



Ephraim Mogale Local Municipality

**2011/12 Medium Term Revenue and Expenditure Framework
(MTREF) Policy Review**

SUPPLY CHAIN MANAGEMENT AND PREFERENTIAL PROCUREMENT POLICIES

This policy consists of three parts:

- **Part A** is the **Supply Chain Management Policy**, adopted in terms of section 111 of the Local Government: Municipal Finance Management Act, No. 56 of 2003 and the Municipal Supply Chain Management Regulations, Notice 868 of 30 May 2005;

and

- **Part B** is the **Preferential Procurement Policy**, adopted in terms of section 2 of the Preferential Procurement Policy Framework Act, No. 5 of 2000 and the Preferential Procurement Regulations R725 of 10 August 2001;

and

- **Part C** is the **Supply Chain and Preferential Procurement Guidelines.**

PART A
MUNICIPAL SUPPLY CHAIN MANAGEMENT POLICY

The Council of the Ephraim Mogale Local Municipality (EMLM) resolves in terms of section 111 of the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003) to adopt the following as the Supply Chain Management Policy of the municipality:

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Definitions

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

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

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

“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)(b) of this Policy;

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

- (a) a member of –
 - (i) any municipal council;
 - (ii) any provincial legislature; or
 - (iii) the National Assembly or the National Council of Provinces;
- (b) a member of the board of directors of any municipal entity;
- (c) an official of any municipality or municipal entity;

- (d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No 1 of 1999);
- (e) a member of the accounting authority of any national or provincial public entity; or
- (f) an employee of Parliament or a provincial legislature;

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

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

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

- (a) the Constitution of the Republic of South Africa Act, 1996 (Act No 108 of 1996);
- (b) the Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000);
- (c) the Broad-Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003);
- (d) the Construction Industry Development Board Act, 2000 (Act No 38 of 2000); and
- (e) the Prevention and Combating of Corrupt Activities Act, 2004 (Act No 12 of 2004);

“Regulations” means the Local Government: Municipal Finance Management Act, 2003, Municipal Supply Chain Management Regulations;

“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); and

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

CHAPTER 1

ESTABLISHMENT AND IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

Principles and pledges

2. (1) The principles of this Policy are that it -
 - (a) gives effect to –
 - (i) section 217 of the Constitution; and
 - (ii) Part 1 of Chapter 11 and other applicable provisions of the Act;
 - (b) is fair, equitable, transparent, competitive and cost effective;
 - (c) complies with –
 - (i) the Regulations; and
 - (ii) any minimum norms and standards that may be prescribed in terms of section 168 of the Act;
 - (d) is consistent with other applicable legislation;
 - (e) does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
 - (f) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector;
- (2) The municipality pledges effective and efficient service delivery by acquiring goods and services of optimum value through best purchasing practices. In addition to the above, this municipality will pursue the following four main aims:
 - (a) the promotion of the Interdivisional Support Policy;
 - (b) the promotion, development and support of business from previously disadvantaged communities;
 - (c) the promotion of local, provincial and national suppliers and agents before considering international suppliers; and
 - (d) the development, promotion and support of moral values that underpin the above in terms of the municipality's Ethical Code.

- (3) The municipality further supports the creation and maintenance of a good, sound business relationship with the bidding public in general, as well as with its valued supplier base, without which it cannot survive in a competitive market.
- (4) The municipality also seeks to develop and maintain positive, long term relationships based on mutual trust and respect with those suppliers who demonstrate their commitment to the municipality's shared goals. The municipality also commits itself to clarity in its communication of requirements, and to be professional, courteous, fair, factual and responsive in its business dealings.
- (5) The municipality may not act otherwise than in accordance with this 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) 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.
- (6) This Policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including –
 - (a) water from the Department of Water Affairs or a public entity, another municipality or a municipal entity; and
 - (b) electricity from ESKOM or another public entity, another municipality or a municipal entity.

Adoption and amendment of the Supply Chain Management Policy

3. (1) The Accounting Officer must –
 - (a) at least annually review the execution of provisions contained in 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 issued by the National Treasury, the Accounting Officer must –
 - (a) ensure that such draft policy complies with the Regulations; and
 - (b) report any deviation from the model policy to the National Treasury and the relevant provincial treasury.
- (3) When amending this 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 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.

Delegation of supply chain management powers and duties

- 4. (1) The Council hereby delegates and is required to further delegate 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 or 10 of the Act; and
 - (ii) this Policy;
 - (b) to maximise administrative and operational efficiency in the implementation of this Policy;
 - (c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this Policy; and
 - (d) to comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.

- (2) Sections 79 and 106 of the Act apply to the sub delegation of powers and duties delegated to the Accounting Officer in terms of paragraph 4(1) of this Policy.
- (3) The Council or Accounting Officer may not delegate or sub delegate 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.
- (4) This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 27 of this Policy.

Sub delegations

5. (1) The Accounting Officer may in terms of section 79 or 106 of the Act sub delegate any supply chain management powers and duties, including those delegated to the Accounting Officer in terms of this Policy, but any such sub delegation must be consistent with paragraph 4 and paragraph 5(2) of this Policy.
- (2) The power to make a final award –
 - (a) above R10 million (VAT included) may only be exercised by the Accounting Officer after considering a report submitted by a council approved external advisor;
 - (b) between R5 to R10 million (VAT included) may be exercised by the Accounting Officer after considering the reports and recommendations submitted the bid adjudication committee;
 - (c) between R200 000 to R5 million (VAT included) may be exercised by the bid adjudication committee after considering the reports and recommendations submitted by the bid evaluation committee;
 - (d) between R50 000 to R350 000 (VAT included) may be exercised by the bid adjudication committee after considering the reports and recommendations submitted by the bid evaluation committee; and

- (e) less than R50 000 (VAT included) may be exercised by the Head of the Department after considering the reports and recommendations of the bid adjudication committee on condition that where he/she differs from the adjudication committee the accounting officer must make a final allocation.
- (3) An official or bid adjudication committee to which the power to make final awards has been sub delegated in accordance with paragraph 5(2) of this Policy must within five (5) working days of the end of each month submit to the official referred to in paragraph 5(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 supplier or person to whom the award was made; and
 - (c) the reason why the award was made to that supplier or person.
- (4) A written report referred to in paragraph 5(3) of this Policy must be submitted-
- (a) to the Accounting Officer, in the case of an award by –
 - (i) the Chief Financial Officer;
 - (ii) a Director of a department; or
 - (iii) a bid adjudication committee of which the Chief Financial Officer or Director is a member; or
 - (b) to the Chief Financial Officer or Director responsible for the relevant bid, in the case of an award by –
 - (i) an official referred to in paragraph 5(2)(c)(iii) of this Policy; or
 - (ii) a bid adjudication committee of which the Chief Financial Officer or Director is not a member.
- (5) Paragraphs 5(3) and 5(4) do not apply to procurements by way of direct purchases described in paragraph 15 of this Policy.
- (6) This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub delegated, to

make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 27 of this Policy.

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

Oversight role of Council

6. (1) The Council must maintain oversight over the implementation of this Policy.
- (2) For the purposes of such oversight the Accounting Officer must –
- (a) 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; and
- (b) whenever there are serious and material problems in the implementation of such Supply Chain Management Policy, immediately submit a report to the Council.
- (3) The Accounting Officer must, within ten (10) working 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) One supply chain management unit is hereby established to implement this Policy for the municipality and the various policies for the municipal entities of which the municipality is the parent municipality.
- (2) The supply chain management unit operates under the direct supervision of the Chief Financial Officer or an official to whom this duty has been delegated in terms of section 82 of the Act.

Training of supply chain management officials

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

CHAPTER 2

FRAMEWORK FOR SUPPLY CHAIN MANAGEMENT SYSTEM

Format of supply chain management system

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

Part 1: Demand management

System of demand management

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

- (d) undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximised.

Part 2: Acquisition management

System of acquisition management

- 11. (1) An effective system of acquisition management must be established in order to ensure that –
 - (a) goods and services are procured by the municipality in accordance with authorised processes only;
 - (b) expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Act;
 - (c) the threshold values for the different procurement processes are complied with;
 - (d) bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation; and
 - (e) any Treasury guidelines on acquisition management are properly taken into account.

- (2) This supply chain management policy, except where 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.

Range of procurement processes

12. (1) Goods and services may only be provided by way of –
- (a) direct purchases, up to a transaction value of R2000.00 (VAT included);
 - (b) informal three written quotations for procurements of a transaction value over R2001 up to R30 000 (VAT included);
 - (b) formal three written price quotations for procurements of a transaction value over R30 001 up to R200 000 (VAT included); and
 - (c) a competitive bidding process for–
 - (i) procurements above a transaction value of R200 000 (VAT included); and
 - (ii) the procurement of long term contracts.
- (2) The Accounting Officer may, after consulting with the municipal council and Heads of Departments, in writing change the different threshold values.
- (3) Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of this Policy. When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.
- (4) The range of procurement processes set out in paragraph 12(1) above can graphically be set out as follows:

PROCESS	VALUE	ADVERTISEMENT
Petty Cash Purchases	Up to R2000.00 [VAT included]	No
Informal Written Quotations	Over R2001 [VAT included] up to R 30 000 [VAT included]	No
Formal Written Price Quotations	Over R 30 001 [VAT included] up to R 200 000 [VAT included]	Municipal notice boards and website
Competitive Bidding	Over R 200 001 [VAT included] or Long Term Contracts exceeding one [1] year	Yes

(5) Authorisation Thresholds are outlined as follows;

Divisional Managers	Up to R10 000
Unit Managers	R10 001 up to R30 000

General preconditions for consideration of written quotations or bids

- 13. (1)** A written quotation or bid may not be considered unless the provider who submitted the quotation or bid –
- (a) has furnished that provider's –
 - (i) full name;
 - (ii) identification number or company or other registration number;
 - (iii) tax reference number and VAT registration number, if any; and
 - (iv) tax clearance from the South African Revenue Services that the provider's tax matters are in order; and
 - (b) 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 paragraph 13(b)(ii) is in the service of the state, or has been in the service of the state in the previous twelve months.

Lists of accredited prospective providers

- 14. (1)** The Accounting Officer must –
- (a) keep a database of accredited prospective providers that must be used by service departments for the procurement of goods and services by obtaining informal written quotations or formal written price quotations;
 - (b) at least once a year through newspapers commonly circulating locally, the municipality's website and any other appropriate ways, invite

- prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers;
- (c) Specify the listing criteria for accredited prospective providers which must include at least the requirement to submit proof of compliance with:-
 - (i) SARS tax registration;
 - (ii) municipal rates and tax payments; and
 - (ii) the Occupational Health and Safety Act, 1993 (Act No 85 of 1993); and
 - (d) disallow the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.
- (2) The list must be updated at least quarterly to include any additional prospective providers and any new commodities or types of services. Prospective providers must be allowed to submit applications for listing at any time.
- (3) The list must be compiled per commodity and per type of service.
- (4) Report to council.

Petty cash purchases (< R2000)

15. (1) The conditions for the procurement of goods by means of petty cash purchases referred to in paragraph 12 (1) (a) of this policy, are that minor items are purchased for up to R2000, 00 (VAT included) where it is impractical, impossible or not cost-effective to follow the official procurement process and is strictly of a reimburse nature and not for advances.
- (2) A monthly reconciliation report from each manager must be provided to the Chief Financial Officer, including –
- (i) the total amount of petty cash purchases for that month; and
 - (ii) receipts and appropriate documents for each purchase.

Verbal quotations prohibited

16. No orders may be placed based on verbal price quotations.

Informal Written Quotations (> R2000 < R30 000)

17. (1) The conditions for the procurement of goods or services through written quotations, are as follows-
- (a) quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality;
 - (b) quotations may 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) if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the chief financial officer or an official designated by the chief financial officer, and
 - (d) the accounting officer or his nominee must record the names of the potential providers and their written quotations.
- (2) A designated official referred to in subparagraph (1) (c) must within five [5] working 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.

Formal written price quotations (> R50 001 <= R200 000)

18. (1) The conditions for the procurement of goods or services through formal written price quotations are as follows:-
- (a) quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality;
 - (b) quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria set out in paragraph 14(1)(b) and (c) of this Policy;
 - (c) if it is not possible to obtain at least three quotations, the reasons must be recorded and submitted for consideration by the evaluation committee;
 - (d) the buying officer must record the names of the potential providers requested to provide such quotations and their formal written price quotations; and
 - (e) all bids must be sealed and opened by the evaluation committee and

- (f) all bids must be adjudicated by the adjudication committee
- (2) The designated official referred to in paragraph 18(1)(c) must within three (3) working 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 paragraph.

Procedures for procuring goods or services through informal or formal written quotations R2001 – R200 000,

19. The procedure for the procurement of goods or services through informal and formal written quotations, are as follows:–

- (a) when using the list of accredited prospective providers the buying officer must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis;
- (b) all requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written quotations must, in addition to the requirements of paragraph 18, be advertised for at least seven days on the website and the official notice boards of the municipality EXCEPT IN A CASE OF EMERGENCY;
- (c) offers received must be evaluated on a comparative basis taking into account unconditional discounts;
- (d) the Buying officer must take all reasonable steps to ensure that the procurement of goods and services through formal written price quotations is not abused;
- (e) the Accounting Officer or Chief Financial Officer must on a monthly basis be notified in writing of all informal and formal written quotations accepted by an official acting in terms of a sub delegation;
- (f) offers below R30 000 (VAT included) must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services and lowest price;
- (g) offers with a value of R30 000 (VAT included) and above are subject to the preference points system (PPPFA and associated regulations) and must be dealt with according to the Council's Procurement Policy; and

- (h) the Chief Financial Officer must set requirements for proper record keeping of all informal and formal written quotations accepted on behalf of the municipality.

Competitive bidding process (R200 000 AND OVER)

- 20.** (1) Goods or services above a transaction value of R200 000 (VAT included) and long term contracts may only be procured through a competitive bidding process, subject to paragraphs 11(2) and 37 of this Policy.
- (2) No requirement for goods or services above an estimated transaction value of R200 000 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.

Process for competitive bidding

- 21.** The procedures for the following stages of a competitive bidding process are as follows:-
- (a) Compilation of bidding documentation, detailed in paragraph 22.
 - (b) Public invitation of bids, detailed in paragraph 23.
 - (c) Site meetings or briefing sessions, detailed in paragraph 23.
 - (d) Handling of bids submitted in response to public invitation.
 - (e) Evaluation of bids, detailed in paragraph 29.
 - (f) Awarding of contracts, detailed in paragraph 30.
 - (g) Administration of contracts –
 - (i) After approval of a bid, the Accounting Officer and the bidder must enter into a written agreement.
 - (h) Proper record keeping –
 - (i) Original / legal copies of written contracts and agreements must be kept in a secure place for reference purposes.

Bid documentation for competitive bids

- 22.** (1) The criteria to which bid documentation for a competitive bidding process must comply, must –
- (a) take into account –

- (i) the general conditions of contract and any special conditions of contract, if specified;
 - (ii) any Treasury guidelines on bid documentation; and
 - (iii) the requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;
- (b) include the evaluation and adjudication criteria, including any criteria required by other applicable legislation;
 - (c) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
 - (d) compel bidders to declare whether they work for the state or not;
 - (e) include a tax clearance certificate issued by SARS;
 - (f) if the value of the transaction is expected to exceed R10 million (VAT included), require bidders to furnish –
 - (i) if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements –
 - (aa) for the past three years; or
 - (bb) since their establishment if established during the past three years;
 - (ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;
 - (iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;
 - (iv) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic;

- (k) 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;
- (L) where surety is required it shall be in the form of cash, a certified cheque, or a bank guarantee from a banking institution registered in terms of the Banks Act, 1965 (Act No. 23 of 1965) or from an insurer registered in terms of the Insurance Act, 1943 (Act No. 27 of 1943). Where bids in Category A cannot raise the required surety of 2, 5%, and it is feasible to deduct the amount from the Preliminary and General (P+G) payment certificate, such concessions may be granted;

Guarantees will be required as follows:

CATEGORY	PROJECT VALUE	GUARANTEE
A	< R500 000	2,5%
B	R500 001 – R1 000 000	5%
C	R1 000 001 – R2 000 000	7,5%
D	>R2 000 000	10%

- (i) indicate the value or extent to which the execution of the contract should or should not be subcontracted; and
 - (j) submit a certificate from the Department of Labour indicating compliance with the Occupational Health and Safety Act, 1993 (Act No 85 of 1993).
- (2) A non-refundable charge in terms of the Council's approved tariff structure shall be raised for bid forms, plans, specifications, samples and any other bid documentation, depending on the nature, magnitude and value of technical information or samples provided by the municipality.
 - (3) Bid documents may allow for bidders to bid for one or more items or for a part of one or more items but the municipality reserves the right to accept part of a bid or a complete bid or quotation even if it is not the lowest, provided the interests of the municipality are best served thereby. Bid documents must be specific as certain contracts, e.g. the construction of a bridge, may require that the whole contract is to be completed by the same contractor.

- (4) Where bidders insert prices on price lists supplied by the municipality they shall delete items for which they do not bid or if the price has been included elsewhere in the price list. After bid/quotations have been opened bidders may not supplement their original offer if the original offer was incomplete.

Public invitation for competitive bids

- 23.** (1) The procedure for the invitation of competitive bids is as follows:-
- (a) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the municipality or any other appropriate ways (which may include an advertisement in the Government Bid Bulletin); and
 - (b) the information contained in a public advertisement, must include –
 - (i) the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included), or which are of a long term nature, or not less than 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to paragraph 23(2) of this Policy;
 - (ii) a statement that bids may only be submitted on the bid documentation provided by the municipality;
 - (iii) date, time and venue of any proposed site meetings or briefing sessions; and
 - (iv) a statement stipulating that bids submitted late and bidders coming late for site meetings will be disqualified.
- (2) The Accounting Officer may determine a closure date for the submission of bids which is less than the 30 or 14 days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.
- (3) Bids submitted must be sealed.

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

Procedure for handling, opening and recording of bids

- 24.** (1) The procedures for the handling, opening and recording of bids, are as follows:-
- (a) Bids –
 - (i) must be opened only in public;
 - (ii) must be opened at the same time and as soon as possible after the period for the submission of bids has expired; and
 - (iii) received after the closing time should not be considered and returned unopened immediately.
 - (b) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price;
 - (c) No information, except the provisions in paragraph 24(1)(b), relating to the bid should be disclosed to bidders or other persons until the successful bidder is notified of the award; and
 - (d) The Accounting Officer must –
 - (i) record in a register all bids received in time;
 - (ii) make the register available for public inspection; and
 - (iii) publish the entries in the register and the bid results on the website.
- (2) **Opening of bids and quotations**
- (a) All bids in excess of R350 000 (VAT included) shall be opened in public at the Supply Chain Management Unit as soon as possible after the expiry of the advertised closing date and time. At such public bid openings the names of the bidders and the prices are read out. All quotations i.e. responses received in terms of procurement mechanisms below the value of R350 000 (VAT included) are excluded from public bid openings. When such quotations are opened, the names of conbids who responded are therefore not read

out. This is to prevent collusion between a limited number of bidders or, in the event of one bidder only, the creation of a monopolistic situation.

- (b) All bids and quotations i.e. responses received in terms of procurement mechanisms, of a value of R350 000 (VAT included) and above shall be opened in public at the relevant stores offices as soon as possible after the expiry of the advertised closing date and time. At such public bid openings the names of the bidders and the prices are read out.
 - (c) All bids and quotations, addressed to the municipality, shall be opened by a Senior employee in the presence of the delegated official of the Divisional Manager Supply Chain Management Unit, or a nominee.
 - (d) Bids and quotations, which fall within the jurisdiction of Unit Managers, shall be opened in the presence of at least two employees, one of which should be a Senior employee and neither of them shall have a personal interest in the bid or quotation or be involved in the adjudication thereof.
 - (e) Both officials shall sign the bids and declare that they were present at the opening of the bids.
- (3) **Stamping of bids and reading out of names**
- (a) As each bid is opened, the name of the bidder and the amount shall be read out. An employee shall date-stamp the bid or quotation and all enclosures related to prices, delivery periods and special conditions. Bids and quotations shall be numbered in the sequence in which they have been opened and the words “and last” shall be endorsed on the last bid or quotation. In instances where only one bid has been received the words “and only” shall be endorsed on such bid.
 - (b) Where prices have not been inserted in all relevant spaces on the form and such items have not been deleted by bidders, such spaces shall be stamped “no price” by the employee who opens the bids or quotations.

Note: It is the policy of the municipality to disclose bid prices. With regard to quotations of a value below R200 000, names of bidders and prices should not be read out.

- (c) Details on how bidders responded to the relevant evaluation criteria e.g. SMME contribution, community benefits, job creation, environmental impact, etc. should not be disclosed.
- (d) Bids opened in public should be registered in the Bidding Register.

(4) Late Bids

- (a) Bids or quotations arriving after the specified closing time shall not be considered and where practicable shall be returned to the bidder unopened with a letter explaining the circumstances.
- (b) Bid documents must clearly state the venue where the bidding box is situated for each bid. Any bid delivered to the wrong bid box will not be considered, even if it was delivered on time.
- (c) Where it is necessary to open a late bid or quotation to obtain the name and address of the sender, each page of the document shall be stamped "late bid" before the bid is returned to the bidder. The envelope must be stamped and initialled in like manner and must be retained for record purposes.

(5) Amendments before the closing date

- (a) The municipality is entitled to amend any bid condition, validity period, specification or plan, or extend the closing date of such a bid or quotation before the closing date, provided that such amendments or extensions are advertised and/or that all bidders to whom bid documents have been issued, are advised in writing per registered post or by fax of such amendments or of the extension clearly reflecting the new closing date and time. For this reason, employees issuing bids shall keep a record of the names, addresses and contact numbers of the persons or enterprises to whom bid documents have been issued.

(6) **Dealing with bids and quotations if the closing date thereof has been extended**

- (a) Where the closing date of a bid or quotation is extended, the notice which makes known such extensions shall also mention the bids or quotations already received, will be retained unopened in the bidding box and be duly considered after the expiry of the extended period, unless the bidder requests that such bid or quotation to be returned to the bidder or unless the bidder cancels it by submitting a later dated bid or quotation before the extended closing date.

(7) **No amendments after the closing date allowed**

- (a) The municipality is not entitled to amend any bid condition, validity period, specification or plan after the closing date of the bid and before the acceptance of a bid or quotation has been notified.

Negotiations with preferred bidders and communication with prospective providers and bidders

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

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

(2) Minutes of such negotiations must be kept for record purposes and as far as practical be made part of the final contract.

(3) **Communication with bidders and prospective providers**

- (a) Where bids and quotations have been submitted to the municipality, a bidder may not communicate with any councillor or official on any matter regarding his bid, quotation or offer other than a notice of withdrawal.

- (b) No municipal personnel may communicate with a bidder or any other party who has an interest in a bid, on the one hand, and any employee of the municipality, on the other hand, during the period between the closing date for the receipt of the bid or quotation (or date of receipt of an offer), and the date of notification of the successful bidder of acceptance of his bid, quotation or offer, except as provided for in paragraph (c) below. Every such case of unauthorised communication shall forthwith be reported to the Supply Chain Management Unit as well as the relevant Chairperson of the Bid Adjudication Committee. A bid or quotation in respect of which unauthorised communication has occurred may be disqualified.
- (c) After informing the Accounting Officer the Chairperson of the Bid Adjudication Committee may authorise an employee in writing to communicate with a bidder during the period mentioned in paragraph 25(3)(b) above for the purpose of:-
- (i) explaining and verification of declarations made in the bid response;
 - (ii) confirming that a quoted price is correct;
 - (iii) confirming technical particulars and the compliance thereof with specifications;
 - (iv) determining whether there will be any change in price if only a portion of work is awarded to a bidder;
 - (v) requesting an explanation for an unreasonable price increase when it is compared with a previous price and the interim movement of a relevant price index;
 - (vi) clarifying delivery times/quantities;
 - (vii) extending the validity period of a bid, quotation or offer;
 - (viii) amending any bid condition, validity period or specification after the closing date; and
 - (ix) clarifying any other commercial aspect.
- (d) In all cases where authority has been granted to communicate with bidders in terms of paragraph 25(3)(c) above, it should be clearly stated in the submission to the Bid Adjudication Committee the nature

of the communication as well as by whom such authority to communicate has been granted.

- (e) All changes and/or clarification of specifications shall be conveyed to all bidders by means or methods as specified in paragraph 24.

Two-stage bidding process

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

Committee system for competitive bids

- 27. (1) The following committees are hereby established -
 - (a) bid specification committees;
 - (b) bid evaluation committees; and
 - (c) a bid adjudication committee.
- (2) The Accounting Officer is required to appoint the members of each committee, taking into account section 117 of the Act.
- (3) The Accounting Officer is required to appoint a neutral or independent observer to attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.
- (4) The committee system must be consistent with –
 - (a) paragraphs 28, 29 and 30 of this Policy; and
 - (b) any other applicable legislation.

- (5) The Accounting Officer may apply the committee system to formal written price quotations.

Bid specification committees

28. (1) In conjunction with the head of the department **the bid specification committee must compile the specifications for the procurement of goods or services.**
- (2) Specifications –
- (a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
 - (b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
 - (c) where possible, must be described in terms of performance required rather than in terms of descriptive characteristics for design;
 - (d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification;
 - (e) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word “equivalent”;
 - (f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations 2001; and
 - (g) must be approved by the Accounting Officer prior to publication of the invitation for bids in terms of paragraph 22 of this Policy.

- (3) A bid specification committee must be composed of one or more officials of the municipality, preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisors.
- (4) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.
- (5) The bid specification committee must include an official representing the Supply Chain Management Section.

Bid Evaluation Committees

- 29.** (1) The bid evaluation committee must –
- (a) evaluate bids in accordance with –
 - (i) the specifications for a specific procurement; and
 - (ii) the points system set out in terms of paragraph 28(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) The 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

- 30.** (1) The bid adjudication committee must –
- (a) consider the report and recommendations of the bid evaluation committee; and
 - (b) either –

- (i) depending on its delegations, make a final award or a recommendation to the Accounting Officer to make the final award; or
 - (ii) make another recommendation to the Accounting Officer how to proceed with the relevant procurement.

- (2) The bid adjudication committee must consist of at least four senior managers of the municipality which must include –
 - (a) the Chief Financial Officer or, if the Chief Financial Officer is not available, another manager in the budget and treasury office reporting directly to the Chief Financial Officer and designated by the Chief Financial Officer; and
 - (b) at least one senior supply chain management practitioner who is an official of the municipality; and
 - (c) a technical expert in the relevant field who is an official, if such an expert exists.

- (3) The Accounting Officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.

- (4) Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.

- (5) The chairperson of the bid adjudication committee may ask a member of the evaluation committee to explain the committee's recommendations during the adjudication process.

- (6)
 - (a) if the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid –
 - (i) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears; and
 - (ii) notify the Accounting Officer.

- (b) The Accounting Officer may –
 - (i) after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in paragraph 30(5)(a); and
 - (ii) if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.
- (7) The Accounting Officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.
- (8) The Accounting Officer must comply with section 114 of the Act within 10 working days.

Procurement of banking services

- 31. (1) Banking services –
 - (a) must be procured through competitive bids;
 - (b) must be consistent with section 7 or 85 of the Act; and
 - (c) may not be for a period of more than five years at a time.
- (2) The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.
- (3) The closure date for the submission of bids may not be less than sixty (60) days from the date on which the advertisement is placed in a newspaper in terms of paragraph 23(1). Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No 94 of 1990).

Procurement of IT related goods or services

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

- (3) The Accounting Officer must notify SITA together with a motivation of the IT needs if –
 - (a) the transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included); or
 - (b) the transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT included).

- (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, the relevant provincial treasury and the Auditor General.

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

- 33.** (1) The Accounting Officer may procure goods or services under a contract secured by another organ of state, but only if –
- (a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
 - (b) there is no reason to believe that such contract was not validly procured;
 - (c) there are demonstrable discounts or benefits to do so; and
 - (d) that other organ of state and the provider have consented to such procurement in writing.
- (2) Paragraphs 33(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.

Procurement of goods necessitating special safety arrangements

- 34.** (1) The acquisition and storage of goods in bulk (other than water), which necessitate special safety arrangements, including gasses and fuel, should be avoided where ever 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

35. (1) The municipality supports the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from:-
 - (a) Firstly, suppliers and businesses within the municipality/municipal district;
 - (b) Secondly, suppliers and businesses within the relevant province; and
 - (c) Thirdly, suppliers and businesses within the Republic of South Africa.
- (2) These principles are to be embodied in the points allocated in terms of the Preferential Procurement Policy of the municipality.

Appointment of consultants

36. (1) The Accounting Officer may procure consulting services provided that any Treasury guidelines and CIDB requirements in respect of consulting services are taken into account when such procurements are made.
- (2) Consultancy services must be procured through competitive bids if-
 - (a) the value of the contract exceeds R200 000 (VAT included); or
 - (b) the duration period of the contract exceeds one year.
- (3) In addition to any requirements prescribed by this Policy for competitive bids, bidders must furnish particulars of –
 - (a) all consultancy services provided to an organ of state in the last five years; and
 - (b) any similar consultancy services provided to an organ of state in the last five years.

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

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

- 37.** (1) The Accounting Officer may –
- (a) dispense with the official procurement processes established by this Policy and 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 food for such animals and/or botanical specimens for 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 paragraphs 37(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) Paragraph 37(2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of this Policy.

Unsolicited bids

- 38.** (1) In accordance with section 113 of the Act there is no obligation to consider unsolicited bids received outside a normal bidding process.

- (2) The Accounting Officer may decide in terms of section 113(2) of the Act to consider an unsolicited bid, only if –
 - (a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
 - (b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages;
 - (c) the person who made the bid is the sole provider of the product or service; and
 - (d) the reasons for not going through the normal bidding processes are found to be sound by the Accounting Officer.
- (3) If the Accounting Officer decides to consider an unsolicited bid that complies with paragraph 38(2) of this Policy, the decision must be made public in accordance with section 21(A) 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 paragraph 38(3), including any responses from the unsolicited bidder, must be submitted to the National Treasury and the relevant provincial treasury for comment.
- (5) The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the Accounting Officer, depending on its delegations.
- (6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
- (7) When considering the matter, the adjudication committee must take into account:
 - (a) any comments submitted by the public; and
 - (b) any written comments and recommendations of the National Treasury or the relevant provincial treasury.

- (8) If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the Accounting Officer must submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.
- (9) Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the municipality to the bid may be entered into or signed within 30 days of the submission.

Combating of abuse of supply chain management system

- 39.** (1) In order to combat the abuse of the supply chain management system the Accounting Officer must –
- (a) take all reasonable steps to prevent abuse of the supply chain management system;
 - (b) investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this Policy, and when justified –
 - (i) take appropriate steps against such official or other role player; or
 - (ii) report any alleged criminal conduct to the South African Police Service;
 - (c) check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;
 - (d) reject any bid from a bidder –
 - (i) if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the municipality, or to any other municipality or municipal entity, are in arrears for more than three months unless satisfactory arrangements have been made to pay of the arrears or a consent to recover the arrears from all future payments to the bidder has been given; 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 wilfully 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 Bid Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (Act No 12 of 2004).
- (2) The Accounting Officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of paragraphs 39(1)(b)(ii), (e) or (f) of this Policy.

Part 3: Logistics, Disposal, Risk and Performance Management

Logistics management

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

Disposal management

- 41.** (1) The Accounting Officer in conjunction with the Head of Department is responsible for the management of Council's assets which includes the disposal and maintenance thereof.
- (2) Over and above the conditions contained in this policy the processes described in the municipality's asset management policy must be adhere to by the Accounting Officer and Head of Departments.

- (3) The additional criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to section 14 of the Act, are as follows –
- (a) Movable assets:
 - (i) the asset is uneconomical to repair;
 - (ii) the asset is irreparable;
 - (iii) the relevant department has no further use for the asset; and
 - (iv) no other department requires the asset.
 - (b) Immovable assets:
 - (i) the relevant department has no further use for the asset;
 - (ii) no other department requires the asset; and
 - (iii) a member of the public wishing to acquire the asset can utilize the asset to the advantage of the community.
 - (c) Assets must be disposed of by–
 - (i) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of 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.
- (4) The Accounting Officer must ensure that –
- (a) immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
 - (b) movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;
 - (c) in the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment;
 - (d) 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;

- (e) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise;
 - (f) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed; and
 - (g) where assets are traded in for other assets, the highest possible trade-in price is negotiated.
- (5) The disposal of immovable assets is subject to the following principles –
- (a) Payment of the purchase price and costs:-
 - (i) A 20% deposit shall be payable upon the date of signature of the proposed Deed of Sale, which deposit shall not be refundable should the purchaser decide not to proceed with the registration of the transfer for whatsoever reason, unless adverse soil conditions can be proven.
 - (ii) A bank guarantee for the outstanding balance of the purchase price shall be submitted to the Corporate and Legal Services Department within 30 (thirty) days of the date of signing the Deed of Sale, which shall be payable upon registration of transfer of the property.
 - (iii) The proceeds of the sale shall be deposited into the Land Trust Fund.
 - (iv) All costs (advertising, rezoning, obtaining of a valuation, etc.) pertaining to the transaction shall be borne by the applicant/successful bidder. The applicant/successful bidder will deposit an amount equal to an estimate of the total cost to secure his obligations in this regard and undertake to pay any unforeseen excess costs. The municipality will be liable to refund the balance of the unexpended costs, should the alienation not be finalised within a reasonable time or within the time limit referred to in the bidder document or deed of sale, or should the actual deposit be less than the expenditure occurred,

the applicant/successful bidder shall pay the outstanding costs.

- (b) Standard Conditions:-
- (i) The purchaser shall commence with the development of the property within six (6) months after the date of transfer and shall complete the development within eighteen (18) months thereafter.
 - (ii) Should the purchaser fail to commence with or complete the development as stipulated in paragraph 41(4)(b)(ii) above, the property shall revert to the municipality and be transferred back to the municipality at the discretion of the Accounting Officer.
 - (iii) Should the property revert to the municipality, the municipality shall refund to the purchaser an amount equal to the amount paid by the purchaser in respect of the purchase price, less all costs attached to the retransfer of the property into the name of the municipality, which costs shall be for the account of the purchaser. The municipality will only compensate the purchaser for any improvements erected on the property after the property has been resold to another purchaser and the purchase has been paid by said purchaser.
 - (iv) In order to comply with the requirements of the Deeds Office as set out in Circular No 152 dated 1997.07.03 by the Registrar of Deeds, the above conditions imposed shall not be embodied in the Title Deed to be issued to the purchaser, but instead the following conditions shall be inserted in such deed "The property shall not be transferred without the written approval of the GMHLM".
 - (v) The use of all immovable assets disposed of in terms of this Policy shall be in accordance with the requirements of the Spatial Development Framework as adopted by the Council by ensuring that the conditions of sale include compliance by purchasers within the principles of the said Framework.

- (vi) All immovable assets sales will be done subject to the necessary environmental legislation being complied with by the purchaser in respect of the intended use of the property.
- (vii) Any sale of immovable assets by the municipality which is to be utilised for purposes of housing to be funded and/or subsidised from National and/or Provincial Housing funds shall be done in compliance with the principles, policies and procedures as contained in National and Provincial Housing legislation and any Housing code and/or Land Procurement Procedures prescribed under such legislation.
- (viii) The extent to which the intended disposal of the immovable property will promote the principles of integration, densification, regeneration and compact development, shall be considered in deciding whether to dispose of the property.

Risk management

- 42.** (1) The criteria for the identification, consideration and avoidance of potential risks in the supply chain management system, are as follows –
- (a) non compliance by the supplier to deliver within the agreed timeframes;
 - (b) supply of inferior goods or services by the supplier;
 - (c) inability of the supplier to provide goods or services as ordered;
 - (d) non adherence to the municipality's Policy with regards to utilisation of preferred suppliers; and
 - (e) procurement of goods or services at prices or of a quality not in the best interest of the municipality.
- (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.

Performance management

43. The Accounting Officer must ensure that an effective internal monitoring system is implemented in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were followed and whether the measurable performance objectives linked to and approved with the budget and the service delivery and budget implementation were achieved.

Part 4: Other matters

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

- 44.** (1) The Accounting Officer must ensure that, irrespective of the procurement process followed, no award above R 15 000 (VAT included) is given to a person whose tax matters have not been declared by the South African Revenue Service to be in order.
- (2) Before making an award to a provider or bidder, a tax clearance certificate from SARS must first be provided as contemplated in paragraph 13(a)(iv).

Prohibition on awards to persons in the service of the state

- 45.** The Accounting Officer must ensure that irrespective of the procurement process followed, no award may be made 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, majority shareholder or stakeholder is a person in the service of the state; or
 - (c) who is an advisor or consultant contracted with the municipality in respect of a contract that would cause a conflict of interest.

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

- 46.** The notes to the annual financial statements must disclose particulars of any award of more than R2 000 (VAT included) to a person who is a spouse, life partner, 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

- 47.** (1) A code of ethical standards is hereby established, in accordance with paragraph 47(2), for officials and other role players in the supply chain management system of the municipality in order to promote –
- (a) mutual trust and respect; and
 - (b) an environment where business can be conducted with integrity and in a fair and reasonable manner.
- (2) An official or other role player involved in the implementation of this Supply Chain Management Policy –
- (a) must treat all providers and potential providers equitably;
 - (b) may not use his or her position for private gain or to improperly benefit another person;
 - (c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350.00.
 - (d) notwithstanding paragraph 47(2)(c), must declare to the Accounting Officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
 - (e) must declare to the Accounting Officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the municipality;

- (f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
 - (g) must be scrupulous in his or her use of property belonging to the municipality;
 - (h) must assist the Accounting Officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and
 - (i) must report to the Accounting Officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including –
 - (i) any alleged fraud, corruption, favouritism or unfair conduct;
 - (ii) any alleged contravention of paragraph 48(1) of this Policy; or
 - (iii) any alleged breach of this code of ethical standards.
- (3) Declarations in terms of paragraphs 47(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) A breach of the code of ethics adopted by the Municipality must be dealt with in accordance with schedule 2 of the Local Government: Municipal Systems Act, 2000.

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

- 48.** (1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant –
- (a) any inducement or reward to the municipality for or in connection with the award of a contract; or
 - (b) any reward, gift, favour or hospitality to –
 - (i) any official; or
 - (ii) any other role player involved in the implementation of this Policy.
- (2) The Accounting Officer must promptly report any alleged contravention of paragraph 48(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) Paragraph 48(1) does not apply to gifts less than R350.00 in value.

Sponsorships

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

Objections and complaints

- 50.** Persons aggrieved by decisions or actions taken in the implementation of this Supply Chain Management System, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action.

Resolution of disputes, objections, complaints and queries

51. (1) The Accounting Officer must appoint an independent and impartial person, not directly involved in the supply chain management processes –
- (a) to assist in the resolution of disputes between the municipality and other persons regarding -
 - (i) any decisions or actions taken in the implementation of the supply chain management system; or
 - (ii) any matter arising from a contract awarded in the course of the supply chain management system; or
 - (b) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
- (2) The Accounting Officer, or another official designated by the Accounting Officer, is responsible for assisting the appointed person to perform his or her functions effectively.
- (3) The person appointed must –
- (a) strive to resolve promptly all disputes, objections, complaints or queries received; and
 - (b) submit monthly reports to the Accounting Officer on all disputes, objections, complaints or queries received, attended to or resolved.
- (4) A dispute, objection, complaint or query may be referred to the relevant provincial treasury if –
- (a) the dispute, objection, complaint or query is not resolved within 60 days; or
 - (b) no response is forthcoming within 60 days.
- (5) If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.
- (6) This paragraph must not be read as affecting a person's rights to approach a court at any time.

Contracts providing for compensation based on turnover

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

Payment of sub-contractors or joint venture partners

- 53.** The Chief Financial Officer or an official designated by the Chief Financial Officer may consent to the direct payment of sub-contractors or joint venture partners by way of -
- (a) an approved cession; or
 - (b) an agreement for direct payment.

Extending or varying a contract

- 54.** (1) Subject to paragraph 54(2), the municipality on its own initiative or upon receipt of an application from the person, body, organisation or corporation supplying goods or services to the municipality in terms of this Policy, may resolve to extend or vary a contract if –
- (a) the circumstances as contemplated in paragraph 37(1)(a) prevail; or
 - (b) with due regard to administrative efficiency and effectiveness, the Accounting Officer deems it appropriate.
- (2) The municipality may not extend or vary a contract –
- (a) more than once;
 - (b) for a period exceeding the duration of the original agreement; or
 - (c) for an amount exceeding the original bid value plus any adjustments in terms of the consumer price index.
- (3) Within one (1) month of the decision referred to in paragraph 54(1), the matters specified in paragraph 54(4) must be –

- (a) published by the Municipality at least in an appropriate newspaper circulating within the boundaries of the municipality; and
 - (b) displayed at a prominent place that is designed for that purpose by the Municipality.
- (4) The matters to be published or displayed are –
- (a) the reasons for dispensing with the prescribed procedure;
 - (b) a summary of the requirements of the goods or services; and
 - (c) the details of the person, body, organisation or corporation supplying the goods or services.
- (4) The functions of the Accounting Officer in terms of paragraph 54 may not be assigned nor delegated.

Local Economic Development

- 55.** For the purpose of Local Economic Development within the municipality, any construction contract that is awarded to a company that does not reside within the municipal area will be subjected to subcontract 30% of the contract value to a local company or business.

Short title and commencement

- 56.** This Policy is called the “*Supply Chain Management Policy of the EPMLM*” and takes effect on the 1st July 2011.

PART B

PREFERENTIAL PROCUREMENT POLICY

PREAMBLE

WHEREAS the Greater Marble Local Municipality (GMHLM) aims to improve the quality of life of all citizens and to free the potential of each person within a framework facilitating service delivery, and effective governance; the Council recognized the need for transparent procedures in the application of preferential procurement;

AND WHEREAS economic development plays a crucial role in the creation of a prosperous, equitable, stable and democratic society with decent work and living standards for all in the context of equality in ownership, skills and access to opportunities;

NOW THEREFORE the Council of the GMHLM resolves in terms of section 2 of the Preferential Procurement Policy Framework Act, No. 5 of 2000 to adopt the following preferential procurement policy for the municipality:

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SCOPE

1. This policy applies to all contracts for the provision of goods and services to by the municipality.

PURPOSE

2. The purpose of the policy is to provide a framework within which effect can be given to the principle of preferential procurement, while ensuring that fair, equitable, transparent, competitive and cost effective procurement practices are adhered to.

OBJECTIVES

3. The objectives of the policy are to:
 - (a) Provide clarity on the municipality's approach to preferential procurement.
 - (b) Provide access to contracts for historical disadvantaged individuals.
 - (c) Promote SMME participation.
 - (d) Promote capacity development and skills transfer
 - (e) Promote job creation.
 - (f) Create an enabling contractual environment.

PREFERENCE POINT SYSTEM

- 4.(1) The GMHLM's procurement policy is constructed around the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and the Regulations (R726 of 10/08/2001) issued in terms thereof. This Act and Regulations requires that:
 - (a) A preference point system must be used.
 - (b) A number of points must be awarded for price.
 - (c) A number of points must be awarded for achieving specific goals.

(2) The preference point system awards points as follows:

Figure 1 – Preference Point System

	Bids < R 500 000-00	Bids > R 500 000-00
Points for price	80 (60% prices and 40% functionality)	90 (60% prices and 40% functionality)
Points for specific goals	20	10
Total	100	100

(3) The specific goals may include:

- (a) Contracting with persons historically disadvantaged by unfair discrimination on the basis of:
 - (i) Race
 - (ii) Gender
 - (iii) Disability
- (b) Contracting with an SMME.
- (c) Contracting youth.
- (d) Locally based.
- (e) Contracting females.
- (f) District based.

(4) Any specific goal required for consideration in the bidding process must be clearly determined by the Bid Specification Committee and be defined in the bid documentation, taking into account prescriptions of the Construction Industry Development Board [CIDB] in respect of construction contracts.

- (5) A bidder must meet the requirements of all specific goals in order to qualify for the maximum amount of points allocated for specific goals.
- (6) Outputs required to meet the specific goals will be quantified and will form part of the contractual arrangement upon awarding of the contract.

SPECIFIC GOALS OF PREFERENTIAL PROCUREMENT FOR GMHLM

5. (1) HDI Ownership

- (a) Bidders reflecting an ownership by historically disadvantaged individuals will be given preference points.
- (b) Benefits associated to HDI equity ownership may only be claimed in respect of individuals who are actively involved in the management and daily business of the enterprise, share in the profits of the enterprise, and exercise control over the enterprise, commensurate with their degree of ownership. Where individuals are not actively involved in the management and daily business operations and do not share in the profits and exercise control over the enterprise commensurate with their degree of ownership, benefits associated with equity ownership may not be claimed.
- (c) Should it become evident with the evaluation and monitoring of HDI equity ownership refer to in 5.2[a] above, that it is not being applied or HDI companies have been used as “Fronts”, those companies will be disqualified and other penalties may be imposed in terms of Regulation 15 of the PPP Regulations.

(2) Female Ownership

- (a) Bidders reflecting female ownership will be given addition preference points.

(3) Disabled Ownership

- (a) Bidders reflecting disabled ownership will be given addition preference points

(4) SMME status

- (a) Bidders that reflect SMME status, according to the criteria outlined for each sector and sub-sector of the economy will be given preference.

(6) Local content

- (a) Bidders that provide products developed, manufactured, assembled and/or distributed in South Africa will be given preference where applicable, as contemplated in paragraph 34 of the Supply Chain Management Policy.
- (b) Local content is divided into two components: Local content of product, staff, material and management and then also GMHLM based companies.

(7) District based

- (a) Bid documents should be prepared in such a way, as to reflect a commitment to community empowerment. The municipality's policy and strategy in this regard must be adhered to.
- (i) The municipality may define its objectives, in relation to community empowerment, in the procurement process.
- (ii) The municipality may define its understanding of the community, including the following aspects:
- Geographical community: (for example)
 - Residents of the GMHLM.
 - Residents within the GSDM.
 - Ethnic/cultural/religious community
 - Community of interest.
- (iii) With regards to each contract, the municipality may define the community in its targeting and the empowerment objectives that it wishes to achieve.

- (iv) Particular specifications included in the bid document will make provision for community empowerment in terms of the procurement process.

(8) The following points are allocated for specific goals approved by the GMHLM:

Specific goals proposed		Points allocated	
1	Contracting enterprises wholly or partially owned by previous disadvantaged people. (People disadvantaged by the previous dispensation due to race or other discriminatory factors)	5	2.5
2	Contracting with enterprises wholly or partially owned by female (disadvantaged by the previous dispensation due to gender)	5	2
3	Contracting with enterprises wholly or partially owned by disabled people	2	1
4	Contracting with enterprises wholly or partially owned by Youth	2	1
5	Support for SMME	2	1
6	Promoting enterprises located within GMHLM Area	3	1.5
7	Promoting enterprises located within the District	1	1
Total Points		20	10

GENERAL PRINCIPLES GOVERNING THE MUNICIPALITY IN ITS INTERACTION WITH BIDDERS

6. (1) In dealing with bidders bidding for municipal work, the municipality will adhere to the basic principles of:

- (a) **Efficiency**

- (i) The Council undertake to administer the procurement process in the most efficient manner possible, avoiding time delays and duplication of activities.
 - (ii) Where such delays are unavoidable, the Council undertakes to inform all bidders of the nature of the delay and the revised time frames.
- (b) **Courtesy**
 - (i) All staff members of the municipality will deal with bidders in a courteous and respectful manner.
- (c) **Transparency**
 - (i) All bid process will be open to the scrutiny of the public and interested parties.
 - (ii) The municipality will take all reasonable steps to ensure that the processes are clearly defined and understandable to all interested parties.
- (d) **Access to information**
 - (i) The municipality will take reasonable steps to ensure that all bidders have equal access to information on the goods or services to be bided for, as well as the bid process itself.
- (e) **Fair distribution of work**
 - (i) The municipality will take reasonable steps to make sure that the procurement of goods or services is fairly distributed amongst the service providers. This will be done to avoid the excessive procurement of goods or services from one provider/supplier only.
- (f) **Competition**
 - (i) The Council will encourage fair competition between suppliers that provide goods and services to it.

CRITERIA TO EVALUATE BID (BID) RESPONSIVENESS AND PREFERENCE POINTS SCORED

7. (1) Regardless of the scope value of the contracts involved, all contracts will be judged on grounds of:
- (a) **Meeting technical specifications**

- (i) Where requested in bid documentation, bidders must describe how they will produce the required outputs outlined in the bid documentation in terms of either goods or services.
 - (ii) The ability to produce the required goods or services within the stated time frame may be included as criteria for compliance.
- (b) **Compliance with bid conditions**
 - (i) Bids submitted on time.
 - (ii) Bid forms signed.
 - (iii) All essential information provided.
- (c) **Tax clearance certificate produced**
 - (i) Bidders must produce a tax clearance certificate obtained from SARS.
- (d) **Infrastructure and resources available**
 - (i) Bidders must indicate the extent of infrastructure under their control and resources available to enable them to execute the contract.
- (e) **Size of enterprise and current workload**
 - (i) Bidders must give an indication of the resources available for the contract they are bidding on.
 - (ii) Bidders must give an indication of the number and value of other contracts being undertaken by them at the date of bid, as to enable the municipality to ascertain their ability to execute the contract.
- (f) **Staffing profile**
 - (i) Bidders must indicate the number of fulltime employees employed by the company in South Africa at the time of bidding. Such information must include a breakdown in terms of race and gender at top and middle management levels.
 - (ii) Bidders must also indicate the experience of top and middle management staff, especially where the experience of the company as a whole is limited.
- (g) **Previous experience**
 - (i) Bidders must indicate the number of years that they have been operating their business.

- (ii) Bidders must provide evidence of previous experience in providing the goods or services under consideration, by providing a minimum of three contactable and relevant references.
- (h) **Financial ability to execute the contract**
 - (i) Bidders must indicate the revenue generated by their company in the previous financial year.
 - (ii) Bidders must provide an indication of their financial ability to execute the contract.

MINIMUM PARTICIPATION REQUIREMENTS

8. (1) In line with Regulation 8(5) of the Preferential procurement Regulations the municipality hereby determines that:

- (a) A bid is non-responsive if any one of the criteria listed under 7(1)(a)(b) or (c) is not met.
- (b) A bid is further non-responsive if it score less than 8 points in terms of criteria 7(1)(d) to (h) (See score sheet part C Annexure J).

(2) Non-responsive bids must be disqualified and may not take part in the further evaluation.

MECHANISMS TO SUPPORT PREFERENTIAL PROCUREMENT

9. (1) Determination of bid requirements in relation to bid value

- (a) The municipality will set targets for the supply of goods and services, and link specific requirements relating to enterprise with HDI ownership and/or SMME status.

(2) Establishment/maintain a database of SMME service providers

- (a) The municipality will establish a database of HDI, SMME and other service providers in order to track their records of services to the municipality.

(3) Identification of Business Opportunities

- (a) Within a month after the Capital and Operating budgets have been approved, the minimum figures (targets) for the supply of goods or services that could be

supplied by HDI owned enterprises and SMME's, should be submitted to the respective Portfolio Committee for approval.

(b) Joint venture opportunities between HDI owned enterprises and SMME's, and other business entities, will be identified and be described in the bid requirements.

(c) Sub-contracting opportunities for HDI owned enterprises will be supported.

(4) Creation of an enabling environment

(a) The municipality will create an enabling environment to enable SMME: to become part of the supply chain management process. Steps to be taken include:

(i) Surety Requirements

See the SCM Policy, paragraph 21(1)(f) regarding the lesser extent that sureties are called for.

(ii) Access to Bidding Information

Bidding and related information will be made available in a simplified and uncomplicated format to assist new and emerging enterprises and any business or organization bidding for municipal business.

(iii) Bidding Advice Centre

Assistance must be provided by the SCM Unit to increase SMME awareness and share in the supply chain and procurement process. Assistance must be provided for new and emerging SMME's.

(iv) Sub-Contracting

The procurement of goods and services for any project or other requirement of the municipality should cater for the engagement of sub-contractors. This will provide opportunities for smaller businesses to increase their share in public sector procurement.

(v) Proposed Process

(aa) Bids shall be packaged into suitably sized segments of sub-contractors to target SMME's wherever possible.

(bb) A review of all term (period) contracts shall be undertaken to assess the viability of packaging these into smaller sub-contracts. These bids

should be issued in smaller manageable sub-contracts so that preference can be given to local SMME's.

- (cc) Appropriate standards, specifications, delivery dates and related contractual obligations shall be employed to help smaller businesses to cope and compete.

(vi) **Early Payment Cycles**

- (aa) Small enterprises are entitled to early payment cycles by the municipality.
- (bb) A procedure for processing payments within a maximum of 30 days after certification of invoice must be instituted. Payment times less than 30 days may be introduced subject to discounts.
- (cc) When dealing with SMME's, the above shall not exclude other accommodating measures such as interim or early payment or direct payment of suppliers. Such measures shall however not be regarded as policy or standard procedure, and shall be applied at the discretion of the chief financial officer on an individual contract basis.

(vii) **Simplification of Bid Documentation**

- (aa) Bid submission documents should be rationalized and simplified to make it easier for small businesses to deal with the paperwork involved in bidding.
- (bb) All bid submission forms shall be regularly reviewed and the various bid/contractual documents shall be standardized as far as possible.
- (cc) Essential information shall be consolidated and bid forms reformatted in line with the aims of this policy.

(viii) **Retention**

- (aa) Retention on Major contracts should be limited to 5% of the bid sum. Where the value of the surety required has been reduced, or even waived, the usual 10% retention shall apply. The value of retention deducted will therefore be as follows:
 - **Micro and Minor:** 10% of the value of work carried out with no limit, reducing to 5% for the duration of the maintenance period.

- **Major:** 10% of the value of the work carried out, up to a limit of 5% of the bid sum, with no reduction for the duration of the maintenance period.
- (bb) Retention in respect of the procurement of goods and services will not generally be called for, but where required, will be in accordance with the limits described above.
- (cc) For turnkey/design and construction projects, the above retention limits may be reviewed by the Implementing Agent. Financial guarantees may be submitted in lieu of retention.
- (ix) **Advertising**
 - (aa) In order to reach the largest number of HDI owned and SMME service providers possible, the municipality will undertake to advertise invitations to bid through a range of media. An executive summary of the bid will be published in the five official languages of Limpopo
 - (bb) The municipality will provide an appropriate time period within which bidders can request additional clarification and will be sensitive to the issues of language in this regard.

SHORT TITLE

10. This part of the policy is called the Greater Marble Hall Local Municipality Preferential Procurement Policy.

PART C
SUPPLY CHAIN AND PREFERENTIAL PROCUREMENT GUIDELINES

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DEFINITIONS

1. For the purpose of this policy, unless the context indicates otherwise, any word or expression to which a meaning has been attached in the Act shall bear the same meaning and means:-
 - (1) “*acceptance of bid*” the award of a bid to a bid in response to his/her bid or price quotation;
 - (2) “*briefing notes*” update information or circular regarding the bid issued from time to time during the submission of bid phase to prospective bidders;
 - (3) “*Chief Financial Officer*” an officer of the municipality appointed as the Head of the Finance Department and includes any person:-
 - (a) acting in such position; and
 - (b) to whom the Chief Financial Officer has delegated a power, function or duty in respect of such a delegated power, function or duty;
 - (5) “*closing date*” the date specified in the bid documents for the receipt of the bid;

- (6) “*closing time*” the time specified in the bid documents for the receipt of the bid;
- (7) “*consortium*” any group of persons submitting a bid to provide services as required by the bid advertisement, irrespective of the existence of a formal agreement or arrangement between them or not, and consortia shall refer to the plural thereof;
- (8) “*consultant*”: see “professional service provider”;
- (9) “*contract*” the agreement between parties which is concluded when the Municipality accepts a bid/quotation submitted by a bidder;
- (10) “*contractor*” any natural or legal person/company/closed corporation/firm/joint venture, whose bid has been accepted by the municipality and, for the purposes of this policy, shall include suppliers and service providers;
- (11) “*Council*” or “*municipal council*” a municipal council referred to in section 18 of the Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998) and for purposes of this policy, the municipal council of the Municipality of GMHLM;
- (12) “*delegated authority*” any person/persons/committee delegated with the authority to act for or on behalf of the municipality;
- (13) “*disability*” , in respect of a person, 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 in the range, considered normal for a human being;
- (14) “*equity ownership*” the percentage of an enterprise or business owned by individuals or, in respect of a private company, the percentage of a company’s shares that are owned by individuals, who are actively involved in the management of the enterprise or business and exercise control over the

enterprise, commensurate with their degree of ownership at the closing date of the bid;

- (15) *“formal contract”* a written contract concluded between GMHLM, signed by the authorized person (in terms of the Delegation of Authority) the Board, and the successful bidder, which contract embodies the terms and conditions of the bid
- (16) *“good performance”* that the contractor’s performance was above average and that the official would have no hesitation in recommending that contractor on another project;
- (17) *“goods”* those raw materials or commodities which are available for general sale;
- (18) *“historically disadvantaged individual (HDI)”* a South African citizen:-
- (a) who, due to the apartheid policy that had been in place, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No 110 of 1983) or the Constitution of the Republic of South Africa, 1993 (Act No 200 of 1993) (“the Interim Constitution”); and/or
 - (b) who is female; and/or
 - (c) who has a disability;
- provided that a person who obtained South African citizenship on or after the coming to effect of the Interim Constitution, is deemed not to be an HDI;
- (19) *“implementing agent”* the decision maker/manager mandated by the municipality to implement projects and invite bids/quotations for procurement of any nature;
- (20) *“joint venture/consortium”* an association of persons/companies/closed corporations/firms formed for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract;

- (21) *“laws”* Includes the common law, all legislation (National, Provincial, Local and subordinate), regulations, ordinances, proclamations, guidelines and policies;
- (22) *“letter of acceptance”* the written letter indicating the acceptance of bid by GMHLM;
- (23) *“local”* a Professional Service Provider with a permanent office in the area of jurisdiction of the municipality manned by a partner/director with adequate staff and resources to provide the majority of their services without outside support or assistance;
- (24) *“management”* in relation to an enterprise or business, an activity inclusive of control and performed on a daily basis by any person who is a principal executive officer of the enterprise/business, by whatever name that person may be designated, and whether or not that person is a director;
- (25) *“Municipal Manager”* the accounting officer appointed in terms of section 82 of the Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998) and being the head of administration and accounting officer in terms of section 55 of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) and includes any person:-
- (a) acting in such position; and
 - (b) to whom the Municipal Manager has delegated a power, function or duty in respect of such a delegated power, function or duty;
- (26) *“panel of service providers”* the panel of service providers listed by GMHLM for a specified period as preferred providers of supplies and services to GMHLM;
- (27) *“preference”* the preference awarded to a bidder in the evaluation of his or her bid in accordance with the provisions of Preferential Procurement System as set out in paragraph 12;

- (28) “*principal*” a person in a firm who is a partner in a partnership, a sole proprietor, a director in a company established in terms of the Companies Act, or a member of a closed corporation registered in terms of the Closed Corporation Act;
- (29) “*prime contractor*” the legal entity with whom the municipality will contract;
- (30) “*professional services*” the provision on a fiduciary basis of services requiring knowledge based expertise;
- (31) “*professional services provider (consultant)*” any person or body corporate who is under contract to the municipality for the provision of Professional Services;
- (32) “*quotation*” a written offer which is not submitted in the form of a bid document prescribed by the municipality, but is never-the-less subject to a specification, conditions of purchase and any schedules and/or annexure such as drawings or plans, as applicable;
- (33) “*regulations*” the Preferential Procurement Regulations, 2001, pertaining to the Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000);
- (34) “*responsible agent*” those internal project managers and/or external consultants responsible for the administration of a contract;
- (35) “*responsive bid*” a bid which conforms to all the terms, conditions and specifications of the bid without material deviation or qualification;
- (36) “*service providers*” the service providers who have qualified for listing on the panel of service providers and remain to comply with the minimum requirements for listing on the panel;

- (37) “*services*” the provision of labour and/or work carried out by hand, or with the assistance of plant and equipment, including the input, as necessary, of knowledge based expertise;
- (38) “*small, medium and micro enterprises (SMME’s)*” the same meaning assigned to this expression in the National Small Business Act, 1996 (Act No 102 of 1996);
- (39) “*successful bidder*” the individual, organization or consortium whose bid has been accepted by GMHLM;
- (40) “*bid*” a written offer on the bid documents prescribed by the municipality in response to an invitation to bid;
- (41) “*bidder*” any natural or legal person/company/closed corporation/firm submitting a bid or price quotation;
- (42) “*bid sum*” the amount stated on the bid documents prescribed by the Municipality;
- (43) “*the Act*” the Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000); and

ACCESS TO BIDDING INFORMATION

2. (1) All potential bids must have access to bid information. A special effort must be made to ensure that bid information reaches previous disadvantaged companies or individuals (PDC’s or PDI’s).

Proposed process

- (a) The procurement officer must ensure that notices of all bids shall be advertised in the local press and placed on all notice boards and pay-points throughout the municipal area.
- (b) The national press shall be used where applicable.
- (c) Notice of bids and bid documents placed on municipal notice boards shall be in English.

- (d) Bid Advice Service (TAS) points, created in the department requiring the goods or services shall assist with technical translation and related matters if requested.
- (e) The format and lay-out of bid notices used, shall regularly be reviewed, standardised and made user-friendly.
- (f) Guidelines regarding the completion of bid documentation shall accompany small and medium bids.
- (g) An official's name and contact number/address shall be included in all contract documentation and bid notices for enquiry purposes.
- (h) Upon request TAS will make bid results and awards available to bidders, to evaluate their performance and competitiveness for future bids.
- (i) For transparency, all bid documents shall provide details of the adjudication criteria.

BID ADVICE SERVICES

3. (1) TAS's must be available to all potential bids especially to PDC's and PDI's.

Proposed process

- (a) TAS shall be established within each department responsible for issuing and administering bids.
- (b) The function of these TAS's, *inter alia*, will be to:
 - (i) Provide general information on all matters related to Municipal bids as well as specific information relating to individual bids.
 - (ii) Where applicable, convene pre-bid site meetings to explain bid requirements and answer questions from prospective bidders.
 - (iii) Assist bidders in preparing bid submission forms, excluding pricing of bids.
 - (iv) Provide language interpretation.
- (c) Introduce or co-ordinate training sessions for prospective bidders regarding general matters related to municipal bids. Training sessions shall be held on a needs basis and adequate measures shall be taken to inform prospective bidders of such sessions.

- (d) Departments should interact and make use of other services and facilities offered by existing national TAS's, and should additionally identify national and local organisations and institutions that focus on the support and growth of small businesses, and establish a co-operative relationship.
- (e) Departmental TAS will not be full-time structures and will only react to requests for assistance. At minimum, departments shall make standing arrangements for access to necessary personnel as and when required.

DEVELOPMENT OF DATA-BASE AND SKILLS LIST

4. (1) A data-base (categorised list with details of business activity and location) of existing and prospective suppliers/bidders shall be established.

Proposed process

- (a) The data-base within the procurement division must be established under the control of the chief financial officer and shall be used to identify potential bidders especially PDI's and SMME's.
- (b) Based on work done the data-base shall be updated on a regular basis, and shall be made available to all user-departments and to neighbouring municipalities/municipal entities.
- (c) The information contained on the data-base shall be accessible to any organisation/institution outside the municipality upon request to promote the potential opportunities for PDI's and SMME's.
- (d) A monitoring system shall be implemented by the municipal manager to evaluate progress made regarding opportunities afforded to PDI's and SMME's, and to evaluate/adjust the use of the data-base, within the municipality.
- (e) Details of all supplier's and service provider's bids received, adjudication points, bids awarded and completed must be recorded on the database.
- (f) Advertisements reflecting the municipality's intention to establish a database and inviting potential suppliers and service providers to register on the municipal database must be placed in national and local newspapers (See annexures "A" and "B").

EVALUATION PROCEDURES FOR SUPPLIERS OR SERVICE PROVIDERS

5. (1) All applications of potential suppliers or service providers will be evaluated.
- (2) The purpose of the evaluation process is to assist as many possible suppliers to be placed on the database.

Proposed process

- (a) The evaluation of applications, received from suppliers or service provider to be placed on the municipality's database, will be done by the department requiring the goods or services.
- (b) Each department will establish an evaluation panel consisting of not less than three members of which one must be a senior manager.
- (c) All suppliers and service providers will be evaluated before being placed on the municipality's database.
- (d) The criteria contained in annexure "C" will be used to determine whether a supplier or service provider qualifies to be placed on the supply or service provider database.
- (e) All successful applicants will be informed of the outcome.
- (f) Unsuccessful applicants must be assisted to complete the application form correctly to qualify.

PROCUREMENT OF GOODS OR SERVICES WITH A VALUE BETWEEN R1 AND R1000.00

6. (1) The following procedures for the acquisition of goods and services with a value between R1 and R1000 must be followed.

Proposed process

- (a) A Head of department must apply to the Chief Financial Officer for a petty cash float.
- (b) Once approved the Chief Financial Officer will issue a cheque to a person nominated by the head of the department which will be responsible for petty cash transactions.
- (c) The responsible person will cash the cheque and keep the cash in a safety box which must be locked away in a safe at the end of each working day.

- (d) Sundry requirements to a maximum value of R1000.00 may be purchased from the petty cash float.
- (e) The responsible person will obtain verbal quotes and do the purchases.
- (f) The responsible person must at all times ensure that the municipality received values for money spend.
- (g) A monthly reconciliation report (Annexure D) from each manager must be provided to the chief financial officer, including –
 - (i) the total amount of petty cash purchases for that month; and
 - (iii) receipts and appropriate documents for each purchase.
- (h) On receipt of the petty cash reconciliation the chief financial officer will issue a new cheque to the value of the amount already spent.

PROCUREMENT OF GOODS OR SERVICES WITH A VALUE BETWEEN R1001 AND R50 000

7. (1) The following procedures for the acquisition of goods and services with a value between R1001 and R50 000 must be followed.

Proposed process

- (a) Heads of departments or their delegates must complete and submit an official requisition form, (Annexure “E”) to the official tasked with the procurement of goods and services in the department, indicating the estimated value of the goods or services,.
- (b) If the Head of Department is of the opinion that not enough suppliers are going to respond he/she may request the procurement official to phone suppliers to respond after obtaining the permission of the accounting officer.
- (c) The official will ensure that the requisition is valid and advertise the requirements on the municipal notice board and website.
- (d) At least three quotations must be obtained.
- (e) The official will summarise the quotations received and submit it to the head of the department for acceptance.

- (f) If the lowest quotation in terms of price is not accepted the head of the department must submit reasons for the non-acceptance and report the matter to the municipal manager who must make a final ruling.
- (g) An official order will be placed for all goods or services obtained.
- (h) On receipt of the goods a goods received note must be completed and signed by the head of department or his/her delegate.
- (i) After services have been performed the head of the department must certify that the service was performed satisfactory and value for money was obtained.
- (j) All invoices required must be submitted to the creditors department which will attach it to the original requisition, order and goods received document where after it will be submitted for approval by the head of department and payment.

PROCUREMENT OF GOODS OR SERVICES WITH A VALUE BETWEEN R50 001 AND R200 000

(2) The following procedures for the acquiring of goods and services with an estimated price between R50 001 and R200 000 must be followed.

Proposed process

- (a) Heads of departments or their delegates must complete and submit an official requisition form, to the official tasked with the procurement of goods and services in the department, indicating the estimated value of the goods or services.
- (b) If the Head of Department is of the opinion that not enough suppliers are going to respond he/she may request the procurement official to phone suppliers to respond after obtaining the permission of the accounting officer.
- (c) The official will ensure that the requisition is valid and advertise the requirements on the municipal notice boards and website.
- (d) At least three written quotations must be obtained from suppliers listed on the municipal database.
- (e) The quotations must be sealed and opened in the presence of the evaluation committee.
- (f) This invitation to quote must be in writing (Annexure "F") and advertised in the local press.

- (g) Only suppliers or service providers which previously have completed a preference certificate for quotations may be used. (Annexure “G”).
- (h) The preference claimed must be applied for all quotations greater than R50 000.
- (i) Details of the quotations will be summarised on a summary sheet and submitted to the adjudication committee.
- (j) If the lowest quotation in terms of price and preference claimed is not accepted the adjudication committee must submit reasons for the non-acceptance and report the matter to the municipal manager who must make a final ruling.
- (k) An official order will be placed for all goods and services.
- (l) On receipt of the goods a goods received note will be compiled and signed by the head of department or his/her delegate.
- (m) After services have been performed the head of the department must certify that the service was performed satisfactory and value for money obtained.
- (n) All invoices will be submitted to the procurement department which will attach it to the original requisition, order and goods received documents where after it will be submitted for approval by the head of department and payment by the creditors section of the treasury department.

PROCUREMENT OF GOODS OR SERVICES WITH A PRICE VALUE OF MORE THAN R200 000

- (3) The following procedures for the acquiring of goods and services with an estimated price above R200 000 must be followed:

Proposed process

- (a) A formal bid must be prepared.
- (b) The following guidelines in the preparation of bid documents must be followed:

LANGUAGE

- (i) Bid documentation must be prepared in English.

STANDARD DOCUMENTATION

- (ii) Standard documentation must be included as part of the bid documentation (Annexure “H”). Such standard documentation includes at a minimum:
- T1 – Bid Cover page.
 - T2 – Bid Instructions.
 - Bid specifications and requirements [to be developed by municipal departments on a bid by bid basis].
 - T3 – Declaration of Interest.
 - T4 – Preference Certificate.
 - T5 – Standard Terms and Conditions of Bid.
 - T6 – Bidder information.
 - T7 – Authorization Certificate.

DRAFTING OF BID DOCUMENTATION

- (c) Irrespective of by whom the proposal to bid for supplies or services was initiated, the head of department with responsibility in relation to the required supplies or services, must prepare or oversee the preparation of the bid documentation.
- (d) The head of department must also prepare or oversee the preparation of a bid advertisement in a format substantially similar to that contained in Annexure “I”.
- (e) Bid documents must be available when bid advertisements are placed, but bid documents may not be issued prior to the placing of the bid advertisements.

Site inspections or explanatory meetings

- (f) Should it be a condition of the bid that a site inspection or explanatory meeting be attended by prospective bidders, this requirement as well as the place and time must be clearly stated in the bid advertisement.

- (g) Proper minutes must be taken of all information disclosed during the site inspection or explanatory meeting, and copies of these minutes should be made available to all interested parties that attended the relevant meeting.
- (h) Where the attendance of the site inspection or explanatory meeting is compulsory to the bid, bidders must be required to certify that they attended the site meeting or explanatory meeting and that they are fully aware of the scope of the bid.

Costs and prices

- (i) Bid prices must include delivery costs.
- (j) Prices should be fixed, but in the event of non-fixed prices being bided, the prices must be ascertainable and reasonable.
- (k) Unless otherwise determined, the costs of packing materials are for the account of the bidder and must be included in the bid price.

Authorization to sign bid

- (l) Bidders must complete the Authorization Certificate [T 7], which requires the signatory to indicate whether he or she has been duly authorized to sign the bid.

Preference Certificate [T 4]

- (m) Preference points as set out in the Preference Certificate [T 4], are allocated strictly in accordance with the PPPFA.

Bidder Information [T 6]

- (n) Over and above the information contained in T6 Heads of departments may request additional information by adding it to what is requested in the T6 document.

EVALUATION PROCEDURES FOR BIDS

General principles

- 7.(1) In the evaluation of any bid, general constitutional principles and the requirements of administrative justice regulate and determine the validity of any process followed.
- (2) Section 217 of the Constitution of South Africa, Act 108 of 1996, sets out the basic criteria which applies to the procurement of supplies or services by the state, and requires it must do so in accordance with a system which is **fair, equitable and transparent, competitive and cost-effective**, and provides for categories of **preference** in the allocation of contracts, and the protection or advancement of persons, or categories of persons, **disadvantaged** by unfair discrimination.
- (3) From the provisions of section 217 specific criteria are easily ascertainable. It is also clear that these criteria require two distinct, yet inseparable legs to be present in any procurement process. The first leg, requires that fairness, equitability, transparency, competitiveness and cost-effectiveness be incorporated into any evaluation process. The second leg requires that the process make provision for preferential procurement.
- (4) The above accordingly requires that for any procurement process to be fair and equitable, the bid process must be open and transparent and the evaluation of bids must take place in accordance with identified criteria which are applied in an impartial and unbiased evaluation. In evaluating and applying the bid criteria to bids, the following considerations must be kept in mind:

Fairness

- (a) The concept of fairness is not an immutable one and may change with the passage of time. Fairness is the generic umbrella concept under which all the other considerations reside as specific aspects of the element of fairness. Fairness however remains a creature of context, requiring consideration of all surrounding aspects to determine its presence or not. Despite its reluctance to

be firmly grasped, basic requirements or examples of fairness can be identified.

- (b) The element of 'fairness' requires that bid documents have been fairly compiled and supplied to all bids. The parties involved in the evaluation process must deal fairly and justly with each bid submitted – i.e. what applies to the one, applies to the other.
- (c) The principle of fairness also incorporates the right to administrative justice into the evaluation process, requiring the absence of *mala fides*, fraud, bribery and other illegalities in the total procurement process.
- (d) Fairness further requires that the norms, criteria or weighting used in the evaluation process are objective and defensible and do not exclude or prejudice any bidder unfairly or unreasonably.
- (e) The value-orientated spirit of the Constitution should therefore pervade the whole process ensuring the fair and equitable treatment of all bidders. Administrative justice requires not only no bias in the process, but also demands that each bidder, successful or not, and where requested, be provided with reasons for the specific outcome.

Equitability

- (f) Equitability incorporates the element of equality into procurement. Each bid should therefore, taking into account the acceptability and compliance of the bid, be treated equally and equitably.
- (g) This requires that evaluation criterion, weighting system and the measurement of compliance with the bid documentation to be applied equally in the evaluation of each bid. Failure to do so opens the door to unequal treatment and an actionable violation of the equitability principle.
- (h) Risks of infringement of the equitability principle can also be found in the provision of an unequal opportunity to certain bidders to amend or vary a bid,

inequality being present in the failure to afford a similar opportunity to other bidders who could potentially amend their bids to a competitive level.

Transparency

- (i) Transparency relates to the general principle of administrative justice requiring any bid evaluation process to be open and transparent. Section 195 of the Constitution also underwrites this principle by requiring a sound public administration where the principle of openness and transparency are advanced.
- (j) Accordingly, the evaluation process must be sufficiently open to bidders, to afford bidders where required, sufficient feedback regarding the bid evaluation, short listing of bidders, reasons for disqualification, and the awarding of the bid. This approach is in line with the important fundamental right of access to information.

Competitiveness

- (k) Any competition between bidders must be open and competitive. The procurement process should accordingly encourage effective competition through procurement methods suited to facilitate competition and provide GMHLM with the best value for money.
- (l) Competition may however be influenced by preferences relating to the advancement of persons, or categories of persons, disadvantaged by unfair discrimination, locally based contractors or SMME's. Such variation from the principle of open competition is justifiable as a remedial step towards the rectification and empowerment of persons previously disadvantaged, the

strengthening of local suppliers and providers and the establishment of capacity for SMME's.

- (m) Open competition may further be enhanced by ensuring that the potential pool of bidders is not arbitrarily restricted, unless such restriction is due to providing bid advertisements to service providers listed on the service provider panel only. Competition should further be enhanced by providing bidders with reasonable notification of bid opportunities and adequate time within which to bid. Costs involved in bidding should also not be so high as to deter potential bidders.

Cost-effectiveness

- (n) Cost-effectiveness relates to the 'value for money'-analysis. Price alone is not always the best or most reliable indicator of value for money. Price as a norm can lead to rigid and inflexible consideration of bids, with the lowest bid more often than not, not being the best. The inherent challenge therefore, is to achieve affordability and a net benefit to GMHLM by considering all relevant costs and benefits involved in the bid.
- (o) However, where lower bids are passed over, the reasons for doing so must be reasonable and accountable, and may require deviations from the bid specifications or shortcomings in quality, availability or compatibility to be highlighted. This though will be deemed necessary only in very exceptional circumstances and strictly in accordance with the PPPFA's regulation 9.

Ultra vires

- (p) An important aspect and incorporated in the general principle of legality of all bids is that of *ultra vires*, which requires that the calling of the bid be duly authorized. The bid process must take place within the Policy framework and be conducted with the necessary approvals by the authorized bodies or officials having been obtained.

EVALUATION PROCEDURES FOR RESPONSIVENESS

8. (1) Before any bid is evaluated in terms of preference or price the bid evaluation committee must determine whether the bid is a responsive bid. Non-responsive bids should be disregarded and not evaluated further. A bid can be regarded as non-responsive if it does not meet the three criteria stipulated in section 6(a)(b) and (c). If the bidder scores less than 8 out of a possible 10 points in the remaining criteria stipulated in 6 (d)-(g) the bid must also be treated as a non-responsive bid. Annexure “I” has been developed to assist the evaluation committee to determine responsiveness.

(2) The following criteria must be applied to determine responsiveness:

(a) **Technical specifications**

- (i) Bids are adjudicated in terms of:
 - (aa) Comply with technical specifications. Each specification, requirement must be met or responded to.
 - (bb) Schedule of quantities must have been completed.
- (ii) The bid evaluation committee member must score this category in terms of the following statements and record the reasons for not awarding the maximum points allowed:

Description	Compliance awarded
Bidder meets the technical specification as required.	Yes
Bidder does not meet all the technical specification as required.	No
Score motivation: ----- -----	

(b) **General conditions**

- (i) The bid must also be evaluated for compliance with the bid requirements, such as completion of all bid documentation, signing of certificates and submission of required documents and data.

- (ii) Bids containing any one or more of the following errors or omissions will be rejected:
 - (aa) Pages to be completed removed from the document (therefore not submitted).
 - (bb) Scratching out/ writing over rates/ painting over rates / use of correcting fluid.
 - (cc) Failure to attend compulsory site inspections / compulsory briefing sessions.
 - (dd) Bid form not signed and all pages of bid documents not initialed.
 - (ee) No authority for signatory submitted.
 - (ff) Enterprise particulars not provided.
 - (gg) The bid has been submitted after the closing date and time.
- (iii) The bid evaluation committee member must score this category in terms of the following statements and record the reasons for not awarding the maximum points allowed:

Description	Compliance awarded
Bidder complies with the general conditions as required.	Yes
Bidder does not comply with the general conditions as required.	No
Score motivation: ----- -----	

(c) **Tax clearance certificate**

- (i) A tax clearance certificate from SARS must be submitted with each tender.
- (ii) The bid evaluation committee member must score this category in terms of the following statements and record the reasons for not awarding the maximum points allowed:

Description	Compliance awarded
Bidder has submitted a tax clearance certificate as required.	Yes
Bidder has not submitted a tax clearance certificate as required.	No
Score motivation: ----- -----	

(d) Infrastructure and resources available

- (i) Evaluate the following in terms of the size, nature and complexity of the goods and/or services required:
 - (aa) Physical facilities.
 - (bb) Plant and equipment available for the project which is owned by the bidder.
 - (cc) Plant and equipment the bidder intends renting, should the project be awarded to him.
- (ii) The bid evaluation committee member must score this category in terms of the following statements and record the reasons for not awarding the maximum points allowed:

Description	Points awarded
Bidder has the necessary infrastructure and resources available to successfully execute the contract	2
There is some doubt about whether Bidder has all the necessary infrastructure and resources available to successfully execute the contract	1
Bidder does not have the necessary infrastructure and resources available to execute the project.	0
Score motivation: ----- -----	

- (iii) Note: With regard to rented plant and equipment the adjudicator must establish whether:

- (aa) The plant hire company has the equipment available for the bidder; and
- (bb) Whether the bidder’s creditworthiness and /or financial standing will allow him to rent plant.

(e) **Size of enterprise and current workload**

- (i) Evaluate the bidder’s position in terms of:
 - (aa) Previous and expected current annual turnover.
 - (bb) Current contractual obligations.
 - (cc) Capacity to execute the contract.
- (ii) The bid evaluation committee member must score this category in terms of the following statements and record the reasons for not awarding the maximum points allowed:

Description	Points awarded
Bidder has the necessary capacity available to successfully execute the contract.	2
There is some doubt about whether Bidder has all the necessary capacity available to successfully execute the contract.	1
Bidder does not have the necessary capacity available to execute the project.	0
Score motivation: ----- -----	

- (iii) Note: Combine the contractor’s current obligations with the impact this contract will have, and compare with the turnover of the previous year and the estimated turnover for the current year.

(f) **Staffing profile**

- (i) Evaluate the bidder’s position in terms of:
 - (aa) Staff available for the contract.
 - (bb) Qualifications and experience of key staff to be utilized on this contract.
- (iv) The bid evaluation committee member must score this category in terms of the following statements and record the reasons for not awarding the maximum points allowed:

Description	Points awarded
Bidder has the necessary staff available to successfully execute the contract	2
There is some doubt about whether Bidder has the necessary staffing profile to successfully execute the contract.	1
Bidder does not have the necessary staff available to execute the project.	0
Score motivation: ----- -----	

(iii) Note: The availability of staff is particularly important if the enterprise does not have the necessary previous experience.

(g) Previous experience

- (i) Evaluate the Bidder's position in terms of his previous experience. Pay particular attention to the following:
 - (aa) Relevant experience in the technical field.
 - (bb) Experience of contracts of similar size.
 - (cc) Contract some or all of the reference to obtain their input.
- (ii) The bid evaluation committee member must score this category in terms of the following statements and record the reasons for not awarding the maximum points allowed:

Description	Points awarded
Bidder has the necessary previous experience to successfully execute the contract.	2
There is some doubt about whether Bidder has the previous experience to successfully execute the contract.	1
Bidder does not have the necessary experience to execute the project	0
Score motivation: ----- -----	

- (iii) Note: In the case where there is doubt the bidder's experience the adjudicator should establish whether it will be possible to provide assistance, for example through the contractor development programme, or by employing a construction and materials manager on the project. Should such support be available, 2 points may be awarded.

(h) Financial ability

- (i) Evaluate the bidder's financial ability to execute the contract. Pay particular attention to the following:
- (aa) Surety proposed.
 - (bb) Estimated cash flow.
 - (cc) Contact the bidder's bank manager and assess his financial ability to execute the contract.
- (ii) The bid evaluation committee member must score this category in terms of the following statements and record the reasons for not awarding the maximum points allowed:

Description	Points awarded
Bidder has the necessary financial ability to successfully execute the contract	2
There is some doubt about whether Bidder has the financial ability to successfully execute the contract.	1
Bidder does not have the financial ability to execute the project.	0
Score motivation: ----- -----	

- (iii) Note: In the case where there is doubt about the bidder's financial ability the adjudicator should establish whether it will be possible to provide assistance, for example through the contractor development programme, or by utilizing a project account or other method to effect

quick payment. Should such support be available, 2 points may be awarded.

EVALUATION PROCEDURES FOR PRICE AND SPECIAL OBJECTIVES

9. (1) All responsive bids will be finally evaluated for price and special objectives.
- (2) A 80/20 preference point system in respect of procurement with an estimated value of less than or equal to R500 000, and a 90/10 preference point system in respect of procurement with an estimated value of greater than R500 000 will be applied.
- (3) Depending on the value of the procurement either 80 or 90 points are awarded to the bidder who bids the lowest price, and proportionately fewer points are awarded to those with higher prices.
- (4) The remaining 20 or 10 points will be awarded for HDI equity ownership and other specific goals.

Price

- (5) Points allocated for price will be evaluated in accordance with the following principles.
- (a) Price thresholds up to R500 000:-
A maximum of 80 (60% for price and 40% functionality) points is allocated on the following basis:
- $$Np = 80 \left[1 - \frac{(Pt - Pmin)}{Pmin} \right]$$
- Where: Np = the number of bid adjudication points awarded for price.
Pt = the bid sum (corrected if applicable) of the responsive bid under consideration.
Pmin = the bid sum (corrected if applicable) of the lowest responsive bid.
- (b) Contracts over R500 000:-

A maximum of 90 (60% for price and 40% functionality) points is allocated on the following basis:

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

- Where: Np = the number of bid adjudication points awarded for price.
Pt = the bid sum (corrected if applicable) of the responsive bid under consideration.
Pmin = the bid sum (corrected if applicable) of the lowest responsive bid.

Special objectives

- (6) The compliance of the bidder with the **Preference Certificate [T 4]** must be evaluated in accordance with the objectives reflected in Part B section 5 of the Supply Chain and Procurement Policy and repeated hereunder:
- (a) A maximum of **5/20 (or 2.5/10) points** will be awarded for HDI Equity Ownership.
 - (b) A maximum of **5/20 (or 2/10) points** will be awarded for Female Ownership.
 - (c) A maximum of **2/20 (or 1/10) points** will be awarded for Disabled Ownership.
 - (d) A maximum of **2/20 (or 1/10) points** will be awarded to bidders who are SMME.
 - (e) A maximum of **2/20 (or 1/10) points** will be awarded for Youth ownership.
 - (f) A maximum of **9/20 (or 4.5/10) points** will be awarded to local bidders who are based in the EPMLM.
 - (g) A maximum of **1/20 (or 1/10) points** will be awarded to bidders who are based in the District.
- (7) Failure by a bidder to complete the Preference Certificate, must be seen as non-compliance with the bid requirements, and requires that the bid be treated as an invalid bid.

PDI Equity Ownership

- (8) Claims for equity ownership for HDI's must be considered as follows:
- (a) Equity within private companies must be based on the percentage of equity ownership of HDI's.
 - (b) As public companies are subject to constant change in shareholding, **no preference points** are awarded to public companies.
 - (c) The following formula applies in order to calculate the number of points scored for equity ownership by HDI's:

(i) **$NEP = [NOP \times EP] / 100$**

Where:

NEP = number of points awarded for equity ownership of PDI's

NOP = the maximum number of points awarded for equity ownership of PDI's

EP = is the percentage of equity ownership claimed by the bidder for HDI's within the enterprise

- (d) Equity claims for a Trust will only be allowed for those persons who are both a trustee and a beneficiary and must be actively involved in the management and daily operation of the trust.
- (e) A consortium or Joint Venture (JV) can be entitled to equity ownership if the percentage of the total contract value which will be executed by each party in the consortium or JV is indicated and the percentage equity ownership and control of each party is indicated as applicable for private companies.

NOTE: Each consortium or JV member is allowed equity ownership based on that percentage of the contract to be executed by the consortium or JV member.

(f) Total number of points scored for equity ownership for consortia/JV's must be calculated in the following manner:

(i) **Part Point Entitlement (PPE) per Consortium/JV member**

(aa) $PPE = [NOP \times (\% \text{ of contract to be executed})] / 100$

Where:

NOP = the maximum number of points awarded for equity ownership for consortia/JVs

(ii) **To establish consortium/JV member's equity point**

$CEP = [PPE \times EP] / 100$

Where:

CEP = number of points awarded to the consortium/JV member

PPE = part point entitlement per consortium/JV member as per (a) above.

EP = the percentage equity ownership within the consortium/JV member

(iii) **Total number of points scored by consortium/JV (NEP)**

NEP = the total of the CEP's [points obtained per consortium/JV]

(g) In the event that the percentage of PDI Equity Ownership claimed by the bidder changes after the submission of the bid or the award of the contract, the bidder must notify GMHLM of such change.

(h) Equity ownership of PDI's may not be claimed in respect of individuals who are not actively involved in the management of an Organization or business and who do

not exercise control over the Organization or business commensurate with their degree of ownership.

Female Equity Ownership

(9) Claims for equity ownership for female must be considered as follows:

- (a) Equity within private companies must be based on the percentage of equity ownership of female.
- (b) As public companies are subject to constant change in shareholding, **no preference points** are awarded to public companies.
- (c) The following formula applies in order to calculate the number of points scored for equity ownership by female:
 - (i) **$NEP = [NOP \times EP] / 100$**

Where:

NEP = number of points awarded for equity ownership of female

NOP = the maximum number of points awarded for equity ownership of female

EP = is the percentage of equity ownership claimed by the bidder for female within the enterprise

- (d) Equity claims for a Trust will only be allowed for those persons who are both a trustee and a beneficiary and must be actively involved in the management and daily operation of the trust.
- (e) A consortium or Joint Venture (JV) can be entitled to equity ownership, based on the following:
 - (i) It must be indicated what percentage of the total contract value will be executed by each party in the consortium or JV and the managers from

each party must be indicated according to the percentage equity ownership and control as applicable for private companies.

NOTE: Each consortium or JV member is allowed equity ownership based on that percentage of the contract to be executed by the consortium or JV member.

(f) Total number of points scored for equity ownership for consortia/JV's must be calculated in the following manner:

(i) **Part Point Entitlement (PPE) per Consortium/JV member**

(aa) **$PPE = [NOP \times (\% \text{ of contract to be executed})] / 100$**

Where:

NOP = the maximum number of points awarded for equity ownership for consortia/JVs

(bb) **To establish consortium/JV member's equity point**

$CEP = [PPE \times EP] / 100$

Where:

CEP = number of points awarded to the consortium/JV member

PPE = part point entitlement per consortium/JV member as per (a) above.

EP = the percentage equity ownership within the consortium/JV member

(cc) Total number of points scored by consortium/JV (NEP)

NEP = the total of the CEP's [points obtained per consortium/JV]

- (g) In the event that the percentage of female Equity Ownership claimed by the bidder changes after the submission of the bid or the award of the contract, the bidder must notify GMHLM of such change.
- (h) Equity ownership of female may not be claimed in respect of individuals who are not actively involved in the management of an Organization or business and who do not exercise control over the Organization or business commensurate with their degree of ownership.

Disabled Equity Ownership

- (10) (a) The maximum points for Disabled Equity Ownership that may be claimed is **1 or 1 points**.
- (b) Claims for equity ownership for disabled persons must be considered as follows:
 - (i) Equity within private companies must be based on the percentage of equity ownership of disabled persons.
 - (ii) As public companies are subject to constant change in shareholding, **no preference points** are awarded to public companies.
 - (iii) The following formula applies in order to calculate the number of points scored for equity ownership by disabled persons:

(aa) **NEP = [NOP X EP] / 100**

Where:

NEP = number of points awarded for equity ownership of disabled persons.

NOP = the maximum number of points awarded for equity ownership of disabled persons

EP = is the percentage of equity ownership claimed by the bidder for disabled persons within the enterprise

- (c) Equity claims for a Trust will only be allowed for those persons who are both a trustee and a beneficiary and must be actively involved in the management and daily operation of the trust.
- (d) A consortium or Joint Venture (JV) can be entitled to equity ownership, based on the following:
 - (i) It must be indicated what percentage of the total contract value will be executed by each party in the consortium or JV and the managers from each party must be indicated according to the percentage equity ownership and control as applicable for private companies.

NOTE: Each consortium or JV member is allowed equity ownership based on that percentage of the contract to be executed by the consortium or JV member.

- (e) Total number of points scored for equity ownership for consortia/JV's must be calculated in the following manner:

(aa) Part Point Entitlement (PPE) per Consortium/JV member

$$\text{PPE} = [\text{NOP} \times (\% \text{ of contract to be executed})] / 100$$

Where:

NOP = the maximum number of points awarded for equity ownership for consortia/JVs

(bb) To establish consortium/JV member's equity point

$$\text{CEP} = [\text{PPE} \times \text{EP}] / 100$$

Where:

CEP = number of points awarded to the consortium/JV member

PPE = part point entitlement per consortium/JV member as per (a) above.

EP = the percentage equity ownership within the consortium/JV member

(cc) Total number of points scored by consortium/JV (NEP)

NEP = the total of the CEP's [points obtained per consortium/JV]

- (f) In the event that the percentage of Disabled Equity Ownership claimed by the bidder changes after the submission of the bid or the award of the contract, the bidder must notify Greater Marble Hall Local Municipality of such change.
- (g) Equity ownership of disabled persons may not be claimed in respect of individuals who are not actively involved in the management of an Organisation or business and who do not exercise control over the Organisation or business commensurate with their degree of ownership.

- (h) Disabled Equity Ownership% = Points claimed
(max of 2 or 1 points)

SMME's

- (11) (a) Bidder must indicate whether organization bidding is a small, medium or micro enterprise as defined in the Small Business Act 102 of 1996:
- (b) If response to paragraph 19 is affirmative, bidders must complete the following:
- (i) Sector or sub-sector
 - (ii) Size or class
 - (iii) Number of full-time employees
 - (iv) Total annual turnover
 - (v) Total gross asset value.....
(fixed property excluded)
- (c) Each member of the evaluation committee must evaluate the bids separately and record his/her evaluation on a form similar to one attached as annexure "P".
- (d) The chairperson of the evaluation committee must summarize the scores of the individual members, calculate the average scores and submit a report to the bid adjudication committee.

Youth ownership

- (12) (a) The maximum points for youth ownership that may be claimed are 2 and 1 points.
- (b) The following formula applies in order to calculate the number of points scored for job creation:

$$A = [B \times C] / D$$

Where:

A = number of points claimed for youth ownership.

B = the maximum number of points awarded for youth ownership.

(c) Youth ownership points claimed: points (max of 2 or 1 points)

Locally based

(13) (a) The maximum points for locally based bidders that may be claimed is **3 or 1.5 points.**

(b) The 3 or 1.5 points will be awarded for the following:

(i) **3 or 1.5 points** for a company based in the municipal area, where 100% of the supplies or services measured against the total bid price, is provided, manufactured, processed or assembled in the municipal area.

© Locally based points claimed:..... points (max of 3 or 1.5 point