough analysis of the market was done and
- Where required, a transparent and equitable pre-selection process.

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

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

“township” means an urban living area that any time from the late 19th century until 27 April 1994, was reserved for black people, including areas developed for historically disadvantaged individuals post 27 April 1994;

“the Regulations” means the Local Government: Municipal Finance Management Act, 2003, Municipal Supply Chain Management Regulations published by Government Notice 34350 of 2011;

QSE” means a qualifying small business enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;

“Urgency” referred to in subparagraph 22(1)(b)(2) of this policy means a deviation that is based on it being an urgency case that is reasonable/justifiable based on evidence that:

- The early delivery of the goods/services is of critical importance;
- The time available would make it impossible/ impractical to go through a bidding process;
- The deviation is not as a result of the need for procurement being identified/agreed upon/budgeted/planned in the past but not attended to timeously and
- The deviation is not as a result of improper planning

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

1.1 Introduction

- (1) Section 111 of the MFMA requires each municipality and municipal entity to adopt and implement a supply chain management policy, which gives effect to the requirements of the Act.
- (2) In addition, the PPPFA requires the Municipality to determine its Procurement Policy and to implement it within the framework prescribed. This requirement is given effect to in the Preferential Procurement section of this Policy.

1.2 Desired Outcomes

- (1) The desired outcome of this Policy is to provide a mechanism to ensure sound, sustainable and accountable supply chain management within Msunduzi Municipality, whilst promoting black economic empowerment, which includes general principles for achieving the following socio-economic objectives:
- (2) To stimulate and promote local economic development in a targeted and focused manner
- (3) To facilitate creation of employment and business opportunities for the people of Msunduzi Municipality with particular reference to specific goals and or targeted procurement
- (4) To promote the competitiveness of local businesses, to increase the small business sector access, in general, to procurement business opportunities created by Council
- (5) This Policy will also strive to ensure that the objectives for uniformity in supply chain management systems are maintained.

1.3 Regulatory Context

The objectives of this Policy are

- (1) To give effect to section 217 of the Constitution of the Republic of South Africa by implementing a system that is fair, equitable, transparent, competitive and cost effective.
- (2) To comply with all applicable provisions of the MFMA including the Municipal Supply Chain Management Regulations published under GN868 in Government Gazette 27636 30 May 2005 and to comply with any National Treasury Circulars/Guidelines specifically adopted by Council, in terms of the MFMA.
- (3) To ensure consistency with all other applicable legislation and regulations.

1.4 Compliance with Ethical Standards

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

CHAPTER 1

IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

Supply chain management policy

2. (1) All officials and other role players in the supply chain management system of the municipality must implement this Policy in a way that –
- (a) gives effect to –
 - (i) section 217 of the Constitution; and
 - (ii) Part 1 of Chapter 11 and other applicable provisions of the Act;
 - (b) is fair, equitable, transparent, competitive and cost effective;
 - (c) complies with –
 - (i) the Regulations; and
 - (ii) any minimum norms and standards that may be prescribed in terms of section 168 of the Act;
 - (d) is consistent with other applicable legislation;
 - (e) does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
 - (f) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.
- (2) This Policy applies when the Msunduzi Municipality–
- (a) procures goods or services;
 - (b) disposes goods no longer needed;
 - (c) selects contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies,
 - (d) selects external mechanisms referred to in section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.

- (3) This Policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including –
 - (a) water from the Department of Water Affairs or a public entity, another municipality or a municipal entity; and
 - (b) electricity from Eskom or another public entity, another municipality or a municipal entity.

Amendment of the supply chain management policy

- 3.
 - (1) The accounting officer must –
 - (a) at least annually review the implementation of this Policy; and
 - (b) when the accounting officer considers it necessary, submit proposals for the amendment of this Policy to the council
 - (2) If the accounting officer submits proposed amendments to the council that differs from the model policy issued by the National Treasury, the accounting officer must –
 - (a) ensure that such proposed amendments comply with the Regulations; and
 - (b) report any deviation from the model policy to the National Treasury and the relevant provincial treasury.
 - (3) When amending this supply chain management policy, the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.
 - (4) In cases where council adopt special programs to achieve set policy objectives and where the special programs impacts on the mechanism of supply chain the accounting officer must:
 - (a) Prepare a report setting out the arrangements for the project
 - (b) Show the impact on supply chain management

Delegation of supply chain management powers and duties

- 4.
 - (1) The council hereby delegates all powers and duties to the accounting officer which are necessary to enable the accounting officer –
 - (a) to discharge the supply chain management responsibilities conferred on accounting officers in terms of –
 - (i) Chapter 8 or 10 of the Act; and
 - (ii) this Policy;
 - (b) to maximise administrative and operational efficiency in the implementation of this Policy;

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

Sub delegations

5. (1) The accounting officer may in terms of section 79 or 106 of the Act sub delegate any supply chain management powers and duties, including those delegated to the accounting officer in terms of this Policy, but any such sub delegation must be consistent with subparagraph (2) of this paragraph and paragraph 4 of this Policy.
- (2) The power to make a final award –
- (a) above R10 million (VAT included) may not be sub delegated by the accounting officer;
 - (b) above R2 million (VAT included), but not exceeding R10 million (VAT included), may be sub delegated but only to –
 - (i) the chief financial officer;
 - (ii) a senior manager; or
 - (iii) a bid adjudication committee of which the chief financial officer or a senior manager is a member;
 - (c) not exceeding R2 million (VAT included) may be sub delegated but only to –
 - (i) the chief financial officer;
 - (ii) a senior manager;
 - (iii) a manager directly accountable to the chief financial officer or a senior manager; or
 - (iv) a bid adjudication committee.
- (3) An official or bid adjudication committee to which the power to make final awards has been sub delegated in accordance with subparagraph (2) must within five days of the end of each month

- submit to the official referred to in subparagraph (4) a written report containing particulars of each final award made by such official or committee during that month, including–
- (a) the amount of the award;
 - (b) the name of the person to whom the award was made; and
 - (c) the reason why the award was made to that person.
- (4) A written report referred to in subparagraph (3) must be submitted –
- (a) to the accounting officer, in the case of an award by –
 - (i) the chief financial officer;
 - (ii) a senior manager; or
 - (iii) a bid adjudication committee of which the chief financial officer or a senior manager is a member; or
 - (b) to the chief financial officer or the senior manager responsible for the relevant bid, in the case of an award by –
 - (i) a manager referred to in subparagraph (2)(c)(iii); or
 - (ii) a bid adjudication committee of which the chief financial officer or a senior manager is not a member.
- (5) Subparagraphs (3) and (4) of this policy do not apply to procurements out of petty cash.
- (6) This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.
- (7) No supply chain management decision-making powers may be delegated to an advisor or consultant.

Oversight role of council

6. (1) The council reserves its right to maintain oversight over the implementation of this Policy.
- (2) For the purposes of such oversight the accounting officer must –
- (i) within 30 days of the end of each financial year, submit a report on the implementation of this Policy and the supply chain management policy of any municipal entity under the sole or shared control of the municipality, to the council of the municipality; and
 - (ii) whenever there are serious and material problems in the implementation of this Policy, immediately submit a report to the council.

- (3) The accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the Mayor.
- (3) The reports must be made public in accordance with section 21A of the Municipal Systems Act.
- (4) Section 117 of the MFMA prohibits a Municipal Councilor from being a member of a bid committee or any other committee evaluating or approving quotations or bids nor may a Municipal Councilor attend any such meeting as an observer.

Supply chain management unit

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

Training of supply chain management officials

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

CHAPTER 2**SUPPLY CHAIN MANAGEMENT SYSTEM****Format of supply chain management system**

- 9. This Policy provides systems for –
 - (i) demand management;
 - (ii) acquisition management;
 - (iii) logistics management;
 - (iv) disposal management;
 - (v) risk management; and
 - (vi) performance management.

Part 1: Demand management**System of demand management**

10. (1) The accounting officer must establish and implement an appropriate demand management system in order to ensure that the resources required by the Msunduzi Municipality support its operational commitments and its strategic goals outlined in the Integrated Development Plan and Resources required are delivered at the right time, at the right price and at the right location, and that the quantity and quality satisfy the need of the Municipality
- (2) All Department Heads must as part of the Budget Approval process submit a procurement plan Containing all planned procurement 30 days before the beginning of the new financial year. This procurement plan must be approved by the Departmental Head or his/her delegate prior to its submission to SCM Unit
- Further to the above a central contract register is to be maintained by SCM Unit for all contracts within the Municipality. Items will only be permitted onto the register if contained within an approved procurement plan. Emergencies are excluded, but must be added to the approved procurement plan within 30 days
- (3) Municipal Entities must submit the procurement plans referred above within the same timeline
- (4) information must be furnished in the format contained in a standardized procurement Template to be issued by the Senior Manager Supply Chain Management
- (2) The demand management system must –
- (a) include timely planning and management processes to ensure that all goods and services required by the municipality are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical delivery dates, and are of the appropriate quality and quantity at a fair cost;
- (b) take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature,
- (c) provide for the compilation of the required specifications to ensure that its needs are met; and
- (d) take into account an analysis of the past spending.
- (e) To undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.

(3) **Demand management system must be implemented by:**

- (a) Establishing requirements;
- (b) Determining needs
- (c) Deciding on appropriate procurement strategies.

Demand management accordingly must involve the following activities:

- (a) Understanding the future needs;
- (b) Identifying critical delivery dates
- (c) Identifying the frequency of the need
- (d) Linking the requirement to the budget;
- (e) Conducting expenditure analyses based on past expenditure;
- (f) Determining requirements (including the internal capacity to implement),
- (g) Conducting commodity analyses in order to check for alternatives and
- (h) Conducting industry analyses

Part 2: Acquisition management

System of acquisition management

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

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

- (6) The Head: Supply Chain Management may request quotations directly from Community Based Vendors in a specific area or from a specific community for the procurement of goods and services for amounts less than R30 000 (including construction works)
- (7) Msunduzi Municipality may not enter into any contract that will impose financial obligations beyond the three years covered in the annual budget for that financial year, unless the requirements of section 33 of the MFMA have been fully complied with.

Ranges of procurement processes

- 12.** (1) Goods and services may only be procured by way of –
- (a) petty cash purchases, up to a transaction value of R500 (VAT included);
 - (b) Formal written price quotations for procurement of a transaction value over-
 - (i) R500 up to R 30 000 (VAT included).
 - (c) Seven-day price quotation for procurement above R30 000 to R300 000 (VAT included);
 - (d) a competitive bidding process for–
 - (i) procurements above a transaction value of R300 000 (VAT included); and
 - (ii) the procurement of long-term contracts.
- (2) The accounting officer may, in writing-
- (a) lower, but not increase, the different threshold values specified in subparagraph (1); or
 - (b) direct that –
 - (i) written price quotations be obtained for any specific procurement of a transaction value lower than R30 000;
 - (ii) a competitive bidding process be followed for any specific procurement of a transaction value lower than the competitive bidding thresholds specified in sub regulation (1)
 - (iii) a competitive bidding process be followed for any specific procurement of a transaction value over R300 000.
- (3. Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy. When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

(4) Publications in the Media

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

General preconditions for consideration of written quotations or bids

13. A written quotation or bid may not be considered unless the provider who submitted the quotation or bid
- (a) has furnished that provider's –
 - (i) full name;
 - (ii) identification number or company or other registration number; and
 - (iii) SARS Pin tax reference number and VAT registration number, if any;
 - (b) is registered on Central Supplier Database or has authorized the municipality to obtain a tax clearance from the South African Revenue Services that the provider's tax matters are in order; and
 - (c) has indicated –
 - (i) whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;
 - (ii) if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or
 - (iii) whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months.

Lists of accredited prospective providers

14. (1) The accounting officer must –
- (a) keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements of the municipality through written or verbal quotation and formal written price quotation (CSD).
 - (b) disallow the listing of any prospective provider whose name appears on the National Treasury database as a person/company prohibited from doing business with the public sector, or who is prohibited in terms of section 44 of this policy or is blacklisted/restricted in terms of this policy.
 - (c) No quotations may be solicited from any supplier/service provider/contractor who is not registered and verified by the appropriate branch on the Central Supplier Database, or is in a position to be so before the award.

- (4) Key information of prospective suppliers is verified on the CSD. The following information must be verified:
- (a) Business registration, including details of directorship and membership
 - (b) Bank account holder information
 - (c) In the service of the state status
 - (d) Tax compliance status
 - (e) Identity number
 - (f) Tender defaulting and restriction status and
 - (g) Any additional and supplementary verification information communicated by the National treasury;

Petty cash purchases

15. The conditions for the procurement of goods by means of petty cash purchases referred to in paragraph 12 (1) (a) of this Policy, are as follows –
- (a) verbal quotations must be obtained from at least three different providers registered with National Treasury Central Supplier Database;
 - (b) If it is not possible to obtain at least three verbal quotations the reason must be recorded and reported quarterly to the Head of Supply Chain Management or another official designated by the accounting officer;
 - (c) the names of and prices quoted by the potential suppliers must be recorded and the order must only be placed against a written confirmation from the selected supplier
 - (d) the Chief Financial officer must set the maximum number of petty cash purchases or the maximum amounts per month for each manager and these numbers or amounts must be reviewed each month by the accounting officer;
 - (e) the manager reporting directly to the Chief Financial Officer may delegate responsibility for the petty cash in writing to an official reporting directly to him; and
 - (f) a monthly petty cash reconciliation report from each manager must be provided to the chief financial officer, including –
 - (i) the total amount of petty cash purchases for that month; and
 - (ii) receipts and appropriate documents for each purchase.
 - (e) the accounting officer must review the monthly petty cash reconciliation regularly

Formal written price quotations

17. (1) The conditions for the procurement of goods or services through formal written price quotations, are as follows:
- (a) quotations must be obtained in writing from at least three different providers registered with National Treasury Central Supplier Database;
 - (b) if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the Head: Supply Chain Management or an official designated by the chief financial officer, and
 - (c) a schedule of the prospective providers from whom the quotations were requested and the date of request must be kept and reviewed regularly by the Accounting officer against the list of the accredited prospective providers registered with central supplier database to ensure that rotation of prospective suppliers is being done.

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

18. The procedure for the procurement of goods or services through written or verbal quotations or formal written price quotations, is as follows:
- (a) when using the list of accredited prospective providers registered with central supplier database, the accounting officer must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis;
 - (b) all requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements of paragraph 17, be advertised for at least seven days on the website and an official notice board of the municipality;
 - (c) offers received must be evaluated on a comparative basis taking into account unconditional discounts;
 - (d) the accounting officer or chief financial officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub delegation;
 - (e) offers below R30 000 (VAT included) must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services and lowest price;
 - (d) acceptable offers, which are subject to the preference points system (PPPFA and associated regulations), must be awarded to the bidder who scored the highest points;
 - (e) all contracts awarded by the Msunduzi Municipality must be recorded in a contracts register of the municipality detailing at least (i) the name of the selected provider (ii) the date of the award (iii) the duration of the contract (iv) retention percentage If applicable (v) Surety and or penalty amount

Competitive bids

19. (1) Goods or services above a transaction value of R300 000 (VAT included) and long term contracts may only be procured through a competitive bidding process, subject to paragraph 11(2) of this Policy.
- (2) No requirement for goods or services above an estimated transaction value of R300 000 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.

Process for competitive bidding

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

Bid documentation for competitive bids

21. The criteria to which bid documentation for a competitive bidding process must comply, must –
- (a) take into account –
 - (i) the general conditions of contract and any special conditions of contract, if specified;
 - (ii) any Treasury guidelines on bid documentation; and

-
- (iii) the requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;
 - (b) include the preference points system to be used, goals as contemplated in the Preferential Procurement Regulations and evaluation and adjudication criteria, including any criteria required by other applicable legislation;
 - (c) Compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
 - (d) if the value of the transaction is expected to exceed R10 million (VAT included) may only be awarded to the preferred bidder after the Chief Financial Officer has verified in writing that the budgetary provision exists for the acquisition of the goods, infrastructure projects and or services and that is consistent with the integrated Development Plan, the bidders are required to furnish–
 - (i) if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements –
 - (aa) for the past three years; or
 - (bb) since their establishment if established during the past three years;
 - (ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;
 - (iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;
 - (iv) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic; and
 - (e) stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.
 - (f) all bids must be submitted in writing on the prescribed bid documentation in a sealed marked envelope and must be deposited by the bidders themselves or their appointed representatives into the designated bid box by no later than the date and time stipulated in the bid documentation.
 - (g) The Msunduzi Municipality may disqualify any offer or bid submitted for the following reasons:
 - (i) the bidder failed to comply with all submission requirements as stated in the tender document;
 - (ii) the entity or one of its directors are listed on National Treasury's database as a person prohibited from doing business with the public sector;

- (iii) there are outstanding municipal rates and taxes or service charges from any municipality by the entity or any of its directors that are in arrears for longer than 3 months unless credit arrangements have been made in terms of council policies;
 - (iv) the entity has failed to perform satisfactory on previous contracts with any municipality or other organ of the state, after that entity was given written notice that performance was unsatisfactory;
 - (v) any of the directors committed a corrupt or fraudulent act in competing for a particular contract or in the execution of a contract;
 - (vi) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of a contract that benefited the entity or any of its directors;
 - (vii) the entity or any its directors abused the supply chain management system or committed any improper conduct in relation to such system;
 - (viii) any director has been convicted for fraud or corruption during the last 5 years;
 - (ix) the entity or any of its directors has willfully neglected, reneged on or failed to comply with any government municipal or other public sector contract during the last 5 years;
 - (x) the entity or any of its directors has misrepresented facts or information in the tender document submitted;
 - (xi) the entity or any of its directors has submitted two tender documents (from the same company) unless the other tender document is an alternative offer;
 - (xii) any persons whose tax matters have not been declared as being in order by the South African Revenue Services for awards in excess of R30 000 incl Vat;
 - (xiii) the accounting officer or designated committee must ensure that the municipal rates and taxes or municipal charges owed by the preferred bidder or any of its directors to the municipality or municipal entity are not in arrears for more than three months.
- (f) The Msunduzi Municipality may give preference to local suppliers and/or service providers
- (g) The Msunduzi Municipality may reject all bids if and when deemed necessary i.e. when there is a lack of effective competition or bids are not substantially responsive.

Public invitation for competitive bids

22. (1) The procedure for the invitation of competitive bids, is as follows:

- (a) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the municipality or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin); and
- (b) the information contained in a public advertisement, must include –
 - (i) the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included), or which are of a long term nature, or 14 days in

- any other case, from the date on which the advertisement is placed in a newspaper, subject to subparagraph (2) of this policy;
- (ii) a statement that bids may only be submitted on the bid documentation provided by the municipality; and
 - (iii) date, time and venue of any proposed site meetings or briefing sessions.;
- (2) The accounting officer may determine a closure date for the submission of bids which is less than the 30 or 14 days' requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.
- (3) Bids submitted must be sealed.
- (4) Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.
- (5) Any invitation to prospective providers to submit bids under close tender process for service providers appointed under the Framework Agreement or panel must be by means of a direct invitation via email or any other appropriate ways and the closure date for the submission of bids must be between 2 to 21 days from the date of the advert.

Procedure for handling, opening and recording of bids

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

- (a) Bids–
 - (i) must be opened only in public;
 - (ii) must be opened at the same time and as soon as possible after the period for the submission of bids has expired; and
 - (iii) received after the closing time should not be considered and returned unopened immediately.
- (b) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price;
- c) No information, except the provisions in subparagraph (b), relating to the bid should be disclosed to bidders or other persons until the successful bidder is notified of the award; and
- d) The accounting officer must –
 - (i) record in a register all bids received in time;
 - (ii) make the register available for public inspection; and
 - (iii) publish the entries in the register and the bid results on the website in terms of section 75 of the MFMA, the reference number of the bid, the description of the goods, services or infrastructure

projects, the aforementioned information should be published in 10 working days after closure of the bid.

Negotiations with preferred bidders

24. (1) The accounting officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation –

- (a) does not allow any preferred bidder a second or unfair opportunity;
- (b) is not to the detriment of any other bidder; and
- (c) does not lead to a higher price than the bid as submitted.

(2) Minutes of such negotiations must be kept for record purposes.

Two-stage bidding process

25. (1) A two-stage bidding process is allowed for –

- (a) large complex projects;
- (b) projects where it may be undesirable to prepare complete detailed technical specifications; or
- (c) long term projects with a duration period exceeding three years;
- (d) projects where evaluation of bids is based on functionality as a criterion

(2) In the first stage:

- (a) projects referred to in subparagraphs (1)(a) to (c), technical proposals or bids on conceptual design or performance specifications should be invited, subject to technical as well as commercial clarifications and adjustments;
- (b) projects referred to in subparagraphs (1) (d), proposals or bids must be invited and evaluated in terms of the functionality evaluation criteria embodied in the bid documents
- (c) projects referred to in subparagraphs (1) (e), proposals or bids must evaluate in terms of the stipulated minimum threshold for local production and content.

(2) In the second stage:

- a. Projects referred to in subparagraphs (1) (a) to (c), final technical proposals and priced bids should be invited.
- b. Projects referred to in subparagraphs (1) (d) to (e), only proposals or bids that achieve the minimum qualifying score/percentage for functionality and minimum stipulated threshold for local production and content respectively must be evaluated further in accordance with the 80/20 or 90/10 preference point systems prescribed in Preferential Procurement Regulations 5 and 6.

Committee system for competitive bids

26. (1) A committee system for competitive bids is hereby established, consisting of the following committees for each procurement or cluster of procurements as the accounting officer may determine:
- (a) a bid specification committee;
 - (b) a bid evaluation committee; and
 - (c) a bid adjudication committee;
- (2) The accounting officer appoints the members of each committee, taking into account section 117 of the Act; and
- (3) A neutral or independent observer, appointed by the accounting officer, must attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.
- (4) The committee system must be consistent with –
- (a) paragraph 27, 28 and 29 of this Policy; and
 - (b) any other applicable legislation.
- (5) The accounting officer may apply the committee system to formal written price quotations.

Bid specification committees

27. (1) A bid specification committee must compile the specifications for each procurement of goods or services by the municipality.
- (2) Specifications –
- (a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
 - (b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organization, or an authority accredited or recognized by the South African National Accreditation System with which the equipment or material or workmanship should comply;
 - (c) must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
 - (d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labeling of conformity certification;
 - (e) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word “equivalent”;
 - (f) must stipulate the appropriate preference point system to be utilized in the evaluation and adjudication of bids in terms of the points system set out in the Preferential Procurement Regulations 2011; and

- (g) must be approved by the accounting officer prior to publication of the invitation for bids in terms of paragraph 22 of this Policy.
- (3) A bid specification committee must be composed of one or more officials of the municipality preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisors.
- (4) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.
- (5) The Municipality will appoint the BSC for goods and services and BSC Technical for its infrastructure procurement with relevant skills, knowledge, and qualifications.

Bid evaluation committees

28 (1) The bid evaluation committee must:

- (a) evaluate all bids, with the support of Line Units/Departments, in accordance with:
 - (i) the specifications for a specific procurement; and
 - (ii) the points system set out in terms of paragraph 27(2)(f).
- (b) Ensure that an appropriate assessment of eligible bidder's ability to execute the contract has been undertaken by the department presenting the item;
- (c) Ensure that in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears;
- (d) Ensure in respect of the recommended bidder, that their tax clearance certificate or Tax Compliance Status with a PIN number, CIDB certificate and specific goal supporting documents are in order.
- (e) In bids where Consortia / Joint Ventures are involved, each party must submit a separate Tax Clearance Certificate or Tax Compliance Status with a PIN number.
- (f) In instances where a Tax matter are not in order, the preferred bidder must furnish the municipality within a period of seven (7) days as stipulated by the municipality with a valid Tax Compliance Status with a PIN number.
- (g) A designated SCM practitioner shall communicate in writing with the preferred bidder about the applicability of the suspensive condition by latest the following day of the Bid Adjudications Committee meeting.

- (h) Submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.
- (2) The bid evaluation committee is composed of at least one supply chain management practitioner of the municipality or municipal entity.
- (3) The Municipality will appoint the BEC for goods and services and BEC Technical for its infrastructure procurement with relevant skills, knowledge, and qualifications.

Bid adjudication committees

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

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

Procurement of banking services

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

Procurement of IT related goods or services

31. (1) The accounting officer may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.
- (2) Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.
- (3) The accounting officer must notify SITA together with a motivation of the IT needs if –
- (a) the transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included); or

- (b) the transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT included).
- (3) If SITA comments on the submission and the municipality disagrees with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National Treasury, the relevant provincial treasury and the Auditor General.

31.1 Procurement of Infrastructure

Local Government Framework for Infrastructure Delivery and Procurement Management

- 31.1.1 The municipality repeal the Standard for Infrastructure Procurement and Delivery Management (SIPDM) issued in terms of MFMA circular 77.
- 31.1.2 The municipality to implement the LOCAL GOVERNMENT FRAMEWORK FOR INFRASTRUCTURE DELIVERY AND PROCUREMENT MANAGEMENT (LGFIDPM) as per Circular NO 106, SEPTEMBER 2020 of The Municipal Finance Management Act No. 56 of 2003(MFMA).
- 31.1.3 The unavoidably duplications and differences in supply chain management for general goods and services and the delivery / procurement of infrastructure arising from e.g., regulatory requirements, overlap in functions such as the demand management, bid committees, advertising of bids and receipt of bids are to be addressed by the municipality with (ANNEXURE A) to the municipal SCM policy.

31.2 Framework Agreements

31.2.1 Objective of Establishment of Framework Agreements

- a. To enable **the Municipality** to fulfil its mandate of supporting municipalities through infrastructure procurement enhancement, engineering, project management support and any other services identified by the Accounting Officer.
- b. To provide a convenient means for **the Municipality** to obtain goods, services or works from contractors within a defined scope on an “as instructed” basis over a set term without necessarily committing to any quantum of work.
- c. To enable **the Municipality** to obtain goods, services or works as and when required in an efficient and cost effective manner. Only near the end of the term is the market approached to provide the goods, services and works covered by such contracts for the next term.
- d. To reduce **the Municipality's**, need to re-advertise and approach the market for goods, services or works falling within the scope of the agreement over the term of the agreement and the number of relationships to be managed.
- e. To also provide **the Municipality's** with programming flexibility to manage expenditure relating to the delivery and maintenance of infrastructure over time and enable collaborative relationships to develop in order to deliver better value and project outcomes, particularly those relating to contractor development, community participation and skills development.
- f. To also provide an opportunity for contractors to improve their internal management systems, to develop their supply chains and improve their Broad Based Black Economic Empowerment status during the term of the contract through continuity of work over a longer term than is the case in non-framework contracts.
- g. To enable lessons learned in one package or task order to be taken to the next and enable a team to work

together on an integrated approach over a period of time. This can be used to overcome public sector capacity constraints through the establishment of regional framework agreements.

- h. The **Municipality** to appoint a number of contractors to provide goods, services or works in terms of a framework agreement following a competitive selection process e.g. qualified procedure or open procedure.

31.2.2 Decision to Utilise a Framework Agreement Approach

- a. Framework agreements are appropriate where:

- i. The budgets available and the detailed scope of the needs are uncertain.
- ii. The potential for additional funds to be made available exists.
- iii. The need involves repetitive work of a similar nature.
- iv. A quick response time is required
- v. Long term relationships (1 to 3 year) are desirable to achieve efficiencies.
- vi. There is adequate capacity within the Municipality to conduct demand analysis, plan and implement Framework Agreements (including monitoring the implementation once they are established and make improvements).

- b. Framework agreements are not appropriate for:

- i. One of a kind or one-off projects or
- ii. Projects where the nature and type of work is not known
- iii. There are no policies or procedures within an institution in place to implement Framework Agreements. An external capacity should be sourced to avert this challenge.
- iv. No capacity to plan, implement nor monitor the implementation of framework agreement agreements.
- v. Instability at leadership level of the Municipality.
- vi. Where the legislation prohibits the use of framework agreements.

31.2.3 Establishing Framework Agreements

Principles

- a. A need for framework agreements must exist.
- b. Framework agreements should generally be used for repetitive work and/or professional services.
- c. The Accounting officer must ensure that **the Municipality** has the capability and capacity in place to effectively manage framework agreements.
- d. An open competitive tender process must take place to establish Framework Agreements contracts and be published in all relevant publication platforms.
- e. Where tenders involve procurement of contractors, **CIDB** provisions must be applied.
- f. A clear, unambiguously evaluation criteria must be stated in the procurement document.
- g. **The Municipality** does not bind itself to any quantity of work or service, scope of work or service or guarantee that one or all contractors in the framework agreement contract will be get the work.
- h. **The Municipality** will utilize well established Pricing strategies (Bills of Quantities, Schedule of Quantities, Activity schedule, Lump Sum, etc.) in the **CIDB's** Construction Procurement Strategy document. Any selected pricing strategy be included in the procurement document and be utilized during the Framework Agreement establishment phase.
- i. Rates, Fees and/or Prices must be determined during the establishment of framework agreements. They must be fixed for a duration of contract unless it is impractical to do so. Where it is impractical to fix prices of

framework contractors, a justification must be made by the end user and be recorded in the Bid Specification Committee minutes or recordings.

- j. Estimated quantities of each activity must be used and be stated in the procurement document for purposes of determining a comparative tender schedule and tender amount. Once the evaluation process has been concluded, the quantities in the pricing schedule must revert back to zero.
- k. Procurement documents must be prepared in line with **CIDB** provisions and Treasury prescripts.
- l. Form of contract to be used during Framework Agreement implementation must be determined and stated in the procurement documents.
- m. Number of framework agreement contractors to be admitted at any given time must be stated in the procurement documents and tender invitation.
- n. Duration of Framework Agreements must not exceed 3 years. They can only be extended for a period of 1 year, where justification exists.
- o. Type of framework agreement (i.e. closed panel or open framework) to be used must be stated in the procurement document.
- p. The functionality criterion used during the setting up of framework agreements must compose of a minimum of three (3) sub criterion. The total score for functionality must be 70 or more points / percentage. The functionality criteria must be measured separately from the price and preference.
- q. It must be determined in the procurement document and tender invitation that the 80:20 or 90:10 preference points scoring system will apply.
- r. Procurement of construction contracts can only, where applicable, require submission of B-BBEE certificates which are prepared in compliance with amended Construction Sector codes. This also applies to Sworn affidavits for Emerging Micro Enterprises (EMEs) and/or Qualified Special Enterprises (QSEs).

31.2.4 Essential Elements of a Framework Agreement

- a. In order for the Municipality to establish a framework agreement, an open competitive procurement with appropriate request for bids/request for proposals documents will be used.
- b. A framework agreement should, as a minimum, contain:
 - The term (period) of the contract within which a batch/task/package order falling within the scope of work associated with the contract may be issued;
 - a statement that the fees, charge rate or pricing mechanism, and any other associated costs shall be agreed with each firm, and be valid for the term of the framework agreement;
 - The scope of the goods, services or works which may form the basis of a batch/task/package order;
 - The basis by which contractors are to be remunerated for instructed work; and
 - Where a framework contract is entered into with more than one contractor, the manner in which competition between framework contractors in relation to a specific batch/task/package order falling within the scope of work associated with their contracts, may be reopened.
 - a statement that explains that the municipality will engage framework agreement firms as required, through call-off contracts.
 - procedures for sanctioning non-compliance to rules of engagements.
 - in the event of procurement of construction works, a **CIDB** grading category (class and level) should be stated in the procurement document.
 - it is possible to enter into framework agreements with a number of contractors for a well-defined scope of work involving a limited number of repetitive items in a specific geographic area e.g. provision of sidewalks within a municipality. In such cases, contractors can be contracted on the basis of a tendered price list.

- framework contractors must, however, be invited to compete for package orders and base their prices for each package order on their tendered price list – they may reduce but not increase these prices when tendering for a package order.
- A form of contract and pricing strategy to be used should be stated up front.
- For ICT related works, SITA act and relevant provisions should apply.

31.2.5 Shortlisting Responsive Contractors or Service Providers into a Framework Agreement

- a. The highest point scoring tenderers must be considered for inclusion in the Framework Agreement list, unless an objective criteria is used.
- b. Tendered financial parameters, which may include the price for a first order and the financial parameters which are to be applied over the term, are reduced to a common base for comparative purposes.
- c. The items for which a total price cannot be pre-calculated and for which a rate is requested, e.g. rate/km, service providers should be compensated an amount calculated by multiplying the quantity completed by the specific rate.
- d. There must be more than two (2) service providers in a framework agreement.
- e. Contractor's rates or prices must be market related and be fixed for a duration of contract. A provision for escalation of prices must only be allowed for construction related works as per the GCC, scarce or rare services, goods or works.
- f. The Municipality should, where practical, apply averages to the prices / rates of service providers which have been recommended for consideration and only have a common rate (per item or activity) for all service providers. When this approach is used, it should be stated in the procurement documents during the first phase of tender invitation. Service providers must be informed of the outcome – this will assist each service provider to accept or decline the revised rate.
- g. Service providers which do not accept the averaged prices/rates should be disqualified from the process.
- h. All service providers to be admitted in the framework agreement list must have their names published on the municipality's website.
- i. Service providers can voluntarily leave the framework agreement list (when they are no longer able have capacity or capability they had prior the establishment of the Framework Agreement; they are in the process of being sequestrated or liquidated or wounded down; blacklisted or admitted in the list of restricted suppliers and when they have been barred or interdicted to do any work for any Municipality or any other organ of state.
- j. The Municipality may also disqualify any contractor or service provider which consistently fails to perform; in the process of being sequestrated or liquidated or wounded down; no longer financially viable; in the list of Treasury and/or CIDB's restricted suppliers; involved in prohibited practices; does not adhere to Occupational Health and Safety Act and Environment related legislation and other action or omission that the Msunduzi Municipality views as unacceptable.
- k. Without due course, fails to submit price offers during the Call off or mini competition period.

31.2.6 Types of Framework Agreement

- a. The Municipality must always use **Framework Agreements with all conditions set, with more suppliers' type.**
- b. Notwithstanding the above statement, The Accounting officer, under defined circumstances, can always permit the agency to utilize other types of framework agreements.
- c. There must be minimal amendments to the original terms of the framework agreement.
- d. Variation or Expansion of Contracts within a framework agreement should not exceed 20% of the original contract value. Project variation must comply with parameters set by this Policy clause 41.

31.2.7 Procurement Within a Framework Agreement

- a. The Municipality must always use a 'Mini competition' procurement process i.e. invitation of contractors within a framework agreement to submit quotations where possible.
- b. Notwithstanding the above statement, The Accounting officer, under defined circumstances, can permit the organization to utilize the direct selection method. The preconditions of using direct selection method, whenever it is selected, must always exist.
- c. Rotation of suppliers, in the case of fixed (common) rates, can be used.
- d. Selection through ranking of suppliers, in the case of fixed rates, can be used.
- e. There must be minimal amendments to the original terms of framework agreement.
- f. Framework Agreements must only be evaluated on price and preference at this phase of procurement.
- g. No new scope at this stage should be introduced.
- h. Electronic systems can be used to manage the ranking or rotation of suppliers.
- i. Unsuccessful contractors in the framework agreement will be informed about the award outcomes via emails. Where feasible, the results will be published on the Municipality's website.
- j. The evaluation of framework agreement contract submissions must be done by duly appointed persons or structure of Municipality.
- k. The Accounting Officer must approve the award of contracts from the framework agreement mini competition or direct selection.

31.2.8 Procurement Turnaround Times

- a. The Municipality must use the most economic means to issue procurement documents to framework agreement contractors.
- b. Contractors in the framework agreement must have a capability to provide timeous responses to call offs.
- c. The tender period for invitation of tenders or call offs for firms in a Framework Agreement may vary between two (2) days up to twenty one (21) days, depending on the urgency of services.
- d. Firms in the framework agreement contract must ensure that they are capable of responding to the Msunduzi Municipality, with their complete submission, within such limited time.
- e. Period to respond to call offs is as follows:
 - For Emergency works, the tender period or response time to a Call Off is anything between two (2) – seven (7) days.
 - For Urgent works, the tender period or response time to a Call Off is anything between seven (7) – fourteen (14) days.
 - For Critical works, other than emergency and urgency works as defined above, the tender period or response time to a Call Off is anything between seven (7) – twenty (21) days

- For Major works, the tender period or response time to a Call Off is anything between seven (7) – thirty (21) days.

31.2.9 Use of the Msunduzi Municipality's Framework Agreement Contracts by Another Organ of State

- a. **The Msunduzi Municipality's** Framework Agreements can be used by other Organs of the state.
- b. **The Msunduzi Municipality** must avail all relevant information to the Organ of State requesting to utilize Msunduzi Municipality framework agreements.
- c. Another Organ of State may request to make use of one or more of **the Msunduzi Municipality's** framework agreement contracts.
- d. Such a request shall be accompanied by an outline of:
 - a) the scope and anticipated quantum of work associated with the services and where such services are required.
 - b) whether or not the services of only one framework contractor will be required, and if so, the motivation for requiring the services of such contractor; and
 - c) the benefit to be derived from making use of the framework contract.
- e. The Accounting Officer or Accounting Authority may approve a request made in terms of the above to make use of the Msunduzi Municipality's framework contract, conditionally or unconditionally, if:
 - the framework agreement was put in place following a competitive tender process;
 - confirmation is obtained that the framework contract is suitable for the intended use, and the required goods, services and works fall within the scope of such contract;
 - the framework contractor agrees in writing to accept an order from the Msunduzi Municipality;
 - the Msunduzi Municipality of State undertakes to pay the contractor in accordance with the terms and conditions of the agreement; and
 - the term of the framework agreement does not expire before the issuing of the required orders.
- f. All deviations from normal tendering processes shall comply with National Treasury instructions.

For specific services (e.g. Framework agreements, developmental objectives, term contracts, emergency services, etc.)

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

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

33. Procurement of goods necessitating special safety arrangements

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

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

34. Proudly SA Campaign

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

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

35. Appointment of consultants

(1) The accounting officer may procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.

- (2) Consultancy services must be procured through competitive bids if
- (a) the value of the contract exceeds R300 000.00 (VAT included); or
 - (b) the duration period of the contract exceeds one year.

(3) In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of –

- (a) all consultancy services provided to the Msunduzi Municipality in the last five years; and
- (b) any similar consultancy services provided to the Msunduzi Municipality in the last five years.

(4) The accounting officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the municipality.

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

(1) The Accounting Officer may:

- (a) dispense with the official procurement processes established by this policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only:
 - (i) in an emergency;
 - (ii) if such goods or services are produced or available from a single provider only;
 - (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
 - (iv) acquisition of animals for zoos and/or nature and game reserves; and
 - (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes;
 - (vi) in instances where it relates to event specific procurement by municipal entities which renders it impractical or impossible to follow the official procurement processes.
- (b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

- (2) The Accounting Officer must record the reasons for any deviations in terms of subparagraphs (1)(a) and (b) of this policy and report them to the next meeting of the council and include as a note to the annual financial statements or to a Board of Directors in the case of Municipal Entities.
- (3) Prior authority to invite quotations invoking the use of this section must be sought from the Bid Adjudication Committee or the Accounting Officer with the support of the Head: Supply Chain Management Unit.
- (4) The Bid Adjudication Committee is delegated authority to make recommendations on award in terms of deviations to the Accounting Officer.
- (5) The Chief Financial Officer, Head: SCM or appropriate senior official is delegated authority to make a final award on deviations below R300 000, but these are to be included in the reports in sub-paragraph (2) above, but on a quarterly basis.
- (6) In the case of emergencies greater than R300 000 (VAT included), where practicable, prior authority must be sought via the Accounting Officer to deviate from the official processes and the Chairperson of the relevant Committee shall be notified of such emergency situation. All emergency procurement must

be formalized in a report to the Accounting Officer within 1 working day, and to the next possible Executive Committee meeting.

- (7) Emergency procurement should not be used to evade the use of standard procurement procedures:
 - (a) as a consequence of insufficient stock-levels for items that are used on a daily basis unless it is demonstrated that such procurement is not due to failure to properly manage stock and or poor contract management.
 - (b) as a result of working programmes not adequately planned for; or
 - (c) as a result of no or insufficient communication between warehouses and buying offices.
- (8) The circumstances which may give rise to an emergency which may not have been foreseeable, or where it is impractical or impossible to follow official procurement processes or may have been the result of negligent conduct a motivation for the use of this section must show one or more of the following:
 - (a) the imminent threat to health, injury or death to persons;
 - (b) the imminent threat of damage to property, or suffering and death of livestock and animals;
 - (c) The unforeseeable interruption of essential services whose provision is within the municipal competency, including transportation and communication facilities or support services critical to the effective functioning of the Municipality as a whole;
 - (d) the imminent and or unforeseeable of serious damage occurring to the natural environment;
 - (e) the imminent threat and or damage of the municipal assets.
- (9) The Municipality is still required to comply with Section 217(1) of the Constitution in the event of an emergency situation with specific reference to obtaining goods and services on the best possible terms.
- (10) In an emergency situation, and where possible, at least three quotations must be obtained.
- (11) The value of and duration of contracts which have been concluded as a result of the emergency situation must be in accordance with the goods and services required in order to address and/or remedy the immediate emergency. Any other goods and services which may be required subsequent to the emergency and relating to such emergency must wherever possible follow the normal tendering process and procedures.
- (12) Procuring goods and services from sole supplier occur in instances where: -
 - (a) only one supplier manufactures or renders goods and services due to unique nature of the requirements;

- (b) goods and services already in the municipality's value chain/employ are only supplied by an Original Equipment Manufacturer (OEM) or by a licensed agent thereof and there is a requirement for compatibility, continuity and alignment.
 - (c) the process for approved list of sole supplier(s) will be as follows:
 - (i) departments requiring the use of sole supplier must submit letter confirming that the propose supplier is the sole supplier and Supply Chain Management reserve the right to verify the validity of the certificate.
- (13) Unit or Department invoking the use of section 36 (1) (a) (v) must in all reports to BAC demonstrate that the use of this provision: -
- (a) is not as a result of poor planning for it being impractical or impossible to follow the official procurement processes. Where there is a risk of poor planning or negligence proof that remedies and actions including disciplinary processes have been taken to avoid recurrence.
 - (b) has taken into account that it does not prejudice other potential tenderers where practical to invite quotes and meets the requirements of section 217 of the Constitution of the Republic of South Africa.
 - (c) The respective Unit Head must sign off a report to BAC invoking section 36 (1) (a) (v) that is accepting full responsibility, accountability for the report and its contents.
- (14) ad-hoc repairs to plant and equipment where it is not possible to ascertain the nature or extent of the work required in order to call for bids or Quotations; and repairs to plant and equipment by original equipment manufacturer or only accredited agents where it is deemed that the nature of the repair by unaccredited persons/vendors, could compromise the lifespan, performance or integrity of the item, subject to approval by Senior Manager supply chain management or his/her delegate. a rotation register be utilized as far as possible, to ensure the distribution of work as per above, to various Service Providers.
- (15) The respective Department must sign off a report to BAC invoking section 36 (1) (a) (v) that is accepting full responsibility, accountability for the report and its contents.

37. Unsolicited bids

- (1) In accordance with section 113 of the Act there is no obligation to consider unsolicited bids received outside a normal bidding process.
- (2) The accounting officer may decide in terms of section 113(2) of the Act to consider an unsolicited bid, only if –
 - (a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
 - (b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages;

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- (c) the person who made the bid is the sole provider of the product or service and
 - (d) the reasons for not going through the normal bidding processes are found to be sound by the accounting officer.
- (3) If the accounting officer decides to consider an unsolicited bid that complies with subparagraph (2) of this policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with –
- (a) reasons as to why the bid should not be open to other competitors;
 - (b) an explanation of the potential benefits if the unsolicited bid were accepted; and
 - (c) an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.
- (4) The accounting officer must submit all written comments received pursuant to subparagraph (3), including any responses from the unsolicited bidder, to the National Treasury and the relevant provincial treasury for comment.
- (5) The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the accounting officer, depending on its delegations.
- (6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
- (7) When considering the matter, the adjudication committee must take into account –
- (a) any comments submitted by the public; and
 - (b) any written comments and recommendations of the National Treasury or the relevant provincial treasury.
- (8) If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the accounting officer must submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.
- (9) Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the municipality to the bid may be entered into or signed within 30 days of the submission.

Combating of abuse of supply chain management system

38. (1) The accounting officer must–
- (a) take all reasonable steps to prevent abuse of the supply chain management system;

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- (b) investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this Policy, and when justified –
 - (i) take appropriate steps against such official or other role player; or
 - (ii) report any alleged criminal conduct to the South African Police Service;
 - (c) check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;
 - (d) reject any bid from a bidder–
 - (i) if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the municipality, or to any other municipality or municipal entity, are in arrears for more than three months; or
 - (ii) who during the last five years has failed to perform satisfactorily on a previous contract with the municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;
 - (e) reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;
 - (f) cancel a contract awarded to a person if –
 - (i) the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or
 - (ii) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and
 - (g) reject the bid of any bidder if that bidder or any of its directors –
 - (i) has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system;
 - (ii) has been convicted for fraud or corruption during the past five years;
 - (i) has willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
 - (ii) (iv) has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).
 - (2) The accounting officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of subparagraphs (1)(b)(ii), (e) or (f) of this policy.

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

39. The accounting officer must establish and implement an effective system of logistics management, which must include -
- (a) the monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;
 - (b) the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
 - (c) the placing of manual or electronic orders for all acquisitions other than those from petty cash;
 - (d) before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;
 - (e) appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;
 - (f) regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and
 - (g) monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

Disposal management

40. (1) The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to sections 14 and 90 of the Act, are as follows:
- (i) the accounting officer must establish and implement an appropriate disposal management system in order to ensure that the disposal or letting of assets, including unserviceable, redundant or obsolete assets is in terms of the MFMA;
 - (ii) the disposal management system must include the disposal plan, market assessment, disposal method, how to execute the disposal and the updating of the procurement plan and asset register.
- (2) Assets may be disposed of by
- (i) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of asset
 - (ii) transferring the asset to another organ of state at market related value or, when appropriate, free of charge;

- (iii) selling the asset; or
 - (iv) destroying the asset.
- (4) The accounting officer must ensure that –
- (a) immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
 - (b) movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;
 - (c) firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the National Conventional Arms Control Committee;
 - (d) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise;
 - (e) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;
 - (f) where assets are traded in for other assets, the highest possible trade-in price is negotiated; and
 - (g) in the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment.

Risk management

41. (1) The criteria for the identification, consideration and avoidance of potential risks in the supply chain management system, are as follows:
- (a) the Chief Financial Officer must:
 - (i) assess the nature and extent of the risks associated with the municipality's operation
 - (ii) decide the degree of tolerance or an acceptable level of loss or degree of failure
 - (iii) decide how to manage or minimize the risks identified
 - (iv) monitor, report and from time to time reassess the level and implication of the risk exposure
 - (v) maintain a risk register that identifies and assesses all known risks and the action taken to manage those risks
 - (b) the risk register must be updated annually.
- (2) Risk management must include –
- (a) the identification of risks on a case-by-case basis;
 - (b) the allocation of risks to the party best suited to manage such risks;

- (c) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
- (d) the management of risks in a pro-active manner and the provision of adequate cover for residual risks;
- (e) the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.
- (f) the Senior Managers: Finance must effect all insurance cover and maintain a record of all policy details for noted financial risks
- (g) the Deputy Municipal Managers are responsible for implementing the risk management policy, including financial risks within their business units
- (h) projects sureties must be determined according to affordability and risk for different categories of contracts as follows:

Project Type	JBCC	GCC	Project Value
Micro	0%	0%	Not Exceeding R60 000
Small	0%	0%	Not Exceeding R100 000
Medium	5%	5%	Not Exceeding R500 000
Major	JBCC	GCC	Exceeding R500 000

- (i) the minimum for retention monies held from a contractor during the construction period must be determined according to affordability and risk for different categories of contracts as follows:

Project Type	JBCC	GCC	Project Value
Micro	2.5%	2.5%	Not Exceeding R60 000
Small	3.5%	3.5%	Not Exceeding R100 000
Medium	5%	5%	Not Exceeding R500 000
Major	JBCC	GCC	Exceeding R500 000

- (j) payments for small and micro projects must be made within 14 days after submission of a valid tax invoice which has been approved by the Msunduzi Municipality's Representative or as specified in the municipality's Special Conditions of Contracts

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- (k) the service provider may not cede or assign a contract or any monies due or that may become due to it, without the prior written consent of the Head: Supply Chain Management or in terms of the conditions of the contract.
 - (l) penalties on late completion of work shall be as per the GCC or JBCC or as specified in the tender documents
 - (m) the senior managers: Finance with the assistance from relevant Senior managers shall carry out all negotiations with insurers, in respect of insurance claims, where necessary.
 - (n) the value and the responsibility for specific insurances required by contractors and service providers shall be specified in the tender documents
 - (o)
 - (i) in some instances it may be in the best interest of the municipality to allow price adjustments due to escalation.
 - (ii) a careful analysis of escalation clauses and formulas should be taken into account to ensure that the best interests of the municipality are served.
 - (iii) if the accounting officer resolves to allow escalation, this must be specified in the bid documents, including the formula and the time frames at which intervals such price adjustments will be considered.
 - (p)
 - (i) exchange rate fluctuations must be considered when items are imported or have imported component.
 - (ii) the future fluctuations of the rand are particularly important if the contract period is over a specific period or if delivery is due at a date sometime in the future.
 - (iii) the accounting officer must make a decision as whether or not the municipality will take risk or whether suppliers will be allocated the risk.
 - (iv) The standard approach is that the bidder must arrange for forward cover.
 - (v) An award made during tender validity period expiring, the price will remain fixed and firm
 - (q)
 - (i) extra works or variations and extensions to a contract shall be authorized in writing by the appropriate Senior manager or duly authorized official
 - (ii) any variation and extension of contract which would produce an increase in the amount of an accepted tender or approved budget shall be reported to the adjudication committee and will require the approval of the Adjudication Committee and/or Accounting Officer before any payment is made.
 - (3) contracts may be extended, varied or expanded by not more than 20% (including all applicable taxes) for construction related goods, works and/or services and 15% (including all applicable taxes) for all other goods, works and/or services of the original value of the contract.

- (4) Furthermore, anything beyond the abovementioned thresholds must be reported to Council, any expansion, extension or variation in excess of these thresholds must be dealt with in terms of the provisions of the section 116(3) of the MFMA which will be regarded as an amendment to the contract.

Performance management

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

(2) In the monitoring of supply chain management performance, the accounting officer together with the Chief Financial Officer, must set goals and performance criteria for SCM officials against which performance can be measured,

- (3) Issues that need to be included in the relevant reviews include:

- (a) achievement of goals
- (b) compliance to norms and standards
- (c) savings generated
- (d) Stores efficiency
- (e) cost variances per item and across business units
- (f) contract management
- (g) cost efficiency of the procurement process
- (h) supply chain management objectives in line with the provisions of the CIDB Act and regulations
- (i) principles of co-operative governance as expounded in the Constitution are observed
- (j) regional economic disparities are being addressed and promoted.

Part 4: Other matters

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

43. (1) No award above R30 000 may be made in terms of this Policy to a person whose tax matters have not been declared by the South African Revenue Service to be in order.

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- (2) Before making an award to a person the accounting officer must first check with SARS whether that person's tax matters are in order.
 - (3) In order to comply with the new TCS system and the conditions of bids that a successful bidders tax matters must be in order, Accounting officers of all Municipalities and municipal entities should:
 - i. Designate officials, preferably from the supply chain management unit, whose function will be to verify the tax compliance status of a taxpayer and to manage the TCS system on the SARS website and have the functionality to verify the tax compliance status of a taxpayer on the SARS' e-Filing system.
 - ii. Utilise the Municipal Bid Document 1 (MBD1) issued with circular 90 when inviting bids.
 - iii. As a bid condition, request bidders to register on government's Central Supplier Database (CSD) and include in their quotations or bids, their Master Registration Number or tax compliance status PIN to enable the municipality to verify the bidder's tax compliance status.
 - iv. Utilise the Master Registration Number or tax compliance status PIN to verify bidders' tax compliance status.
 - v. Print the tax compliance status screen view or letter with the result of the bidder's status at the date and time of verification to file with the bidder's bid documents for audit purposes.
 - vi. The CSD and tax compliance status PIN are the approved methods to be used to prove tax compliance as the SARS no longer issues Tax Clearance Certificates but has made provision online, via e-Filing, for bidders to print their own Tax Clearance Certificates which they can submit with their bids or price quotations.
 - vii. The Accounting Officer may therefore, accept printed or copies of Tax Clearance Certificates submitted by bidders and verify them on e-Filing. The verification result should be filed for audit purposes.
 - viii. Where a supplier does not submit a tax compliance status PIN but provides a CSD number, the accounting officer should utilise the CSD number via its website www.csd.gov.za to access the supplier records and verify tax compliance status. A printed screen view at the time of verification should then be attached to the supplier's records for audit purposes.
 - ix. The designated official(s) should verify the bidder's tax compliance status prior to the finalization of the award of the bid or price quotation.
 - x. Where the recommended bidder is not tax compliant, the bidder should be notified of their non-compliant status and the bidder must be requested to submit to the municipality or municipal entity, within 7 working days, written proof from SARS of their tax compliance status or proof from SARS that they have made an arrangement to meet their outstanding tax obligations. The proof of tax compliance status submitted by the bidder to the municipality or municipal entity must be verified via the CSD or e-Filing.

- xi. The accounting officer should reject a bid submitted by the bidder if such a bidder fails to provide proof of tax compliance status within the timeframe stated above. Where goods or services have been delivered satisfactorily without any dispute, accounting officers should not delay processing payment of invoices due to outstanding tax matters.

Prohibition on awards to persons in the service of the state

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

- (a) employees of the municipality and municipal entities;
 - (a) employees of national and provincial spheres of government;
 - (b) employees of constitutional institutions in terms of schedule 1 of PFMA;
 - (c) employees of major public entities in terms of schedule 2 of PFMA;
 - (d) employees of other public entities in terms of schedule 3 of PFMA
 - (e) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
 - (f) a person who is an advisor or consultant contracted with the municipality or municipal entity.
 - (g) a Councilor of the municipality appointed through the Municipal Structures Act;
 - (h) including any other person not specifically mention in (a) to (g) above but whom receives a remuneration and is subject to the conditions of employment of such entities outlined above. (2) Ward Committee Members receiving remuneration from the municipality but are not subject to the conditions of employment are not considered to be in the service of the state.

(3) The municipality further reserves its rights to immediately cancel any contract if such conflicts are discovered after the award of a contract.

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

45. The accounting officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R2000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including –

- (a) the name of that person;

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

Ethical standards

46. (1) A code of ethical standards as set out in the National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management is hereby established for officials and other role players in the supply chain management system of the municipality in order to promote –

- (a) mutual trust and respect; and
- (b) an environment where business can be conducted with integrity and in a fair and reasonable manner.

(2) General Principles

- (a) the municipality commits itself to a policy of fair dealing and integrity in the conducting of its business. Officials and other role players involved in supply chain management (SCM) are in a position of trust, implying a duty to act in the public interest. Officials and other role players should not perform their duties to unlawfully gain any form of compensation, payment or gratuities from any person, or provider/contractor for themselves, their family or their friends.
- (b) Officials and other role players involved in SCM should ensure that they perform their duties efficiently, effectively and with integrity, in accordance with the relevant legislation, policies and guidelines. They should ensure that public resources are administered responsibly.
- (c) Officials and other role players involved in SCM should be fair and impartial in the performance of their functions. They should at no time afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual. They should not abuse the power and authority vested in them.

(3) Conflict of interest

An official or other role player involved with supply chain management –

- (a) must treat all providers and potential providers equitably;
- (b) may not use his or her position for private gain or to improperly benefit another person;
- (c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350;
- (d) must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
- (e) must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal

- process, or in any award of a contract by the municipality;
- (f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
 - (g) must declare any business, commercial and financial interests or activities undertaken for financial gain that may raise a possible conflict of interest;
 - (h) should not place him/herself under any financial or other obligation to outside individuals or organizations that might seek to influence them in the performance of their official duties; and
 - (i) should not take improper advantage of their previous office after leaving their official position.

(5) Accountability

- (a) Practitioners are accountable for their decisions and actions to the public.
- (b) Practitioners should use public property scrupulously.
- (c) Only accounting officers or their delegates have the authority to commit the municipality to any transaction for the procurement of goods and / or services.
- (d) All transactions conducted by a practitioner should be recorded and accounted for in an appropriate accounting system. Practitioners should not make any false or misleading entries into such a system for any reason whatsoever.
- (e) Practitioners must assist the accounting officer in combating fraud, corruption, favoritisms and unfair and irregular practices in the supply chain management system.
- (f) Practitioners must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including
 - (i) any alleged fraud, corruption, favoritisms or unfair conduct;
 - (ii) any alleged contravention of the policy on inducements, rewards, gifts and favors to municipalities or municipal entities, officials or other role players; and
 - (iii) any alleged breach of this code of conduct.

- (g) Any declarations made must be recorded in a register which the accounting officer must keep for this purpose. Any declarations made by the accounting officer must be made to the mayor who must ensure that such declaration is recorded in the register.

(6) Openness

- (a) Practitioners should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only if it is in the public interest to do so.

(7) Confidentiality

- (a) Any information that is the property of the municipality or its providers should be protected at all times. No information regarding any bid / contract / bidder / contractor may be revealed if such an action will infringe on the relevant bidder's / contractor's personal rights.
- (b) Matters of confidential nature in the possession of officials and other role players involved in SCM should be kept confidential unless legislation, the performance of duty or the provisions of law requires otherwise. Such restrictions also apply to officials and other role players involved in SCM after separation from service.

(8) Bid Specification / Evaluation / Adjudication Committees

- (a) Bid specification, evaluation and adjudication committees should implement supply chain management on behalf of the municipality in an honest, fair, impartial, transparent, cost-effective and accountable manner.
- (b) Bid evaluation / adjudication committees should be familiar with and adhere to the prescribed legislation, directives and procedures in respect of supply chain management in order to perform effectively and efficiently.
- (c) All members of bid adjudication committees should be cleared by the accounting officer at the level of "CONFIDENTIAL" and should be required to declare their financial interest annually.
- (d) No person should-
 - i. interfere with the supply chain management system of the municipality; or
 - ii. amend or tamper with any price quotation / bid after its submission.

(9) Combative Practices

- (a) Combative practices are unethical and illegal and should be avoided at all cost. They include but are not limited to:
 - (i) Suggestions to fictitious lower quotations;
 - (ii) Reference to non-existent competition;
 - (iii) Exploiting errors in price quotations / bids;
 - (iv) Soliciting price quotations / bids from bidders / contractors whose names appear on the Register for Tender Defaulters.

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

Inducements, rewards, gifts and favors to municipalities, officials and other role players

47. (1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant –
- (a) any inducement or reward to the municipality for or in connection with the award of a contract; or
 - (b) any reward, gift, favour or hospitality to –
 - (i) any official; or
 - (ii) any other role player involved in the implementation of this Policy.
- (2) The accounting officer must promptly report any alleged contravention of subparagraph (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.
- (3) Subparagraph (1) does not apply to gifts less than R350 in value.

Sponsorships

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

Objections and complaints

49. Persons aggrieved by decisions or actions taken in the implementation of this supply chain management system may, within 14 days of the decision or action – submit a written objection or complaint against the decision or action to the accounting officer of the municipality who shall, in turn, within 24 hours refer the written objection or complaint to the independent and impartial person referred to in paragraph 50 for resolution.

Resolution of disputes, objections, complaints and queries

- 50.** (1) The accounting officer must appoint an independent and impartial person, not directly involved in the supply chain management processes to assist in the resolution of objections and complaints between the municipality and any other person regarding –
- (a) the implementation of the procurement process in terms of the supply chain management system; or
 - (b) any matter arising from the implementation of the procurement process in terms of the supply chain management system.
- (2) The accounting officer, or another official designated by the accounting officer, is responsible for assisting the appointed person to perform his or her functions effectively.
- (3) The person appointed must -
- (a) strive to resolve promptly all objections or complaints received; and
 - (b) submit monthly reports to the accounting officer on all such objections and complaints received, attended to or resolved.
- (4) An objection or complaint may be referred to the KwaZulu-Natal Provincial Treasury if:
- (a) the objection or complaint is not resolved within 60 days; or
 - (b) no response is forthcoming within 60 days.
- (5) If the Provincial Treasury does not or cannot resolve the matter, the objection or complaint may be referred to the National Treasury for resolution.

Contracts providing for compensation based on turnover

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

Part 5 – Preferential Procurement**52. PREFERENTIAL PROCUREMENT**

- (1) The Municipality state must, in the tender documents, stipulate—

- (a) the applicable preference point system as envisaged in regulations 4, 5, 6 or 7;
 - (b) the specific goal in the invitation to submit the tender for which a point may be awarded, and the number of points that will be awarded to each goal, and proof of the claim for such goal.
- (2) If it is unclear whether the 80/20 or 90/10 preference point system applies, the Municipality must, in the tender documents, stipulate in the case of—
 - (a) an invitation for tender for income-generating contracts, that either the 80/20 or 90/10 preference point system will apply and that the highest acceptable tender will be used to determine the applicable preference point system; or
 - (b) any other invitation for tender, that either the 80/20 or 90/10 preference point system will apply and that the lowest acceptable tender will be used to determine the applicable preference point system.

52.1 CALCULATION OF THE PREFERENT POINTS SYSTEM

52.1.1 Preference point system

- (a) The 80/20 preference point system is applicable to bids with a rand value equal to, or above R30 000 and up to a rand value of R50 million (all applicable taxes included).
- (b) The 90/10 preference point system is applicable to bids with a Rand value above R50 million (all applicable taxes included)

52.1.2 80/20 preference point system for acquisition of goods or services with Rand equal to R30,000 up to R50 million

The following formula must be used to calculate the points out of 80 for price in respect of an invitation for a tender with a Rand value equal to R30,000 up to R50 million, inclusive of all applicable taxes:

The PPPFA prescribes that the lowest acceptable bid will score 80 or 90 points for price. Bidders that quoted higher prices will score lower points for price on a pro-rata basis.

The formulae to be utilized in calculating points scored for price are as follows: 80/20 Preference point system (for acquisition of services, works or goods up to a Rand value of R50 million) (all applicable taxes included)

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

Where

Ps = Points scored for comparative price of bid or offer under consideration

Pt = Comparative price of bid or offer under consideration

Pmin = Comparative price of lowest acceptable bid or offer.

Preference point system (for acquisition of services, works or goods with a Rand value above R50million) (all applicable taxes included)

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

Pmin

Where

Ps = Points scored for comparative price of bid or offer under consideration

Pt = Comparative price of bid or offer under consideration

Pmin = Comparative price of lowest acceptable bid or offer.

- (2) A maximum of 20 points for 80/20 preference system or 10 Points for 90/10 preference points system may be awarded to a tenderer for the specific

goal specified for the tender.

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

(4) Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

Points scored must be rounded off to the nearest 2 decimal places.

52.1.3 80/20 preference points system for tenders for income-generating contracts with Rand value equal to R30,000 up to R50 million

The following formula must be used to calculate the points for price in respect of an invitation for tender for income-generating contracts, with a Rand value equal to R30,000 up to R50 million, inclusive of all applicable taxes:

The PPPFA prescribes that the highest acceptable bid will score 80 or 90 points for price. Bidders that quoted higher prices will score lower points for price on a pro-rata basis.

The formulae to be utilized in calculating points scored for price are as follows: 80/20 Preference point system (for acquisition of services, works or goods up to a Rand value of R50 million) (all applicable taxes included)

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

Pmax

Where

Ps = Points scored for comparative price of bid or offer under consideration

Pt = Comparative price of bid or offer under consideration

Pmax = Comparative price of highest acceptable bid or offer.

Preference point system (for acquisition of services, works or goods with a Rand value above R50million) (all applicable taxes included)

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

Pmax

Where

Ps = Points scored for comparative price of bid or offer under consideration

Pt = Comparative price of bid or offer under consideration

Pmax= Comparative price of highest acceptable bid or offer.

- (2) A maximum of 20 points for 80/20 preference system or 10 Points for 90/10 preference points system may be awarded to a tenderer for the specific

goal specified for the tender.

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

(4) Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

Points scored must be rounded off to the nearest 2 decimal places.

52.2 Basket of Specific Goals and or Targeted Procurement objectives

The municipality shall set appropriate specific goals and or Targeted Procurement objectives which must form part of the invitation to tender, set as performance criteria within contracts. The basket of preference goals as contained in the relevant legislation are listed hereunder and the Municipality is at liberty to apply specific goals in any combination format depending on their preference targets. Municipality may include in their policy specific goals as part of their tendering conditions.

52.2.1 Preference Goal 1

52.2.1.1 Ownership as specific goal

- (1) A maximum of 20 points (80/20 preference points system) or 10 (90/10) preference points system), may be allocated. Bidder may score preference points based on company ownership.

- (2) If the Municipality applies ownership as specific goal, the Municipality must advertise the tender with a specific tendering preferential procurement requirement that in order for a tenderer to claim 10 / 20 points for specific goals, a tendering company must have the following ownership:
- race, (Historically Disadvantaged Persons) or
 - gender (Historically Disadvantaged Persons) or;
 - disability (Historically Disadvantaged Persons).
- (4) Ownership verification may be conducted through the Companies and Intellectual Property Commission (CIPC).

52.2.2 Preference Goal 2

52.2.2.1 RDP Goals

- (1) Over and above the awarding of preference points in favor of HDIs, the following activities may be regarded as a contribution towards achieving the goals of the RDP (published in Government Gazette No. 16085 dated 23 November 1994):
- a. The promotion of South African owned enterprises;
 - b. The promotion of export orientated production to create jobs;
 - c. The promotion of SMMEs;
 - d. The creation of new jobs or the intensification of labor absorption;
 - e. The promotion of enterprises located in a specific province for work to be done or services to be rendered in that province;
 - f. The promotion of enterprises located in a specific region for work to be done or services to be rendered in that region;
 - g. The promotion of enterprises located in a specific municipal area for work to be done or services to be rendered;
 - h. The promotion of enterprises located in rural areas;
 - i. The empowerment of the work force by standardising the level of skill and knowledge of workers;
 - j. The development of human resources, including by assisting in tertiary and other advanced training programmes, in line with key indicators such as percentage of wage bill spent on education and training and improvement of management skills; and
 - k. The upliftment of communities through, but not limited to, housing, transport, schools, infrastructure donations, and charity organizations.
- (2) The Municipality may also use other RDP goals identified in the Government Gazette No. 16085 dated 23 November 1994;

<https://www.gov.za/sites/default/files/governmentgazetteid16085.pdf>

52.2.3 Preference Goal 3

52.2.3.1 Combinations of any other Goals

- (1) The Municipality may also combine any specific goals above in a manner that will help them evaluate and apply preference points to tenders.
- (2) The municipality shall set appropriate Local Economic Development Targets in the form of Contract Participation Goals and or Targeted Procurement objectives which must form part of the invitation to tender, set as performance criteria within contracts, where appropriate, for the following target groups:
 - (a) Priority population groups
 - (b) Women
 - (c) Youth
 - (d) Disabled
 - (e) Co-operatives
 - (f) Military Veterans
 - (g) Location of a Business Enterprise
- (3) Targeted Procurement Criteria will be applied, where feasible, on a tender-by-tender basis.
- (5) Address declared by the prospective bidder in the National Treasury Central Supplier Database (CSD) or in Msunduzi Municipality vendor database shall be used to determine the location of a business enterprise.
- (6) The preference points system is still to be used on the sale or letting of assets and in accordance with the disposals management section of this policy.

52.3 Criteria for breaking deadlock in scoring

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

If two or more bids have equal points, including equal preference points for specific goals, the successful bid must be the one scoring the highest score for functionality, if functionality is part of the evaluation process.

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

52.4 Cancellation of tender

the Msunduzi Municipality may, before the award of a tender, cancel a tender invitation if-

- (a) due to changed circumstances, there is no longer a need for the goods or services specified in the invitation;
- (b) funds are no longer available to cover the total envisaged expenditure;
- (c) no acceptable tender is received; or
- (d) there is a material irregularity in the tender process.

(2) The decision to cancel a tender invitation in terms of sub regulation (1) must be published in the same manner in which the original tender invitation was advertised.

52.5 Subcontracting as condition of Contract

(1) If feasible to subcontract for a contract above R5 million, Msunduzi Municipality will apply subcontracting to advance designated groups.

(2) If the Msunduzi Municipality applies subcontracting as contemplated in sub regulation

(1), the Municipality must advertise the tender with a specific tendering condition that the successful tenderer must subcontract a minimum of 30% of the value of the contract to-

- (a) Msunduzi EME;
- (b) an EME or QSE which is at least 51% owned by black people;
- (c) an EME or QSE which is at least 51% owned by black people who are youth;
- (d) an EME or QSE which is at least 51% owned by black people who are women;
- (e) an EME or QSE which is at least 51% owned by black people with disabilities;
- (f) an EME or QSE which is 51% owned by black people living in rural or underdeveloped areas or townships;
- (g) a cooperative which is at least 51% owned by black people;
- (h) an EME or QSE which is at least 51% owned by black people who are military veterans;
- (i) Msunduzi Manufacturing Enterprise
- (j) Location of a Business Enterprise or
- (i) more than one of the categories referred to in paragraphs (a) to (j).

(3) The Msunduzi Municipality will make available the list of all suppliers registered on database approved by the National Treasury to provide the required goods or services in respect of the applicable designated groups mentioned in sub regulation (2) from which the tenderer must select a supplier.

(4) A person awarded a contract may only enter into a subcontracting arrangement with the approval of the Municipality.

52.6 Subcontracting after award of Contract

(1) A person awarded a contract may only enter into a subcontracting arrangement with the approval of the Municipality.

52.7 80/20 preference point

(1) A tenderer must submit proof to claim points for specific goals.

(2) A tenderer failing to submit proof for specific goals may not be disqualified, but-

(a) may only score points out of 80 for price; and

(b) scores 0 points out of 20 for specific goals.

(3) The points scored by a tenderer for specific goals in terms of sub regulation (2) must be added to the points scored for price under sub regulation (1).

(4) The points scored for the price must be added to the points scored for the specific goal to obtain the bidder's total points scored out of 100.

(5) The points scored must be rounded off to the nearest two decimal places.

(6) the contract must be awarded to the tenderer scoring the highest points.

(7)(a) If the price offered by a tenderer scoring the highest points is not market related, the Municipality may not award the contract to that tenderer.

(b) The Municipality of state may-

(i) negotiate a market-related price with the tenderer scoring the highest points or cancel the tender;

(ii) if the tenderer does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the second highest points or cancel the tender;

(iii) if the tenderer scoring the second highest points does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the third highest points or cancel the tender.

(c) If a market-related price is not agreed as envisaged in paragraph (b)(iii), the Municipality must cancel the tender.

52.8 90/10 preference point system for acquisition of goods or services with Rand value above R50 million

- (1) A tenderer must submit proof to claim points for specific goals.
- (2) A tenderer failing to submit proof for specific goals may not be disqualified, but-
 - (a) may only score points out of 90 for price; and
 - (b) scores 0 points out of 10 for.
- (3) The points scored by a tenderer for specific goals in terms of sub regulation (2) must be added to the points scored for price under sub regulation (1).
- (4) The points scored for the price must be added to the points scored for the specific goal to obtain the bidder's total points scored out of 100.
- (5) The points scored must be rounded off to the nearest two decimal places.
- (6) the contract must be awarded to the tenderer scoring the highest points.
- (7)(a) If the price offered by a tenderer scoring the highest points is not market related, the Municipality may not award the contract to that tenderer.
- (b) The Municipality may-
 - (i) negotiate a market-related price with the tenderer scoring the highest points or cancel the tender;
 - (ii) if the tenderer does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the second highest points or cancel the tender;
 - (iii) if the tenderer scoring the second highest points does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the third highest points or cancel the tender.
- (c) If a market-related price is not agreed as envisaged in paragraph (b)(iii), the Msunduzi Municipality must cancel the tender.

52.9 Conditions for accepting the bid

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

- I. the information provided is true and correct;
- II. the signatory to the bid document is duly authorized; and
- III. documentary proof regarding any bidding issue will, when required, be submitted to the satisfaction of the City.

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

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

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

52.10 Tenders to be evaluated on functionality

the Msunduzi Municipality must state in the tender documents if the tender will be evaluated on functionality.

- (2) The evaluation criteria for measuring functionality must be objective.
- (3) The tender documents must specify-
 - (a) the evaluation criteria for measuring functionality;
 - (b) the points for each criteria and, if any, each sub-criterion; and
 - (c) the minimum qualifying score for functionality.
- (4) The minimum qualifying score for functionality for a tender to be considered further-
 - (a) must be determined separately for each tender; and
 - (b) may not be so-
 - (i) low that it may jeopardise the quality of the required goods or services; or
 - (ii) high that it is unreasonably restrictive.
- (5) Points scored for functionality must be rounded off to the nearest two decimal places.
- (6) A tender that fails to obtain the minimum qualifying score for functionality as indicated in the tender documents is not an acceptable tender.
- (7) Each tender that obtained the minimum qualifying score for functionality must be evaluated further in terms of price and the preference point system.

52.11 Remedies

- (1) If the municipality is of the view that a tenderer submitted false information regarding a specific goal, it must—
 - (a) inform the tenderer accordingly; and
 - (b) give the tenderer an opportunity to make representations within 14 days as to why the tender may not be disqualified or, if the tender has already been awarded to the tenderer, the contract should not be terminated in whole or in part.
- (2) After considering the representations referred to in sub section (1)(b), the municipality may, if it concludes that such information is false—
 - (a) disqualify the tenderer or terminate the contract in whole or in part; and
 - (b) if applicable, claim damages from the tenderer.

-
- (3) Upon detecting that a tenderer submitted false information regarding any other matter which will affect or has affected the evaluation of a tender, or where a tenderer has failed to declare any subcontracting arrangements, the Municipality will must-
- (a) inform the tenderer accordingly;
 - (b) give the tenderer an opportunity to make representations within 14 days as to why-
 - (i) the tender submitted should not be disqualified or, if the tender has already been awarded to the tenderer, the contract should not be terminated in whole or in part;
 - (ii) if the successful tenderer subcontracted a portion of the tender to another person without disclosing it, the tenderer should not be penalised up to 10percent of the value of the contract; and
 - (iii) the tenderer should not be restricted by the National Treasury from conducting any business for a period not exceeding 10 years with any organ of state; and
 - (c) if it concludes, after considering the representations referred to in sub regulation
- (1)(b), that-
- (i) such false information was submitted by the tenderer-
 - (aa) disqualify the tenderer or terminate the contract in whole or in part; and
 - (bb) if applicable, claim damages from the tenderer; or
 - (ii) the successful tenderer subcontracted a portion of the tender to another person without disclosing, penalise the tenderer up to 10 percent of the value of the contract.
- (2)(a) the municipality must-
- (i) inform the National Treasury, in writing, of any actions taken in terms of subregulation (1);¹¹
 - (ii) provide written submissions as to whether the tenderer should be restricted from conducting business with any organ of state; and
 - (iii) submit written representations from the tenderer as to why that tenderer should not be restricted from conducting business with any organ of state.
- (b) The National Treasury may request an organ of state to submit further information pertaining to subregulation (1) within a specified period.
- (3) The National Treasury must-
- (a) after considering the representations of the tenderer and any other relevant information, decide whether to restrict the tenderer from doing business with any organ of state for a period not exceeding 10 years; and
 - (b) maintain and publish on its official website a list of restricted suppliers.

52.12 Contract Price Adjustment

For all contract periods exceeding one year in duration, an appropriate contract price adjustment formula must be specified in the bid documents.

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

However, if as a result of a delay in the award of a contract beyond the original tender validity period, the due completion or end delivery date of a fixed price contract exceeds a period of one year from the expiry of the original tender validity period, then the contract will automatically be subject to contract price adjustment for that period by which the extended time line exceeds such one year. An appropriate contract price adjustment formula must be specified in the bid documents.

Similarly, if as a result of any extension of time granted the duration of the contract period exceeds one year, then contract price adjustment will automatically apply to that period which exceeds such one year.

Furthermore, if the award of a contract is delayed beyond the original tender validity period, and a bidder is prepared to extend the validity period conditional to contract price adjustment being applied in the first year, then such price adjustment may be considered provided it is reasonable and does not prejudice any other bidder.

52.13 Tender Validity Period

- (1) The bid offer(s) received at the close of tender are to be accepted within the period of tender validity as stipulated in the bid document.
- (2) In an event, where, the evaluation of bids received are not concluded within the validity period, the manager demand and acquisitions in consultation with the end user must arrange to extend period of validity to all bidders before expiry date.
- (3) Prior approval for the extension of bid validity period must be sought from Head: SCM or designated official.
- (4) In an event, where, validity period of the bids received have expired with no extension of the period of tender validity being arranged with all bidders before the expiry of the validity period, then the tender is null and void and of no force and effect.

53. Other Specific Goals

Unbundling Strategies

In order to encourage increased participation and the sustainable growth of the small business sector, the unbundling of larger projects into smaller, more manageable, contracts is encouraged.

Unbundling must however be considered in the context of:

- economies of scale being lost;
- abortive work becoming necessary;
- additional demands (not only financial) being placed on the City's resources; and
- the risk of later phases not being completed as a result of budget cuts becoming necessary in the future.

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

It is important to note that while it is the City's policy to procure goods, services or construction works in the smallest practicable quantities, the practice of parceling such procurement in order to avoid complying with the requirements of the different range of procurement processes described in this policy is not permitted.

54. Increasing Employment Opportunities

One of the City's key socio-economic objectives is to facilitate the creation of employment for the people of Pietermaritzburg.

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

It is up to Responsible Agents to thoroughly investigate the options available in the above regard, to evaluate the positive versus negative impact of any proposals, and to specify labor intensive technologies and/or methods where appropriate.

All labor earning less than a threshold wage, determined in accordance with National Guidelines, that is employed for the provision of services or construction works for the City, shall be reported in the prescribed format, on a monthly basis, to Project Management Unit.

55. Targeted Labor and/or Targeted Enterprises

The targeting of labor and/or enterprises from specific areas within the boundaries of the Msunduzi Municipal area may be achieved, where appropriate, by specifying in the bid documents, a minimum level of participation (a contract participation goal) that must be achieved in respect of targeted labor and/or targeted enterprises in the performance of the contract.

Specified contract participation goals must be measurable and achievable, and the performance in respect of which must be monitored by the Responsible Agents during the execution of the contract.

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

Contract participation goals in respect of targeted labor and/or enterprises may not be introduced into the preference point system used for the evaluation of bids.

56. Provisional Sums and Prime Cost or Sub-Contract Allowances

- 56.1 Where monetary allowances in excess of R300 000 in respect of provisional sums or prime cost items have been included in the bid documents, and where the work or items to which the sums relate are to be executed/supplied by sub-contractors/suppliers, then one of the following processes, as determined by the Bid Specification Committee, shall be followed in respect of these allowances:
- 56.2 An **open competitive bidding process** in which bid documents are prepared by the Responsible Agent in consultation with and to the approval of the contractor, invitations to bid are advertised in the media, and whereby the **selected sub-contractor/supplier** is chosen by the Responsible Agent together with the contractor from the responses received. The contractor must satisfy him/herself that the selected sub-contractor/supplier can meet the requirements of the sub-contract/supply agreement, and assumes the risk for the performance of the sub-contractor/supplier. The contractor may, on reasonable grounds, elect not to employ a particular sub-contractor/supplier.
- 56.3 A **two-stage selection process**, whereby the Responsible Agent will advertise (in the media) for expressions of interest from suitably qualified sub-contractors/suppliers. From the responses received, the Responsible Agent and the contractor, in conjunction, shall compile a list of at least three (unless less than three responses were received) suitable sub-contractors/suppliers who will then be asked to submit prices for the works/items required. The contractor will assume the risk for the performance of the **selected sub-contractor/supplier** identified through this process.
- 56.4 A **nominated process**, whereby the City instructs the contractor to appoint a particular (typically specialist) sub-contractor/supplier. In this process the sub-contractor/supplier is a **nominated sub-contractor/supplier**, and the risk is transferred from the contractor to the City. The use of this process must therefore be motivated to, and approved by, the Head: Supply Chain Management prior to its implementation.
- 56.5 A preference points as described in this policy must be applied in respect of the processes described in clauses above. When monetary allowances of less than R300 000 have been included in the bid documents, and where the work or items to which the sums relate are to be executed/supplied by sub-contractors/suppliers, the contractor must be required to obtain a minimum of three written quotations for the approval of the Responsible Agent.

57. Award of contracts

- a) A contract must be awarded to the bidder who scored the highest total number of points in terms of the preference point systems.
- b) In exceptional circumstances a contract may, on reasonable and justifiable grounds, be awarded to a bidder that did not score the highest number of points. The reasons for such a decision must be approved and recorded for audit purposes and must be defensible in the court of law.

58. Enterprise and Supplier Development

58.1 The major objectives of the above programme are as follows:

- 58.1.1 Increase local procurement through capacity building by linking Enterprise Development and Supplier Development with Preferential Procurement

- 58.1.2 Develop and implement an Enterprise Development plan and Supplier Development plan for qualifying beneficiaries
- 58.1.3 Support procurement from designated groups in order to increase their participation in the main stream economy
- 58.1.4 Implement Enterprise and Supplier Development as per specific goals
- 58.1.5 Develop and promote interventions that would ensure that small business organization gain access to Msunduzi Municipality's procurement and other business opportunities.
- 58.1.6 Earmark and award procurement opportunities in terms of the EPWP framework issued by the National Department of Public Works and or other development initiatives at Provincial and National government level.
 - a) Implement specific programmes that would call for black designated groups to be prequalified via an open public invitation including locality to alleviate poverty and redress uneven regional development
- 58.1.8 Secure the participation of EME/Start Up enterprises or other black designated groups by requiring prime contractors to unbundle big contracts into smaller "work packages" and to procure the services of emerging enterprises or designated persons to perform such contracts and to administer them on behalf of Msunduzi Municipality.

59 The general principles to ensure the successful implementation of the above programmes shall be the following:

- 59.2.1 Where tenderers are required to assist in the achievement of one of the above objectives during the contract period, the development objective/s shall be specified and described in the tender document at tender stage
- 59.2.2 The development objective /s shall be publicly advertised and be the subject of an open invitation to participate for both the tenderers and/or designated group
- 59.2.3 Programmes shall have clearly identifiable objectives, measurable performance indicators capable of being evaluated and the progress monitored and reported

60. COMMENCEMENT

This Policy takes effect on the date of adoption by Full Council.

61. ANNEXURES

Annexure A- Framework for Infrastructure Delivery and Procurement Management

ANNEXURE A: FRAMEWORK FOR INFRASTRUCTURE DELIVERY

Framework for Infrastructure Delivery and Procurement Management

*Adopted in terms of Circular 106 and Section 111 of the Municipal Finance Management Act,
No.56 of 2003 and the Municipal Supply Chain Management Regulations*

**FRAMEWORK FOR INFRASTRUCTURE DELIVERY PROCUREMENT MANAGEMENT
CIRCULAR 106 AND SECTION 111 OF THE LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT
ACT, 2003**

Date of adoption:

Council resolves in terms of Circular 106 and Section 111 of the Local Government Municipal Finance Management Act (No. 56 of 2003), to adopt the following proposal as the Framework for Infrastructure Delivery and Procurement Management Policy of the Msunduzi Municipality.

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1. TERMS AND DEFINITIONS

For this document's purposes, the following definitions and terms apply:

Terms	Definition
ACCEPT	To acknowledge as adequate, valid, or suitably give an affirmative answer to a proposal in writing.
ACCOUNTING OFFICER	Municipal Manager or Chief Executive Officer (for Municipal Entities).
APPROVE	Written approval by the delegated official in the form of the signed relevant control document.
ASSET	A resource controlled by the municipality because of past events and from which future economic benefits or service potential is expected to flow to the department.
ASSET REGISTER	An asset database that provides the basis for the figures in the financial statements. It includes information on asset purchase prices, asset condition and expected life. It may also include information on current replacement cost. All assets should be recorded in the asset register, regardless of the funding source. The asset register should contain non-financial data on acquisition, identity, accountability, performance, and disposal, in addition to the financial data necessary to discharge statutory reporting obligations. Indicators can be included to reflect as performance measurement indicators in a report.
AUTHORISED PERSON	Accounting Officer, the appropriately delegated authority to award, cancel, amend, extend, or transfer a contract.
CAPEX	All expenditure on a capital asset which enhances its economic benefits or service potential, which is mainly in the form of upgrades and rehabilitation.
CAPITAL PROJECT	A new construction, expansion, upgrade, rehabilitation or a replacement project for an existing facility.
CONTRACT MANAGEMENT	Applying the terms and conditions, including the agreed procedures for the administration of an agreement.
CONTRACT MANAGER	Person responsible for the administration of a contract relating to the provision of new infrastructure, upgrading or the rehabilitation, refurbishment, maintenance or alteration of existing infrastructure.
CONTRACTING STRATEGY	Strategy that defines the nature of relationship which the employer wishes to foster with the contractor (service provider), which in turn determines the risk and responsibilities between the parties to the contract and the methodology by which the contractor (service provider) gets to be paid
CONTRACTOR	A person or organization that contracts with the municipality to provide infrastructure covered by a contract.
CONSTRUCTION	The activities of providing infrastructure to support municipal services.
DEFECT	An end product that does not conform to the specified standard/ specification as stipulated in a contract.

DECISION POINT	"Decision Points" provide "management control points" where management is provided with the opportunity to review specific deliverables (i.e., Outputs) in order to recommend updates, to decline or give permission to continue to the following process and deliverable.
FRAMEWORK	Local Government Framework for Infrastructure Delivery and Procurement Management (LGFIDPM), October 2020 as issued by National Treasury, effective from 1 July 2021.
GATE / CONTROL POINT	A control point at the end of a process where a decision is required before proceeding to the next process or activity.
GATEWAY REVIEW	An independent review of the available information at a stage upon which a decision to proceed or not to the next process is based.
IMPLEMENTING AGENT/ IMPLEMENTER	Means the decision-maker/manager mandated by the municipality to implement projects and, in collaboration with SCM, invite bids/quotations for procurement of infrastructure.
INFRASTRUCTURE	Immovable assets which are acquired, constructed or which results from construction operations or moveable assets which cannot function independently from purpose built immovable assets
INFRASTRUCTURE ASSET MANAGEMENT	Infrastructure asset management is an integrated, multidisciplinary set of strategies directed at maintaining and expanding public infrastructure with sustainable service delivery in view. It is a constant set of processes – set against international and national regulations – from infrastructure investment and acquisition to the maintenance of an asset over its entire estimated useful life.
INFRASTRUCTURE ASSET MANAGEMENT PLAN	Long term plans (usually 10 – 20 years or more for infrastructure assets) that outline the asset activities and programs for each service area and resources applied to provide a defined level of service in the most cost-effective way.
INFRASTRUCTURE DELIVERY	The combination of all planning, technical, administrative, and managerial actions associated with the construction, supply, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure.
INFRASTRUCTURE DELIVERY MANAGEMENT	The application of the infrastructure delivery management processes of portfolio, program, operations and maintenance and project; to plan and implement the work required to sustain the performance of infrastructure assets, for public service delivery.
INFRASTRUCTURE PROCUREMENT	The Procurement of infrastructure including any combination thereof associated with the acquisition, renovation, rehabilitation, alteration, maintenance, operation, or disposal of infrastructure.
INFRASTRUCTURE PROCUREMENT STRATEGY	Selected packaging, contracting, pricing and targeting strategy and procurement procedure for a particular procurement of infrastructure.
MAINTENANCE	The actions executed during the service life of infrastructure to retain it in a state that it can perform its required function.

MAINTENANCE PROJECTS	Routine, periodic, safety and special maintenance works on infrastructure assets.
MAJOR / MEGA CAPITAL PROJECT	The criteria to determine a Mega capital project should be determined in the municipality's policy approved by the Municipal Council.
MUNICIPALITY	In this document, "Municipality" shall mean Msunduzi Municipality
MUNICIPAL USER / CLIENT DEPARTMENT	<p>A municipal user department who engages another organ of state or the technical department of the municipality, to deliver project on behalf of that user department of the municipality, that the sponsor initiates, commissions, and pays for the project, owns the business case and lead the project. The municipal division or office responsible for constructing or custodial management of a facility or capital project after construction is complete.</p> <p>The departments in a municipality responsible for the delivery of municipal services that require infrastructure as listed in Part B of Schedule B and Part B of Schedule 5 of chapter 7 of the Constitution:</p> <ol style="list-style-type: none"> 1. electricity delivery; 2. water for household use; 3. sewage and sanitation; 4. storm water systems; 5. refuse removal; 6. municipal health services; 7. decisions around land use; 8. municipal roads; 9. municipal public transport; 10. parks and recreational areas; 11. libraries and other facilities, and 12. local tourism and related facilities.
OPERATION	Combination of all technical, administrative, and managerial actions, other than maintenance actions, that results in the item being in an operational and usable condition.
ORGAN OF STATE	Means any department of state or administration in the national, provincial or local sphere of government as defined in section 239 of the Constitution of the Republic of South Africa
PREVENTATIVE MAINTENANCE	Maintenance carried out at pre-determined intervals, or corresponding to prescribed criteria, and intended to reduce the probability of failure or the performance degradation of an item. Preventative maintenance is planned or carried out on opportunity.

PROCUREMENT		The SCM procurement techniques and processes to procure the required resources for the delivery of infrastructure in support of service delivery.
PROCUREMENT DOCUMENT		The procurement document stipulates the sourcing process and formalise the relationship between the municipality and service providers.
PROJECT		A unique set of processes consisting of coordinated and controlled activities with start and end dates, performed to achieve the project objective.
REHABILITATION		Works to rebuild or replace parts of an asset to enable it to the original capacity and performance, and materially extend its useful life (which may be a full or partial extension of life – i.e., less than its original expected useful life).
ROUTINE MAINTENANCE (IIMM)		Day to day operational activities to keep the asset operating (replacement of light bulbs, cleaning of drains, repairing leaks, etc.) and which form part of the annual operating budget, including preventative and periodic maintenance.
STAGE		A collection of periodical and logically related activities in the Project Management Control Stages, that culminates in the completion of an end of stage deliverable.
STANDARD		Establishes requirements for engineering and construction works contracts aimed at bringing about standardisation and uniformity in construction contracts documentation, practices and procedures
STANDARD UNIFORMITY	FOR	SFU issued by CIDB and SANS 10 845 (Part 1- 4)
SUPPLY CHAIN MANAGEMENT		The design, planning, execution, control and monitoring of supply chain activities in the delivery of goods, services or any combination thereof
THRESHOLD FOR MAJOR / MEGA CAPITAL PROJECTS		Total project costs estimated to be R50 000 000.00 million or more over the MTREF period or a predetermined percentage of the municipal revenue.

2. ABBREVIATIONS

For the purposes of this document, the following abbreviations apply

AO	:	ACCOUNTING OFFICER
BSC	:	BID SPECIFICATION COMMITTEE
BEC	:	BID EVALUATION COMMITTEE
BAC	:	BID ADJUDICATION COMMITTEE
CEO	:	CHIEF EXECUTIVE OFFICER
CFO	:	CHIEF FINANCIAL OFFICER
CIDB	:	CONSTRUCTION INDUSTRY DEVELOPMENT BOARD

CIP	:	CONSOLIDATED INFRASTRUCTURE PLAN
CP		CONTROL POINT
GCC		GENERAL CONDITIONS OF CONTRACT
DP		DECISION POINT
IDP	:	INTEGRATED DEVELOPMENT PLAN
IPS		INFRASTRUCTURE PROCUREMENT STRATEGY
LED		LOCAL ECONOMIC DEVELOPMENT
LG IAMP		LOCAL GOVERNMENT INFRASTRUCTURE ASSET MANAGEMENT PLAN
LG FIDPM	:	LOCAL GOVERNMENT FRAMEWORK FOR INFRASTRUCTURE DELIVERY AND PROCUREMENT MANAGEMENT
MFMA	:	LOCAL GOVERNMENT MUNICIPAL FINANCE MANAGEMENT ACT OF 2003
MTREF	:	MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK
NT	:	NATIONAL TREASURY
PMU	:	PROJECT MANAGEMENT UNIT
PPPFA	:	PREFERENTIAL PROCUREMENT POLICY FRAMEWORK ACT, 2000 (PPPFA)
PSP	:	PROFESSIONAL SERVICE PROVIDER
PT	:	PROVINCIAL TREASURY
SANS	:	SOUTH AFRICA NATIONAL STANDARD
SARS	:	SOUTH AFRICAN REVENUE SERVICES
SASRIA	:	SOUTH AFRICAN SPECIAL RISKS INSURANCE ASSOCIATION
SCM	:	SUPPLY CHAIN MANAGEMENT
SDBIP	:	SERVICE DELIVERY BUDGET IMPROVEMENT PLAN
SFU	:	CIDB STANDARD FOR UNIFORMITY (AUGUST 2019)

3. Introduction

The Integrated Development Plan (IDP) is the principal strategic planning instrument for municipalities. The IDP process requires a robust process of gathering and synthesizing information related from the medium to long-term planning of the municipality's infrastructure needs.

There is need to develop an infrastructure delivery management system tailor-made for all municipalities (excluding cities) which should integrate asset management strategy, policy to guide infrastructure planning, delivery management and decision making. The LGFIDPM introduces the initial process focusing on the project processes and infrastructure procurement.

The Framework for Infrastructure Procurement Management should be implemented together with the project management processes, to ensure alignment, integration and efficient and effective service delivery.

The Local Government FIDPM applies to organs of state which are subject to the Municipal Finance Management Act (MFMA) or for the implementation of infrastructure projects on behalf of other organs of State in terms of section 238 of the Constitution of the Republic of South Africa; 1996.

The Municipality provides infrastructure services in support of its core mandate. The municipality has adopted the LG FIDPM that provides minimum requirements for the implementation of Infrastructure Delivery and Procurement Management through the:

- a) Project processes for infrastructure delivery management, and
- b) Infrastructure procurement gates.

The Framework specifies the allocation of responsibilities for performing activities and making decisions at project stages and procurement gates.

The demand for infrastructure delivery shall be supported through asset management and service life plans which are based on:

- alignment to the municipal strategic objectives per an institutional infrastructure procurement strategy;
- a register of the municipal infrastructure assets;
- an assessment of current performance against desired levels of service or functionality;
- a needs analysis informed by factors such as policies, norms and standards, condition assessments, functional performance, demographic trends, current and forecasted levels of optimization;
- reflect a cost estimate for the life cycle activities comprising acquisition, operations, maintenance, refurbishment, rehabilitation or alteration as relevant, over a minimum period of five years;
- infrastructure plans which, as a minimum, summarize the service life plans and provide a credible forecast of current and net demand for services or requirements for functionality over a period of not less than ten years.

4. Background

This Annexure to the SCM Policy must be read in conjunction with the LG FIDPM as issued by National Treasury. It specifies the allocation of roles and responsibilities for performing activities, making decisions at procurement control points and project stages. These roles and responsibilities, where applicable, are aligned to the municipal delegations of authority. The annexure also indicates project classifications aligned to the Construction Industry and Development Board (CIDB) Standard for Uniformity (SFU) as issued in August 2019.

5. Purpose

This annexure to the Municipal SCM policy establishes the Municipality 's Framework for infrastructure delivery and Procurement Management following the regulatory Frameworks for Procurement and Supply Chain Management. It excludes:

- the storage of goods and equipment following their delivery to Municipality which are stored and issued to contractors or employees;
- the disposal or letting of land;
- the conclusion of any form of land availability agreement;
- the leasing or rental of moveable assets; and
- Public-Private Partnerships.

6. Objectives

The objective of this annexure to the Municipal SCM policy is to provide practical guidance on the management of infrastructure procurement and delivery aligned to the municipal SCM policy, CIDB SFU 2019, SANS 10845 (Part 1 to 4) and the LG FIDPM.

This annexure specifies the allocation of clear responsibilities for performing activities and making decisions at decision points, project stages, as well as procurement gates. These roles and responsibilities, where applicable, are aligned to the municipal delegations of authority in terms of section 56 of the MFMA.

The annexure indicates guidelines for classification of projects (simple, complex and specialist work) which are aligned to the CIDB SFU.

The procurement of Infrastructure is subject to the same minimum standards and rules as all other goods and services indicated in the Constitution, in section 217(1) and makes no distinction between types of goods, services and or commodities and prescribes the same requires for all procurement.

Having said the above, the procurement and delivery of infrastructure is often complex and as result additional prescripts and guidelines have been put in place to ensure infrastructure projects are delivered and value for money is obtained.

This annexure must be read with the municipal SCM policy and prescripts that apply to infrastructure delivery and procurement:

- Circular No 106, in terms of the Municipal Finance Management Act No. 56 of 2003 (MFMA), introduce the implementation of the Local Government Framework for Infrastructure Delivery and Procurement Management (LGFIDPM) with the date of issue 01 October 2020 and effective date 01 July 2021 issued in terms of Section 168 of the MFMA, in support of Regulations 2(1)(c), 2(1)(e), 3(1), 3(2) and 3(2)(c) of the MFMA SCM Regulations as a Treasury guideline determining a framework policy or Municipal SCM policies.
- CIDB SFU (latest edition) with issued in terms of sections 4(f), 5(3)(c) and 5(4)(b) of the Construction Industry Development Board Act 38 of 2000 read with Regulation 24 of the Construction Industry

Development Regulations, (as amended) issued in terms of section 33 provide a standard approach to the formatting and compilation of procurement documents used in conjunction with flexible standard conditions for the calling for an expression of interest, tender conditions and a standard form of contract selected from a prescribed list depicted in the CIDB SFU. These standard forms of the contract permit different allocations of risk to the parties to a contract and a wide range of pricing strategies to be pursued.

The responsibility for the implementation and management of this annexure shall rest on the Municipal Manager, CFO, Sector User Department and Technical Department. Where applicable, the responsibility may be delegated to another official in terms of section 82 of the MFMA. The said responsibilities may include but are not limited to:

- Ensuring compliance with and institutionalization of the LG FIDPM within the municipal context;
- Ensure the implementation, responsibilities, and audit trail of the municipal SCM policy, CIDB SFU 2019, SANS 10845 and LG FIDPM.

7. Legislative and Policy Mandates

The following legislation as main legislation, but not limited to, should be used as references:

7.1 Acts of Parliament

- Architectural Profession Act, 2000 (Act No. 44 of 2000)
- Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003)
- Constitution of the Republic of South Africa, 1996
- Construction Industry Development Board Act, 2000 (Act No. 38 of 2000)
- Division of Revenue Act (Annual)
- Engineering Profession Act, 2000 (Act No. 46 of 2000)
- Landscape Architectural Profession Act, 2000 (Act No. 45 of 2000)
- Local Government: Municipal Finance Management Act, 2003 (No. 56 of 2003)
- Local Government: Municipal Systems Act, 2000 (Act No. 32 Of 2000)
- National Archives and Record Services of South Africa Act, 1996 (Act No. 43 of 1996)
- Occupational Health and Safety Act, 1993 (Act No. 85 of 1993)
- Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)
- Project and Construction Management Professions Act, 2000 (Act No. 48 of 2000)
- MFMA Finance Management Act, 56 (Act No. 1 of 2003)
- Quantity Surveying Profession Act of 2000 (Act No. 49 of 2000)
- Other Sector Specific Acts of Parliament.

7.2 Regulations issued in terms of the MFMA and MFMA Circulars

- Municipal SCM Regulations issued in terms of the MFMA
- MFMA Circular 106

7.3 Standards

- Applicable Construction Industry Development Board Standard for Uniformity (SFU)
- South African National Standards 10845 (Parts 1 to 4)
- Construction Sector Codes and standards

7.4 Management System

- Infrastructure Delivery Management System (IDMS)
Cities Infrastructure Delivery Management Toolkit (CIDMT).

7.5 National Treasury Guidelines

- Local Government Capital Asset Management Guideline and Planning Guidelines
- Budget Facility for Infrastructure (BFI).

7.6 Department of Cooperative Governance and Traditional Affairs Guidelines

- Guidelines for Infrastructure Asset Management in Local Government.
- Any other relevant guidelines published from time to time.

7.7 Framework

- Local Government Framework for Infrastructure Delivery and Procurement Management (LGFIDPM) with the date of issue 01 October 2020 and effective date 01 July 2021 issued in terms of Section 168 of the MFMA

8. Scope of Applicability

This annexure applies to all municipal employees, contractors, service providers and businesses related to infrastructure delivery that transact with the Municipality in terms of this policy annexure. This annexure applies to all infrastructure delivery projects to be executed in terms of the LG FIDPM minimum requirements, SANS 10845 (Part 1 to 4), the SFU 2019 municipal infrastructure delivery management processes.

9. General Provisions

Infrastructure delivery and procurement management shall be undertaken in accordance with all the applicable legislation and the relevant requirements of the latest edition of the National Treasury Local Government Framework for Infrastructure Delivery and Procurement Management.

For project progress using the project stages, reporting must be done for the deliverable to be achieved in the stage immediately prior to the 'in progress' stage.

9.1 Infrastructure Delivery Provisions

9.1.1 The infrastructure delivery management processes comprise of Portfolio-; Programme-; Operations and Maintenance- and Project Management processes.

9.1.2 Portfolio-; Programme-; and Operation and Maintenance management processes are cyclical and performed in phases. These management processes are annually reviewed.

9.1.3 The Portfolio-; Programme-; and Operation and Maintenance management processes contain key Decision Points (DP) at which the deliverable needs to be accepted/ approved. The process may only continue beyond the decision point once the deliverable was accepted / approved.

9.1.4 Project processes are typically linear, meaning a project process is performed in stages from start to completion.

9.1.5 The project stages contain decision points at the end of each stage at which the associated stage deliverable needs to be approved. The project may only continue beyond the stage in accordance with the approved contracting arrangements once the stage deliverable was approved.

9.1.6 End of Stage Deliverables Required for Infrastructure Projects are reflected in table below. Gateway reviews are required at Stage 2 for Major Capital projects.

(This table need to be adjusted and customized per the Municipal requirements, based on the Programme Brief approved)

Table 1: End of Stage Deliverables Required for Infrastructure Projects

Stage	End stage deliverable	Capital (All Infrastructure Assets)	Major / Mega Capital (All Infrastructure Assets)	Rehabilitation	Preventative Maintenance	Routine Maintenance
Stage 1 - Initiation	Initiation / Prefeasibility Report	Yes	Yes	Yes	No**	No**
Stage 2 - Concept	Concept / Feasibility Report	Yes	Yes*	Yes	No**	No**
Stage 3 - Design Development	Design Development Report	Yes	Yes	Yes	Yes/No	No
Stage 4 - Design Documentation	Draft Bid Document	Yes	Yes	Yes	Yes	Yes
Stage 5 - Works	Practical Completion Certificate	Yes	Yes	Yes	Yes	Yes
Stage 6 - Handover	Completion Certificate	Yes	Yes	Yes	No	No
Stage 7 - Close Out	Close-out Report	Yes	Yes	Yes	No	No

Note: * - Gateway Review, ** - Programme Level (Programme Brief)

9.2 Gateway Reviews

9.2.1 Gateway Reviews for mega / major capital projects above a threshold

9.2.1.1 The Municipality [Municipal Council] will initiate a gateway review and delegate the Accounting Officer to appoint a gateway review individual or team following Clause 5.2.1 (iv), (v), and (vi) of the LG FIDPM to undertake gateway reviews for major capital projects.

9.2.1.2 All major / mega capital projects will require a prefeasibility study and a comprehensive feasibility study. Projects with an estimated cost of more than the threshold value, over the MTREF period, will require a prefeasibility study and a comprehensive feasibility study. It is also expected that there should be engagements with the National and Provincial Treasury where appropriate or where projects dictate so. This threshold is reviewed annually by Municipality.

9.2.1.3 The Municipal Manager of Municipality may initiate a review of any capital project below the threshold value when deemed necessary.

9.2.1.4 The identification of Mega/Major Projects at the end of Stage 2 as introduced in the LG FIDPM need to be recommended to the municipal manager, after classification of the project, see section 8.4, on a project-to-project base, amongst other, on the following criteria:

- Project complexity (Based on the current or insourced capabilities);

- Risk Identified; and
- Duration over a predetermined number of financial years.

9.2.1.5 The focus of the gateway review shall be, in the first instance, be on the accuracy of the information in the documentation, and thereafter on:

- a) deliverability: the likelihood and the extent to which a project will deliver the targeted output;
- b) the expected benefits within the declared cost, time and performance envelope;
- c) affordability: the extent to which the level of expenditure and financial risk involved in a project can be taken up, given the Municipality's overall financial position, both singly and in the light of its other current and projected commitments; and
- d) value for money: the optimum combination of whole life costs and quality (or fitness of purpose) to meet the Municipality's requirements.

9.2.1.6 A gateway review team shall comprise not less than three persons who are not involved in the project or associated with the work covered and who are familiar with various aspects of the subject matter.

9.2.1.7 A gateway review shall be led by a person who has experience in the planning of infrastructure projects and is registered as a professional with a relevant statutory council under for the built environment professions. The members of the team shall, as relevant, have expertise in the key technical areas, cost estimating, scheduling and implementation of similar projects.

9.2.1.8 The gateway review team shall base its findings primarily on:

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

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

9.2.1.10 The gateway review findings shall be classified by the gateway review team as:

- a) Critical: Findings that pose an adverse effect to the project or package. Critical findings are wholly unacceptable;
- b) Major: Findings that pose a potentially adverse effect to the project or package. Major findings are serious findings and are in direct violation of key legislation, e.g. The Constitution of the Republic of South Africa, 1996; the MFMA or the PPPFA; and
- c) Minor: Findings not posing any adverse effect to the project or package. Minor findings indicate the need for improvement of practices and processes.

9.2.1.11 Stage 2 deliverable for mega projects will not be approved until such time that all findings have been resolved.

9.2.1.12 The Municipality shall submit, on a quarterly basis, a list of gateway reviews undertaken to Provincial Treasury.

9.3 Additional stages, procurement gate and decision points

9.3.1 Additional decision points, apart from those indicated in the Local Government Framework for Infrastructure Delivery and Procurement Management, may be added upon approval of the Municipal Manager and council when deemed necessary.

9.3.2 The responsibilities for approving or accepting the end of Stage deliverables, gates and decision points are displayed in Appendix.

10. Project Classification

10.1 Background

10.1.1 The CIDB Standard for Uniformity in Engineering and Construction Works Contracts (SFU) The SFU establishes minimum requirements that are mandatory for the public sector that:

- a) promote cost efficiencies through the adoption of:
 - i. a uniform structure for procurement documents;
 - ii. standard component documents including forms of contract; and
 - iii. generic and uniform tender procedures; and
- b) enable risk, responsibilities and obligations to be clearly identified.

10.1.2 The SFU further specifies minimum requirements in relation to the above:

- a) the solicitation/advertising of tender offers;
- b) the manner in which functionality is incorporated in procurement documents;
- c) formatting and compilation of tender documents; and
- d) the application of the register of contractors to public sector contracts.

10.1.3 The SFU and Register of Contractors is applicable to all public sector employers involved in engineering and construction works contracts.

10.2 Classification of Projects

In terms of the requirements of the SFU, public sector employers involved in construction works contracts are required to classify their projects according to the following categories:

- a) Simple/straightforward/routine work - where the tasks or activities are of a straightforward nature in terms of which inputs are relatively well known and outputs can be readily defined;
- b) Complex work - characterized by requirements for higher levels of skills, greater resources or not well-defined inputs and outputs; and
- c) Specialist work - requiring considerable innovation, creativity, and expertise or skill (or both) and work that has a high downstream impact.

Note: The value of the project or quantities shall not be used to determine whether the project is of a complex or specialist nature.

10.3 Contracting Strategies

The CIDB indicate the following contracting strategies that also determines the relevant project stage deliverable utilized to initiate procurement.

Table 2: Contracting Strategies

Where functionality is evaluated, at least three persons who are fully conversant with the technical aspects of the

Contracting Strategy	Description	simple or straightforward or routine	complex or specialist
Design by Employer	A contract under which a contractor undertakes only construction based on full designs issued by the employer. (Design is a separate function from construction and is managed by the Client or his agent)	no	yes
Develop and Construct	Contract based on a scheme design prepared by the Client under which a contractor finalises the production information and constructs it. (The final design details are integrated with construction and are managed by the contractor)	yes	yes
Design and Construct	Contract in which a contractor designs the works based on a brief provided by the Client and constructs it. (Design is integrated with construction and is managed by the contractor)	yes	yes
Construction Management	A contract under which a third party (professional service provider) provides consultation during the design stage and is responsible for planning and managing all post-contract activities for a group of contractors appointed by the employer.	yes	yes
Management Contractor	A contract under which a contractor is responsible for planning and managing all post-contract activities, including, if required, any design of the works or portion thereof, and for the performance of the whole of the contract.	yes	yes

scope of work shall undertake such evaluation.

10.4 Infrastructure Procurement Provisions

- 10.4.1 Acquisition management is done by the Bid Committees established in the municipal SCM policy and are to be enhanced, where required, with technical expertise in the relevant technical fields.
- 10.4.2 Post Award Contract Management to confirm compliance with requirements are shared by the Financial and Technical Department
- 10.4.3 Infrastructure procurement shall be implemented in accordance with procurement gates prescribed in clause 6.2 of LGFIDPM and the CIDB prescripts. If deemed necessary by the Municipality can, over and above procurement gates prescribed in clause 6.2 of LGFIDPM, introduce additional procurement gates.
- 10.4.4 Infrastructure procurement shall be undertaken in accordance with all applicable Infrastructure Procurement-related legislation and this annexure.
- 10.4.5 Procurement Gate 1 and 2 shall be informed by the Programme Management Decision Point Deliverables as in Appendix 1.
- 10.4.6 The delegated official as per the Appendix must ensure that a budget is available and cash flow is sufficient to meet contractual obligations and pay contractors within the time provided for in the contract.
- 10.4.7 Procurement gates shall be used, as appropriate, to:
 - a) authorize commencement to the next gate;
 - b) confirm conformity with requirements; and/or
 - c) provide information, which creates an opportunity for corrective action to be taken.
- 10.4.8 The authorisation to proceed to the next procurement gate must be given by a designated/ delegated person or committee as per the approved delegations of authority in the municipality. The designated/ delegated person or committee must be able to apply the knowledge and skill to achieve intended results required at the relevant procurement gate. The level of detail contained in the documentation upon which a decision to proceed to the next procurement gate, must be sufficient to enable an informed decision and be fully auditable.
- 10.4.9 The Accounting Officer shall, in a manual or electronic format, ensure to keep records of Procurement Gate approvals with the following minimum requirements:
 - a) Infrastructure Delivery Stage and Procurement Gate Portfolio of Evidence and signed approvals,
 - b) Delegated person/s or committee/s for Procurement Gates,
 - c) Date on which the approval request was received and actioned,
 - d) Signature of the person/s or committee/s for Delivery Stage and Procurement Gates,
 - e) All assets created and recorded on the Municipal asset register as required by GRAP standards and MSCOA.

Table 3: Pricing Strategies

Table 3 indicate the pricing strategies aligned to the procurement strategy to be considered.

Pricing Strategy	Description
Price Based	
Lump Sum	A contractor is paid a lump sum to perform the work. (Interim payments which reflect the progress made towards the completion of the works may be made)
Bill Of Quantities	Contract in which a bill of quantities lists the items of work and the estimated/measured quantities and rates associated with each item to allow contractors to be paid, at regular intervals, an amount equal to the agreed rate for the work multiplied by the quantity of work completed. (A bill of quantities is prepared following a standard system of measurement)
Price List/Price Schedule	Contract in which a contractor is paid the price for each lump sum item in the Price List / Schedule that has been completed and, where a quantity is stated in the Price List / Schedule, an amount calculated by multiplying the quantity which the contractor has completed by the rate
Activity Schedule	Contract in which the contractor breaks the scope of work down into activities linked to a programme, method statements and resources and prices each activity as a lump sum, which he is paid on completion of the activity. The total activity price is the lump sum price for the contract work.
Cost Based	
Cost Reimbursable	Contract in which the contractor is paid for his actual expenditure plus a percentage or fee
Target Cost	Cost-reimbursable contract in which a target price is estimated, and on completion of the works, the difference between the target price and the actual cost is apportioned between the employer and contractor on an agreed basis

10.5 Procurement Documentation

10.5.1 Infrastructure Procurement documents shall be developed in close collaboration between the Project Management Unit (PMU) of [Insert Department where PMU resides] and SCM Unit, in accordance with the applicable CIDB SFU.

10.5.2 The Accounting Officer or delegated person(s) need to ensure that the specification of bids/tenders for contracts/projects shall be in accordance with the section Classification of Projects as required by the CIDB SFU, August 2019 or as amended.

Table 4: Procurement documentation

Table 4 indicate the evaluation methods to be considered.

Method	Description
Evaluation points	Give a weighting to social and economic policy objectives along with the usual commercial criteria, such as quality, which are scored at the shortlisting stage or the admission to a database
	Give a weighting to social and economic policy objectives along with price and, where relevant, quality during the evaluation of tenders
Incentives for KPIs	Incentive payments are made to contractors should they achieve a specified target (key performance indicator) associated with a social or economic goal in the performance of a contract
Mandatory subcontracting	Require contractors to invite competitive tenders from targeted enterprises for specified portions of the works in a specified procedure and specific subcontract forms. Upon the award of the contract, the subcontractor becomes a domestic subcontractor
Contractual obligations	Make policy objectives a contractual condition, e.g.
	• A fixed percentage of the work is required to be subcontracted out to enterprises that have prescribed characteristics, or a joint venture shall be entered into
	• Parts of the works are to be executed using employment-intensive methods.

11. Roles and Responsibilities

The delegations of authority for the approvals should be assigned to identified role-players. These institutional governance arrangements are contained in (Appendix), which sets out the institutional governance arrangements for the municipality and should be aligned to the Financial, Infrastructure and SCM delegations.

12. Monitoring and Evaluation

12.1 The Accounting Officer or delegated person(s) authorize the appropriate delegations in terms of the LG Institutional Framework for Infrastructure Delivery in Appendix.

12.2 The Technical Services department shall be directly responsible for the management of project stage 1-7. (Appendix)

12.3 The SCM Unit or delegated person(s) shall be directly responsible for the management of procurement gates 1-8 (Appendix)

13. Effective Date

The effective date shall be the date of adoption by the Municipal Council

14. Date of Review

Annually

APPENDIX 1

The table explains the actions referred to in Table A.

Abbreviation	Description	Definition
AP	Approver	Accounting Officer or Delegated Person
Sub	Submitter	The Sub-IA or Delivery Agent is responsible for concluding a Stage /interim Stage of the project and submitting the relevant documentation to either the Client Department or Implementing Agent (Technical User Department), who will recommend and approve a Stage-gate.
R	Recommender	The Client Department or Implementing Agent (DRPW) responsible for commending a Stage-gate approval.
AC	Acceptor	The Client Department or Implementing Agent (Technical Department or Infrastructure Unit responsible for accepting a Stage-gate that takes the final decision and has ultimate ownership
Con	Consultee/Contractor	The Technical Department or Infrastructure Unit that must be consulted before a decision/ action is taken.
IMPL	Implement	The Technical Department or Infrastructure Unit or External IA
Inf	Informee	The relevant Municipal Department/Council must be informed about the decision/action taken

TABLE A: RESPONSIBILITIES FOR APPROVING DELIVERABLES IN TERMS OF THE LG INSTITUTIONAL FRAMEWORK FOR INFRASTRUCTURE DELIVERY

Decision Point	Deliverable	The position / person or committee assigned the responsibility for approving, accepting or capture a deliverable	Key action	AP	Sub	R	AC	Con	Impl	Inf
Infrastructure Delivery Project Stages										
D25	Initiation/ Pre-Feasibility Report (Stage 1)	<p>1) The Initiation Report defines project objectives, needs, acceptance criteria, organization's priorities and aspirations, and Procurement strategies, which set out the basis for the development of the Concept Report.</p> <p>Or</p> <p>2) A Pre-feasibility Report is required on Mega / Major Capital Projects, to determine whether to proceed to the Feasibility Stage; where sufficient information is presented to enable a final project implementation decision to be made. Mega / Major capital projects should be determined in the Municipality's Policy approved by the Municipal Council.</p> <p>STAGE 1 IS COMPLETE WHEN THE INITIATION REPORT OR PRE-FEASIBILITY REPORT IS APPROVED.</p>	The Initiation Stage entails the evaluation of the projects in the IDP project list against a defined set of criteria, listing assumptions about each project, gathering data and information about each project and evaluating each project against the criteria.							

Decision Point	Deliverable	The position / person or committee assigned the responsibility for approving, accepting or capture a deliverable	Key action	AP	Sub	R	AC	Con	Impl	Inf
D26	Concept/ Feasibility Report (Stage 2)	<p>1) The Concept Stage presents an opportunity for the development of different design concepts to satisfy the project requirements developed in Stage 1 and provide minimum information to establish a high-level project plan.</p> <p>2) The Feasibility Report provide better insight into essential preparatory work, a viability evaluation, risk assessment, professional analysis and an implementation readiness. Mega projects should undergo a feasibility assessment.</p> <p>STAGE 2 IS COMPLETE WHEN THE CONCEPT OR THE FEASIBILITY REPORT IS APPROVED</p>	The Concept or Feasibility report presents, through the testing of alternative approaches, an opportunity for the LG to select a particular conceptual approach with respect to available budget, technical solutions, timeframe and identified risks.							
D27	Stage 2 Gateway review report	The National Treasury prescripts stipulate that all mega projects be subjected to a Gateway Review. Accounting Officer to appoint Gateway review team.	<p>1) Annually establish a panel of PSP's that can be utilised in the review panel.</p> <p>2) As and when required, convene gateway review.</p> <p>3) Quarterly report on gateway review that took place.</p>							

Decision Point	Deliverable	The position / person or committee assigned the responsibility for approving, accepting or capture a deliverable	Key action	AP	Sub	R	AC	Con	Impl	Inf
D28	Design Development Report (Stage 3)	<p>The Design Development Report must, as necessary:</p> <ol style="list-style-type: none"> 1) Develop, in detail, the approved concept to finalise the design and definition criteria. 2) Establish the detailed form, character, function and costings. 3) Define the overall size, typical detail, performance and outline specification for all components. 4) Describe how infrastructure, or elements or components thereof, are to function; and how they are to be safely constructed, be commissioned and be maintained. 5) Confirm that the project scope can be completed within the budget or propose a revision to the budget. <p>STAGE 3 IS COMPLETE WHEN THE DESIGN DEVELOPMENT REPORT IS APPROVED.</p>	<p>The Design Development Stage is to develop, in detail, the approved concept; to finalise the design and definition criteria, to set out the integrated developed design, the cost plan within the indicated budget, and the schedule for the project-and ultimately, to obtain approval of the Design Development Report.</p>							
D29	Design Documentation (Stage 4)	<p>Design documentation provides:</p> <ul style="list-style-type: none"> § the production information that details performance definition, specification, sizing and positioning of all systems and components that will enable construction; § the manufacture, fabrication and construction information for specific components of the work, informed by the production information. <p>STAGE 4 IS COMPLETE WHEN THE DESIGN DOCUMENTATION REPORT IS APPROVED.</p>	<p>Provide the detailing, performance definition, specification, sizing and positioning, of all systems and components that would enable construction; except, in certain instances, the manufacture, fabrication and construction information for specific</p>							

Decision Point	Deliverable	The position / person or committee assigned the responsibility for approving, accepting or capture a deliverable	Key action	AP	Sub	R	AC	Con	Impl	Inf
			components of the work that the contractor might only need to provide once construction has begun.							
D30	Works Completion Report (Stage 5)	Completion of the Works Stage requires: Certification of the completion of the works in accordance with the provisions of the contract; or § Certification of the delivery of the goods and associated services in accordance with the provisions of the contract. STAGE 5 IS COMPLETE WHEN THE WORKS COMPLETION REPORT IS APPROVED.	Construct or deliver the works according to the working drawings, specifications and bill of quantity.							

Decision Point	Deliverable	The position / person or committee assigned the responsibility for approving, accepting or capture a deliverable	Key action	AP	Sub	R	AC	Con	Impl	Inf
D31	Record Information Report (Stage 6)	<p>Works which have been taken over by the user or owner; Completed Training; Record Information</p> <p>The handover Stage requires the following activities to be undertaken:</p> <p>1) Finalise and assemble record information which accurately reflects the infrastructure that is acquired, rehabilitated, refurbished or maintained;</p> <p>2) Hand over the works and record information to the user organisation and, if necessary, train end user staff in the operation of the works.</p> <p>STAGE 6 IS COMPLETE WHEN THE HANDOVER/RECORD INFORMATION REPORT IS APPROVED</p>	<p>1) Finalise and assemble record information which accurately reflects the infrastructure that is acquired, rehabilitated, refurbished or maintained;</p> <p>2) Hand over the works and record information to the user organisation and, if necessary, train the end user staff in the operation of the works.</p>							
D32	Close-out Report (Stage 7)	<p>Defects Certificate or Certificate of Final Completion; Final Account; Close-Out Report</p> <p>1) The Close-Out Stage commences when the end user accepts liability for the works. It is complete when Record information is archived;</p> <p>2) Defects certificates and certificates of final completion are issued in terms of the contract;</p> <p>3) Final amount due to the contractor is certified in terms of the contract;</p> <p>4) Close-Out Report is prepared by the Implementer and approved by the Municipality.</p> <p>STAGE 7 IS COMPLETE WHEN THE CLOSE-OUT REPORT IS APPROVED.</p>	<p>1) Defects certificates are issued;</p> <p>2) Certificates of final completion are issued, in terms of the contract;</p> <p>3) Final amount due to the contractor is certified, in terms of the contract;</p> <p>4) Close-Out Report is prepared by the Implementer and approved by the client / budget holder;</p> <p>5) Asset Register of the Custodian has been updated.</p>							

Decision Point	Deliverable	The position / person or committee assigned the responsibility for approving, accepting or capture a deliverable	Key action	AP	Sub	R	AC	Con	Impl	Inf
Procurement Gates										
D37	Initiate Procurement (PG 1)	<p>1) Establish and clarify the Procurement need aligned to the Municipality's development and transformation priorities specified in the IDP.</p> <p>2) Determine a suitable title for the Procurement to be applied as the project description.</p> <p>3) Prepare the broad scope of work for the Procurement.</p> <p>4) Perform market analysis.</p> <p>5) Estimate the financial value of proposed Procurement and contract for budgetary purposes, based on the broad scope of work.</p> <p>6) Confirm the budget.</p> <p>7) Compliance with section 33 of the MFMA with respect to community and stakeholder consultation.</p> <p>PG 1 IS COMPLETE WHEN A DESIGNATED PERSON OR BODY MAKES THE DECISION TO PROCEED/NOT TO PROCEED, WITH THE PROCUREMENT OF THE INFRASTRUCTURE</p>	<p>1) Obtain permission to start with the Procurement process.</p> <p>2) Decide to proceed / not to proceed with the Procurement based on the broad scope of work and the final estimates.</p> <p>3) Budget by Council Resolution</p> <p>4) Grant Approval for The Issuing of The Procurement Documents</p> <p>5) Confirm COGTA unit cost guideline and CPI formulae</p>							

Decision Point	Deliverable	The position / person or committee assigned the responsibility for approving, accepting or capture a deliverable	Key action	AP	Sub	R	AC	Con	Impl	Inf
D38	Procurement Strategy aligned to M-IPS (PG 2)	<p>Approve Procurement strategy to be adopted.</p> <p>1) Establish contracting and pricing strategy comprising of an appropriate allocation of responsibilities and risks; and the methodology for contractor payments.</p> <p>2) Identify service required for works.</p> <p>3) Decide on contracting strategy.</p> <p>4) Decide on pricing strategy.</p> <p>5) Decide on the form of contract.</p> <p>6) Establish opportunities for promoting preferential Procurement in compliance with legislative provisions and the Construction Sector Code.</p> <p>PG 2 IS COMPLETE WHEN A DELEGATED PERSON OR BODY APPROVES THE PROCUREMENT STRATEGY THAT IS TO BE ADOPTED.</p>	<p>1) Develop a Procurement strategy aligned to the institutional Procurement strategy.</p> <p>2) Confirm selection of strategies so that tender offers can be solicited.</p> <p>3) Obtain approval for Procurement strategies that are to be adopted, including specific approvals to approach a confined market or the use of the negotiation procedure</p>							
D39	Procurement documents (PG 3)- (Spec Committee)	<p>Obtain approval for Procurement documents.</p> <p>Minimum requirements for PG 3:</p> <p>1) Prepare Procurement documents that are compatible with:</p> <p>a) approved Procurement strategies.</p> <p>b) project management design documentation</p> <p>PG 3 IS COMPLETE WHEN THE BID SPECIFICATION COMMITTEE APPROVES THE PROCUREMENT DOCUMENT</p>	<p>1) Manage adherence to SANS 10845 as stipulated in the SFU 2019 in alignment to all the required MBD SCM administrative requirements</p>							

Decision Point	Deliverable	The position / person or committee assigned the responsibility for approving, accepting or capture a deliverable	Key action	AP	Sub	R	AC	Con	Impl	Inf
D40	Confirm Cash Flow (PG 4) (CFO)	<p>Confirm that cash flow processes are in place to meet projected contractual obligations.</p> <p>1) Confirm that cash flow processes are in place to meet contractual obligations.</p> <p>2) Establish control measures for settlement of payments within the time period specified in the contract.</p> <p>PG 4 IS COMPLETE WHEN A DELEGATED PERSON OR BODY CONFIRMS IN WRITING THAT CASH FLOW PROCESSES ARE IN PLACE, AND CONTROL MEASURES ARE ESTABLISHED FOR THE PROCUREMENT TO TAKE PLACE</p>	<p>1) Confirm that finance is available for the Procurement to take place</p> <p>2) Ringfence Conditional Infrastructure Grants / Funds</p>							
D41	Solicit tender offers (PG 5) (Advertisement)	<p>Solicit tender offers.</p> <p>1) Invite contractors to submit tender offers.</p> <p>2) Receive tender offers.</p> <p>3) Record tender offers.</p> <p>4) Safeguard tender offers.</p> <p>PG 5 IS COMPLETE WHEN TENDER OFFERS RECEIVED ARE RECORDED AND SAFEGUARDED BY A DELEGATED PERSON FROM THE SCM UNIT.</p>	<p>1) Obtain authorisation to proceed with the next phase of the tender process in the qualified proposal or competitive negotiations procedure.</p>							

Decision Point	Deliverable	The position / person or committee assigned the responsibility for approving, accepting or capture a deliverable	Key action	AP	Sub	R	AC	Con	Impl	Inf
D42	Evaluate Tender Offers (PG 6)EV_Report by EV Committee)	<p>Evaluate tender offers premised on undertakings and parameters established in Procurement documents. Solicit tender offers.</p> <p>1) Determine whether tender offers are complete.</p> <p>2) Determine whether tender offers are responsive.</p> <p>3) Evaluate tender submissions.</p> <p>4) Review minimum compliance requirements for each tender.</p> <p>5) Perform a risk analysis.</p> <p>6) Prepare a report on tender offers received and on their achievement of minimum compliance.</p> <p>PG 6 IS COMPLETE WHEN THE CHAIRPERSON OF THE BID EVALUATION COMMITTEE APPROVES THE BEC REPORT.</p>	<p>1) Review evaluation report, ratify recommendations and authorise progression to the next Stage of the tender process.</p> <p>2) Obtain authorisation to proceed with the next phase of the tender process in the qualified proposal or competitive negotiations procedure.</p>							

Decision Point	Deliverable	The position / person or committee assigned the responsibility for approving, accepting or capture a deliverable	Key action	AP	Sub	R	AC	Con	Impl	Inf
D43	Award the contract (PG 7)(AO/ADJ Committee)	<p>Awarding the Contract</p> <p>1) Bid Adjudication Committee (BAC) review of the Bid Evaluation Committee (BEC) evaluation report.</p> <p>2) Bid Adjudication Committee makes an award (if delegated or recommend to the Accounting Officer).</p> <p>3) Accounting Officer approval of the tender process.</p> <p>4) Notify successful tenderer and unsuccessful tenderers of the outcome t.</p> <p>5) Sign contract document.</p> <p>6) Formally accept the tender offer.</p> <p>PG 7 IS COMPLETE WHEN THE ACCOUNTING OFFICER, OR THE BID ADJUDICATION COMMITTEE, WHERE DELEGATED, CONFIRMS THAT THE TENDERER HAS PROVIDED EVIDENCE OF COMPLYING WITH ALL REQUIREMENTS STATED IN THE TENDER DATA AND FORMALLY ACCEPTS THE TENDER OFFER IN WRITING, AND ISSUES THE CONTRACTOR WITH A SIGNED COPY OF THE CONTRACT.</p>	<p>1) Confirm recommendations contained in the tender evaluation report.</p> <p>2) Refer back to the evaluation committee for reconsideration or make a recommendation for award.</p> <p>3) Formally accept the tender offer in writing and issue the contractor with a signed copy of the contract</p> <p>4) Compile project file and submit with BAC report to CFO</p>							

Decision Point	Deliverable	The position / person or committee assigned the responsibility for approving, accepting or capture a deliverable	Key action	AP	Sub	R	AC	Con	Impl	Inf
D44	Administer & Monitor contract (PG 8) -In terms of The Contract	<p>Administer and monitor the contract. Minimum Requirements for PG 8: Finance department to:</p> <ol style="list-style-type: none"> 1) Capture contract award data. 2) Manage cash flow projection. 3) Administer contract in accordance with the terms and provisions of the contract. <p>Delivery department should ensure compliance with contractual requirements.</p> <p>PG 8 IS COMPLETE WHEN A DELEGATED PERSON CAPTURES THE CONTRACT COMPLETION/TERMINATION DATA (CLOSE OUT REPORTS AND RELEVANT DOCUMENTS), INCLUDING PAYMENT CERTIFICATES DUE.</p>	<p>1) Signed Contract between Contracting Authority and Contractor for Works or Professional Service provided and administer the contract</p> <p>2) Compliance reporting</p> <p>3) Gate review by internal audit</p> <p>4) Independent individual to oversight review to determine whether key matters are achieved</p>							
		<p>8A</p> <ol style="list-style-type: none"> 1) Upload data in financial management and payment system 2) Obtain approval to waive penalties or low-performance damages. 	<p>1) Verify data and upload contractor's particulars and data associated with the contract.</p>							
		<p>8B</p> <p>Obtain approval to notify and refer a dispute to an adjudicator</p>	<p>1) Grant permission for the referral of a dispute to an adjudicator or final settlement to an arbitrator or court of law.</p>							

Decision Point	Deliverable	The position / person or committee assigned the responsibility for approving, accepting or capture a deliverable	Key action	AP	Sub	R	AC	Con	Impl	Inf
		8C Obtain approval to increase the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at the award of a contract up to a specified percentage. NB Contingencies kept out of contract, held at the programme	1) Approve amount of time and cost overruns up to the threshold 2) Reports by the PMU manager 3) Early warning measures to be in place 4) Approve waiver of penalties or low-performance damages. Progressive application a) ≤ 0%- 2,5% b) 2,5 to 5% c) >5% NB Contingencies kept out of contract, held at the programme							
		8D Obtain approval to exceed the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at the award of a contract by more than 20% and 30%, respectively	1) Approve amount of time and cost overruns above the threshold (20%) a) Time threshold = 30% b) Amount threshold = 20%							
		8E Obtain approval to cancel or terminate a contract	1) Approve amount 2) Report to terminate 3) Status quo progress report depending on the form of contract							

Decision Point	Deliverable	The position / person or committee assigned the responsibility for approving, accepting or capture a deliverable	Key action	AP	Sub	R	AC	Con	Impl	Inf
		8F Obtain approval to amend a contract time and cost by more than 20% and 30%, respectively	1) Approve proposed amendment to contract. 2) Recommend (if not delegated) or if delegated, manage, if any, ceding and transfer options							