UMZUMBE LOCAL MUNICIPALITY

SUPPLY CHAIN MANAGEMENT

POLICY

Last Review JUNE 2025

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

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APPENDICIES

A. CODE OF CONDUCT FOR SUPPLY CHAIN MANAGEMENT

Definitions

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

"competitive bidding process" means a competitive bidding process referred to in paragraph 12 (1) (d) of this policy;

"Bid" means a written offer, in the form determined by instruction, in response to an invitation for the procurement of goods or services or other form of procurement through a price quotation, a competitive bidding process, a limited bidding process or any other method envisaged in the Act;

"**Bidder "**means any person/enterprise which has submitted a Bid;

"competitive bid" means a bid in terms of a competitive bidding process;

"Disability" means in respect of a person, a permanent means, a permanent impairment of a physical, intellectual, or sensory function, which results in restricted, or lack of, ability to perform an activity in the manner, or within the range, considered normal for a human being;

"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;

"Highest acceptable tender" means a tender that complies with all specifications and conditions of tender and that has the highest price compared to other tenders;

"in the service of the state" means to be –

(a) a member of –

(i) any municipal council;

(ii) any provincial legislature; or

(iii) the National Assembly or the National Council of Provinces;

(b) a member of the board of directors of any municipal entity;

(c) an official of any municipality or municipal entity;

(d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999);

(e) a member of the accounting authority of any national or provincial public entity; or

(f) an employee of Parliament or a provincial legislature;

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

“lowest acceptable tender” means a tender that complies with all specifications and conditions of tender and that has the lowest price compared to other tenders;

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

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

(a) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000); and its Preferential Procurement Regulations of 2022.

(b) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003);

(c) the Construction Industry Development Board Act, 2000 (Act No.38 of 2000); and

(d) The Constitution of the Republic of South Africa, Act. No. 108 of 1996.

“Price” means an amount of money tendered for goods or services, and includes all applicable taxes less all unconditional discounts;

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

“Regulation” means the Local Government: Municipal Supply Chain Management Regulations;

“SMMEs” means small business; as defined in section 1 of the National Small Business Act, 1996 (Act No 102 of 1996) a separate and distinct business entity, including co-operative enterprises and non-governmental organizations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub sector of the economy mentioned in Colum 1 of the Schedule and which can be classified as a micro-, a very small, a small or a medium enterprise by satisfying the criteria 40 mentioned in columns 3; 4 and 5 of the schedule opposite the smallest relevant size or class as mentioned in column 2 of the schedule;

“Tender” means a written offer in the form determined by an organ of state in response to an invitation to provide goods or services through price quotations, competitive tendering process or any other method envisage in legislation;

“Tender for income-generating contracts” means a written offer in the form determined by an organ of state in response to an invitation for the origination of income-generating contracts through any method envisage in legislation that will result in a legal agreement between the organ of state and a third party that produces revenue for the organ of state, and includes, but is not limited to, leasing and disposal of assets and concession contracts, excluding direct sales and disposal of assets through public auctions;

“Youth” means persons between the ages of 14 and 35 as the National Youth Development Agency Act, Act No, 54 of 2008 defines.

“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);

"written or verbal quotations" means quotations referred to in paragraph 12(1)(b) of this policy.

CHAPTER 1

ESTABLISHMENT AND IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

Supply chain management policy

2. (1) The Umzumbe Municipality resolves in terms of section 111 of the Act to have and implement a supply chain management policy 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 regulatory framework prescribed in Chapter 2 of the Regulations; and

(ii) any minimum norms and standards that must be prescribed in terms of section 168 of the Act;

(d) is consistent with other applicable legislation;

(e) does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and

(f) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.

(2) The municipality must not act otherwise than in accordance with this supply chain management policy when –

(a) procuring goods or services;

(b) disposing of goods no longer needed;

(c) selecting contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or

(d) in the case of a municipality, selecting 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) Subparagraphs (1) and (2) of this policy do not apply in the circumstances described in section 110 (2) of the Act except where specifically provided otherwise in this policy.

Adoption and 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 a draft policy to the council that differs from the model policy, the accounting officer must ensure that such draft policy complies with the Regulations. The accounting officer must report any deviation from the model policy to the National Treasury and the KZN 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) The accounting officer of a municipality must in terms of section

62(1)(f)(iv) of the Act, take all reasonable steps to ensure that the municipality has and implements this supply chain management policy.

(5) By adopting this policy, the council further pledges itself and the municipal administration, to the full support of the Proudly SA campaign and to the observance of all applicable national legislation, including specifically the:

- Preferential Procurement Policy Framework Act No,2000: Preferential Procurement Regulation of 2022
- Constitution of the Republic of South Africa, Act 108 of 1996
- Promotion of Access to Act 2 of 2000
- Promotion of Administrative Justice Act 3 of 200
- The Prevention of Corrupt Activities Act No. 12 of 2004
- Municipal Finance Management Act No. 56 of 2003, including the regulations relating to the prescribed framework for supply chain management.
- Where applicable the council also pledges itself to observe the requirements of the Construction Industry Development Board Act No. 38 of 2000 and regulations and
- National Small Business Act of 1996.

Delegation of supply chain management powers and duties

4. (1) The council hereby delegates such additional powers and duties to the accounting officer so as to enable the accounting officer –

(a) to discharge the supply chain management responsibilities conferred on accounting officers in terms of – (i) Chapter 8 of the Act; and

(ii) the supply chain management policy;

(b) to maximize administrative and operational efficiency in the implementation of the supply chain management policy;

(c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favoritism and unfair and irregular practices in the implementation of the supply chain management 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 of the Act apply to the sub-delegation of powers and duties delegated to an accounting officer in terms of subparagraph (1) of this policy.

(3) The council or accounting officer must not delegate or subdelegate any supply chain management powers or duties to a person who is not an official of the municipality or to a committee which is not exclusively composed of officials of the municipality unless the exemption provisions published on the 5 May 2020 in Government Gazette No. 43281, on MSCM Regulation 4(3) and 29(2) is applied.

(4) This paragraph must 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 must in terms of section 79 of the Act subdelegate 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) and paragraph 4 of this policy.

(2) The power to make a final award –

(a) above R10 million (Including all applicable taxes) must not be subdelegated by the accounting officer.

(b) not exceeding R2 million (Including all applicable taxes) may be subdelegated but only to–

(i) a Bid Adjudication Committee of which the Chief Financial Officer or a senior manager in Finance Department is a chairperson.

(3) Bid adjudication committee to which the power to make final awards has been subdelegated in accordance with subparagraph (2) of this policy must within five days of the end of each month submit to the official referred to in subparagraph (4) of this policy 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) of this policy must be submitted –

(a) to the accounting officer, in the case of an award by –

(i) a bid adjudication committee of which the chief financial officer or a senior manager is a member; or

(b) to the chief financial officer or the senior manager responsible for the relevant bid, in the case of an award by –

(i) a bid adjudication committee of which the chief financial officer or a senior manager is not a member.

(5) Subparagraphs (3) and (4) of this policy do not apply to procurements out of petty cash.

(6) This paragraph must not be interpreted as permitting an official to whom the power to make final awards has been subdelegated, 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 must be delegated to an advisor or consultant.

Oversight role of council

6. (1) The council must maintain oversight over the implementation of this supply chain management policy.

(2) For the purposes of such oversight the accounting officer must – (a) (i) within 30 days of the end of each financial year, submit a report on the implementation of the supply chain management policy of the municipality and of any municipal entity under its sole or shared control, to the council of the municipality,

(3) The accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the mayor.

(4) The reports must be made public in accordance with section 21A of the Municipal Systems Act.

Supply chain management unit

7. (1) The accounting officer must establish a supply chain management unit to implement this supply chain management policy.

(2) The supply chain management unit must, where possible, operate 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 the supply chain management policy should be in accordance with any Treasury guidelines on supply chain management training.

CHAPTER 2 FRAMEWORK FOR SUPPLY CHAIN MANAGEMENT

Format of supply chain management

9. This supply chain management 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. The accounting officer must establish, through operational procedures, an effective system of demand management in order to ensure that the resources required to support the strategic and operational commitments are delivered at the correct time, at the right price and at the right location, and that the quantity and quality satisfy the needs.

1.The demand Management Process

- Understanding future needs
- Identifying critical delivery dates
- Frequency of the need
- Linking the requirements to the budget
- Undertake an expenditure analysis (based on past expenditure)
- Undertake a commodity analysis (checking for alternatives)

- Undertake a market / industry analysis.
- Provide regular feedback to and from the role-players.

This is the cross-functional exercise that brings the supply chain officer closer to the end user and ensuring that value for money is achieved.

Demand management should compile the annual procurement plan of the municipality and submit a approved copy to KZN PT, SCMU on or before 30 June annually. Quarterly reports on progress made with the implementation there off to be submitted quarterly on date provided to KZN PT SCMU.

Part 2: Acquisition management System of acquisition management

11. (1) The accounting officer must establish, though operational procedures, an effective system of acquisition management in order to ensure.

(a) that goods and services are procured by the municipality or municipal in accordance with authorized processes only.

(b) that expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Act;

(c) that the threshold values for the different procurement processes are complied with;

(d) that bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation; and

(e) that any Treasury guidelines on acquisition management are properly taken into account.

(2) This supply chain management policy, except were provided otherwise in the policy, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including –

(a) water from the Department of Water Affairs or a public entity, another municipality, or a municipal entity; and

(b) electricity from Eskom or another public entity, another municipality, or a municipal entity.

(3) The following information must be made public wherever goods or services contemplated in section 110(2) of the Act are procured other than through the supply chain management system –

(a) the kind of goods or services; and

(b) the name of the supplier.

(12) Range of procurement processes:

Structure of Approval

GOODS / SERVICES VALUE	PROCUREMENT METHOD	APPROVAL AUTHORITY
R0 – R2000	**PETTY CASH**	**EXPENDITURE MANAGER/CFO**
R2001 – R30 000	**THREE QUOTATIONS**	**MANAGER SUPPLY CHAIN**
R30 001 – R300 000	**THREE QUOTATIONS**	**CFO**
R300 001 – R2 000 000	**COMPETITIVE BIDDING**	**Bid adjudication committee**
R2 000 001 and above	**COMPETITIVE BIDDING**	**MM subject to the recommendations of the Bid adjudication committee**

1. (i) If quotations are over R30 000.00 (all applicable taxes included) it must be requested from suppliers on the Central Supplier Database and concurrently be advertised on the website and municipality's' notice boards. All relevant MBD documents need to be filled in by the companies that are quoting.

(iii) the terms of reference for quotations over 30,000. 00 (all applicable taxes included) must be approved by the departmental Executive Manager prior to submission to Supply Chain Management.

(iv) The project manager to include the project timeframe or expected delivery date on the terms of reference as they may vary for different projects.

(v) The Accounting Officer must authorize that closed Quotation between R 30 000 to R300 000 to be opened in Public and the following documents to be included.

2. APPOINTMENT OF SERVICE PROVIDERS

- The Accounting officer must make sure that a company which has been proven with substantial evidence that they had been poor in performance on the previous or current projects engaged with Umzumbe Local Municipality, shall not be recommended for another appointment provided that the company or supplier was notified of their poor performance in writing and afforded an opportunity to respond to the allegation/s.
- All the recommendation letters must be co-signed by the SCM before signed off by the MM.
- Service providers who found that they have submitted fraudulent documentation during tenders' processes should be automatically disqualified from the processes and restricted for a period of three years in bidding to Umzumbe Local Municipality.

(3) **Procurement and Payment Procedure**

All procurement must be finalized through price and preference unless petty cash or verbal quotation process is used.

The procurement of goods and services through this policy is provided by way of –

(a) petty cash purchases, up to a transaction value of R2 000 (Including all applicable taxes) – Manager or Executive Manager;

(b) 3 formal written price quotations for procurements of a transaction value over R2 000 up to R30 000 (Including all applicable taxes) – Manager Supply Chain.

(c) 3 formal written price quotations for procurement of a transaction value over R30 000 up to R300 000 (Including all applicable taxes) – it must be requested from suppliers on the database and concurrently be advertised on the website and municipality's notice boards.

(d) a competitive bidding process for–

(i) procurements above a transaction value of R300 000 (Including all applicable taxes); and

(ii) the procurement of long-term contracts – MM subject to the recommendation of the bid adjudication committee.

(2) The accounting officer must, in writing; - lower, but not increase, the different threshold values specified in subparagraph

(1); or (b) direct that –

(i) written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2 000;

(ii) formal written price quotations be obtained for any specific procurement of a transaction value lower than R10 000; or

(iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than R300 000.

(3) Goods or services will not 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 be treated and dealt with as a single transaction.

(4) All intended expenditure transactions shall be motivated for approval by the MM in the municipal reporting format subject to compliance with the other requirements of the supply chain management policy.

(5) No Competitive bidding shall be utilized for the following good or services:

(a) Goods or services sourced from a manufacturer or manufacturing agency while it still under warranty or signed binding agreement to comply with. e.g., vehicles, plant services, equipment's, and software renewal licenses.

(b) Transversal contracts by KZN Provincial Treasury or National Treasury

General preconditions for consideration of written quotations or bids

13. A written quotation or bid must not be considered unless the provider who submitted the quotation or bid –

(a) has furnished that provider's –

(i) full name;

(ii) identification number or company or other registration number; and

(iii) tax reference number, and SARS PIN number, CSD verification number and VAT registration number, if any;

(b) 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.

(d) A written quotation or bid must be rejected–

(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) if 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) if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract.

(f) (i) if 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) (i) if that bidder or any of its directors has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system; (ii) if the bidder or any of its directors has been convicted for fraud or corruption during the past five years;

(iii) has willfully neglected, reneged on, or failed to comply with any government, municipal or other public sector contract during the past five years; or

(iv) has been listed in the Register for Tender Defaulters In terms section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).

(v) has been listed on the National Treasury's database of Restricted Service Providers – provided that the company or persons listed were informed in writing of this restriction by the Accounting Officer of the institution that imposed the restriction after audi alteram partem rule was applied

Lists of accredited prospective providers

14. (1) The accounting officer must –

(a) for the prospective providers of goods and services use Central Supplier Database (CSD) that was established by National Treasury that will serve as the source of all supplier information for all spheres of government which must be used for the procurement requirements of the written or verbal quotations and formal written price quotations

14.1.1 Mandatory listing criteria as contemplated in paragraph 14.1. c) are as follows:

14.1.2 CSD supplier database number.

14.1.3 CIDB registration for Construction Companies.

14.1.4 Valid Business license for catering service providers.
14.1.5 Valid Letter from health department for catering service providers.

14.1.6 Fax number and/or e-mail address.

14.1.7 Certificate of approval from the Local Municipality if business operates from a residential property.

14.1.8 Completed, original declaration of interest forms.

14.1.9 Completed, original declaration of the tenderers past supply chain management practices forms.

14.1.10 The banking details will be relied on as reflected on the Central supplier database (CSD)

Failure to provide SARS tax reference number and pin, and/or CSD security code will disqualify the tender

Petty cash purchases

15. The accounting officer must establish the conditions for the procurement of goods by means of petty cash purchases referred to in paragraph 12 (1) (a) of this policy, which must include conditions –

(a) determining the terms on which a manager must delegate responsibility for petty cash to an official reporting to the manager;

(b) limiting the number of petty cash purchases or the maximum amounts per month for each manager;

(c) excluding any types of expenditure from petty cash purchases, where this is considered necessary; and

(d) requiring monthly reconciliation reports Petty cash officer 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.

Written or verbal quotations

16. The accounting officer must establish the conditions for the procurement of goods or services through written or verbal quotations, which must include conditions stating – (a) that quotations must be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the list of Central Supplier Database , if quotations are obtained from providers who are not listed, such providers must meet the listing criteria in the supply chain management policy required by 14(1)(b) and (c) of this policy;

(b) that, to the extent feasible, providers must be requested to submit such quotations in writing;

(d) that if it is not possible to obtain at least three quotations, the reasons must be recorded and reported quarterly to the accounting officer, or another official designated by the accounting officer;

(e) that the accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices; and

(f) that if a quotation was submitted verbally, the order must be placed only against written confirmation by the selected provider.

Formal written price quotations

17. (1) The accounting officer must establish the conditions for the procurement of goods or services through formal written price quotations, which must include conditions stating – (a) that quotations must be obtained in writing from at least three different providers whose names appear on the Central Supplier Database (b) that quotations must be obtained from providers who are not listed, provided that such providers meet the listing criteria in the supply chain management policy required by paragraph 14(1)(b) and (c); (c) that if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the chief financial officer or an official designated by the chief financial officer, and

(d) that the accounting officer must record the names of the potential providers and their written quotations.

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

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

18. The accounting officer must determine the operational procedure for the procurement of goods or services through written or verbal quotations or formal written price quotations, which must stipulate –

(a) that all requirements in excess of R30, 000 (Including all applicable taxes) 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 or municipal entity;

(b) that when using the list of Central Supplier Database, the accounting officer must promote ongoing competition amongst providers, including by inviting providers to submit quotations on a rotation basis;

(c) that the accounting officer must take all reasonable steps to ensure that the procurement of goods and services through written or verbal quotations or formal written price quotations is not abused;

(d) that 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, and; (e) requirements for proper record keeping.

 Competitive bidding process

19. (1) Goods or services above a transaction value of R300 000 (Including all applicable taxes) and long-term contracts must only be procured through a competitive bidding process, subject to paragraph 11(2) of this policy; and

(2) No requirement for goods or services above an estimated transaction value of R300 000 (Including all applicable taxes), must 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 accounting officer must establish procedures for a competitive bidding process for each of the following stages:

(a) the compilation of bidding documentation (see 21);

(b) the public invitation of bids (see 22);

(c) site meetings or briefing sessions, if applicable;

(d) the handling of bids submitted in response to public invitation (see 23);

(e) the evaluation of bids;

(f) the award of contracts;

(g) the administration of contracts; and (h) proper record keeping.

Bid documentation for competitive bids

21. The accounting officer must establish the criteria to which bid documentation for a competitive bidding process must comply, which in addition to paragraph 13 of this policy, the bid documentation must – (a) take into account –

(i) the general conditions of contract;

(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 evaluation and adjudication criteria, including any criteria required by other applicable legislation;

(c) compel bidders to declare any conflict of interest they must have in the transaction for which the bid is submitted;

(d) if the value of the transaction is expected to exceed R10 million (Including all applicable taxes), require bidders to furnish–

(i) if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements –

(aa) for the past three years; or

(bb) since their establishment if established during the past three years;

(ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;

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

(iv) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic; and

(e) verification by chief financial officer prior to advertisement of bids if transaction value is expected to exceed 10 million

- The following information must be submitted by the senior manager responsible for the Vote to the CFO **prior** to the public advertisement of any bids in excess of R10 million (all applicable taxes included): (i) Proof that budgetary provision exists for procurement of the goods, services and/or infrastructure projects;

  (ii) Any ancillary budgetary implications related to the bid, for example, if the project is for the acquisition of a municipal asset, does budgetary provision exist for the operation of the asset, maintenance costs relating to the asset, administration costs and rehabilitation/renewal costs; (iii) Any multi-year budgetary implications, for example, if a project will take more than one financial year, the estimated expenditure per financial year.

Goods, services and/or infrastructure projects above the value of R10 million (all applicable taxes included) may only be advertised after the CFO has verified in writing that budgetary provision exists for the commencement of the particular project.
Requirements may not be deliberately split into parts or items of lesser value merely to avoid the information being submitted.

(f) Verification from the Chief Financial Officer prior to the award of contracts above the value of R10 million

(i) Contracts above the value of R10 million (all applicable taxes included) may only be awarded to the preferred bidder after the Chief Financial Officer has verified in writing that budgetary provision exists for the acquisition of the goods, infrastructure projects and/or services and that it is consistent with the Integrated Development Plan.

(g) Confirmation of bidding process for bids in excess of 10 million (all applicable taxes included)

(ii) During competitive bidding and adjudication processes or before the award of a contract, the accounting officer may, at his or her discretion, specifically request the internal audit function to carry out audit procedures and provide an opinion on compliance of the bidding process with the Municipal Supply Chain Management Regulations.

(g) Requirements may not be deliberately split into parts or items of lesser value merely to avoid the information being submitted.

(h) 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.

Public invitation for competitive bids

22. The accounting officer must determine the procedure for the invitation of competitive bids, which must stipulate that:

(1) (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 must include an advertisement on the e-Tender portal and on i-tender portal of CIDB);

(b) the information contained in a public advertisement, must include – (i) the closure date for the submission of bids, which must not be less than 30 days in the case of transactions over R10 million (Including all applicable taxes), 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; and (ii) a statement that bids must only be submitted on the bid documentation provided by the municipality.

(iii) All the extensions and cancellations of tenders must be advertised on the Municipal website and on Etender portal.

(2) The accounting officer must 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.

Procedure for handling, opening, and recording of bids

23. The accounting officer must determine the procedures for the handling, opening, and recording of bids, which must stipulate that:

(a) Bids–

(i) must be opened only in public; and

(ii) must be opened at the same time and as soon as possible after the period for the submission of bids has expired;

(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; and

(c) 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.

Negotiations with preferred bidders

24. (1) The accounting officer must 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 must be undesirable to prepare complete detailed technical specifications; or
(c) long term projects with a duration period exceeding three years.

(2) In the first stage technical proposals on conceptual design or performance specifications should be invited, subject to technical as well as commercial clarifications and adjustments.

(3) In the second stage final technical proposals and priced bids should be invited.

Committee system for competitive bids

26. (1) The accounting officer is required to –

(a) establish a committee system for competitive bids consisting of at least – (i) a bid specification committee.
(ii) a bid evaluation committee; and
(iii) a bid adjudication committee of which a member of either the bid specification or bid evaluation committee must be an advisor;
(b) appoint the members of each committee in writing for a specific period of time, taking into account section 117 of the Act; and a secundi can be appointed if a member is unavailable for a period of time.
(c) provide for an attendance or oversight process by a neutral or independent observer, appointed by the accounting officer, when this is appropriate for ensuring fairness and promoting transparency.

(2) The committee system must be consistent with –

(a) paragraph 27, 28 and 29 of this policy; and (b) any other applicable legislation.

(c) all bid committees shall be formally constituted by the municipal manager. (d) a formal agenda shall be prepared for each committee meeting and distributed to the members before the meeting.

Bid specification committees

27. (1) The bid specification committee must compile the specifications for each procurement of goods or services by the municipality or municipal entity.

(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) where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;

(d) must 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) must not make reference to any particular trademark, name, patent, design, type, specific origin, or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the words "equivalent";

(f) must indicate each specific goal for which points must be awarded in terms of the points system set out in the Preferential Procurement Regulations 2022;

i) the points allocated per goals must be indicated and proof must be required from suppliers claiming for specific goals

ii) the MBD 6.1 paragraph 4.2 must be completed.

(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) The bid specification committee must be composed of one or more officials of the municipality, preferably the manager responsible for the function involved, and must, 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, must bid for any resulting contracts.

Bid evaluation committees

28. (1) The bid evaluation committee must – (a) evaluate bids in accordance with –

(i) the specifications for a specific procurement; and

(i) the points system set out in terms of paragraph 27(2)(f).

(b) evaluate each bidder's ability to execute the contract;

(c) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears, and;

(d) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.

2. A bid evaluation committee must as far as possible be composed of-

(a) officials from departments requiring the goods or services; and

(b) at least one supply chain management practitioner of the Municipality

Bid adjudication committees

29. (1) The bid adjudication committee must –

(a) be a standing committee;

(b) consider the report and recommendations of the bid evaluation committee; and
(c) 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) The bid adjudication committee must consist of at least four senior managers of the municipality or municipal entity which must include –

(i) 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

(ii) at least one senior supply chain management practitioner who is an official of the municipality; and

(iii) 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, must 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 and reject any bid from a bidder if any municipal rates and taxes and municipal service charges owed by that bidder or any of its directors to the Municipality or any other municipality or municipal entity, are in arrears for more than three months, and;

(ii) notify the accounting officer.

(b) The accounting officer must –

(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 that committee for reconsideration.

(6) The accounting officer must 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.

Tenders to be evaluated on functionality

9.(1) An organ of state 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 criterion 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 jeopardize 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.

Cancellation of tender

10. (1) An organ of state 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 way the original tender invitation was advertised

Criteria for breaking deadlock in scoring

11(1) 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.

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

Remedies

12 (1) If the Municipality is of the view that a tenderer submitted false information for the purpose of evaluation, the Municipality 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.

2. After considering the representations referred to in sub regulation (1)*(b)*, the organ of state 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. The National Treasury may issue

(a) a circular to inform organs of state of any matter pertaining to these Regulations in accordance with section 168 of the Municipal Finance Management Act No. 56 of 2003 or

(b) a guideline to assist organs of state with the implementation of any provision of these Regulations.

Procurement of banking services

30. (1) Banking services –

(a) must be procured through competitive bids.

(b) must be consistent with section 7 of the Act; and

(c) must 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 must not be less than 60 days from the date on which the advertisement is placed in a newspaper in terms of paragraph 22

(4) 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 must 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 (Including all applicable taxes); or

(b) the transaction value of a contract to be procured whether for one or more years exceeds R50 million (Including all applicable taxes).

(4) If SITA comments on the submission and the municipality disagree with such comments, the comments, and the reasons for rejecting or not following such comments must be submitted to the council, the National Treasury, KZN Provincial Treasury, and the Auditor General.

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- This means that the municipality that intends to use a contract secured by another organ of state must verify and satisfy itself that the contract was procured through a procurement process that was fair, equitable, transparent, competitive and cost effective consistent with the public sector procurement principles set out in section 217 of the Constitution.;

(b) the municipality has no reason to believe that such contract was not validly procured;

(c) there are demonstrable discounts or benefits for the municipality to do so; and

(d) that other organ of state and the provider have consented to such procurement in writing.

(2) Subparagraph (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.

3) Before a municipality decides to become a participant in a contract secured by another organ of state, it must, as part of demand management, conduct a detailed analysis of the goods or services required. When procuring infrastructure, the municipality must also compare for example its topography or other features, to that of the other organ of state in order to ensure that the service provider will be able to deliver at an acceptable standard.

4) the municipality must obtain copies of the bid advertisements, bid documents, minutes of evaluation and adjudication committee meetings, and any other relevant documents relating to the contract to review whether the other organ of state complied with applicable legislation and policies when it procured the contract.

5) The bid adjudication committee and the internal audit unit of the municipality that is requesting to procure under the contract secured by the other organ of state must review the obtained documentation from the organ of state, to certify that a competitive bidding process and due process was followed by the other organ of state in concluding the contract.

6) There must be demonstrable discounts or benefits for the municipality to procure goods or services under a contract procured by another organ of state

   (a) The municipality must assess the contract terms such as, unit of issue or type of service; delivery lead times and prices; length of contract in line with required goods or service; and undertake comparative research to determine if this form of procurement is more advantageous than advertising a competitive bid. This must include the determination of a reasonable price for the required goods or services; taking into consideration that the requesting municipality can only utilise the remaining portion of the contract that has not been utilised by the original contracting organ of state and not create an additional contract.

7) The accounting officer requesting to participate must first obtain written consent from the other organ of state as well as confirmation of the supplier's contractual performance. Once the accounting officer requesting for participation has obtained consent to procure under the contract and confirmation of the supplier's performance from the other organ of state; and has performed all internal due diligence checks, including ensuring compliance with the salient points listed below, may the accounting officer solicit the service provider's written consent.

Failure to obtain this written consent by the accounting officer requesting to procure under the contract secured by another organ of state will be construed as non-compliance with the regulations and associated expenditure being irregular expenditure.

8) The application of regulation 32 in a procurement process effectively means that the accounting officer of the original contracting organ of state is willing to forfeit a portion of its contract that has not already been utilised to the accounting officer who is requesting to procure under that contract. It may also mean that the accounting officer may no longer procure goods or services from that contract anymore as the balance of the contract would have been allocated to the municipality that is requesting to procure under that contract. The accounting officer of the original contracting organ of state undertakes such decision with the knowledge that the original contracting organ of state no longer requires the remaining portion of that contract. The accounting officer of the original contracting organ of state must notify the accounting officer of the municipality that is procuring under the original contract of all changes to the contract.

9) Panel of consultants/list of approved service providers and framework agreements

Municipalities must not participate on a panel secured by another organ of state as a panel of consultants or a list of service providers or a panel of approved service providers is not a contract. Municipalities may only participate on framework agreements arranged by organs of state, for example, State Information Technology Agency (SITA), the KZN Provincial Treasury; that are empowered by legislation to arrange such on behalf of other organs of state.

10) Reporting

The accounting officer of the participating municipality must utilise the process of reporting as contained in SCM regulation 6, to also include any procurement through SCM regulation 32. The treasuries may request further information in terms of section 74 of the MFMA.

The participating accounting officer must also publish the details of the participation contract award on the municipality official website in line with section 75 of the MFMA.

Procurement of goods necessitating special safety arrangements

33. (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.

Proudly SA Campaign

34. The accounting officer must determine internal operating procedures supporting the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from:

- Firstly –suppliers and businesses within the municipality or district.
- Secondly – suppliers and businesses within the relevant province.
- Thirdly – suppliers and businesses within the Republic of South Africa

Appointment of consultants

35. (1 The accounting officer must procure consulting services provided that any Treasury guidelines which are BBBE Act, No. 53 of 2003, PPPF Act, No. 5 of 2000, CIDB Act, No. 38 of 2000, Municipal Finance Management Act, No. 56 of 2003 and Small Business Act 102 of 1996 in respect to procuring consulting services are taken into account.

(2) Consultancy services must be procured through competitive bids if–

(a) the value of the contract exceeds R300 000 (Including all applicable taxes); or (b) the duration period of the contract exceeds one year.

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

(a) all consultancy services provided to an organ of state in the last five years; and

(b) any similar consultancy services provided to an organ of state in the last five years.

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

(5) Accounting Officers must only contract with consultants after a gap analysis report has confirmed that the municipality does not have the requisite skills or resources in its permanent employment to perform the services required and must ensure that:

(6) Evidence of acute planning of the project must be visible to all relevant persons including the administration and political oversight mechanisms in place at the municipality.

(7) Consultants, including construction and infrastructure related services, must only be remunerated at the rates equal to or below those:

a) Determined in the "Guidelines on fees for audits done on behalf of the Auditor-General South Africa", issued by the South African Institute of Chartered Accountants (SAICA);

b) Set out in the “Guide on Hourly Fee Rates for Consultants”, by the Department of Public Service and Administration (DPSA); or

c) Prescribed by the body regulating the profession of the consultant.

(8) Ensure an exacting “specification” of the work to be accomplished accompanies the tender and is used as a monitoring tool, are appropriately recorded, and monitored.

(9) Ensure that contracts for consultants include retention and penalty clauses for poor performance and in this regard against the above specification, accounting officers must invoke such clauses, where deemed necessary.

(10) It is mandatory that accounting officers of municipalities conclude on the best “value for money”, i.e., matching fees against quality and against benchmarked practices.

(11) Accounting officers of municipalities must appoint consultants on a time and cost basis with specific start and end dates.

(12) Travel and subsistence costs for the appointment of consultants must be in accordance with the travel policy of government and the contract price specifies all travel & subsistence costs.

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

36. (1) The accounting officer may –

(a) dispense with the official procurement processes established by this policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –

(i) in an emergency;

(ii) if such goods or services are produced or available from a single provider only;

(iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;

(iv) acquisition of animals for zoos and/or nature and game reserves; or (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and

(b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

(2) The accounting officer must record the reasons for any deviations in terms of subparagraphs (1)(a) and (b) of this policy and report them to the next meeting of the council and include as a note to the annual financial statements.

(3) Subparagraph (2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of this policy.

Unsolicited bids

37. (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 must decide in terms of section 113(2) of the Act to consider an unsolicited bid, only if –

(a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;

(b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages;

(c) the person who made the bid is the sole provider of the product or service; and (d) the reasons for not going through the normal bidding processes are found to be sound by the accounting officer.

(3) If the accounting officer decides to consider an unsolicited bid that complies with subparagraph (2) of this policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with –

(a) reasons as to why the bid should not be open to other competitors; (b) an explanation of the potential benefits if the unsolicited bid were accepted; and

(c) an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.

(4) All written comments received pursuant to subparagraph (3), including any responses from the unsolicited bidder, must be submitted to the National Treasury and the KZN Provincial Treasury for comment.

(5) The adjudication committee must consider the unsolicited bid and must 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 KZN Provincial Treasury.

(8) If any recommendations of the National Treasury or KZN Provincial Treasury are rejected or not followed, the accounting officer must submit to the Auditor General, the KZN 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 must be entered into or signed within 30 days of the submission.

Combating of abuse of supply chain management system

38. The accounting officer must establish measures for the combating of abuse of the supply chain management system, which must stipulate the following:

(1) The accounting officer must–

(a) take all reasonable steps to prevent abuse of the supply chain management system;

(b) investigate any allegations against an official or other role player of fraud, corruption, favoritism, unfair or irregular practices or failure to comply with this supply chain management 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; (iii) has willfully neglected, reneged on or failed to comply with any government, municipal or another public sector contract during the past five years; or

(iv) has been listed in the Register for Tender Defaulters In terms 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 KZN 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 an effective system of logistics management in order to provide for the setting of inventory levels, placing of orders, receiving and distribution of goods, stores and warehouse management, expediting orders, transport management, vendor performance, maintenance and contract administration.

The Logistics Management Process

For stock or inventory items the following functions will amongst other functions performed:

- Coding of items

- Setting of inventory levels
- Placing of orders
- Receiving and distribution of the material
- Stores Management and
- Transport Management
- ABC Classification

Disposal management

40. (1) The accounting officer must establish an effective system of disposal management for the disposal or letting of assets, including unserviceable, redundant, or obsolete assets, subject to Municipality Risk Management Policy and sections 14 of the Act, which must stipulate the following:

(2) The disposal of assets must–

(a) be by one of the following methods –

- (i) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;
- (ii) transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
- (iii) selling the asset; or
- (iv) destroying the asset;

(b) provided that –

- (i) immovable property must be sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
- (ii) movable assets must be sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;

(iii) in the case of the free disposal of computer equipment, the provincial department of education must first be approached to indicate within 30 days whether any of the local schools are interested in the equipment; and

(iv) in the case of the disposal of firearms, the National Conventional Arms Control Committee has approved any sale or donation of firearms to any person or institution within or outside the Republic;

(3) When using written price quotation or the tender process for income generating contract an organ of state must, in the tender documents, stipulate—

(a) the applicable preference point system for tenders for income generating contracts;

(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.

(4) If it is unclear whether the 80/20 or 90/10 preference point system applies, an organ of state 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.

(C) furthermore, ensure that –

i) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise; and

ii) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed; and

iii) ensure that where assets are traded in for other assets, the highest possible trade-in price is negotiated.

(5) The identification of assets to be disposed of must be that -

(a) the maintenance of the assets cost more than the return on the asset;

(b) the asset no longer adds value to the delivery of services;

(c) the asset does not comply with safety standards; The disposal Management Process

At this stage: refer to the Asset Management Policy.

Risk management

41. (1) The accounting officer must establish an effective system of risk management for the identification, consideration, and avoidance of potential risks in the supply chain management system.

(2) Risk management must include –

(a) the identification of risks on a case-by-case basis;

(b) the allocation of risks to the party best suited to manage such risks; (c) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;

(d) the management of risks in a pro-active manner and the provision of adequate cover for residual risks; and

(e) the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

Five Pillars of Procurement

1. Value for Money

The term "value for money" includes the monetary value as well as the quality and utilization of the procurement system to achieve government's policy objectives (see reg. Pertaining to PPPFA).

2. Open and Effective Competition

The pillar for public sector procurement requires the following:

(i) A framework of procurement laws, policies, practices, and procedures that is transparent, in other words they must be readily accessible to all parties.

(ii) Openness in the procurement process

(iii) Encourage of effective competition through procurement methods suited to market circumstances.

3. Ethics and fair dealings

All parties involved in procurement should comply with the following ethical standards:

(i) Deal with each other on a basis of mutual trust and respect

(ii) Conduct their business in a fair and reasonable manner and integrity.

4. Accountability and Reporting

This involves ensuring that individuals and organizations are accountable for the plans, actions, and outcomes. Openness and transparency in administration, by external scrutiny through public reporting, is an essential element of accountability.

5. Equity

The word equity in the context of the five pillars of public sector procurement means the application and observance of government policies that are designed to advance persons or categories of if it persons disadvantages by unfair discrimination. This fifth pillar is vital to public sector procurement in South Africa. It ensures that Government is committed to economic growth by implementing measures to support the industry in general. No public procurement system should be operated if is not founded on the pillars.

Risk management Process it is imperative

Performance management

42. The accounting officer must establish an effective internal monitoring system to determine, on the basis of a retrospective analysis, whether the authorized supply chain management processes were followed and whether the desired objectives were achieved

Here a monitoring process takes place, undertaking a retrospective analysis to determine whether the proper process is being followed and whether the desired objectives are achieved.

Some issues to be reviewed are:

- Achievements of goals
- Compliance of norms and standards
- Savings generated
- Stores efficiency
- Contract breach etc.
- Cost efficiency of procurement process (i.e.) the cost of the process itself)
- Whether the supply chain objectives are consistent with government's broader policy focus
- That the principles of co-operation governance as expounded in the constitution are observed

Part 4: Other matters

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

43. (1) The accounting officer must –

(a) ensure that, irrespective of the procurement process followed, no award should be made to a person whose tax matters have not been declared by the South African Revenue Service to be in order.

(b) verify the tax compliance status of a taxpayer on the SARS' e-Filing system using their Master Registration Number or tax compliance status PIN to enable the municipality to verify the bidder's tax compliance status.

(c) Where a supplier does not submit a tax compliance status PIN but provides a CSD number, the designated official should utilise the CSD number to access the supplier records and verify tax compliance status.

(1) The Municipality must verify the bidder's tax compliance status prior to the finalisation of the award of the bid or price quotation.

(2) Where the recommended bidder is not tax compliant the bidder should be notified of their noncompliant status and the bidder must be requested to submit to the municipality, within 7 working days to submit proof that their tax matters are in order with SARS or proof from SARS that they have made an arrangement to meet their outstanding tax obligations.

(3) 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.

(4) 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, and the municipality may re-award the tender.

Prohibition on awards to persons in the service of the state

44. (1) The accounting officer must ensure that irrespective of the procurement process followed, no award must be given to a person –

(a) who is in the service of the state; or
(b) if that person is not a natural person, of which any director, manager, principal shareholder, or stakeholder is a person in the service of the state; or

(c) a person who is an advisor or consultant contracted with the municipality or municipal entity.

(2) The accounting officer must

(a) utilize the MBD 4 form to verify the identity numbers of the directors / trustees / shareholders of the preferred bidder(s) against the municipality's staff establishment in order to determine whether or not any of the directors / trustees / shareholders are employees.

(b) review of all disclosures referred to in the previous paragraph during the bid evaluation process, if a bidder / director / trustee / shareholder declares that he / she is in the employ of the state, the municipality must not make any award to such bidder as this is prohibited in terms of the SCM regulations.

(3) Municipalities may not have access to all HR databases across government and entities to verify upfront whether a prospective bidder is in the service of the state as defined in the SCM Regulations. It is therefore understood that municipalities will not be able to verify this information but will rely on the content and disclosures made by bidders.

(4) Should it come to light that a false declaration was made by the bidder after the municipality had awarded the bid, the contract must be immediately suspended and payments made, recovered.

(5) False declarations by bidders can be viewed as a criminal offence and charges must be laid by the municipality with the South African Police Services for further investigation and details should be reported to Council at its next meeting and information contained in the Annual Report of the municipality.

(6) In the event that the Auditor-General detects irregular expenditure during the audit process as a result of possible false declarations and subsequent awards based on those declarations, the municipality will be informed of such irregular expenditure. The municipality will be required to rectify this matter by instituting the necessary remedial measures, by investigating the matter, recovering the funds spent, instituting disciplinary proceedings against those liable for such actions and possible criminal prosecution as may be appropriate.

(7) The accounting officer must also apply the remedial measures contained under “Termination for Default” in the General Conditions of Contract, the expenditure at this stage will not be classified as irregular expenditure.

(8) In the event that the same expenditure is detected in the following year's audit and the remedial measures referred to above were not instituted, the expenditure will then be classified as irregular expenditure.

(9) In addition to the above, accounting officers of a municipality must ensure that:

(a) the preferred bidders' tax matters are in order;

(b) the municipal rates and taxes or municipal charges owed by the preferred bidder or any of its directors to the municipality or municipal entity, or to any other municipality or municipal entity, are not in arrears for more than three months;

(c) the names of the preferred bidders and their directors / trustees / shareholders are not listed on the Register for Tender Defaulters and the Database of Restricted Suppliers.

(d) a process is conducted to determine whether the preferred bidders have the capability and ability to execute the contract.

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

45. The notes to the annual financial statements must 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. A code of ethical standards is hereby established, in accordance with subparagraph (1) for officials and other role players in the supply chain management system

In order to promote – (a) mutual trust and respect; and

(b) an environment where business can be conducted with integrity and in a fair and reasonable manner.

(2) An official or other role player involved in the implementation of the supply chain management policy –

(a) must treat all providers and potential providers equitably;

(b) must not use his or her position for private gain or to improperly benefit another person;

(c) must 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) notwithstanding subparagraph (2)(c), must declare to the accounting officer details of any reward, gift, favour, hospitality, or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;

(e) must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner, or associate, must have in any proposed procurement or disposal process of, or in any award of a contract by, the municipality prior to the bid adjudication;

(f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner, or associate, has any private or business interest;

(g) must be scrupulous in his or her use of property belonging to the municipality;

(h) must assist the accounting officer in combating fraud, corruption, favoritism, and unfair and irregular practices in the supply chain management system; and

(i) must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person must become aware of, including –

(i) any alleged fraud, corruption, favoritism

(ii) or unfair conduct;

(ii) any alleged contravention of paragraph 47(1) of this policy; or (iii) any alleged breach of this code of ethical standards.

(3) Declarations in terms of subparagraphs (2)(d) and (e) -

(a) must be recorded in a register which the accounting officer must keep for this purpose; (b) by the accounting officer must be made to the mayor of the municipality who must ensure that such declarations are recorded in the register.

(4) The National Treasury's code of conduct must also be taken into account by supply chain management practitioners and other role players involved in supply chain management.

(5) It is recommended that the municipality adopt the National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management. When adopted, such code of conduct becomes binding on all officials and other role players involved in the implementation of the supply chain management policy of the municipality or municipal entity.

(6) A breach of the code of conduct adopted by the municipality must be dealt with in accordance with schedule 2 of the Systems Act.

Inducements, rewards, gifts and favours 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 must either directly or through a representative or intermediary promise, offer or grant –

(a) any inducement or reward to the municipality for or in connection with the award of a contract; or

(b) any reward, gift, favour, or hospitality to –

(i) any official; or

(ii) any other role player involved in the implementation of the supply chain management policy.

(2) The accounting officer must promptly report any alleged contravention of 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 KZN 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. (1) Persons aggrieved by decisions or actions taken in the implementation of this supply chain management system, must lodge within 14 days of the decision or action,

(a) if the objection or complaint is against the procurement process, 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 or.

(b) if such complaint or objection is against the award of the bid, lodge a written appeal with the Municipal bid Appeals Tribunal in accordance with the provisions of paragraph 50A

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 disputes between the municipality and other persons 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 disputes, objections, complaints, or queries received; and (b) submit monthly reports to the accounting officer on all such objections, complaints received, attended to or resolved.

(4) If the independent and impartial person referred to in paragraph 50.1 is of the view that a matter which should be dealt with in terms of paragraph 50A, he or she shall forthwith refer the matter to the Municipal Bid Appeals Tribunal and that Tribunal shall hear and determine the matter in accordance with the provisions of paragraph 50A.

(5) 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

(6) If the KwaZulu Natal Provincial Treasury does not or cannot resolve the matter, the objection or complaint may be referred to the National Treasury for resolution.

Municipal Bid Appeals Tribunal

50A. (1) the council shall establish a Municipal Bid Appeals Tribunal for its area of jurisdiction to hear and determine an appeal against the award of a bid.

(2) the accounting officer of the municipality, in consultation with the KwaZulu Natal Provincial Treasury, shall appoint the Chairperson, Deputy Chairperson and Members of the Municipal Bid Appeals Tribunal

(3) the powers, duties and functions of the Municipal Bid Appeals Tribunal, and matters incidental thereto, are set out in the Rules which are appended to this Supply Chain Management and Marked appendix A

(4) the administrative and secretarial work involved in the performance and functions of the Municipal Bid Appeals Tribunal shall be performed by officers of the KwaZulu Natal Provincial Treasury as set out in the Rules referred to in paragraph 50A.3.

(5) There shall be no further appeal against a decision of the Municipal Bid Appeals Tribunal

Contracts providing for compensation based on turnover

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

ADVERTISEMENT OF BIDS ON THE e-TENDER PUBLICATION PORTAL

52. Accounting officers of municipalities and municipal entities are required to advertise all bids on the eTender Publication Portal as provided below.

All bids advertised on the eTender Publication Administrator must at least contain the following information:

- Bid description;
- Bid number;
- Name of Municipality;

- The physical location where the goods, services or works specified in the bid are required;
- The closing date and time of the bid;
- Municipality or entity's contact details (postal and physical address, telephone number, email address, etc.);
- The physical location where hard copies of bids can be collected;
- The physical location where bids should be delivered; and
- The bid documents (MBDs, Terms of Reference, GCC and any other relevant documents)

PUBLICATION OF NOTICES OF BID AWARDS AND CANCELLATIONS, ON THE eTENDER PUBLICATION PORTAL

53. Accounting officers of municipalities are required to publish the awards of all competitive bids on the eTender Publication Portal as mentioned below. Municipalities are required to publish the following information on successful bids 2 within seven (7) working days of awarding the bids:

- Names of the successful bidder(s) and preference points claimed;
- Contract price(s) ;
- Contract period;
- Contact details;
- Names of Directors; and • Date of completion/award.

Notice of a cancelled bid must be published on the same day, or at the latest, the day after a municipality or municipal entity decided to cancel a bid.

54. Variation orders

Accounting Officer of a municipality or municipal entity may deem it necessary to expand or vary orders against the original contract. Contracts may be expanded or varied by not more than 20% for construction/infrastructure related projects and 15% for all other goods and/or services of the original value of the contract.

Any variation that is more than the above threshold must be taken to council for approval.

55. Establishment of a panel of service provider/s

The Municipality may identify a need for the establishment of a panel of service providers for various service. The appointment of such a panel of service providers must be done through competitive bidding process in terms of section 12(1)(e) of the Municipalities approved SCM Policy.

Once the database for a panel of service providers have been created, the SCM Unit will invite all service providers from the panel of service providers when a need for those service/goods has risen. Once the quotations have been received by SCM, Appointments will be made as per the Municipality's approved SCM Delegations.

If the prices obtained using panel are deemed not being market related, the municipality may either seek the following:

- Base on the market research obtained, the Municipality will negotiate with the lowest bidder.
- If the lowest bidder rejects the offer, the Municipality may cancel the RFQ and consider competitive bidding processes.

56. 2022 Preferential Procurement

(1) All procurement of goods, services and works are to be in compliance with this policy.

(2) The unit responsible for the management of this policy is the Supply Chain Management Unit.

(3) All DCM's and Unit Heads responsible for the procurement of goods, services and/or works are, however, responsible for compliance with this policy within their areas of control, and will be held accountable where transgressions to policy are encountered.

(4) **Identification of preference point system**

(1) The Municipality must in its tender documents, stipulate—

(a) the applicable preference point system as envisaged in (3) (a) and (b); and (4) and (5) below;

(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 its 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.

(3) **The formulae for the 80/20 and 90/10 preference points system are as follows:**

(a) the price in respect of bids (including quotations) with an estimated Rand value of greater than R2000 and up to a Rand value of R50 000 000 (all applicable taxes included):

$$Ps = 80\left[1 - \frac{(Pt - Pmin)}{Pmin}\right]$$

(b) the price in respect of bids with an estimated Rand value of greater than R50 000 000 (all applicable taxes included):

$$Ps = 90\left[1 - \frac{(Pt - Pmin)}{Pmin}\right]$$

Where:

Ps = Points scored for comparative price of the bid under consideration;

Pt = Comparative price the bid under consideration; and

Pmin = Comparative price of the lowest responsive bid.

(4) **The formulae for the 80/20 preference points system for income generating contract are as follows:**

(a) 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 or below R50 million, inclusive of all applicable taxes:

$$Ps = 80\left[1 + \frac{Pt - Pmax}{Pmax}\right]$$

Where-

Ps	=	Points scored for price of tender under consideration;
Pt	=	Price of tender under consideration; and
Pmin	=	Price of highest acceptable tender.

(b) A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender.

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

(5) **90/10 preference point system for tenders for income-generating contracts with Rand value above R50 million are as follows:**

(a) The following formula must be used to calculate the points for price in respect of a tender for income-generating contracts, with a Rand value above R50 million, inclusive of all applicable taxes:

Ps = 90 [1+ (Pt – Pmax)]
Pmax

Where-

Ps = Points scored for price of tender under consideration; Pt = Price of tender under consideration; and

Pmin = Price of highest acceptable tender.

(b) A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender.

(c) 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.

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

(5) Cancellation of tenders

(a) An organ of state may, before the award of a tender, cancel a tender invitation if:-

(i) due to changed circumstances, there is no longer a need for the goods or services specified in the invitation

(ii) funds are no longer available to cover the total envisaged expenditure

(iii) no acceptable tender is received

(iv) there is material irregularity in the tender process.

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

(c) If the tender estimate is close to the Rand value of a prescribed threshold than both 80/20 and 90/10 preference point system be stipulated in the tender document.

(6) Bidders may score up to 20 or 10 preference points for their specific goals of contribution as may be indicated in the terms and conditions of tender.

(7) **The Basket of Preference Goals**

(a.) 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.

7.1. Preference Goal 1

Ownership as specific goal

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.

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).

Ownership verification may be conducted through the Companies and Intellectual Property Commission (CIPC).

7.2. Preference Goal 2

RDP Goals

Over and above the awarding of preference points in favour 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 labour 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.

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

7.3. Preference Goal 3

Combinations of any other Goals

The Municipality may also combine any specific goals above in a manner that will help them evaluate and apply preference points to tenders.

The Bid Specification Committee 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) Location of a Business Enterprise

(g) Local production and content

(2) Tender(s) received need to be evaluated in terms of the preference point system first. Once the highest points scorer has been ascertained only then the targeted procurement will be applied. Targeted Procurement will justify the award of tender to a tenderer with lower preference points score.

(3) Targeted Procurement Criteria will be applied, where feasible, on a tender-by-tender basis.

(4) In an event where a tender with the highest number of preference points score does not meet the targeted procurement criteria set for the specific tender, then the next responsive tender with a lower preference points score and who meets targeted procurement criteria must be considered for the award of a tender.

If the tendered price of the next responsive tender who meets the targeted procurement criteria is too high than that of a tender with a highest number of preference points score, the organ of state must ensure that a cost effective price is derived through employing one of the following options through a negotiation process with the preferred bidder:

(a) That the next responsive tender who meets targeted procurement criteria accepts the lowest responsive price of a tender that did not meet the targeted procurement criteria

OR

(b) That the next responsive tender accepts a tender price that is market related as was determined by the Municipality through the budgeting process of the tender itself.

(5) Where negotiations fail the Municipality reserves the right to cancel the tender or consider the highest scoring bid in terms of preference points scoring.

(24) Address declared by the prospective bidder in the National Treasury Central Supplier Database (CSD) or in Umzumbe Local Municipality Vendor Portal shall be used to determine the location of a business enterprise.

(25) 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.

(26) Criteria for breaking deadlock in scoring:

(1)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.

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

(27) 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 regulation (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.

Commencement

57. This policy takes effect on the date on which it is adopted by the council.