

Theewaterskloof Municipality



Annexure B

Asset Management Policy

The Asset management policy was reviewed & scrutinised and it was found that all relevant information and requirements is addressed within the policy and no changes is required to the said policy during 2013/2014.

Policy Regarding Short Term Insurance

Current policy wording paragraph 4:

Please note that the municipality do not accept any liability for any claim received but will forward all claims received to Council's insurer for determination of liability.

Amended policy wording paragraph 4:

Please note that the municipality do not accept any liability for any claim received but will forward all claims received to Council's insurer for determination of liability and possible appointment of an assessor. Please utilize your own insurer for the damages suffered and supply the Council with your insurer's details.

Credit Control & Debt Collection Policy

Remove

~~14. — Uncollectible arrears~~

~~10.1 — The effective implementation of the present policy also implies a realistic review of the municipality's debtors' book on an ongoing basis. The municipal manager should regularly report to the municipal council on irrecoverable arrears written off by the Municipal Manager in consultation with the Executive Mayor and Director : Financial Services taking in account prescription and the economic benefit of such write off. All debts written off must be reported to Council at least quarterly and approved by the municipality to effect such write offs.~~

~~15. — Writing off bad debts~~

~~Debt will only be considered as irrecoverable and only be written off after all reasonable steps have been taken to recover the debt, in accordance with this policy, and the municipality is convinced that:~~

~~15.1 — recovery of the debt would be uneconomical~~

~~15.2 — recovery would cause undue hardship to the debtor or his/her dependants;
and~~

~~15.3 — it would be an advantage to the municipality to effect a settlement of its claim or to waive the claim~~

15.4 — it qualifies for consideration as follows:

- (a) — all reasonable notifications and cost effective legal avenues have been exhausted to recover a specific outstanding amount; or
- (b) — any amount equal to or less than R1000.00, or as determined by Council from time to time, will be considered too small, after having followed basic checks, to warrant further endeavours to collect it; These amounts are to be submitted to the Chief Financial Officer for consideration to write off and presented to Council for notification after the fact.
- (c) — the amount outstanding is the residue after payment of a dividend in the rand from an insolvent estate; or
- (i) — there is a danger of contribution; or
- (ii) — no dividend will accrue to creditors; or
- (d) — a deceased estate has no liquid assets to cover the outstanding amount following the final distribution of the estate; or
- (i) — where the estate has not been reported to the Master and there are no assets of value to attach; or
- (ii) — it has been proven that the debt has prescribed; or
- (e) — the debtor is untraceable or cannot be identified so as to proceed with further action; or
- (f) — the debtor has emigrated leaving no assets of value to cost effectively recover Council's claim; or
- (g) — it is not possible to prove the debt outstanding; or
- (i) — a court has ruled that the claim is not recoverable; or
- (ii) — the outstanding amount is due to an irreconcilable administrative error by the Municipality; or
- (h) — conversion of old dormant account balances of debtors, inherited from the previous municipalities which now form part of the Theewaterskloof Municipality, and where reasonable steps have been taken to recover these debts; or
- (i) — all debtors who are registered as indigent as more fully set out in Indigent Policy will have their arrears written off; or
- (j) — an offer of full and final settlement written offer must be submitted to a committee of Council for consideration
- (k) — all arrears may be written off to bad debts where Council-
 - (i) — expropriates any property; or
 - (ii) — purchases any property in terms of item 10 (1) (f); or
- (l) — through supporting Theewaterskloof's housing related debt management processes and in instances where a housing debtor has applied for and been granted a housing indigent grant in terms of the Indigent Policy, all debt related to that property for that debtor (excluding capital debt of home ownership units), up to the date of granting of indigent status will be written back.
- (m) — this assistance will only be granted to an organisation subject to the condition that an electricity repayment meter and a water management device must be installed, where applicable;

~~(n) — should any tampering with or bypassing of the water and electricity meters be discovered, any arrears written off in terms of this sub-item, will become payable with immediate effect and any other action as per any legislation or policy that applies to such tampering and/or bypassing will be instituted;~~

~~15.5— Authorisation~~

~~(1) — In respect of other debt, schedules indicating the debtor account number, the debtor's name, the physical address in respect of which the debt was raised, address, erf number, if applicable, amount per account category as well as a reason to write off the amount must be compiled.~~

~~(2) — Notwithstanding the above, the Municipality or its authorised officials will be under no obligation to write off any particular debt and will always retain sole discretion to do so.~~

~~15.6 — Debt written off must be disclosed in the annual financial statements, indicating the policy in terms of which the debt was written off; and~~

~~15.7 — Council to only consider writing off debts by indigent consumers who have been classified as indigent consumers for more than 3 (three) months.~~

Tariff Policy

3. Tariff Principles

The municipality shall, as far as circumstances reasonably permit, ensure that the tariffs levied in respect of the foregoing services further generate an operating surplus each financial year of ~~12% up to 20%~~ ~~to or such lesser percentage as the council of the municipality may determine at the time that the annual operating budget is approved.~~

In addition, the municipality shall levy monthly ~~availability~~ basic charges for the services concerned, and these charges shall be fixed for each type of property as determined in accordance with the detailed policies set out below. Generally, consumers of water and electricity shall therefore pay two charges: one, relatively minor, which is unrelated to the volume of consumption and is levied because of the availability of the service concerned; and another directly related to the consumption of the service in question

In adopting what is fundamentally a two-part tariff structure, namely a fixed ~~availability~~ basic charge coupled with a charge based on consumption, the municipality believes that it is properly attending to the demands which both future expansion and variable demand cycles and other fluctuations will make on service delivery.

6. Tariff Types

(3) Inclining block tariff: this tariff is based on consumption levels being categorised into blocks, the tariff being determined and increased as consumption levels increase. This tariff will only be used to subsidised free basic services and prohibit the exorbitant use of a commodity. ~~The first step in the tariffs will be calculated at break even point. Subsequent steps will be calculated to yield profits and to discourage excessive use of the commodity.~~

7.1.1 WATER

The following changes be made to (a) (ii) and (b) (iii)

Domestic consumers:

- ± 0 – 6 kl
- > 6 – 15 kl
- > 15 – 30 kl
- > 30 – 40 kl
- > 40 kl

Other/Non-domestic consumers:

- ± 0 – 30kl
- >30kl – 40kl
- > 40kl

SA Maltsters:

- > ± 0 – 1 000kl
- > 1 000 – 5000kl
- > 5 000 – 10 000kl
- > 10 000 – 15 000kl
- > 15 000 – 30 000kl
- > 30 000kl – 60 000kl
- > 60 000k

(C) Tariff structure and method of calculation “leiwater” maintenance

Leiwater Villiersdorp Fixed amount per property per minute per year

Leiwater Greyton Fixed amount per property per minute per year

- ~~For the 1st hour Fixed amount per property per year~~
- ~~For the 2nd hour Fixed amount per property per year~~
- ~~For 3hrs or more Fixed amount per hour per property per year~~
- ~~Basic charge Fixed amount per year~~

- (iv) Where properties are not connected to the water service or can reasonably be connected to the service an availability tariff will be payable. The tariff will be ~~the same as the tariff charge for the consumption of 18 kiloliters water~~ a proportional calculation of the deemed fixed cost.
- (v) ~~Where council decides to make a profit on the service, the profit will be added to the variable cost before tariffs are calculated.~~

7.1.2 ELECTRICITY

Current policy wording:

- Provision for subsidising the poor shall be made as follows:
 - Clients who are willing to have their capacity restricted to 15 Ampère and who have been supplied with a prepaid meter.
 - Council shall continue to maintain a list of indigents. These clients would have to comply with the conditions for subsidised tariffs after which they will receive 50 kWh/m (or as may be determined from time to time) free of charge, which shall be covered from the Equitable Share.

Amended policy wording:

- Provision for subsidising the poor shall be made as follows:
 - Clients who are willing to have their capacity restricted to ~~15~~ 20Ampère and who have been supplied with a prepaid meter.
 - Council shall continue to maintain a list of indigents. These clients would have to comply with the conditions for subsidised tariffs after which they will receive ~~50~~ 70 kWh/m (or as may be determined from time to time) free of charge, which shall be covered from the Equitable Share.
- g) Where properties are not connected to the electricity service but can reasonably be connected to the service, an availability tariff will be payable. The tariff will be ~~the same as the tariff for the basic charge of a single phase connection plus 125 kwh units~~ a proportional calculation of the deemed fixed cost. .

7.1.3 REFUSE REMOVAL

- (c) Where properties can make use of a refuse removal service an availability tariff will be payable. The tariff will be ~~between 40% and 50% of the tariff for domestic users~~ a proportional calculation of the deemed fixed cost.

7.1.4 SEWERAGE/EMPTYING OF CONSERVANCY TANKS

- (b) Method of calculation
- (i) Properties used for residential purposes will pay a fixed tariff per month irrespective of the number of toilet pans or urinals, such fixed tariff will also be applicable where no municipal sewerage network exists. This tariff will entitle owners of conservancy tanks to one removal per month.
 - (ii) All other categories will pay a variable cost based on the number of toilet pans or urinals and the variable cost allocated to that particular category.
 - (iii) Residential properties (requiring more than one removal per month) , business premises and farms where no municipal sewer network exists shall pay a tariff per half-hour (30 minutes) or portion thereof.
- (c) Where properties are not connected to the sewerage service or can reasonably be connected to the service an availability tariff will be payable. The tariff will be ~~between 30% and 40% of the tariff for residential premises~~ a proportional calculation of the deemed fixed cost.

7.2 Calculation of minor Tariffs

The following paragraph to be deleted:

~~Deposits for municipal services: to be calculated on the basis of basic fees for the services of water, electricity, sewerage and refuse and consumption of water and/or electricity for two months. The consumption of water and/or electricity to be negotiated if supplied by prepaid meters. Both basic fee and consumption for electricity to be negated for Eskom supply areas. Cash and bank guarantees acceptable as services deposits.~~

The following services shall be considered as economic services, and the tariffs levied shall cover 100% or as near as possible to 100% of the budgeted annual operating expenses of the service concerned:

- maintenance of graves and garden of remembrance (cremations)
- housing rentals

- rentals for the use of municipal halls and other premises (subject to the proviso set out below)
- building plan fees
- sales of plastic refuse bags
- sales of refuse bins
- cleaning of stands
- electricity, water, sewerage: new connection fees
- sales of livestock and plants
- photostat copies and fees
- clearance certificates
- removal of garden and other refuse
- town planning applications
- Camp-site tariffs

Council may annually during the budget process determine a different tariff for hall rentals depending on the purpose of the rental or the organization by which it is rented by.

~~In the case of rentals for the use of municipal halls and premises, if the municipal manager is satisfied that the halls or premises are required for non-profit making purposes and for the provision of a service to the community, the municipal manager may waive 50% of the applicable rental.~~

8. NOTIFICATION OF TARIFFS, FEES AND SERVICE CHARGES

- (1) The council will give notice of all proposed tariffs ~~approved~~ considered at the annual budget meeting (where draft budget was tabled) 10 working day succeeding the date of such a meeting ~~at least 30 days prior to the date that the tariffs become effective. Accounts delivered after the 30 days' notice will be based on the new tariffs.~~
- (2) A notice stating the purport of the council resolution, date on which the new tariffs shall become operational and invitation for ~~objections~~ objections will be displayed by the municipality at a place installed for that purpose.

13. SERVICES DEPOSITS

A consumer deposit will be required for every new service agreement. The deposit will be calculated as follow:

- 13.1. to include the basic fees of ~~all services (water, electricity, sewerage and refuse)~~ to be charged on a monthly basis to ~~this~~ the account for two (2) months and;
- 13.2. in the case of conventional (Read) meters the expected consumption for water and/or electricity for two months
 - (i) Household (20 kl) electricity (500kwh)
 - (ii) Businesses as per comparable business or upon advice from Technical Services
 - ~~(iii) No consumption to be included in this calculation for services deposit respectively for water and/or Electrical prepaid meters~~
- 13.3. The deposit to be accepted as a general municipal services deposit and will not be service specific
- 13.4. Cash and bank guarantees acceptable as services deposits

Supply Chain Management (SCM)

See annexure

Policy on the Writing-off of Irrecoverable Debt.

5.3 Special incentives : Interest write-off

Interest written off in terms of Councils incentive scheme must be presented to the appropriate category of authority. Refer to attached copy of interest incentive scheme. (Interest incentive scheme was not attached to the policy)

Insert:

If a residential consumer makes an arrangement to pay off arrears, the following will apply:

All interest in respect of such arrears will be written off and provided that if such debtor fails to pay his/her monthly arrangement amount for a period of three months, the arrangement will be terminated, and the interest that was written off, will be debited against his/her account.

No interest will be charged on the arrangement amount.

Insert:

NOTICE

INTEREST WRITE-OFF INCENTIVE ON SETTLEMENT OF DEBTS

Council has resolved, as a gesture of goodwill, to write-off interest on Arrear Debts, subject to the following conditions:

CONDITIONS:

- Debtors should sign an Acknowledgement of Debt in order to qualify for such incentive.
- Government, Councillors, Officials and Clearances by Attorney's should not be allowed to participate in the Incentive Scheme.
- Debtors must pay their current account plus Arrears monthly.
- Immediate settlement is the due date determined in the letters of demand (usually seven days from date of letter).
- Only interest accumulated up to 31 March 2014 will qualify for the incentive.

The Interest shall be written-off as follows :

	<u>RESIDENTS</u>	<u>BUSINESS/INDUSTRIAL/ AGRICULTURAL/ COMMERCIAL</u>
1. Immediate Settlement	100%	75%
2. Settlement within 1 month	75%	50%
3. Settlement within 2 months	50%	40%
4. Settlement within 3 months	25%	20%

We trust that this will assist you to settle your debts in order for us to provide Sustainable Services to you, our valued clients.

Kindly contact our Debt Collection Offices at Caledon. Telephonic enquiries could be directed to (028 – 214 3408/ 31 / 62.

**THEEWATERSKLOOF
MUNICIPALITY**



Theewaterskloof
Municipality

**SUPPLY CHAIN
MANAGEMENT POLICY**

FIRST REVIEW DATE: 16 September 2013
SECOND REVIEW DATE: 26 September 2013
THIRD REVIEW DATE: 18 March 2014

SUPPLY CHAIN MANAGEMENT POLICY

Model policy for adoption by municipalities and municipal entities in terms of section 111 of the Municipal Finance Management Act, No 56 of 2003, and the Municipal Supply Chain Management Regulations.

INSTRUCTIONS:

1. Review this model policy to ensure it meets the needs and requirements of the municipality or entity amend where required.
2. Insert the name of municipality or entity and other variable information where required throughout the policy. Delete all notes and instructions contained in boxes.
3. Municipal entities must substitute the term “board of directors” wherever “council” appears in the policy.
4. The Accounting Officer is responsible for implementing the policy and must ensure it is promptly prepared and submitted to council or the board of directors for adoption (regulation 3).
5. Municipal entities must ensure their policy is consistent with the parent municipality, to the extent determined by the parent municipality (regulation 2(2)).
6. If the Accounting Officer submits a draft policy to the council or board of directors that differs from the model policy, the Accounting Officer must ensure that such draft policy complies with the regulations. The Accounting Officer must report any deviation from the model policy to the National Treasury and the relevant provincial treasury (regulation 3).
7. The Accounting Officer must at least annually review the policy and where necessary submit proposals for amendment to the council or board or directors (regulation 3).

This Policy consists of two 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 888 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 of 2011.

PART A

MUNICIPAL SUPPLY CHAIN MANAGEMENT POLICY

LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003

The Council of the Theewaterskloof Municipality resolved on 29 June 2006 in terms of section 111 of the Local Government: Municipal Finance Management Act (No. 56 of 2003) to adopt the following as the Supply Chain Management Policy of the Municipality:

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THEEWATERSKLOOF MUNICIPALITY
SUPPLY CHAIN MANAGEMENT POLICY

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1. DEFINITIONS

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 –

- “Accounting Officer” means a person appointed by the Municipality in terms section 82 of the Local government: Municipal Structures Act. 1998 (Act. No. 117 of 1998) and who is the head of administration and also the Municipal Manager for the Municipality;
- “Act” or “MFMA” means the Local Government Municipal Finance Management Act, 2003 (Act. No. 56 of 2003)
- “approved budget” means an annual budget approved by ~~a~~ Theewaterskloof Municipal Council;
- “CFO” means Chief Financial Officer of ~~the~~ Theewaterskloof Municipality or Director of Finance in this instance;
- “CIDB” means Construction Industry Development Board;
- “close family member” Means:
 - a) A spouse, domestic partner, dependent child or relative living in a common household;
 - b) A grandparent, parent, nondependent child, grandchild, brother or sister; and
 - c) The spouse or domestic partner of a child, a parent-in-law, a brother-in-law or a sister-in-law
- “competitive bidding process” means a competitive bidding process referred to in paragraph 12 (1) (d) of this Policy;
- “competitive bid” means a bid in terms of a competitive bidding process;
- “contract” means the agreement that result from the acceptance of a bid by the Municipality;
- “councillor” means a member of a municipal council;
- “delegation” in relation to a duty, includes an instruction or request to perform or to assist in performing the duty;
- “final award” in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept;
- “formal written price quotation” means quotations referred to in paragraph 12 (1) (c) of this Policy;
- “in the service of the state” means to be –
 - a) member of –
 - a. any municipal council;
 - b. any provincial legislature; or
 - c. 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 and is less than three years;
- “list of accredited prospective” means the list of accredited prospective providers which ~~the~~ Theewaterskloof 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 Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);
 - b) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003);
 - c) the Construction Industry Development Board Act, 2000 (Act No.38 of 2000);
- *“Treasury guidelines”* means any guidelines on supply chain management issued by the Minister in terms of section 168 of the Act;
- *“the Regulations”* means the Local Government: Municipal Finance Management Act, 2003, Municipal Supply Chain Management Regulations published by Government Notice 868 of 2005;
- *“PPPF Regulations”* means Preferential Procurement Regulations, 2011 – Published under Government Notice R502 in Government Gazette 34350 of 08 June 2011.
- *“written or verbal quotations”* means quotations referred to in paragraph 12(1) of this Policy;
- *“Contract with a long term nature”* *means a contract with a duration period exceeding three years;*
- *“Petty Cash”* *means a small amount of cash kept on hand for incidental purchases of low value goods and services (i.e. postage, office suppliers, reimbursement out-of-pocket expenditures), which cannot be accommodated through other purchasing procedures;*
- *“Strip and quote”* *When the repairs and maintenance on machines, vehicles are done by one supplier and/or strip-and-quote, for example a municipal vehicle enters the workshop that needs repairs, however to do the repairs, the vehicle has to be send to a supplier that determines what repairs should be done;*
- *“Single source”* *refers to when the competition exist in the market, but from a selected few suppliers due to technical capabilities and abilities comply with the requirements of the municipality;*
- *“Sole suppliers”* *It refers in instances where there is no competition and only one service provider exist in the market, with sole distribution rights and/or patent rights or manufacturer.*

CHAPTER 1 IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

2. SUPPLY CHAIN MANAGEMENT POLICY

- (1) All officials and other role players in the supply chain management system of the Theewaterskloof Municipality must implement this Policy in a way that–
- a) gives effect to –
 - i) section 217 of the Constitution; and
 - ii) Part 1 of Chapter 11 and other applicable provisions of the Act;
 - b) is fair, equitable, transparent, competitive and cost effective;
 - c) complies with –
 - i) the Regulations; and
 - ii) any minimum norms and standards that may be prescribed in terms of section 168 of the Act;
 - d) is consistent with other applicable legislation;
 - e) does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
 - f) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.
- (2) This Policy applies when the Theewaterskloof Municipality –
- a) procures goods or services;
 - b) disposes goods no longer needed;
 - c) selects contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or
 - d) selects external mechanisms referred to in section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.
- (3) This Policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110 (2) of the Act, including –
- a) water from the Department of Water Affairs or a public entity, another municipality or a municipal entity;
 - b) electricity from Eskom or another public entity, another municipality or a municipal entity;
 - c) the acquisition of services of attorneys and advocates;

- d) the payment of accommodation and air travel for official purposes subject that same be dealt with in terms of the Travelling and Subsistence allowance/cost Policy, as amended from time to time;
- e) any publication of notices and advertisements in local, regional and national newspapers; and
- f) the acquisition of services of medical practitioners for fitness examinations.

3. AMENDMENT OF THE SUPPLY CHAIN MANAGEMENT POLICY

- (1) The Accounting Officer must –
 - (a) at least annually review the implementation of this Policy; and
 - (b) when the Accounting Officer considers it necessary, submit proposals for the amendment of this Policy to the Theewaterskloof Council.
- (2) If the Accounting Officer submits proposed amendments to the Theewaterskloof Council that differs from the model policy issued by the National Treasury, the Accounting Officer must –
 - (a) ensure that such proposed amendments comply with the Regulations; and
 - (b) report any deviation from the model policy to the National Treasury and the relevant provincial treasury.
- (3) When amending this supply chain management policy the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.

4. DELEGATION OF SUPPLY CHAIN MANAGEMENT POWERS AND DUTIES

- (1) The Theewaterskloof Council hereby delegates all powers and duties to the Accounting Officer which are necessary to enable the Accounting Officer –
 - (a) to discharge the supply chain management responsibilities conferred on Accounting Officers in terms of –
 - (i) Chapter 8 or 10 of the Act; and
 - (ii) this Policy;
 - (b) to maximise administrative and operational efficiency in the implementation of this Policy;
 - (c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this Policy; and
 - (d) to comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.

- (2) Sections 79 and 106 of the Act apply to the sub delegation of powers and duties delegated to an Accounting Officer in terms of subparagraph (1).
- (3) The Accounting Officer may not sub-delegate any supply chain management powers or duties to a person who is not an official of ~~the~~ Theewaterskloof Municipality or to a committee which is not exclusively composed of officials of the Theewaterskloof Municipality;
- (4) Paragraph 4(3) may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.

5. SUB-DELEGATIONS

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

- 4) A written report referred to in subparagraph 5(3) must be submitted:
 - a) to the Accounting Officer, in the case of an award by –
 - i) the chief financial officer;
 - ii) a senior manager; or
 - iii) a bid adjudication committee of which the chief financial officer or a senior manager is a member; or
 - b) to the chief financial officer or the senior manager responsible for the relevant bid, in the case of an award by –
 - i) a manager referred to in subparagraph 5(2)(c)(iii); or
 - ii) a bid adjudication committee of which the chief financial officer or a senior manager is not a member.
- 5) Subparagraphs 5(3) and 5(4) of this policy do not apply to procurements out of petty cash.
- 6) This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub-delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.
- 7) No supply chain management decision-making powers may be delegated to an advisor or consultant.
- 8) The Accounting Officer may sub-delegate the power to cancel bids on recommendation by the relevant department.

6. OVERSIGHT ROLE OF COUNCIL

- 1) The Theewaterskloof Council reserves its right to 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 this Policy and the supply chain management policy of any municipal entity under the sole or shared control of the municipality, to the council of the municipality; and
 - b) whenever there are serious and material problems in the implementation of this Policy, immediately submit a report to the council.

- (3) The Accounting Officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the mayor.
- (4) The reports must be made public in accordance with section 21A of the Municipal Systems Act.

7. SUPPLY CHAIN MANAGEMENT UNIT

~~1) The Accounting Officer must establish a Supply Chain Management Unit and determine the terms of reference of the Unit to implement this Supply Chain Management Policy.~~

- 1) A supply chain management unit is hereby established to implement this Policy.
- 2) The Supply Chain Management Unit shall operate as a centralised supply chain management function to administer and co-ordinate all the supply chain management activities and functions of the Municipality as described in this Policy unless a function or activity is specifically excluded by the Accounting Officer from the Unit's terms of reference.

8. TRAINING OF SUPPLY CHAIN MANAGEMENT OFFICIALS

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

CHAPTER 2

SUPPLY CHAIN MANAGEMENT SYSTEM

9. FORMAT OF SUPPLY CHAIN MANAGEMENT SYSTEM

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

10. SYSTEM OF DEMAND MANAGEMENT

- 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 Theewaterskloof Municipality are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical delivery dates, and are of the appropriate quality and quantity at a fair cost;
 - b) take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature; and
 - c) provide for the compilation of the required specifications to ensure that its needs are met.
 - d) To undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.
- 3) All user departments are required to submit their procurement plans by 30 June for the following financial year to the Head Supply Chain Management to improve planning and management of resources.

PART 2: ACQUISITION MANAGEMENT

11. SYSTEM OF ACQUISITION MANAGEMENT

- 1) The Accounting Officer must implement the system of acquisition management set out in this Part in order to ensure –
 - a) that goods and services are procured by the Theewaterskloof Municipality in accordance with authorised processes only;
 - b) that expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Act;
 - c) that the threshold values for the different procurement processes are complied with;
 - d) that bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation; and
 - e) that any Treasury guidelines on acquisition management are properly taken into account.
- 2) When procuring goods or services contemplated in section 110(2) of the Act, the Accounting Officer must make public the fact that such goods or services are procured otherwise than through the Theewaterskloof Municipality's supply chain management system, including -
 - a) the kind of goods or services; and
 - b) the name of the supplier.
- 3) Where the procurement will have budgetary implications for future years, Section 33 of the MFMA regarding contracts must be complied with. Section 33 (1) will not apply to contracts valued at below R1million or as prescribed by National Treasury.

12. RANGE OF PROCUREMENT PROCESSES

1. Goods and services may only be procured by way of –
 - a. petty cash purchases, up to a transaction value of **R150.00** (VAT included);
 - b. 1 (one) written or ~~telephonic quotation~~ verbal quotation for procurements of a transaction value ~~up to R 0.00~~ **up to R 2,000.00** (VAT included);
 - ~~c. 2 (two) written quotations for procurements of a transaction value from R 2,000.01 up to R 10,000.00 (VAT included);~~
 - c. 3 (three) written quotations for procurements of a transaction value from **R 10,000.01** **R 2,000.01** **up to R 30,000.00** (VAT included);
 - d. 3 (three) formal written price quotations for procurements of a transaction value over **R 30,000.00 up to R200,000.00** (VAT included); and
 - e. a competitive bidding process for–
 - i. procurements above a transaction value of **R200,000.00** (VAT included); and
 - ii. the procurement of long term contracts.

2. The Accounting Officer may, in writing-

- a. lower, but not increase, the different threshold values specified in subparagraph 12(1);
or
- b. direct that –
 - i. written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2,000.00 (VAT included);
 - ii. formal written price quotations be obtained for any specific procurement of a transaction value lower than R10,000.00 (VAT included); or
 - iii. a competitive bidding process be followed for any specific procurement of a transaction value lower than R200,000.00 (VAT included).

3. Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy. When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

13. GENERAL PRECONDITIONS FOR CONSIDERATION OF WRITTEN QUOTATIONS OR BIDS

- 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; and
 - iii. tax reference number and VAT registration number, if any;
 - b. has either supplied the a valid tax clearance certificate or has authorised the Theewaterskloof Municipality to obtain a tax clearance from the South African Revenue Services that the provider's tax matters are in order; and
 - c. has indicated –
 - i. whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;
 - ii. if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or
 - iii. whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months;

- 2) The following are minimum requirements for compliance to the CIDB regulations for all formal tenders (above R200 000):
- a) The verification of contractor registration and grading on the CIDB website.
 - b) Utilisation of contractors registered with the CIDB.
 - c) Assessing bidders' documents against the prescribed CIDB contractor requirements.
 - d) Registration of every project approved by the Municipality, consisting of construction works contract with the CIDB.
 - e) The advertising of construction contracts on the CIDB i-tender system.
 - f) The updating and completion of contracts registered on the i-tender system.
 - g) Issuing of dates in respect of completion certificates, renewals, terminations or cancellations, the settlement of all amounts owing to contractors in accordance with contracts and the submission of status reports to the CIDB.
 - h) The placing of registered contractors or any principals of that contractor under any restriction to participate in public procurement as contemplated in the CIDB Regulations.
 - i) Suspension and deregistration of contractors as contemplated in the CIDB Regulations.
 - j) Construction contracts arranged by consultants to adhere to all of the abovementioned requirements and CIDB Regulations.
 - k) Subcontracting arrangements and joint-venture initiatives to be aligned to CIDB guidelines and requirements.

14. LISTS OF ACCREDITED PROSPECTIVE PROVIDERS

- 1) The Accounting Officer must –
- a) keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements through written or verbal quotations and formal written price quotations; ~~and~~
 - b) at least once a year through newspapers commonly circulating locally, the 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; 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) The listing criteria for accredited prospective suppliers are:-

- Name of supplier / service provider / trade name;
- Business physical address;
- Business postal address;
- Sales department telephone number;
- Sales department fax number;
- Sales department email address;
- Type of enterprise;
- Company / Close Corporation registration number (as per CIPC document) (if applicable);
- Vat registration number (if applicable);
- Income Tax registration number;
- Details and ID numbers of Directors /Owners /Partners/Members;
- Bank details (certified correct by preferred bank);
- Valid certification in respect of Exempted Micro Enterprises or B-BBEE Status Level of Contributor;
- CIDB number (if applicable);
- Classification of services / goods offered for registration;
- Declaration by supplier;
- Valid Tax Clearance Certificate (if applicable); and
- If the required conditions are not met the prospective supplier will be informed and given 30 days for rectification. The document will be destroyed if not rectified within the prescribed period.

15. PETTY CASH PURCHASES

1. The Municipality's Petty Cash Policy, as approved by the Accounting Officer, shall be applicable to all purchases not exceeding ~~R150.00~~ R200.00, including VAT, or amount as determined by the Accounting Officer in terms of this Policy, or as may be legislated from time to time.
2. The Petty Cash Policy must include conditions –
 - a. determining the terms on which a manager may delegate responsibility for petty cash to an official reporting to the manager;
 - b. limiting the number of petty cash purchases or the maximum amounts per month for each manager;

- c. excluding any types of expenditure from petty cash purchases, where this is considered necessary; and
- d. requiring monthly reconciliation reports from each manager 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.

16. WRITTEN OR VERBAL QUOTATIONS

1. The conditions for the procurement of goods or services through written or verbal quotations are as follows:
 - a. Quotations must be obtained in terms of paragraph 12(1) (a)-(e) preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the Theewaterskloof Municipality, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria set out in paragraph 14(1)(b) and (c) of this Policy;
 - b. to the extent feasible, providers must be requested to submit such quotations in writing;
 - c. if it is not possible to obtain quotations in terms of paragraph 12(1)(a)-(e) the reasons must be recorded and reported quarterly to the Accounting Officer or another official designated by the Accounting Officer;
 - d. the Accounting Officer must record the names of the potential providers requested to provide such quotations with their quoted prices;
 - e. if a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider; and
 - f. any other conditions determined by the Accounting Officer.
2. No quotation, written or verbal, may be made available by an official to a prospective bidder.

17. FORMAL WRITTEN PRICE QUOTATIONS

- 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 Theewaterskloof 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)(c) and (d) of this Policy;
 - 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 must record the names of the potential providers and their written quotations.
- 2) A designated official referred to in subparagraph 17(1)(c) must within three days of the end of each month report to the chief financial officer on any approvals given during that month by that official in terms of that subparagraph.

18. PROCEDURES FOR PROCURING GOODS OR SERVICES THROUGH WRITTEN OR VERBAL QUOTATIONS AND FORMAL WRITTEN PRICE QUOTATIONS

The procedure for the procurement of goods or services through written or verbal quotations or formal written price quotations is as follows:

- a) when using the list of accredited prospective providers the Accounting Officer must promote on going competition amongst providers by inviting providers to submit quotations on a rotation basis;
- b) all requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements of paragraph 17, be advertised for at least seven days on the website and an official notice board of the Theewaterskloof Municipality;
- c) offers received must be evaluated on a comparative basis taking into account unconditional discounts;
- d) the Accounting Officer or chief financial officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub-delegation;
- e) offers below R30 000 (VAT included) must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services and lowest price;
- f) acceptable offers, which are subject to the preference points system (PPPFA and associated regulations), must be awarded to the bidder who scored the highest points;
- g) council requirements for proper record keeping.

19. COMPETITIVE BIDS

- 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 paragraph 11(2) 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.

20. PROCESS FOR COMPETITIVE BIDDING

The procedures for the following stages of a competitive bidding process are as follows:

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

21. BID DOCUMENTATION FOR COMPETITIVE BIDS

- 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 preference points system to be used, goals as contemplated in the Preferential Procurement Regulations and evaluation and adjudication criteria, including any criteria required by other applicable legislation;
 - c) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
 - d) if the value of the transaction is expected to exceed R10 million (VAT included), require bidders to furnish–
 - i) if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements –
 - (1) for the past three years; or
 - (2) since their establishment if established during the past three years;

- ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;
- iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;
- iv) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic; and
- e) stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), when unsuccessful, in a South African court of law;
- f) *The period for which bids are to remain valid and binding must be indicated in the bid documents.*

22. PUBLIC INVITATION FOR COMPETITIVE BIDS

- 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 *Theewaterskloof Municipality* or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin); and
 - b) the information contained in a public advertisement, must include –
 - i) the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included), or which are of a long term nature *with a contract duration period exceeding three years*, or 14 days in any other case, from the date on which the advertisement is in a newspaper, subject to subparagraph 22(2) of this policy;
 - ii) a statement that bids may only be submitted on the bid documentation provided by the *Theewaterskloof Municipality*;
 - iii) date, time and venue of any proposed site meetings or briefing sessions; and
 - iv) the bid notice may require payment of a non-refundable deposit by bidders wanting to collect bid documents. This deposit shall be determined by the municipality's council tariffs from time to time.
 - v) *for bids (excluding quotations) for construction works the bid closing date must be at least 21 (twenty one) days after publication of the notice.*
 - vi) *for banking services, the bid closing date must be at least 60 (sixty) days after publication of the notice.*

- 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.

23. PROCEDURE FOR HANDLING, OPENING AND RECORDING OF BIDS

- 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 subparagraph (b), relating to the bid should be disclosed to bidders or other persons until the successful bidder is notified of the award;
 - d) The Accounting Officer must –
 - i) record in a register all bids received in time;
 - ii) make the register available for public inspection;
 - iii) publish the entries in the register and the bid results on the website; and
 - e) Opening of Bids, –
 - i) the bids shall be opened in public as soon as practical after the closing time.
 - ii) bids found to be inadvertently placed in the incorrect bid box will be redirected provided that the applicable bids either closed on the same day at the same time, or are still open (in which case the Municipality disclaims any responsibility for seeing that the bids are in fact lodged in the correct bid box).
 - iii) all bids shall be opened in public and checked for compliance.
 - iv) the official opening the bids shall in all cases read out the name of the bidder and, if practical, the amount of the bid.

- v) the bid/proposal shall be stamped with the official stamps, and endorsed with the opening official's signature,
 - vi) the name of the bidder, and where possible, the bid sum shall be recorded in a bid opening record kept for that purpose, and
 - vii) the responsible official who opened the bid shall forthwith place his/her signature on the bid opening record and shall ensure that the bid opening record and the bid prices, where applicable, are made available for public inspection and are published on the Municipality's official website.
- f) The Theewaterskloof Municipality should after the closure of bids above the threshold value of R 30,000 (Vat incl.) publish on the website:-
- i) the reference number of the bid;
 - ii) the description of the goods, services or infrastructure
 - (1) project;
 - iii) names of all bidders;
 - iv) the B-BBEE Status Level of Contribution of all bidders;
 - v) the Local Content Percentages of the goods offered
 - (1) (if practical);
 - vi) the total price of bids (if practical);
- g) Copies of the results must be made available at municipal offices and libraries. The information must be published within 10 working days after closure of the bid and it must remain on the website for at least 30 days.

24. NEGOTIATIONS WITH PREFERRED BIDDERS

- 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;
 - c) does not lead to a higher price than the bid as submitted; and
 - d) does not lead to a lower price in respect of sale of land / goods.
- 2) Minutes of such negotiations must be kept for record purposes.

25. TWO-STAGE BIDDING PROCESS

- 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.

26. COMMITTEE SYSTEM FOR COMPETITIVE BIDS

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

27. BID SPECIFICATION COMMITTEES

- 1) A bid specification committee must compile the specifications for each procurement of goods or services by the Theewaterskloof Municipality.
- 2) Specifications –
- (a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;

- (b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards 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) must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
 - (d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labeling of conformity certification;
 - (e) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word “equivalent”;
 - (f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations of 2011; and
 - (g) must be approved by the Accounting Officer prior to publication of the invitation for bids in terms of paragraph 22 of this Policy.
- 3) A bid specification committee must be composed of one or more officials of the Theewaterskloof 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.

28. BID EVALUATION COMMITTEES

1. A 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 27(2)(f).
 - b. evaluate each bidder’s ability to execute the contract;
 - c. check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears, and;
 - d. submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.
 - e. submit to the adjudication committee a report and reasons in the event of a tender not being awarded.

2. A bid evaluation committee must as far as possible be composed of-
 - a. officials from departments requiring the goods or services; and
 - b. at least one supply chain management practitioner of the Theewaterskloof Municipality.

3. The Relevant user department's official shall carry out a preliminary evaluation of all valid bids, excluding quotations, received and shall submit a bid evaluation report to the Bid Evaluation Committee for consideration.

29. BID ADJUDICATION COMMITTEES

- 1) A 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.
 - c) Consider the report and recommendations of the bid evaluation committee where it is recommended that the tender not be awarded; and either
 - i) take a decision that the tender not be awarded for the reasons presented and that it be re-advertised; or
 - ii) take a decision that the tender be awarded and make a final award or a recommendation to the Accounting Officer to make the final award.

- 2) A bid adjudication committee must consist of at least four senior managers of the Theewaterskloof 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 Theewaterskloof Municipality; and
 - c) a technical expert in the relevant field who is an official, if such an expert exists.

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

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

- 5) a) If the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid –
 - i) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears, and;
 - ii) notify the Accounting Officer.b) The Accounting Officer may –
 - i) after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in paragraph (a); and
 - ii) if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.

- 6) The Accounting Officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.

- 7) The Accounting Officer must comply with section 114 of the Act within 10 working days.

30. PROCUREMENT OF BANKING SERVICES

- 1) A contract for banking services –
 - (a) must be procured through competitive bids;
 - (b) must be consistent with section 7 or 85 of the Act; and
 - (c) may not be for a period of more than five years at a time.

- 2) The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.

- 3) The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper in terms of paragraph 22(1). Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

31. PROCUREMENT OF IT RELATED GOODS OR SERVICES

- (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 Theewaterskloof Municipality disagrees with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National Treasury, the relevant provincial treasury and the Auditor General.
- (5) Procurement of ICT related equipment should be done, if applicable, in accordance with the ICT Standardisation Policy.

32. PROCUREMENT OF GOODS AND SERVICES UNDER CONTRACTS SECURED BY OTHER ORGANS OF STATE

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

33. PROCUREMENT OF GOODS NECESSITATING SPECIAL SAFETY ARRANGEMENTS

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

34. PROUDLY SA CAMPAIGN

- 1) The Theewaterskloof Municipality supports the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from:
 - Firstly – suppliers and businesses within the municipality or district;
 - Secondly – suppliers and businesses within the relevant province;
 - Thirdly – suppliers and businesses within the Republic.

35. APPOINTMENT OF CONSULTANTS

- 1) The Accounting Officer may procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.
- 2) Consultancy services must be procured through competitive bids if –
 - a) the value of the contract exceeds 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 Theewaterskloof Municipality.

36. DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF, PROCUREMENT PROCESSES

- 1) The Accounting Officer may –
- a) dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –
 - i) in an emergency; (An emergency is an unforeseeable sudden event with harmful or potential harmful consequences for the municipality which requires urgent action to address.)

Circumstances that warrant emergency dispensation, includes but are not limited to –

- a) the possibility of human injury or death,
- b) the prevalence of human suffering or deprivation of rights,
- c) the possibility of damage to property, or suffering and death of livestock and animals, the interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the municipality as a whole, the possibility of serious damage occurring to the natural environment,
- d) the possibility that failure to take necessary action may result in the municipality not being able to render an essential community service,
- e) the possibility that the security of the state could be compromised.

The prevailing situation, or imminent danger, should be of such a scale and nature that it could not readily be alleviated by interim measures, in order to allow time for the formal tender process.

- ii) if such goods or services are produced or available from a single source or sole provider only (as per definition);
- iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
- iv) acquisition of animals for zoos and/or nature and game reserves; or
- v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes;
- vi) ad-hoc repairs to plant and equipment where it is not possible to ascertain the nature or extent of the work required in order to call for bids; and

- b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.
- 2) The Accounting Officer must record the reasons for any deviations in terms of subparagraphs 36(1)(a) and (b) of this policy and report them to the next meeting of the council and include as a note to the annual financial statements.
- 3) Subparagraph 36(2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of this policy.

37. UNSOLICITED BIDS

- 1) In accordance with section 113 of the Act there is no obligation to consider unsolicited bids received outside a normal bidding process.
- 2) The Accounting Officer may decide in terms of section 113(2) of the Act to consider an unsolicited bid, only if –
 - (a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
 - (b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages;
 - (c) the person who made the bid is the sole provider of the product or service; and
 - (d) the reasons for not going through the normal bidding processes are found to be sound by the Accounting Officer.
- 3) If the Accounting Officer decides to consider an unsolicited bid that complies with subparagraph 37(2) of this policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with –
 - (a) reasons as to why the bid should not be open to other competitors;
 - (b) an explanation of the potential benefits if the unsolicited bid were accepted; and
 - (c) an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.
- 4) The Accounting Officer must submit all written comments received pursuant to subparagraph 37(3), including any responses from the unsolicited bidder, to the National Treasury and the relevant provincial treasury for comment.

- 5) The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the Accounting Officer, depending on its delegations.
- 6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
- 7) When considering the matter, the adjudication committee must take into account –
 - (a) any comments submitted by the public; and
 - (b) any written comments and recommendations of the National Treasury or the relevant provincial treasury.
- 8) If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the Accounting Officer must submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.
- 9) Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the Theewaterskloof Municipality to the bid may be entered into or signed within 30 days of the submission.

38. COMBATING OF ABUSE OF SUPPLY CHAIN MANAGEMENT SYSTEM

- 1) The Accounting Officer must–
 - a) take all reasonable steps to prevent abuse of the supply chain management system;
 - b) investigate any allegations against an official or other role player of fraud, corruption, 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 Theewaterskloof Municipality, or to any other municipality or municipal entity, are in arrears for more than three months; or

- ii who during the last five years has failed to perform satisfactorily on a previous contract with the Theewaterskloof 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 Theewaterskloof 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 Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).
- 2) The Accounting Officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of subparagraphs 38(1)(b)(ii), (e) or (f) of this policy.

PART 3: LOGISTICS, DISPOSAL, RISK AND PERFORMANCE MANAGEMENT

39. LOGISTICS MANAGEMENT

The Accounting Officer must establish and implement an effective system of logistics management, which must include -

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

40. DISPOSAL MANAGEMENT

- 1) The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to sections 14 and 90 of the Act, are as follows:
 - a) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;
 - b) transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
 - c) selling the asset; or
 - d) destroying the asset.
- 2) Assets may be disposed of by –
 - a) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;
 - b) transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
 - c) selling the asset; or
 - d) destroying the asset.

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

41. RISK MANAGEMENT

- (1) ~~The Accounting Officer must establish an effective system of risk management for the identification, consideration and avoidance of potential risks in the Supply Chain Management System.~~

1) The criteria for an effective risk management strategy within supply chain management system, should include the identification, consideration and avoidance of potential risks.

- 2) Risk management ~~must~~ should 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.

42. PERFORMANCE MANAGEMENT

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

PART 4: OTHER MATTERS

43. PROHIBITION ON AWARDS TO PERSONS WHOSE TAX MATTERS ARE NOT IN ORDER

- 1) No award above R 30 000 may be made in terms of this Policy to a person whose tax matters have not been declared by the South African Revenue Service to be in order.
- 2) Before making an award to a person the accounting person must first check with SARS whether that person's tax matters are in order.
- 3) If SARS does not respond within 7 days such person's tax matters may for purposes of subparagraph 43(1) be presumed to be in order.

44. PROHIBITION ON AWARDS TO PERSONS IN THE SERVICE OF THE STATE

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

- (a) who is in the service of the state;
- (b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
- (c) a person who is an advisor or consultant contracted with the Theewaterskloof Municipality.

45. AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE

The Accounting Officer must ensure that the notes to the annual financial statements disclose particulars of any award to a person who is a spouse, domestic partner, dependent child or relative living in a common household; a grandparent, parent, nondependent child, grandchild, brother or sister; the spouse or domestic partner of a child, a parent-in-law, a brother-in-law or a

sister-in-law 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.

46. ETHICAL STANDARDS

- 1) A code of ethical standards as set out in the **“National Treasury’s code of conduct for supply chain management practitioners and other role players involved in supply chain management”** is hereby established for officials and other role players in the supply chain management system of the Theewaterskloof 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 the supply chain management policy –
 - a) must treat all providers and potential providers equitable;
 - 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 those to any close family member, partner or associate of ~~that person, of a value more than R 350~~ such official from any supplier, or person or entity related to or connected to such supplier;
 - d) ~~notwithstanding subparagraph (2)(c), must declare to the Accounting Officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or 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 Theewaterskloof 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 47(1) of this policy; or
 - iii) any alleged breach of this code of ethical standards.
- 3) Declarations must be dealt with as follow:
 - a) must be recorded in a register which the accounting officer must keep for this purpose; and
 - b) all declarations by the Accounting Officer must be made to the mayor of Theewaterskloof Municipality who must ensure that such declarations are recorded in the register.
- 4) A breach of the code of ethics must be dealt with as follows -
 - a) in the case of an employee, in terms of the disciplinary procedures of the Theewaterskloof Municipality envisaged in section 67(1)(h) of the Municipal Systems Act;
 - b) in a case a councillor, in terms of Schedule 1 of the Systems Act;
 - c) in the case a role player who is not an employee, through other appropriate means in recognition of the severity of the breach;
 - d) ~~In all cases, financial misconduct must be dealt with in terms of chapter 15 of the Act.~~ All instances of non-compliance this policy should be reported to the Accounting Officer and must be dealt with in terms of chapter 15 of the Act.

47. INDUCEMENTS, REWARDS, GIFTS AND FAVOURS TO MUNICIPALITIES, OFFICIALS AND OTHER ROLE PLAYERS

- 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 Theewaterskloof Municipality for or in connection with the award of a contract; or
 - b) any reward, gift, favour or hospitality to –
 - i) any official; or
 - ii) any other role player involved in the implementation of this Policy.
- 2) The Accounting Officer must promptly report any alleged contravention of subparagraph 47(1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.

3) Subparagraph 47(1) does not apply to gifts less than R350 in value.

48. SPONSORSHIPS

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.

49. OBJECTIONS AND COMPLAINTS

Persons aggrieved by decisions or actions taken in the implementation of this supply chain management system, may lodge within ~~21~~ 14 days of the decision or action, a written objection or complaint against the decision or action.

50. RESOLUTION OF DISPUTES, OBJECTIONS, COMPLAINTS AND QUERIES

- 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 Theewaterskloof 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~~ should, if appointed –
 - (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.

51. CONTRACTS PROVIDING FOR COMPENSATION BASED ON TURNOVER

If a service provider acts on behalf of a Theewaterskloof 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 Theewaterskloof Municipality must stipulate—

- a) a cap on the compensation payable to the service provider; and
- b) that such compensation must be performance based.

52. MANAGEMENT OF EXPANSION OR VARIATION OF ORDERS AGAINST THE ORIGINAL CONTRACT

- 1) The Accounting Officer may expand or vary orders against the original contract by -
 - a) not more than 20% for construction related goods, services and/or infrastructure projects; and;
 - b) by not more than 15% for all other goods and/or services of the original value of the contract.
- 2) Any increase in the contract sum within the threshold mentioned above not authorized by the Accounting Officer must be explained and motivated in a report to the Accounting Officer who may at his sole discretion condone such increase.
- 3) Anything beyond the abovementioned thresholds must be reported to Theewaterskloof Council.
- 4) Any expansion or variation in excess of these thresholds must be dealt with in terms of the provisions of section 116(3) of the Act which will be regarded as an amendment to the contract.

53. CONTRACTS HAVING BUDGETARY IMPLICATIONS BEYOND THREE FINANCIAL YEARS

Theewaterskloof Municipality may not enter into any contract that will impose financial obligations beyond the three years covered in the annual budget for that financial year, unless the

requirements of Section 33 of the Municipal Finance Management Act have been fully complied with.

54. RIGHT OF APPEAL

- 1) In terms of Section 62 of the Systems Act, a person whose rights are affected by a decision taken by Theewaterskloof Municipality, in terms of a delegated authority, in the implementation of its supply chain management system, may appeal against that decision by giving written notice of the appeal and reasons to the Accounting Officer within 21 days of the date of receipt of the notification of the decision.
- 2) Bid documents must state that any appeal in terms of clause 1 above must be submitted to the Accounting Officer at the address stated, and must contain the following:
 - a. reasons and/or grounds for the appeal;
 - b. the way in which the appellants rights have been affected; and
 - c. the remedy sought by the appellant.
- 3) No bid shall be formally accepted until either the expiry of the 21 day appeal period, or confirmation in writing before the expiry of the 21 day appeal period that none of the affected parties intend to appeal, or confirmation of the satisfactory resolution of any appeals.

Approved / Amended	Meeting	Date	Council Resolution
Approved	Council	2006/11/01	C69/2006
Approved Amended Policy	Council	2010/11/23	C105/2010
Review Date	Mgt.	2013/01/17	N/A
Approved Amended Policy	Council	2013/01/24	C10/2013
Review Date	SCM	2013/03/05	N/A
Approved Amended Policy	Council	2013/05/28	C51/2013
Fist Review Date	SCM	2013/09/16	N/A
Second Review Date	SCM	2013/09/26	N/A
Third Review Date	CFO	2014/03/18	N/A

PART B

PREFERENTIAL PROCUREMENT REGULATIONS OF 2011.

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 of 2011.

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1. DEFINITIONS

- 1) In these Policy, any word or expression to which a meaning has been assigned in the Act, has the meaning so assigned, and, unless the context otherwise indicates –
- a) **“Act”**
means the Preferential Procurement Framework Act, 2000 (Act No. 5 of 2000)
 - b) **“all applicable taxes”**
includes value added tax, pay as you earn, income tax, unemployment insurance fund contributions and skill development levies;
 - c) **“B-BBEE”**
means broad based black economic empowerment as defined in section 1 of the Broad Based Black Economic Empowerment Act;
 - d) **“B-BBEE status level contributor”**
means the B-BBEE status received by a measured entity based on its overall performance using the relevant scorecard contained in the Codes of Good Practice for Black Economic Empowerment, issued in terms of section 9(1) of the Black Economic Empowerment Act;
 - e) **“Broad-Based Black Economic Empowerment Act”**
means the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003);
 - f) **“comparative price”**
means the price after the factors of a non-firm price and all unconditional discounts that can be utilised have been taken into consideration;
 - g) **“consortium or joint venture”**
means an association of persons for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract;
 - h) **“contract”**
means the agreement that results from the acceptance of a tender by an organ of state;
 - i) **“designated sector”**
means a sector, sub-sector or industry that has been designated by the Department of Trade and Industry in line with national development and industrial policies for local production, where only locally produced services, works or goods or locally manufactured goods meet the stipulated minimum threshold for local production and content;
 - j) **“firm price”**
means the price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the change, imposition, or abolition of customs or excise duty and any other duty, levy, or tax, which, in terms of the law or regulation, is binding on the contractor and demonstrably has an influence on the price of any supplies, or the rendering costs of any service, for the execution of the contract;
 - k) **“functionality”**
means the measurement according to predetermined norms, as set out in the tender documents, of a service or commodity that is designated to be practical and useful, working or operating, taking

into account, among other factors, the quality, reliability, viability and durability of a service and the technical capacity and ability of a tenderer;

l) “imported content”

means that portion of the tender price represented by the cost of components, parts or materials which have been or are still to be imported (whether by the supplier or its subcontractors) and which costs are inclusive of the costs abroad, plus freight and other direct importation costs, such as landing costs, dock dues, import duty, sales duty or other similar taxes or duty at the South African port of entry;

m) “local content”

means that portion of the tender price which is not included in the imported content, provided that local manufacture does take place;

n) “non-firm prices”

means all prices other than “firm” prices;

o) “person”

includes a juristic person;

p) “stipulated minimum threshold”

means that portion of local production and content as determined by the Department of Trade and Industry;

q) “rand value”

means the total estimated value of a contract in South African currency, calculated at the time of tender invitations, and includes all applicable taxes and excise duties;

r) “sub-contract”

means the primary contractor’s assigning, leasing, making out work to, or employing, another person to support such primary contractor in the execution of part of a project in terms of the contract;

s) “tender”

means a written offer in a prescribed or stipulated form in response to an invitation by an organ of state for the provision of services, works or goods, through price quotations, advertised competitive tendering processes or proposals;

t) “total revenue”

bears the same meaning assigned to this expression in the Codes of Good Practice on Black Economic Empowerment, issued in terms of section 9(1) of the Broad Based Black Economic Empowerment Act and promulgated in the Government Gazette on 9 February 2007;

u) “trust”

means the arrangement through which the property of one person is made over or bequeathed to a trustee to administer such property for the benefit of another person; and

v) “trustee”

means any person, including the founder of a trust, to whom property is bequeathed in order for such property to be administered for the benefit of another person.

2. APPLICATIONS

1. This Policy applies to the acquisition of goods / works and or services in excess of R30,000 by the Municipality.
2. The Municipal Manager may, when deemed necessary, impose the preference point system to the acquisition of goods / works and or services with a value less than R30,000.

3. PLANNING AND STIPULATION OF PREFERENCE POINT SYSTEM

1. The Municipality must, prior to making an invitation for tenders-
 - a. properly plan for, and, as far as possible, accurately estimate the costs of the provision of services, works or goods for which an invitation for tenders is to be made;
 - b. determine and stipulate the appropriate preference point system to be utilised in the evaluation and adjudication of the tenders; and
 - c. determine whether the service, works or goods for which an invitation for tenders is to be made has been designated for local production and content in terms of Paragraph 9.

4. EVALUATION OF TENDERS ON FUNCTIONALITY

- (1) When the Municipality invites a bid that will be evaluated on the basis of functionality as a criterion, the Municipal Manager must clearly specify the following aspects in the bid documents:

(a) Evaluation criteria for measuring functionality

The evaluation criteria may include criteria such as the consultant's relevant experience for the assignment, the quality of the methodology proposed, the qualifications of the key staff proposed, transfer of knowledge etc.

(b) Weight of each criterion

The weight that is allocated to each criterion should not be generic and should be determined separately for each bid on an each case on its own merit basis.

(c) Applicable values

The applicable value that will be utilized when scoring each criterion should be objective. As a guide, values ranging from 1 being poor, 2 being average, 3 being good , 4 being very good and 5 that are excellent, may be utilised.

(d) Minimum qualifying score for functionality

The minimum qualifying score for functionality that must be obtained for a bid to be regarded as acceptable should not be generic. It should be determined separately for each bid or each case on its own merit basis. The minimum qualifying score must not be prescribed so low that it may jeopardize the quality of the service required nor so high that it may be restrictive to the extent that it jeopardizes the fairness of the SCM system.

The formula to be utilised to convert the functionality by bid/proposal under consideration

$Ps = So/Ms \times 100$ where:

Ps = percentage scored for functionality by bid/proposal under consideration

So = total score of bid /proposals under consideration

Ms = maximum possible score

- (2) Bids that were invited on the basis of functionality as a criterion must be evaluated in two stages – first functionality must be assessed and qualifying bids will then be evaluated in terms of the 80/20 or 90/10 preference point systems prescribed in Preferential Procurement Regulations 5 and 6.

- (3) The evaluation must be done as followed:

(a) First stage – Evaluation of functionality

- (i) Bids must be evaluated in term of the evaluation criteria as embodied in the bid documents. The amendment of evaluation criteria, weights, applicable values and/or the minimum qualifying score for functionality after the closure of bids should not be allowed as this will jeopardize the fairness of the system. A bid is regarded as acceptable if it achieves the prescribed minimum qualifying score for functionality.
- (ii) Bids that fail to achieve the minimum qualifying score for functionality must be disqualified.

(b) Second stage – Evaluation in term of the 80/20 or 90/10 preference point systems

- (i) Only acceptable bids must be evaluated further in term of the 80/20 or 90/10 preference point systems prescribed in Preferential Procurement Regulations 5 and 6.

5. THE 80/20 PREFERENCE POINT SYSTEM FOR THE ACQUISITION OF GOODS / WORKS AND OR SERVICES UP TO A RAND VALUE UP TO R1 MILLION

- 1) (a) The following formula must be used to calculate the points for price in respect of tenders (including price quotations) with a Rand value equal to, or above R30,000 and up to a Rand value of R1,000,000 (all applicable taxes included):

$$Ps = 80 \frac{(1 - Pt - P \min)}{P \min}$$

i. Where

- ii. Ps = Points scored for comparative price of tender /offer under consideration
- iii. Pt = Comparative price of tender /offer under consideration; and
- iv. Pmin = comparative price of lowest acceptable tender /offer.

- (b) The municipality may apply the formula in paragraph 1(a) for price quotation with a value less than R30,000, if and when appropriate:

- 2) Subject to sub-paragraph 3, points must be awarded to a tenderer for attaining the B-BBEE status level of contributor in accordance with the table below:

B-BBEE Status Level of Contributor	Number of points
1	20
2	18
3	16
4	12
5	8
6	6
7	4
8	2
Non-compliant contributor	0

- 3) A maximum of 20 points may be allocated in accordance with sub-paragraph (2).
 4) The points scored by a tenderer in respect of B-BBEE contribution contemplated in sub-paragraph (2) must be added to the points scored for price as calculated in accordance with sub-paragraph (1).
 5) Subject to paragraph 7, the contract must be awarded to the tenderer who scores the highest total number of points.

6. THE 90/10 PREFERENCE POINT SYSTEM FOR THE ACQUISITION OF GOODS / WORKS AND OR SERVICES UP TO A RAND VALUE ABOVE R 1 MILLION

- (1) The following formula must be used to calculate the points for price in respect of tenders with a Rand value above R1,000,000 (all applicable taxes included):

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

Where

Ps = Points scored for comparative price of tender /offer under consideration;

Pt = Comparative price of tender /offer under consideration; and

Pmin = Comparative price of lowest acceptable tender /offer.

- (2) Subject to sub-paragraph 3, points must be awarded to a tenderer for attaining their B-BBEE status level of contributor in accordance with the table below:

B-BBEE Status Level of Contributor	Number of points
1	10
2	9
3	8
4	5
5	4
6	3
7	2
8	1
Non-compliant contributor	0

- (3) A maximum of 10 points may be allocated in accordance with sub-paragraph (2).
- (4) The points scored by a tenderer in respect of B-BBEE contribution contemplated in sub-paragraph (2) must be added to the points scored for price as calculated in accordance with sub-paragraph (1).
- (5) Subject to paragraph 7, the contract must be awarded to the tenderer who scores the highest total number of points.

7. AWARDS OF CONTRACTS TO TENDERERS NOT SCORING THE HIGHEST NUMBER OF POINTS

- (1) The Municipality may, in exceptional circumstances, award a contract on reasonable and justifiable grounds, to a tenderer that did not score the highest number of points. The reasons for such a decision must be defensible in a court of law.

8. CANCELLATION AND RE-INVITATION OF TENDERS

- (1) In the event that,
 - (a) in the application of the 80/20 preference point system, if all bids received exceed R1 000 000, the bid must be cancelled.
 - (b) if one or more acceptable bid(s) received are within the R1 000 000 threshold, all received must be evaluated on the 80/20 preference point system.
- (2) In the event that,
 - a) in the application of the 90/10 preference point system, if all bids received are equal to or below R1million, the bids must be cancelled.
 - b) if one or more of the acceptable bid(s) received are above the R1 million threshold, all bids received must be evaluated on the90/10 preference point system.

- (3) If a bid was cancelled as contemplated in paragraph 1(a) and 2(a), bids must be re-invited and the correct preference point system must be stipulated in the bid documents of the re-invited bid.
- (4) The Municipal Manager may, prior to the award of the bid, cancel the bid if:
- (a) **Due to changed circumstances, there no longer is a need for the service, work or goods requested.** (the Municipal Manager must ensure that only goods, services or works that are required to fulfil the needs of the institution are procured); or
 - (b) **Funds are no longer available to cover the total envisaged expenditure.** (the Municipal Manager must ensure that the budgetary provisions exist prior to inviting bids); or
 - (c) **No acceptable bids are received.** (if all bids received are rejected, the Municipality must review the reasons justifying and consider making revisions to the specific conditions of contract, design and specifications, scope of the contract, or a combination of these, before inviting new bids).
- (5) The decision to cancel a tender in terms of sub-paragraph 4 must be published in the media in which the original tender invitation was advertised.

9. LOCAL PRODUCTION AND CONTENT

9.1 Designated Sectors

- 9.1.1 Bids in respect of services, works or goods that have been designated for local production and content, **must** contain a specific bidding condition that only locally produced goods, services or works or locally manufactured goods with a stipulated minimum threshold for local production and content will be considered.
- 9.1.2 The Municipal Manager must stipulate in bid invitations that the exchange rate to be used for the calculation of local content (local content and local production are used interchangeably) must be the exchange rate published by the SARB at 12:00 on the date, one week (7 calendar days) prior to the closing date of the bid.
- 9.1.3 Only the South African Bureau of Standards (SABS) approved technical specification number SATS 1286:201x must be used to calculate local content. The following formula to calculate local content must be disclosed in the bid documentation:
- The local content (LC) as a percentage of the bid price must be calculated in accordance with the SABS approved technical specification number SATS 1286: 201x as follows:

$$[LC] = 1 - \frac{x}{y} \times 100$$

Where

x imported content

y bid price excluding value added tax (VAT)

Prices referred to in the determination of x must be converted to Rand (ZAR) by using the exchange rate published by the SARB at 12:00 on the date, one week (7 calendar days) prior to the closing date of the bid.

- 9.1.4 For the purpose of paragraphs 7.1.1, 7.1.2 and 7.1.3 above, the SBD / MBD 6.2 (Declaration Certificate for Local Content) must form part of the bid documentation.
- 9.1.5 The Declaration Certificate for Local Content (SBD / MBD 6.2) must be completed and duly signed. The Municipal Manager is required to verify the accuracy of the rates of exchange quoted by the bidder in paragraph 4.1 of this Certificate.

9.2 Non-Designated Sectors

- 9.2.1 Where there is no designated sector, the Municipal Manager **may** decide to include a specific bidding condition that only locally produced goods, services or works or locally manufactured goods with a stipulated minimum threshold for local production and content, will be considered, on condition that such prescript and threshold(s) are in accordance with the specific directives issued for this purpose by the National Treasury in consultation with the DTI.
- 9.2.2 The Municipal Manager must stipulate in bid invitations that the exchange rate to be used for the calculation of local content must be the exchange rate published by the SARB at 12:00 on the date, one week (7 calendar days) prior to the date of closure of the bid.
- 9.2.3 Only the South African Bureau of Standards approved technical specification number SATS 1286:201x as indicated in paragraph 7.1.3 above must be used to calculate local content.
- 9.2.4 For the purpose of paragraphs 7.2.1, 7.2.2 and 7.2.3 above, the SBD / MBD 6.2 (Declaration Certificate for Local Content) must form part of the bid documentation.
- 9.2.5 The Declaration Certificate for Local Content (SBD / MBD 6.2) must be completed and duly signed. The Municipal Manager is required to verify the accuracy of the rate(s) of exchange quoted by the bidder in paragraph 4.1 of this Certificate.

10. B-BBEE STATUS LEVEL CERTIFICATES

- (1) Tenderers with annual total revenue of R5 million or less qualify as Exempted Micro Enterprises (EMEs) in terms of the Broad-Based Black Economic Empowerment Act, and must submit a certificate issued by a registered auditor, Accounting Officer (as contemplated in section 60(4) of the Close Corporation Act, 1984 (Act No. 69 of 1984)) or an accredited verification agency.
- (2) Tenderers other than Exempted Micro-Enterprises (EMEs) must submit their original and valid B-BBEE status level verification certificate or a certified copy thereof, substantiating their B-BBEE rating.
- (3) The submission of such certificates must comply with the requirements of instructions and guidelines issued by the National Treasury and be in accordance with notices published by the Department of Trade and Industry in the Government Gazette.

- (4) The B-BBEE status level attained by the tenderer must be used to determine the number of points contemplated in paragraphs 5(2) and 6(2).

11. CONDITIONS

- (1) Only a tenderer who has completed and signed the declaration part of the tender documentation may be considered.
- (2) The Municipality must, when calculating comparative prices, take into account any discounts which have been offered unconditionally.
- (3) A discount which has been offered conditionally must, despite not been taken into account for evaluation purposes, be implemented when payment is affected.
- (4) Points scored must be rounded off to the nearest 2 decimal places.
- (5) (a) In the event that two or more tenders have scored equal total points, the successful tender must be the one scoring the highest number of preference points for B-BBEE;
(b) however, when functionality is part of the evaluation process and two or more tenders have scored equal points including equal preference points for B-BBEE, the successful tender must be the one scoring the highest score for functionality;
(c) Should two or more tenders be equal in all respects, the award shall be decided by the drawing of lots.
- (6) A trust, consortium or joint venture will qualify for points for their B-BBEE status level as a legal entity, provided that the entity submits their B-BBEE status level certificate.
- (7) A trust, consortium or joint venture will qualify for points for their B-BBEE status level as an unincorporated entity, provided that the entity submits their consolidated B-BBEE scorecard as if they were a group structure and that such a consolidated B-BBEE scorecard is prepared for every separate tender.
- (8) A person must not be awarded points for B-BBEE status level if it is indicated in the tender documents that such a tenderer intends sub-contracting more than 25% of the value of the contract to any other enterprise that does not qualify for at least the points that such a tenderer qualifies for, unless the intended sub-contractor is an exempted micro enterprise that has the capability and ability to execute the sub-contract.
- (9) A person awarded a contract may not sub-contract more than 25% of the value of the contract to any other enterprise that does not have an equal or higher B-BBEE status level than the person concerned, unless the contract is sub-contracted to an exempted micro enterprise that has the capability and ability to execute the sub-contract.

- (10) A person awarded a contract in relation to a designated sector, may not sub-contract in such a manner that the local production and content of the overall value of the contract is reduced to below the stipulated minimum threshold.
- (11) When the Municipality is in need of a service provided by only tertiary institutions, such services must be procured through a tendering process from the identified tertiary institutions.
- (12) Tertiary institutions referred to in sub-paragraph 11 will be required to submit their B-BBEE status in terms of the specialised scorecard contained in the B-BBEE Codes of Good Practice.
- (13)
 - (a) should the Municipality require a service that can be provided by one or more tertiary institutions or public entities and enterprises from the private sector, the appointment of a contractor must be done by means of a tendering process;
 - (b) public entities will be required to submit their B-BBEE status in terms of the specialised scorecard contained in the B-BBEE Codes of Good Practice.

12. DECLARATIONS

- (1) A tender, must in the manner stipulated in the tender document, declare that –
 - (a) the information provided is true and correct;
 - (b) the signatory to the tender document is duly authorised; and
 - (c) documentary proof regarding any tendering issue will, when required, be submitted to the satisfaction of the Municipality.

13. SALE AND LETTING OF ASSETS

- (1) This Policy is not applicable to the sale and letting of assets.
- (2) In instances where assets are sold or leased by means of a bidding process, the bid must be awarded to the bidder with the highest price.

14. REMEDIES

- (1) Upon detection that the B-BBEE status level has been claimed or obtained fraudulently, or any of the conditions of contract have not been fulfilled, the Municipality must act against the tenderer or contractor.
- (2) In addition to any other remedy it may have the Municipality may:
 - (a) disqualify a person from the tendering process;
 - (b) recover all costs, losses or damages incurred or suffered as a result of the conduct;
 - (c) cancel contract and claim any damages suffered;
 - (d) restrict the tenderer or contractor, its shareholders and directors for a period not exceeding 10 years – apply *audi alteram partem* rule; and
 - (e) forward the matter for criminal prosecution.

15. TAX CLEARANCE

- (1) No tender may be awarded to any person whose tax matters have not been declared by the South African Revenue Service to be in order.

16. TRANSITIONAL ARRANGEMENTS

- (1) If a bid was invited in terms of the evaluation criteria prescribed in the Preferential Procurement Regulations, 2001 (prior the date of coming into effect of the Preferential Procurement Regulations, 2011) but will only be evaluated and awarded after the date of coming into effect of the Preferential Procurement Regulations, 2011, the bid must be evaluated and awarded in terms of the evaluation criteria prescribed in the Preferential Procurement Regulations, 2001 and in terms of the conditions contained in the bid documents. Such a bid must be evaluated and awarded as soon as possible but not later than the expiry of the validity dates of the bid.
- (2) The extension of the validity period of such a bid must not be allowed.

ANNEXURE A

Code of Conduct for Supply Chain Management Practitioners and Other Role Players

The purpose of this Code of Conduct is to promote mutual trust and respect and an environment where business can be conducted with integrity and in a fair and reasonable manner.

General Principles

The **Theewaterskloof Municipality** commits itself to a policy of fair dealing and integrity in the conducting of its business. Officials and other role players involved in Supply Chain Management (SCM) are in a position of trust, implying a duty to act in the public interest. Officials and other role players should not perform their duties to unlawfully gain any form of compensation, payment or gratuities from any person, or provider/contractor for themselves, their family or their friends.

Officials and other role players involved in SCM should ensure that they perform their duties efficiently, effectively and with integrity, in accordance with the relevant legislation, policies and guidelines. They should ensure that public resources are administered responsibly.

Officials and other role players involved in SCM should be fair and impartial in the performance of their functions. They should at no time afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual. They should not abuse the power and authority vested in them.

Conflict of interest

An official or other role player involved with Supply Chain Management –

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

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

Accountability

Practitioners are accountable for their decisions and actions to the public. Practitioners should use public property scrupulously. Only Accounting Officers or their delegates have the authority to commit the municipality to any transaction for the procurement of goods and / or services. All transactions conducted by a practitioner should be recorded and accounted for in an appropriate accounting system. Practitioners should not make any false or misleading entries into such a system for any reason whatsoever.

Practitioners must assist the Accounting Officer in combating fraud, corruption, favouritism and unfair and irregular practices in the Supply Chain Management system.

Practitioners must report to the Accounting Officer any alleged irregular conduct in the Supply Chain Management system which that person may become aware of, including:

- a) any alleged fraud, corruption, favouritism or unfair conduct;
- b) any alleged contravention of the policy on inducements, rewards, gifts and favours to municipality officials or other role players; and
- c) any alleged breach of this code of conduct.

Any declarations made must be recorded in a register which the Accounting Officer must keep for this purpose. Any declarations made by the Accounting Officer must be made to the executive mayor who must ensure that such declaration is recorded in the register.

Openness

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

Confidentiality

Any information that is the property of the municipality or its providers should be protected at all times. No information regarding any bid / contract / bidder / contractor may be revealed if such an action will infringe on the relevant bidder's / contractors personal rights.

Matters of confidential nature in the possession of officials and other role players involved in SCM should be kept confidential unless legislation, the performance of duty or the provisions of law requires otherwise. Such restrictions also apply to officials and other role players involved in SCM after separation from service.

Bid Specification / Evaluation / Adjudication Committees

- 6.1 Bid specification, evaluation and adjudication committees should implement Supply Chain Management on behalf of the **Theewaterskloof Municipality** in an honest, fair, impartial, transparent, cost-effective and accountable manner.
- 6.2 Bid evaluation / adjudication committees should be familiar with and adhere to the prescribed legislation, directives and procedures in respect of Supply Chain Management in order to perform effectively and efficiently.
- 6.3 All members of bid adjudication committees should be cleared by the Accounting Officer at the level of "CONFIDENTIAL" and should be required to declare their financial interest annually.
- 6.4 No person should-
 - 6.4.1 interfere with the Supply Chain Management system of the municipality or
 - 6.4.2 amend or tamper with any price quotation / bid after its submission.

Combative Practices

Combative practices are unethical and illegal and should be avoided at all cost. They include but are not limited to:

- a) Suggestions to fictitious lower quotations;
- b) Reference to non-existent competition;
- c) Exploiting errors in price quotations / bids;
- d) Soliciting price quotations / bids from bidders / contractors whose names appear on the Register for Tender Defaulters.



Theewaterskloof
Municipality

**LONG-TERM FINANCIAL PLAN
POLICY**

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1. DEFINITIONS AND ABBREVIATIONS

“basic municipal service” means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment;

“BSC means Budget Steering Committee, a committee established to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the MFMA;

“budget-related policy” means a policy of a municipality affecting or affected by the annual budget of the municipality, including—

- (a) *the tariffs policy which the municipality must adopt in terms of section 74 of the Municipal Systems Act;*
- (b) *the rates policy which the municipality must adopt in terms of legislation regulating municipal property rates; or*
- (c) *the credit control and debt collection policy which the municipality must adopt in terms of section 96 of the Municipal Systems Act;*

“MUNICIPALITY” means Theewaterskloof Municipality;

“IDP” means the Integrated Development Plan;

“LTFP” means Long Term Financial Plan;

“long-term debt” means debt repayable over a period exceeding one year;

“MBRR” means the Municipal Budget and Reporting Regulations;

“MFMA” means the Municipal Finance Management Act No 56 of 2003;

“MTREF” means Medium Term Revenue and Expenditure Framework, as prescribed by the MFMA. It sets out indicative revenue and projected expenditure for the budget year, plus two outer financial years;

“municipal tariff” means a tariff for services which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff;

“municipal tax” means property rates or other taxes, levies or duties that a municipality may impose;

“National Treasury” means the National Treasury established by section 5 of the Public Finance Management Act.

“Short Term” refers to a period up to 3 (three) years

“Medium Term” refers to a period between 3 (three) and 5 (five) years

“Long Term” refers to any period longer than 5 (five) years

2. INTRODUCTION

- 2.1 The Local Government: Municipal Finance Management Act No 56 of 2003 (hereafter MFMA) has instituted various financial reform measures. Sound financial management practices have been identified as essential to the long-term sustainability of municipalities. In this regard the MFMA necessitates that municipality's must have a policy related the Long Term Financial Plan (hereafter LTFP).
- 2.2 A municipality's financial plan integrates the financial relationships of various revenue and expenditure streams to give effect to the Integrated Development Plan (hereafter IDP). It provides guidance for the development of current budgets and assesses financial impacts on outer years' budgets by incorporating capital expenditure outcomes, operating expenditure trends, optimal asset management plans and the consequential impact on rates, tariffs and other service charges.
- 2.3 The Municipality is in process of developing a financial model that aims to determine the appropriate mix of parameters and assumptions within which the municipality should operate to facilitate budgets which are affordable and sustainable at least 10 years into the future. In addition, it identifies the consequential financial impact of planned capital projects on the municipality's operational budget.

3. PROBLEM STATEMENT

Preceding the inception of the MFMA municipal budgets usually catered for immediate demands with little or no view to future needs or the future consequences of particular decisions. This poor planning practice fragmented the sustainability of municipal budgets.

4. PURPOSE

The policy aims to ensure that all long-term financial planning is based on a structured and consistent methodology thereby ensuring long-term financial affordability and sustainability.

5. GUIDING PRINCIPLES

- 5.1 The policy is based on the following principles:-
 - (a) Future financial sustainability;
 - (b) Optimal collection of revenue, taking into consideration the socio economic environment;
 - (c) Optimal utilisation of grant funding;
 - (d) Continuous improvement and expansion in service delivery framework, and
 - (e) Prudent financial strategies.

6. ROLE PLAYERS AND STAKEHOLDERS

The following role players will ensure that the LTFP is implemented in accordance with the prescribed legislative requirements and Council processes.

6.1 Budget Office

- (a) Responsible for the preparation and the compilation of the LTFP;
- (b) Responsible for overall oversight;
- (c) Present long term financial plan outcome to the Budget Steering Committee;
- (d) Review Policy and Strategy, in consultation with relevant stakeholders, to ensure maximum compliance in terms of legislation.

6.2 Directorates and Departments

- (a) Responsible for providing reasons on past performance outcomes;
- (b) Responsible for providing information to Budget Office to update the financial plan;
- (c) Required to identify revenue and expenditure plans for both operating and capital budgets for at least 3 years;
- (d) Required to make recommendations on future service delivery matters.

6.3 Budget Steering Committee

- (a) Responsible for providing strategic guidance on matters relevant to the long term financial plan;
- (b) Responsible for endorsing the projected MTREF assumptions and parameters contemplated by the LTFP.

7. REGULATORY CONTEXT

7.1 Section 17 (3) of the MFMA states that *“when an annual budget is tabled it must be accompanied by, amongst others, “any proposed amendments to the budget-related policies of the municipality”.*

7.2 Section 21 of the MFMA states that the mayor of a municipality must at least 10 months before the start of the budget year, table in the municipal council a time schedule outlining key deadlines for, amongst others:

- (ii) *the annual review of—*
 - (aa) *the integrated development plan in terms of section 34 of the Municipal Systems Act; and*
 - (bb) *the budget-related policies;*
- (iii) *the tabling and adoption of any amendments to the integrated development plan and the budget-related policies; and*
- (iv) *any consultative processes forming part of the processes referred to in subparagraphs (ii) and (iii).*

7.3 Section 7 (1) of the Local Government: Municipal Finance Management Act, 2003, Municipal Budget and Reporting Regulations, 2009 (hereafter MBRR) states that:

“the Municipal Manager of a municipality must prepare, or take all reasonable steps to ensure the preparation of budget-related policies of the municipality, or any or any necessary amendments to such policies, in accordance with the legislation applicable to those policies for tabling in the municipal council by the applicable deadline specified by the mayor in terms of section 21 (1)(b) of the MFMA”.

7.4 Section 7 (1) reference (1) of the MBRR, further states that *“as defined in section 1 of the MFMA. Policies that affect or are affected by the annual budget of a municipality include“(g) a policy related to the long term financial plan”.*

7.5 Section 4 (1) of the MBRR states *“that the mayor of a municipality must establish a budget steering committee to provide technical assistance to the mayor in discharging the responsibilities set out in section 53 of the MFMA”.*

7.6 Section 26 (h) of the Local Government: Municipal Systems Act 32 of 2000 (hereafter the MSA) states that *“An Integrated Development Plan must reflect a financial plan, which must include a budget projection for at least the next three years”.*

8. POLICY DIRECTIVE DETAILS

8.1 Financial strategies

8.1.1 An intrinsic feature of the LTFP is to give effect to the Municipality’s financial strategies. These strategies include:

- (a) Increasing funding for asset maintenance and renewal;
- (b) Continuous improvement to the financial position;
- (c) Ensuring affordable debt levels to fund the capital budget;
- (d) Maintaining fair, equitable and affordable rates and tariff increase;
- (e) Maintaining or improving basic municipal services;
- (f) Achieving and maintaining a breakeven/surplus Operating budget; and
- (g) Ensuring full cost recovery for the provision of internal services.

8.2 Non – financial strategies

8.2.1 The LTFP is a key component for achieving the goals listed in the IDP of the Municipality. The LTFP must consider the following non – financial strategic strategies:

- (a) The Municipality’s Strategic Focus Areas;
- (b) Infrastructure led growth strategies; and
- (c) The Municipality’s Spatial Development Framework.

8.3 Preparation of the LTFP

8.3.1 The LTFP process should commence by latest June of each year.

8.3.2 The LTFP should consider the *fiscal overview* by reviewing past financial performance, projection of long-term financial outlook and financing and funding arrangements. The following matters should be considered annually:

- (a) Revising the long-term financial plan for events that may have impacted during the recent past;
- (b) Assessing the outcomes and achievements of the past few years financial performance as per the audited financial statements;
- (c) Reviewing the financial objective and assumptions;
- (d) Reviewing the past and summarise long term financial outlook;
- (e) Assess the current overall financial position and liquidity situation;
- (f) Identify any financial challenges and constraints;
- (g) Identifying strategies to deal with the challenges, and to maintain financial viability and capacity to sustain services;
- (h) Identify overall funding mix and implications for own revenue and external funding; and
- (i) Assess compliance with the MFMA and other relevant legislation.

8.3.3 The LTFP is prepared in an uncertain environment it is therefore required to make certain assumptions. Assumptions on the following internal and external factors must be made:

- (a) Reviewing the external factors (population migration, employment, health, development of businesses, and new residential areas, etc.);
- (b) General inflation outlook and its impact on the municipal activities;
- (c) Credit rating outlook;
- (d) Interest rates for borrowing and investment of funds;
- (e) Rates, tariffs, charges and timing of revenue collection;
- (f) Growth or decline in tax base of the municipality;
- (g) Collection rates for each revenue source;
- (h) Price movements on specifics e.g. bulk purchases of water and electricity, fuel etc;
- (i) Average salary increases;
- (j) Industrial relations climate, reorganisation and capacity building;
- (k) Trends in population and households (growth, decline, stable);

- (l) Changing demand characteristics (demand for services);
- (m) Trends in demand for free or subsidised basic services;
- (n) Impact of national, provincial and local policies;
- (o) Ability of the municipality to spend and deliver on the programmes; and
- (p) Implications of restructuring and other major events into the future.

8.3.4 Intergovernmental fiscal transfers/allocations from National and Provincial government play a pivotal role in the finances of the Municipality. The following unconditional transfers/allocations must be considered, as a minimum, when projecting the budget:

- (a) Local Government Equitable Share;
- (b) Grants related to the provision of Provincial government functions.

8.4 The Municipality's LTFP model and scenario planning

8.4.1 The Municipality's financial model gives effect to the LTFP. It enables the forecasting of the operating and capital budgets for at least 10 years into the future. The model embodies National Treasury's budget preparation guidelines, drawing on assumptions and parameters to forecast the operating budget.

8.4.2 Strategic initiatives should be prioritised and quantified to be included in the financial model.

8.4.3 The financial forecasting model must be updated using the fiscal overview, assumption and intergovernmental fiscal transfers/allocations information to identify immediate opportunities and/or risks.

8.4.4 The medium and long-term financial viability should be evaluated.

8.4.5 Reiterative scenario planning should be executed to ensure optimum use of resources to cater for strategic initiatives.

8.4.6 To identify the optimum balance between revenue collection and municipal spending the following should be taken into account:

- (a) The impact each scenario has on the financial sustainability and affordability of the Municipality;
- (b) Whether scenario's are realistic in terms of revenue projections;
- (c) Potential revenue enhancement strategies which may have a long-term impact on the revenue base of the Municipality;
- (d) Potential cost saving mechanisms related to strategic initiatives; and
- (e) The impact of infrastructure investments and maintenance programs on future revenue streams.

- 8.4.7 Presentations on scenarios should be presented to the BSC as may be requested.
- 8.4.8 BSC should endorse the final MTREF scenario inclusive of assumptions and parameters annually by latest January.
- 8.5 The annual updated LTFP should identify the following:
 - 8.5.1 Assumptions and parameters to be used to compile the Operating and Capital budgets over the next MTREF;
 - 8.5.2 Future Operating revenue and expenditure projections based on assumptions and parameters;
 - 8.5.3 Future affordability of projected Capital Plans;
 - 8.5.4 The level of infrastructure development required to achieve the Municipal priorities, within the funding restrictions; and
 - 8.5.5 External funding requirements in respect of long term debt.
- 8.6 Implementation of the LTFP
 - 8.6.1 The annual updated LTFP should provide the parameters and assumptions for the compilation of the operating and capital budgets for the next MTREF.
 - 8.6.2 This information should be provided to the Operating and Capital budget departments by latest January of each year.

9. EVALUATION AND REVIEW

- 9.1 This policy shall be implemented once approved by Council.
- 9.2 this policy must be reviewed on an annual basis.
- 9.3 Changes in financial strategy, non – financial strategic strategies and legislation must be taken into account for future amendments to this policy.
- 9.4 Any amendments must be tabled to Council for approval as part of the budget process.