

LEPELLE NKUMPI LOCAL MUNICIPALITY

POLICY: SUPPLY CHAIN MANAGEMENT

Adopted by council at a normal council meeting of 17 February 2005

SUPPLY CHAIN MANAGEMENT DRAFT POLICY

PART 1 OBJECTIVE

To provide a policy framework within which the municipal manager and chief financial officer can institute and maintain a supply chain management system which is transparent, efficient, equitable, competitive, ensures best value for money for the municipality, applies the highest possible ethical standards, and promotes local economic development.

By adopting this policy the council further pledges itself and the municipal administration to the observance of all applicable national legislation, including specifically the:

- Preferential Procurement Policy Framework Act No. 5 of 2000 and its regulations;
- Broad Based Black Economic Empowerment Act No. 53 of 2003 and any applicable code of practice promulgated in terms of that Act;
- Municipal Finance Management Act No. 56 of 2003; including the regulations relating to the prescribed framework for supply chain management.

The relevant provisions of the foregoing statutes are annexed to this policy; either in paraphrase or – in case of the regulations – verbatim.

The present policy is designed to supplement the foregoing legal prescriptions, and therefore does not pointlessly repeat requirements which are already enacted as part of the relevant legislation.

PART 2 MANAGEMENT OF PROCUREMENT REQUIREMENTS

All requests for the procurement of goods and services shall be submitted by the heads of departments concerned to the procurement section of the budget and treasury office (FinanceDepartment). All requests shall be in writing, shall clearly specify the nature and, where applicable, quantity or duration, as the case may be, of the goods and services required, shall avoid the use of brand names and further avoid the preparation of specifications aimed at procuring goods or services provided by only specific suppliers, shall bear the certification by the official responsible for financial management in the department concerned that there is sufficient provision in the current annual budget of the department for the envisaged expenditure or – in the case of procurement requirements extending over more than one financial year – that provision has also been included in the draft annual budgets for the ensuing financial year(s), and shall be signed by the head of department concerned or by a senior official in the department designated by the head of department for this purpose.

2.1 Quotations

The chief financial officer shall manage procurement requisitions for amounts estimated not to exceed R100 000 (one hundred thousand rand) excluding VAT by calling for quotations. The request for such quotations shall be prepared by the procurement section of the budget and treasury office, and shall be prominently displayed on the municipality's main notice board, on the main notice board of the department concerned, and on the notice board provided for the purpose of displaying quotations and tenders in the procurement section of the budget and treasury office. Notices calling for quotations shall indicate the closing date and time for the submission of quotations. Such closing date shall be at least 14 (fourteen) calendar days after the date on which the request for quotations is first displayed.

For a quotation to be considered;

aa) it must be in writing,

bb) be signed by a person with the necessary authority to act on behalf of the prospective supplier,

cc) substantially comply with the specification set out in the notice calling for quotations,

dd) be received by the procurement section of the budget and treasury office on or before due date and time.

It must be accompanied by proof that all municipal rates and service charges have been paid to date, a valid tax clearance certificate issued by the South African Revenue Service, a valid tax (levy) clearance certificate issued by the relevant district municipality, and the completed form, as prescribed by the chief financial officer, setting out details of the supplier's PDI empowerment credentials and involvement in the local or regional economy.

For a quotation to be considered to meet specifications in respect of services to be provided to, or works to be undertaken for the municipality, the bidder must provide satisfactory proof that it possesses the skills and resources to execute the bid properly.

2.2 Tenders

The chief financial officer shall manage procurement requisitions for amounts estimated to be in excess of R100 000 (one hundred thousand rand) excluding VAT by calling for tenders. The request for such tenders shall be prepared by the procurement section of the budget and treasury office, shall be prominently displayed on all the notice boards, referred to under part 2.1 above. It shall be advertised in one local newspaper of repute (if there is a local newspaper) and one national newspaper of repute or in both such newspapers if the estimated value of the tender exceeds R1 000 000 (one million rand). Notices calling for tenders shall comply with all the requirements indicated for quotations under part 2.1 above, except that the closing date shall be at least 30 (thirty) calendar days after the date on which the call for tenders is first displayed or advertised, whichever date is the later.

For a tender to be considered it must comply with all the requirements indicated for quotations under part 2.1 above, except that a tender must be placed in the tender box(es) provided for this purpose, the location of which shall be clearly specified in the relevant notice calling for tenders.

The chief financial officer shall ensure that such tender boxes are sealed until the date and time of their official opening, and that they are properly secured at the time.

Where the relevant notice specifies that prospective tenderers must complete certain documentation which must be obtained from the municipality, failure to complete such documentation shall render the tender invalid.

The relevant notice may also specify that a fee or deposit, as determined from time to time by the council, is payable in order to obtain such documentation. In the case of deposits, the amount concerned shall be refundable to the tenderer within 7 (seven) working days after the tenders have been opened.

2.3 Assistance to Prospective Suppliers

To ensure the equitable treatment of prospective suppliers who do not have the educational skills to complete the required documentation in response to notices calling for quotations or tenders, the chief financial officer shall designate an official to provide assistance during normal office hours to such suppliers. The availability of such assistance shall be indicated in the relevant notices.

2.4 Quotations and Tenders Not to Specification

Notwithstanding the above-stipulated requirements for consideration, quotations and tenders which are not to specification may be considered, but only if no quotations or tenders complying with the specification have been received.

2.5 Use of Database of Suppliers

The procurement section of the budget and treasury office shall at least annually request prospective suppliers, by notice and advertisement as for tenders under part 2.2 above, either generally or for specified ranges of goods and services, to submit their names and other relevant details to the procurement section for inclusion in a database of suppliers upon payment of annual nominal fee as determined by Council during the budgetary process. Such details shall include an indication of the goods and services normally provided.

The procurement section shall then, in addition to the communication processes specified under parts 2.1 and 2.2 above, forward – either electronically or by facsimile – copies of any notices of quotations and tenders to the relevant suppliers. However, failure by the procurement section to forward such notices or the non-receipt of such notices by any supplier shall not invalidate the procurement process. The onus remains on the prospective suppliers to apprise themselves of the municipality's requirements as indicated in the prescribed communication processes set out under parts 2.1 and 2.2 above. The additional notification by virtue of the supplier's being included in the database shall be viewed simply as a courtesy on the part of the municipality.

The inclusion of any supplier in the database of suppliers by no means obviates the need for such supplier to respond in the prescribed manner to notices of the municipality's procurement requirements.

PART 3 ADJUDICATION OF QUOTATIONS AND TENDERS

Notwithstanding any of the requirements set out below, the municipality shall not be obliged to accept any quotation or tender received.

3.1 Quotations

All quotations shall be adjudicated by the chief financial officer, acting on the written reports prepared by the procurement section of the budget and treasury office.

The lowest quotation substantially to specification shall be accepted, taking into account the municipality's preferential procurement requirements as set out in part 5, provided the chief financial officer is satisfied that it offers acceptable value for money for the municipality.

If no quotation is substantially to specification, the lowest quotation which is closest to specification shall be accepted, provided the chief financial officer is satisfied that it offers acceptable value for money for the municipality, and provided further – if the goods or services concerned are being procured for a specific department or departments – that the head(s) of such department(s) concur(s) with such acceptance.

3.2 Tenders

All tenders with an estimated value exceeding R100 000 (one hundred thousand rand) excluding VAT, but not exceeding R250 000 (two hundred and fifty thousand rand) excluding VAT, shall be adjudicated and approved by the municipal manager, acting on the written reports and recommendations of the chief financial officer.

All tenders with an estimated value exceeding R250 000 (two hundred and fifty thousand) excluding VAT, but not exceeding R1 million (one million rand) excluding VAT, shall be adjudicated by the tender committee, as established in terms of part 4 below, and approved by the municipal manager, acting on the written reports and recommendations of the tender committee.

All tenders with an estimated value exceeding R1 million (one million rand) excluding VAT, shall be adjudicated by the tender committee, as established in terms of part 4 below, and approved by the council, acting on the written reports and recommendations of the tender committee.

The lowest tender substantially to specification shall be accepted, taking into account the municipality's preferential procurement requirements as set out in part 5 below, provided the adjudicating authority is satisfied that it offers acceptable value for money for the municipality.

If no tender is substantially to specification, the adjudicating authority may recommend acceptance of the lowest tender which is closest to specification, provided the adjudicating authority is satisfied that it offers acceptable value for money for the municipality, and provided further – if the goods or services are being procured for a specific department or departments – that the head(s) of such department(s) concur(s) with such acceptance.

PART 4 TENDER COMMITTEE

The municipal manager shall establish a tender committee to undertake the adjudicating functions set out in part 3.2 above.

The chief financial officer shall not be a member of this committee, but shall prepare all documentation required by the committee to exercise its responsibilities. The chief financial officer shall, however, be allowed to attend all meetings of the committee and to speak on any of the items being adjudicated.

The committee shall be composed as follows:

- tenders to be approved by the municipal manager
 - chairperson: head of corporate services
 - members: two other heads of departments on a rotational basis, provided neither has an official interest in the tenders to be adjudicated

- tenders to be approved by the council
 - chairperson: municipal manager
 - members: head of corporate services and two other heads of departments on a rotational basis, provided neither has an official interest in the tenders to be adjudicated.

If the head of corporate services has a direct interest in a tender to be adjudicated, the chairpersonship or membership of the committee, as the case may be, shall pass to another head of department: but provided that three heads of departments shall at all times be members of the committee.

The quorum for committee meetings shall be the chairperson and the full membership as indicated above.

A head of department shall be deemed to have an official interest if the tender concerned relates to the procurement of goods or services requested for that department specifically, or where that department will be the predominant user of the goods or services concerned. Such head of department shall, however, be entitled to attend the relevant meetings of the tender committee and to speak on the relevant items in which the department has a direct interest.

The tender committee shall meet at least quarterly in time for its reports and recommendations to be submitted to the ensuing council meeting, or more frequently, if the municipal manager so determines, in order to adjudicate tenders for approval by the municipal manager.

In the case of tenders which must be submitted to the council for approval, the municipal manager, provided there is provision in the relevant department's estimates for such expenditure, may engage a consultant or consultants to advise the tender committee on any technically complex aspect of a tender. The department to which the tender relates, shall bear the expenses concerned, or – if this is not possible – the expenditure shall be charged against a provision created for this purpose in the budget of the municipal manager or the corporate services department.

PART 5

PRINCIPLES OF ADJUDICATION

For all tenders with an estimated value above R1 million (one million rand) excluding VAT, preference points will be allocated as follows:

	POINTS
lowest price substantially to specification	90
involvement of supplier in local or regional economy	2
PDI status	8
total	100

The points for PDI status will be determined as follows:

- percentage of PDIs in management - out of 4 points
- percentage of PDIs in shareholding - out of 4 points
- percentage of “**special focus groups**” in management or shareholding:
 - Disabled – 2 points
 - Women – 1 point
 - Youth – 1 point

For all tenders and quotations with an estimated value below R1 million (one million rand) excluding VAT, preference points will be allocated as follows:

	POINTS
lowest price substantially to specification	80
involvement of supplier in local or regional economy	6
PDI status	14
total	100

The points for PDI status will be determined as follows:

- percentage of PDIs in management - out of 7 points
- percentage of PDIs in shareholding - out of 7 points
- percentage of “**special focus groups**” in management or shareholding:

- Disabled – 3 points
- Women – 2 points
- Youth – 2 points
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Where purely local goods are tendered or quoted for, compliance with the requirements of the South African Bureau of Standards shall be a prerequisite for the consideration of the quotation or tender concerned.

“To specification” in the case of services to be provided to or works to be undertaken for the municipality shall include the furnishing of satisfactory proof of the skills and resources required to execute the bid.

PART 6 PRE-QUALIFICATION PROCEDURES

From time to time, invitations for forthcoming tenders or quotations may specify initial attendance by prospective suppliers at briefing meetings or site inspections or may require only an initial expression of interest from prospective suppliers indicating their expertise and/or other credentials in respect of the provision of the required goods or services. In such instances, the municipality reserves the right to limit subsequent invitations for the actual tenders or quotations to suppliers who have attended such meetings or inspections or who have provided reasonable evidence of the expertise or credentials required.

PART 7 GUARANTEES AND RETENTIONS

In the case of tenders for the undertaking of works on behalf of the municipality and with a value equal to or exceeding R1 000 000 (one million rand), the successful tenderer must lodge with the chief financial officer a guarantee, issued by an institution acceptable to the chief financial officer, for a sum equal to 60% (sixteen per centum) of the agreed or estimated tender price. Such guarantee shall be lodged within one calendar month from the date on which the tender is awarded, and shall thereafter be managed in terms of the contract entered into between the municipality and the successful tenderer.

In the case of tenders where a performance guarantee as envisaged above is not required, the chief financial officer shall withhold payment of an amount equal to 10% (ten per centum) of the value of the actual goods or service supplied by the appointed contractor until the chief financial officer is satisfied that the contract has been satisfactorily executed, but provided that such final payment shall not be withheld for a period exceeding 6 (six) calendar months from the date on which final payment was due to the contractor.

PART 8 EMERGENCIES

An emergency shall be considered as an unforeseeable and sudden event, with materially harmful or potentially materially harmful consequences for the municipality, and which requires urgent action to address.

In cases where the municipal manager determines that an emergency has arisen, the municipal manager may direct that the periods for advertising quotations or tenders, as stipulated in parts 2.1 and 2.2 above, be curtailed to the extent that the municipal manager deems appropriate. Where the estimated value of the goods or services to be supplied to cater for such emergency exceeds R1 million (one million rand) excluding VAT, the municipal manager may approve such tender on behalf of the council, but provided the chairperson of the executive committee, concurs with the view of the municipal manager that the tender must be approved to address an emergency.

PART 9 PROHIBITED ACTIONS

No head of department in placing a requisition for goods or services to be procured by quotation or tender shall knowingly understate the requirements or the estimated value of the requirements with the intention of avoiding the more stringent process prescribed for requirements of a higher value.

The municipal manager shall promptly institute disciplinary action against any head of department suspected of infringing this requirement.

No councillor or official shall engage in any contact with a prospective supplier in respect of any quotation or tender which such supplier intends to submit with the purpose of influencing any aspect of such quotation or tender.

PART 10 SALES OF GOODS

In seeking to dispose of any fixed assets, the chief financial officer shall adhere to the requirements of the municipality's policy on the management of and accounting for fixed assets, including the legal prescription annexed to that policy.

The chief financial officer shall determine in each instance having regard to the nature and estimated resale value of the assets whether it is more advantageous for the municipality to dispose of the assets in question by means of the invitation of tenders or quotations or by public auction. Notification of such intended sales shall follow the communication process prescribed for tenders in part 2.2 above, with the various notices and advertisements stating the date and time on which tenders will close for acceptance or the date, time and venue of the auction, as the case may be, as well as the date(s) and venue(s) where prospective tenderers may view the assets.

All tenders for sales of fixed assets shall be adjudicated by the tender committee under chairpersonship of the municipal manager, and shall be approved by the council on the recommendation of such committee. The highest tender substantially to specification shall be accepted, except if the adjudicating authority believes that no tender is satisfactory in terms of value for money offered.

In seeking to dispose of any stores or other items other than fixed assets, the chief financial officer shall adhere to the communication requirements prescribed for quotations. The chief financial officer shall further determine whether it is more advantageous for the municipality to dispose of the items by means of tenders or quotations or public auction, and shall in either case publish the notification of such sales in terms of the communication process prescribed in part 2.1 above. If the chief financial officer considers it necessary, such notification may also be made by means of advertisements in the local and national press.

Where stores or other items other than fixed assets are sold by means of tenders or quotations, the chief financial officer shall adjudicate and approve the quotations received. The highest quotation substantially to specification shall be approved, except if the chief financial officer believes that no quotation is satisfactory in terms of value for money offered.

PART 11 REPORTING

All approved quotations shall be listed on the municipality's website and on the notice boards referred to in parts 2.1 and 2.2 above. Quotations approved during any particular calendar week shall be listed from the beginning of the following calendar week, and shall be displayed for the duration of that week.

All approved tenders shall be listed as for quotations, but shall be listed for 2 (two) calendar weeks.

PART 12 APPEALS

Suppliers who are dissatisfied with the decision of the municipality in regard to any quotation or tender may appeal in writing to the municipal manager, provided such appeal is lodged with the municipal manager as follows:

- for quotations, within 7 (seven) calendar days of the date on which the approved quotation is first listed in terms of part 11 above
- for tenders, within 14 (fourteen) calendar days of the date on which the approved tender is first listed in terms of part 11 above.

The municipal manager shall provide written acknowledgement of the receipt of such appeals to the appellant concerned, and shall endeavour to finalise such appeals within 7 (seven) calendar days of their receipt. Where this is not possible, the municipal manager shall promptly advise the appellant in writing of the reasons for the delay.

If the appeal is based on a technically complex matter, the municipal manager may engage an impartial consultant to provide an opinion on the appeal, provided that sufficient budget provision exists for the expenditure to be incurred, and provided further that the municipal manager shall not be bound by any such opinion provided.

The municipal manager shall immediately after a ruling on an appeal has been made, advise the appellant in writing of such ruling.

If the appellant is dissatisfied with the municipal manager's ruling on an appeal in regard to a tender the appellant may request the municipal manager to refer such appeal and ruling to the ensuing council meeting for a decision.

Such request must be lodged in writing with the municipal manager within 14 (fourteen) calendar days of the date on which the ruling was made.

The municipal manager shall decide whether the lodging of an appeal constitutes sufficient grounds for the municipality to delay, where possible, the procurement of the relevant goods or services in terms of the approved quotation or tender against which the appeal is lodged. If such delay is decided upon, the municipal manager shall immediately advise the approved supplier, in writing, of such delay.

PART 13 PAYMENTS AND INVOICING

All invoices for goods and services received by the municipality or works executed on behalf of the municipality shall be dated the 30th of the month in which the invoice is submitted to the procurement section of the budget and treasury office, and all such invoices shall be paid on or before the 30th of the ensuing month.

In terms of the municipality's banking and investment policy, the municipal manager, acting in consultation with the chief financial officer, may, however, if satisfied that financial hardship may otherwise be suffered by a supplier, direct that such supplier's invoice be paid by means of a special earlier payment.

All invoices pertaining to contracts managed by departments other than the budget and treasury office, shall be certified as in order for payment by the head of department concerned before being submitted to the procurement section of the budget and treasury office for processing.

PART 14 STORES (MATERIALS) MANAGEMENT

All goods procured by the municipality shall be delivered to and receipted by the stores section of the budget and treasury office, except if the chief financial officer, with the concurrence of the

head of department concerned, directs that such goods shall be delivered to a specified site or to the sub-store maintained by the department concerned.

The procedures and charges for requisitioning goods from stores shall be determined from time to time by the chief financial officer, and shall be notified to all departments by means of departmental circulars.

Stock levels shall be determined by the chief financial officer, in compliance with the municipality's banking and investment policy, and where applicable in consultation with the head of department concerned.

PART 15 BY-LAWS

The council shall publish the appropriate by-laws necessary to give effect to its supply chain management policy.

