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MATATIELE LOCAL MUNICIPALITY
SUPPLY CHAIN MANAGEMENT POLICY

POLICY INFORMATION	
DATE OF COUNCIL ADOPTION:	28/05/2026
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MRS N.N ZEMBE **ACTING MUNICIPAL MANAGER**	**CLLR M.P STUURMAN** **MAYOR**	**CLLR N NGWANYA** **SPEAKER COUNCIL**
28/05/2026 **DATE**	28/05/2026 **DATE**	28/05/2026 **DATE**

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Authority	Date
HOD Approval	
MM Approval	
Council Approval	
Date of next Review	

Approval of Policy

Please note that the implementation of the policy contained in this document is subject to approval and signing off by all relevant Heads and/or Committees, including but not limited to:

- Municipal Manager; and
- Municipal Council.

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Contents

(i) Definitions 5
ESTABLISHMENT AND IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY 11
SUPPLY CHAIN MANAGEMENT POLICY 11
(2) Adoption and amendment of the supply chain management policy 12
(3) Delegation of supply chain management powers and duties 13
(4) Sub-delegations 14
(5) Oversight role of council 15
(6) Supply chain management unit 15
(7) Training of supply chain management officials 15
FRAMEWORK FOR SUPPLY CHAIN MANAGEMENT 16
FORMAT OF SUPPLY CHAIN MANAGEMENT 16
(i)System of demand management 16
(ii) System of acquisition management 17
(iii) Logistics management 40
(xi) Disposal management 40
(xii) Risk management 41
(xiii) Performance management 43
(xiv) Part 4: Other matters 43
Preferential Procurement Regulation November 2022 50

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P.O. Box 35,
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Tel: 039 737 3135
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(i) 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 of Section 82 of the Local Government: Municipal Structures Act. 1998 (Act No. 117 of 1998) and who is the head of administration and the Municipal Manager for the Municipality.

"Act" or "MFMA" means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

"Business day" means any day of the week except Saturday, Sunday and public holidays as determined in the Public Holidays Act, 1994 (Act No. 36 of1994).

"**Black designated groups**" means black people, women, and people with disabilities; or small enterprises which are enterprises, owned, managed, and controlled by previously disadvantaged persons and which are overcoming business impediments arising from the legacy of apartheid.

"Bid rigging" occurs when competing firms secretly agree to manipulate the outcome of a bidding process instead of competing fairly.

"CFO" means Chief Financial Officer of the Municipality or Director of Finance in this instance.

"CIDB" means Construction Industry Development Board.

"Close family member" means:

a) Spouse or partner
b) Parent
c) Children

"Closing date" means the time and day specified in the bid documents and/or advertisement of the receipt of bids.

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

"Construction Works" means any work in connection with:

a) The erection, maintenance, alteration, renovation, repair, demolition or dismantling of or addition to a building or any similar structure.
b) The installation, erection, dismantling or maintenance of a fixed plant.

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c) the construction, maintenance, demolition or dismantling of any bridge, dam, canal, road, railway, sewer or water reticulation system or any similar civil engineering structure; or
d) the moving of earth, clearing of land, the making of an excavation, piling or any similar type of work.

"Consultant" means a person or entity providing services requiring knowledge-based expertise

"Contract" means the agreement that results from the acceptance of a bid by the Municipality.

"Delegation" in relation to a duty, includes an instruction a request to perform, or to assist in performing the duty.

"Designated group" means black people, women, persons living with disabilities, and small enterprises.

"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.

"Emergency" an emergency is an unforeseeable and sudden event with harmful or potentially harmful consequences for the municipality which requires urgent action to address.

"Emerging enterprise" means an enterprise which is owned, managed and controlled by previously disadvantaged persons and which is overcoming business impediments arising from the legacy of apartheid.

"EME" means Exempted Micro Enterprises as businesses with a turnover of less than R10 million.

"Functionality" means the measurement according to predetermined norms, as set out in the bid specification, of a service or commodity that is designed 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 bidder.

"Final award", in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept.

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"Financial interest" means where a municipal staff member is a close family member of a person who is the owner, partner, principal shareholder or member, manager or who serves on the board of directors, etc of a tendering enterprise

"Formal written price quotation" means quotations referred to in paragraph 12(1) (c) of this policy.

"Fronting" means when a company creates a false appearance of black ownership, management, or control to gain B-BBEE benefits.

"IDP" means Integrated Development Plan.

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

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

"Imported content" refers to the portion of a bid item or product that is not manufactured, processes, or assembled in South Africa.

"Local content" means the value of goods, services, materials, labour, and processes that are produced or performed within South Africa and contribute to the final cost of a product or service.

"Long term contract" means a contract with a duration period exceeding one year.

"List of accredited prospective providers" means the list of accredited prospective providers which a municipality or municipal entity must keep in terms of paragraph 14 of this policy.

"Military veteran" means a person who served in the active military, naval, or air service, and who was discharged or released under conditions other than dishonourable.

"Other applicable legislation" means any other legislation applicable to municipal supply chain management, including –

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(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).
d) The Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003).
e) The Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000).
f) The Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998).
g) The Prevention and Combating of Corrupt Activities Act, 2000 (Act No. 12 of 2004).
h) Municipal Supply Chain Management Regulations.
i) The Preferential Procurement Regulations, 2022.
j) The Competitions Act 1998 (Act No. 89 of 1998).

"Policy" means the Supply Chain Management Policy of the Matatiele Municipality.

"People with disabilities" are defined as persons who were historically disadvantaged through unfair discrimination on the basis of disability.

"Quotation" means a stated price that a supplier expects to receive for the provision of specified services, works or goods.

"QSE" is generally a business with an annual total revenue between R10 million and R50 million.

"Regulation" means the Local Government: Municipal Supply Chain Management Regulations.

"Rural area" means businesses operating in rural areas as specific goals for awarding preference points in tenders.

"Remedies" means action that an organ of state may take when a bidder submits false information, fails to comply with tender conditions, breaches subcontracting obligations or acts fraudulently or improperly in the procurement process.

"SANAS" means the South African National Accreditation System.

"SDBIP" means Service Delivery and Budget Implementation Plan.

"Single provider" Sole supplier- One and Only (Alone of its kind) Supplier (Oxford Dictionary). If such goods or services are produced or available from a single provider

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only. There is no competition and only one provider exists in South Africa (for example, sole distribution rights).

"Small business" means a separate and distinct business entity, including cooperative enterprises and nongovernmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy mentioned in column I of the Small Business Classification Schedule, and which can be classified as a micro-, a very small, a small or a medium enterprise by satisfying the criteria mentioned in columns 3,4 and 5 of the Schedule opposite the smallest relevant size or class as mentioned in column 2 of the Schedule.

"Small enterprise" generally refers to SMMEs that fall below the threshold of a Qualifying Small Enterprise (QSE).

"Supply chain management practitioners" includes the Chief Financial Officer and the Supply Chain Manager.

"Survivalist enterprise" means a business set up by people unable to find a paid job or get into an economic sector of their choice. Income generated from these activities usually falls far short /of even a minimum income standard, with little capital invested, virtually no skills training in the particular field and only limited opportunities for growth into a viable business. This category is characterised by poverty and the attempt to survive.

"Total revenue" means total gross income earned by a business from all its activities, before deducting expenses.

"Tender" means a 'bid' or a 'quotation' in relation to a "Tender Box".

"Tender box" means the specified tender box at the offices of Matatiele Municipality, 102 Main Street, Matatiele.

"Treasury guidelines" means any guidelines on supply chain management issued by the Minister in terms of section 168 of the Act.

"The Act" means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

"Transversal Term Contract" means a centrally facilitated contract arranged by the National Treasury for goods or services that are required by one or more than one institution.

"Township" means businesses operating in township areas as specific goals for awarding preference points in tenders.

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"Validity period" means the period for which a bid is to remain valid and binding as stipulated in the relevant tender document.

"Youth" means youth-owned enterprises that may be used as a specific goal when allocating preference points.

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ESTABLISHMENT AND IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

SUPPLY CHAIN MANAGEMENT POLICY

(1) The Matatiele local Municipality resolves in terms of section 111 of the Act to have and implement a supply chain management policy that –

(a) Gives effect to –

(i) Section 217 of the Constitution; and
(ii) Part 1 of Chapter 11 and other applicable provisions of the Act.

(b) is fair, equitable, transparent, competitive and cost effective.

(c) Complies with –

(i) The regulatory framework prescribed in Chapter 2 of the Regulations; and
(ii) Any minimum norms and standards that must be prescribed in terms of section 168 of the Act.

(d) Is consistent with other applicable legislation.

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

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

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

(a) Procuring goods or services.
(b) Disposing of goods, no longer needed.
(c) Selecting contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or
(d) In the case of a municipality, selecting external mechanisms referred to in section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.

(2) This policy, except where provided otherwise, does not apply in respect of:

a) The procurement of goods and services contemplated in section 110(2) of the Act, including–

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(i) Water from the Department of Water Affairs or a public entity, another municipality or a municipal entity; and
(ii) Electricity from Eskom or another public entity, another municipality or a municipal entity.

b) The unskilled labour component of the Municipality's LLPP (Local Labour Promotion Projects).
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 Municipality's Travelling and Subsistence allowance/cost Policy.
e) Any contract relating to the publication of notices and advertisements by the municipality.

(2) Adoption and 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 council.

(2) If the accounting officer submits a draft policy to the council that differs from the model policy, the accounting officer must ensure that such draft policy complies with the Regulations. The accounting officer must report any deviation from the model policy to the National Treasury and the 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) The accounting officer of a municipality must in terms of section 62(1) (f) (iv) of the Act, take all reasonable steps to ensure that the municipality has and implements this supply chain management policy.

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

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

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(iv) Where applicable the council also pledges itself to observe the requirements of the Construction Industry Development Board Act No. 38 of 2000 and regulations and

(v) National Small Business Act of 1996.

(3) Delegation of supply chain management powers and duties

(1) The council hereby delegates such additional powers and duties to the accounting officer 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) The supply chain management policy.

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

(c) To enforce reasonable cost-effective measures for the prevention of fraud, corruption, favoritism and unfair and irregular practices in the implementation of the supply chain management policy; and

(d) To comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.

(2) Sections 79 and 106 of the Act apply to the sub delegation of powers and duties delegated to an accounting officer in terms of subparagraph (1) of this policy.

(3) The council or accounting officer must not delegate or sub delegate any supply chain management powers or duties to a person who is not an official of the municipality or to a committee which is not exclusively composed of officials of the municipality.

(4) This paragraph must not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this policy.

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(4) Sub-delegations

(1) The accounting officer must in terms of section 79 or 106 of the Act sub delegate any supply chain management powers and duties, including those delegated to the accounting officer in terms of this policy, but any such sub delegation must be consistent with subparagraph (2) and paragraph 4 of this policy.

(2) The power to make a final award –
(a) Above R10 million (VAT included) must not be sub delegated by the accounting officer.

(b) Above R2 million (VAT included), but not exceeding R10 million (VAT included), will be sub delegated but only to –
(i) A bid adjudication committee of which the chief financial officer or a senior manager is a member; or

(c) Not exceeding R2 million (VAT included) must be sub delegated but only to –
(i) A bid adjudication committee.

(3) Bid adjudication committee to which the power to make final awards has been sub delegated in accordance with subparagraph (2) of this policy must within five days of the end of each month submit to the official referred to in subparagraph of this policy a written report containing particulars of each final award made by such official or committee during that month, including–

(a) The amount of the award.
(b) The name of the person to whom the award was made; and
(c) The reason why the award was made to that person.

(4) A written report referred to in subparagraph (3) of this policy must be submitted –

(a) To the accounting officer, in the case of an award by –
(i) A bid adjudication committee of which the chief financial officer or a senior manager is a member; or

(b) To the chief financial officer or the senior manager responsible for the relevant bid, in the case of an award by –
(i) A bid adjudication committee of which the chief financial officer or a senior manager is not a member.

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

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(6) This paragraph must not be interpreted as permitting an official to whom the power to make final awards has been subdelegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this policy.

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

(5) Oversight role of council

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

(2) For the purposes of such oversight the accounting officer must –

(a) (i) within 30 days of the end of each financial year, submit a report on the implementation of the supply chain management policy of the municipality and of any municipal entity under its sole or shared control, to the council of the municipality,

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

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

(6) Supply chain management unit

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

(2) The supply chain management unit must, where possible, operate under the direct supervision of the chief financial officer or an official to whom this duty has been delegated in terms of section 82 of the Act.

(7) Training of supply chain management officials

(1) The training of officials involved in implementing the supply chain management policy should be in accordance with any Treasury guidelines on supply chain management training.

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FRAMEWORK FOR SUPPLY CHAIN MANAGEMENT

FORMAT OF SUPPLY CHAIN MANAGEMENT

This supply chain management policy provides systems for –

(i) Demand management.
(ii) Acquisition management.
(iii) Logistics management.
(iv) Disposal management.
(v) Risk management; and
(vi) Performance management.

Part 1: Demand management

(i)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, the Budget and the Service Delivery and Budget Implementation Plan.
2) The Accounting Officer may, upon request, make available to the Provincial Treasury a procurement plan containing all planned procurement for the financial year, in respect of the procurement of goods, services and infrastructure projects which exceed R300 000 per case.
3) This procurement plan must be approved by the Accounting Officer or his or her delegate.
4) All user departments are required to submit their procurement plans to the Manager: Supply Chain Management to improve planning and management of resources.
5) The procurement plan must be approved by the Accounting Officer or his or her delegate.
6) Demand management must be co-ordinated by SCM officials of the municipality in consultation with end-users.
7) This includes a detailed analysis of the goods, works or services required, with at least:

a) The scope of the work to be executed.
b) The time required to complete the project; and
c) The material, resources, equipment required to execute the project.

8) The outcome of this activity should be a detailed planning document that outlines what goods, works or services should be procured, the manner in which they should be procured as well as the timelines to execute the procurement functions.

102 Main Street,
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Fax: 039 737 3611

9) The Demand Management Plan must be developed at the beginning of the financial year when the IDP, Service Delivery and Budget Implementation Plan (SDBIP) and annual budget have been approved.

10) The Demand Management Process:

10.1 Understanding future needs.
10.2 Identifying critical delivery dates.
10.3 Frequency of the need.
10.4 Linking the requirements to the budget.
10.5 Undertake an expenditure analysis (based on past expenditure).
10.6 Undertake a commodity analysis (checking for alternatives).
10.7 Undertake a market / industry analysis.
10.8 Provide regular feedback to and from the role-players.

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

Part 2: Acquisition management

(ii) System of acquisition management

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

(a) That goods and services are procured by the municipality or municipal entity 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) This supply chain management policy, except where provide otherwise in the policy, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including –

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

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

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

(a) The kind of goods or services; and

MATATIELE
LOCAL MUNICIPALITY

102 Main Street,
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P.O. Box 35,
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Tel: 039 737 3135
Fax: 039 737 3611

(b) The name of the supplier.

RANGE OF PROCUREMENT PROCESSES

STRUCTURE OF APPROVAL

Goods / Services Value	Procurement Method	Approval Authority
R0 – R2000	Petty Cash/ One Quotation	Middle Manager/ General Manager
R2001 – R15 000	Three Quotations	Middle Manager/ General Manager
R2001 – R30 000	Catering Services/ One Quotation	Middle Manager/ General Manager
R15 001 – R30 000	Three Quotations	Middle Manager/ General Manager
R30 001 – R100 000	7 Days' Notice Quotations	General Manager
R100 001 – (R300 000)	7 Days' Notice Quotations	Chief Financial Officer/Municipal Manager
R300 001)– R2 000 000	Competitive Bidding	Bid Adjudication Committee
R2 000 001 – R10 000000	Competitive Bidding	A Bid Adjudication Committee of which the Chief Financial Officer or a Senior Manager is a member
R10 000 000 and above	Competitive Bidding	Municipal Manager Subject to the Recommendations of the Bid Adjudication Committee

1) If quotations are over R30 000.00 must be advertised for at least 7 (seven) days on the Municipality's official website and an official notice board as applicable and the following MBD documents need to be filled in by the companies that are quoting.
MBD 2 - Tax Clearance Certificate
MBD 4 - Declaration of Interest
MBD 8 -Declaration of Bidder's past Supply Chain Management Practice
MBD 9 -Certificate of Independent Bid Determination

2) Notwithstanding section 12.1, if quotations have been invited on the Municipality's official website, no additional quotes need to be obtained should the number of responses be less than three.

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

a) Petty cash purchases, up to a transaction value of R2 000 (VAT included) – Middle Manager or General Manager.
b) One Quotation for procurement up to a transaction value of R2 000 (VAT included) – Middle Manager or General Manager.

102 Main Street,
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P.O. Box 35,
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Fax: 039 737 3611

c) One Quotation be requested for procurement of catering services of up to a transaction value of R30 000 (VAT included) rotation amongst service providers on the database – Middle Manager or General Manager.

d) Three Written or verbal quotations for procurements of a transaction value over R2 001 up to R15 000 (VAT included), – Middle Manager or General Manager.

e) Three Formal written price quotations for procurements of a transaction value over R15 001 up to R30 000 (VAT included) – Middle Manager or General Manager.

f) Seven-days' notice formal written price quotations for procurement of a transaction value over R30 001 up to R300 000 (VAT included) – Municipal Manager or Chief Financial Officer as per Accounting Officer sub-delegation authority.

g) A competitive bidding process for–

(i) Procurements above a transaction value of R300 000 (VAT Included); and

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

(2) The accounting officer must, in writing; - lower, but not increase, the different threshold values specified in subparagraph (1); or (b) direct that –

(i) Written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2000.

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

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

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

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

FOR THE PROCUREMENT OF CATERING SERVICES, THE ENTERTAINMENT AND FRESHMENT POLICY WILL APPLY

13. General preconditions for consideration of written quotations or bids

1) A written quotation or bid must not be considered unless the provider who submitted the quotation or bid –

(a) Has furnished that provider's –

(i) Full name.

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

(ii) Identification number or company or other registration number; and
(iii)Tax reference number and VAT registration number, if any.

(b) Has indicated –

(i) Whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months.
(ii) If the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or
(iii) Whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph.
(iv) Is in the service of the state or has been in the service of the state in the previous twelve months.

14. Lists of accredited prospective providers

(1) The accounting officer must –

(a) Ensure use of verified Central Supplier Database prospective providers for the procurement of goods and services through written or verbal quotations and formal written price quotations.
(b) It is a requirement for all suppliers to be registered on the National Treasury Web Based Central Supplier Database (CSD) that can be accessed at https://secure.csd.gov.za.
(c) The CSD is the national standardised and centralised electronic supplier database administered by the National Treasury which provides information to an organ of state.
(d) Prospective suppliers shall be allowed to submit applications for registration and amendments for listing on the CSD at any time and agree to the terms and conditions of the CSD.
(e) Bidders who are not registered on the CSD are not precluded from submitting bids but must however register when called upon to do so.
(f) Prospective suppliers must notify the Municipality immediately upon receipt of their CSD Reference Number (MAAA....) for this to be captured onto the Municipality financial management system.
(g) 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 on the Central Supplier Database.
(h) Keep a list of CSD accredited prospective providers of goods and services that must be used for the procurement requirements of the municipality or municipal entity through formal written price quotations.

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

(i) 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 on municipality financial management system must be compiled per commodity and per type of service as per CSD.

15. Petty cash purchases

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

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

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

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

(d) Requiring monthly reconciliation reports Petty cash officer to the chief financial officer, including –

(i) The total amount of petty cash purchases for that month; and

(ii) Receipts and appropriate documents for each purchase.

16. Procedures for procuring goods or services through formal written price quotations.

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

(a) That all requirements in excess of R30 001 (VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements of paragraph 17, be advertised for at least seven days on the website and an official notice board of the municipality or municipal entity.

(b) A supply chain management policy must determine the procedure for the procurement of goods or services through formal written price quotations, and must stipulate, and

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

(d) That the accounting officer or chief financial officer must on a monthly basis be notified in writing of all formal written price quotations accepted by an official acting in terms of a sub delegation.

(e) That the accounting officer or chief financial officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub delegation, and.

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

(f) Requirements for proper record keeping.
(g) Quotations must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services and lowest price.
(h) Responsive and acceptable offers, which are subject to the preference points system (PPPFA and associated regulations and policy), must be awarded to the bidder who scored the highest points; The prescripts of the Preferential Procurement Policy Framework Act, Act No.5 of 2000 will be applied for procurement requirements above R30 000 (and with a lesser value where appropriate).
(i) The Chief Financial Officer must set requirements for proper record keeping of all formal written price quotations accepted on behalf of the municipality.
(j) Bids for construction procurement related transactions must be advertised in terms of the registration requirements of the CIDB.
(k) Site meetings or information sessions for all the bids with CIDB requirement may not be scheduled within 5 business days of a bid invitation placed.

17. Competitive bidding process

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

18. Procedures for procuring goods or services through formal written price quotations

A supply chain management policy must determine the procedure for the procurement of goods or services through formal written price quotations, and must stipulate_

(a)That all requirements in excess of R30 001 (VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements of paragraph 17, be advertised for at least seven days on the website and an official notice board of the municipality or municipal entity.
(b)That when using the list of accredited prospective providers, the accounting officer must promote ongoing competition amongst providers, including by inviting providers to submit quotations on a rotation basis.
(c)That the accounting officer must take all reasonable steps to ensure that the procurement of goods and services through formal written price quotations is not abused.
(d)That the accounting officer or chief financial officer must on a monthly basis be notified in writing of all formal written price quotations accepted by an official acting in terms of a sub delegation.
(e)Requirements for proper record keeping.

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

(f)Quotations must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services and lowest price.
(g)Responsive and acceptable offers, which are subject to the preference points system (PPPFA and associated regulations and policy), must be awarded to the bidder who scored the highest points. The prescripts of the Preferential Procurement Policy Framework Act, Act No.5 of 2000 will be applied for procurement requirements above R30,000 (and with a lesser value where appropriate).
(h)The Chief Financial Officer must set requirements for proper record keeping of all formal written price quotations accepted on behalf of the municipality:
(i) Bids for construction procurement related transactions must be advertised in terms of the registration requirements of the CIDB.
(j)Site meetings or information sessions for all the bids with CIDB requirement may not be scheduled within 5 business days of a bid invitation placed.

19.Bid documentation for competitive bids

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

Take into account –

(a) The general conditions of contract.
(b) Any Treasury guidelines on bid documentation; and
(c) The requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure including the CIDB thresholds.
(d) Include evaluation and adjudication criteria, including any criteria required by other applicable legislation which may include the threshold in terms of the available budget and cost estimates.
(e) Compel bidders to declare any conflict of interest they must have in the transaction for which the bid is submitted.
(f) If the value of the transaction is expected to exceed R10 million (VAT included), require bidders to furnish–
(i) If the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements –
(aa) for the past three years; or
(bb) since their establishment if established during the past three years.
(ii) A certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days.
(iii) Particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract.

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

(iv) A statement indicating whether any portion of the goods or services 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:

(i) Stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.

(ii) In the absence of formal construction or technical contracts, e.g. JBCC and General Conditions of Contract, in which guarantees / sureties are contained, the following shall apply:

(iii) Where surety is required, it shall be in the form of cash or a bank guarantee from a banking institution registered in terms of the Banks Act, 1990 (Act No. 94 of 1990) or from an insurer registered in terms of the Insurance Act, 2002 (Act No. 30 of 2002).

20. Public invitation for competitive bids

(1) The accounting officer must determine the procedure for the invitation of competitive bids, which must stipulate that:

(a) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the municipality or municipal entity or any other appropriate ways.

(b) The information contained in a public advertisement, must include –

(i) The closure date for the submission of bids, which must not be less than 30 days in the case of transactions over R10 million (VAT included), or which are of a long-term nature, or 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to subparagraph (2) of this policy; and

(ii) A statement that bids must only be submitted on the bid documentation provided by the municipality or municipal entity.

(iii) The Construction projects must be advertised for 21 days.

(2) The accounting officer must determine a closure date for the submission of bids which is less than the 30- or 14-days' requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.

(3) The municipality will charge a non-refundable fee for bid documents inclusive of VAT as per the list below:

(a) Less or equal to R1 million (80/20) – R300

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

(b) Greater than R1 million but less than R10 million (80/20) – R500
(c) Greater than R10 million but less than R 50 million (80/20) – R1000
(d) Greater than R50 million (90/10) -R1000

(i) The purpose of this fee is to cover the printing costs and any other costs involved in the preparation of the bid document.
(ii) Bid documents will be available for free on E-tender website.

(4) Electronic bids will not be accepted, unless the bid documentation specifically provides for this method of submission.

21. Procedure for handling, opening and recording of bids

(1) The accounting officer must determine the procedures for the handling, opening and recording of bids, which must stipulate that:

(a) Bids–

(i) Must be opened only in public; and
(ii) Must be opened at the same time and as soon as possible after the period for the submission of bids has expired.

(b) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price; and

(c) The accounting officer must –

(i) Record in a register all bids received in time.
(ii) Make the register available for public inspection; and
(iii) Publish the entries in the register and the bid results on the website.

(2) Late Bids

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

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

(3) Amendments before the closing date

(a) The Municipality may, if necessary, communicate with bidders prior to bids closing.
(b) The Municipality is entitled to amend any bid condition, validity period, specification or plan, or extend the closing date of such a bid or quotation before the closing date.
(c) For this reason, officials and authorised service providers issuing bids shall keep a record of the names, addresses and contact numbers of the persons or enterprises to whom bid documents have been issued.
(d) Formal communication, which has implications of consequence for all tenderers, shall be in the form of a notice issued to all bidders by the
Supply Chain Management Unit by e-mail, facsimile, or registered post as appropriate. A copy of the notice together with a transmission verification report/proof of posting shall be kept for record purposes.

(4) Dealing with bids and quotations if the closing date thereof has been extended.

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

(5) Notification of Decision

(a) The successful and unsuccessful bidders shall be notified in writing once a final award has been made with regards to all the bids advertised.
(b) Each bidder, on request, is entitled to feedback concerning its own bid.
(c) The successful bidder shall, in addition, be advised of the 14-days objection period (see 49).

(6) Access to bid information

(1) When divulging information, a balance must be stricken between one party's right to access of information and the right to confidentiality of the other party.
(i) Bids are not available for perusal by the public.
(ii) The reasons why another bidder's bid was unsuccessful should not be supplied, as this may contain privileged information (e.g. a negative banking report).
(iii) No itemised prices other than the formal contract prices of the successful bidder(s) may be supplied to competitors.

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

(iv) According to the prescripts of section 36 of the Promotion of Access to Information Act, no 2 of 2000, no information may be revealed that will prejudice a third party in commercial competition. Revealing itemised prices of unsuccessful bidders may reveal their trade secrets/strategies and no such information may be revealed without the written consent of the relevant bidder(s).

(v) According to sections 36 and 63 of the Promotion of Access to Information Act, Act No 2 of 2000, a public body must refuse a request for access to a record of the body if the record contains:

(a) Trade secrets of a third party.

(b) Financial, commercial, scientific or technical information, other than trade secrets, of a third party, the disclosure of which would be likely to cause harm to the commercial or financial interest of the third party.

(c) information supplied in confidence by a third party, the disclosure of which could reasonably be expected:

(d) To put that third party at a disadvantage in contractual or other negotiations.

(e) To prejudice that third party in commercial competition.

22. Negotiations with preferred bidders

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

(a) Does not allow any preferred bidder a second or unfair opportunity.

(b) Is not to the detriment of any other bidder; and

(c) Does not lead to a higher price than the bid as submitted.

(d) Does not lead to a lower price in respect of sale of land / goods.

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

(3) No unauthorised communication with bidders and prospective providers:

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

b) No municipal personnel may communicate with a bidder or any other party who has an interest in a bid, during the period between the closing date for the receipt of the bid or quotation (or date of receipt of an offer), and the date of notification of the successful bidder of acceptance of his bid, quotation or offer, except as provided for in clause (c) below. Every such case of unauthorised communication shall forthwith be reported to the Supply Chain Management Unit as well as the chairperson of the Bid Adjudication Committee. A bid or quotation in respect of which unauthorised communication has occurred may be disqualified.

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

c) The chairperson of the Bid Adjudication Committee, as determined in clause 29(2), may authorise an employee or authorised consulting service provider, in writing, to communicate with a bidder during the period mentioned in subsection (b) above for the purpose of: -

(i) Obtaining an explanation and verification of declarations made in the bid response.
(ii) Confirming technical particulars and the compliance thereof with specifications.
(iii) Clarifying delivery times/quantities.
(iv) Extending the validity period of a bid.
(v) Clarifying any other commercial aspect.
(vi) For the submission of substantiating documents.

d) In all cases where authority has been granted to communicate with bidders in terms of clause (c) above, it should be clearly stated in the submission to the Bid Adjudication Committee the nature of the communication as well as by whom such authority to communicate has been granted.
e) All changes and/or clarification of specifications shall be conveyed to all bidders by means or methods as specified in clause 23.

23. Two-stage bidding process

(1) A two-stage bidding process is allowed for –
(a) Large complex projects.
(b)Projects where it must be undesirable to prepare complete detailed technical specifications; or
(c)Long term projects with a duration period exceeding three years.

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

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

24. Committee system for competitive bids

(1) The accounting officer is required to –
(a) Establish a committee system for competitive bids consisting of at least –

(i) A bid specification committee.
(ii) A bid evaluation committee; and
(iii) A bid adjudication committee of which a member of either the bid specification or bid evaluation committee must be an advisor.

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

(b) Appoint the members of each committee, taking into account section 117 of the Act; and
(c) Provide for an attendance or oversight process by a neutral or independent observer, appointed by the accounting officer, when this is appropriate for ensuring fairness and promoting transparency.
(2) The committee system must be consistent with –
(a) Paragraph 27, 28 and 29 of this policy; and
(b) Any other applicable legislation.
(c) All bid committees shall be formally constituted by the municipal manager.
(d) A formal agenda shall be prepared for each committee and distributed to the members before the meeting.
(3) The accounting officer must apply the committee system to formal written price quotations.

25. Bid specification committees

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

(2) Specifications –

(i) Must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services.
(ii) 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.
(iii) Where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design.
(iv) Must not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labeling of conformity certification.
(v) Must not make reference to any particular trademark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the words "equivalent";
(vi) Must indicate each specific goal for which points must be awarded in terms of the points system set out in the Preferential Procurement Regulations 2001; and
(vii) Must be approved by the accounting officer prior to publication of the invitation for bids in terms of paragraph 22 of this policy.

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

Verification by the Chief Financial Officer prior to advertisement of bids above R10 million

(i)The following information must be submitted by the senior manager responsible for the Vote to the CFO prior to the public advertisement of any bids in excess of R10 million (all applicable taxes included):

(a) Proof that budgetary provision exists for procurement of the goods, services and/ or infrastructure projects.
(b) Any ancillary budgetary implications related to the bid, for example, if the project is for the acquisition of a municipal asset, does budgetary provision exist for the operation of the asset, maintenance costs relating to the asset, administration costs and rehabilitation/renewal costs.
(c) Any multi-year budgetary implications, for example, if a project will take more than one financial year, the estimated expenditure per financial year. Goods, services and/or infrastructure projects above the value of R10 million (all applicable taxes included) may only be advertised after the CFO has verified in writing that budgetary provision exists for the commencement of the particular project.

(ii)Requirements may not be deliberately split into parts or items of lesser value merely to avoid the information being submitted.
(iii)The bid specification committee must be composed of one or more officials of the municipality or municipal entity, preferably the manager responsible for the function involved, and must, when appropriate, include external specialist advisors.
(iv)No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, must bid for any resulting contracts.

26. Bid evaluation committees

(1) The Bid Evaluation Committee shall consider the bids received and shall note for inclusion in the evaluation report, a bidder whose bid is considered by the Bid Evaluation Committee to be invalid for any of the following reasons:

(i) the bid, including the bid amount, where applicable, is not submitted on the official Form of Offer
(ii) whose bid does not comply with the general conditions applicable to bids and quotations of this Policy.
(iii)whose bid is not in compliance with the specification.
(iv)whose bid does meet the minimum score for functionality, if applicable.
(v)whose bid is not in compliance with the terms and conditions of the bid documentation.
(vi)who is not registered and verified on the Municipality's Suppliers Database.

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

(vii)who, in the case of construction works acquisitions, does not comply with the requirements of the CIDB Act regarding registration of contractors and the CIDB thresholds for a particular class, who has failed to submit an original and valid tax clearance certificate from the SARS certifying that the taxes of the bidder are in order.

(2) Evaluate bids in accordance with the points system set out in terms of the Preferential Procurement Policy, section 2 (b), where the points calculation shall be based on 80 for price and 20 for specific goals if a bid has a value below R 50 000 000.00 (including VAT) and 90 for price and 10 for specific goals if a bid has a value over R 50 000 000.00 (including VAT)

(3) The responsive bid that scores the highest number of adjudication points must be recommended for acceptance unless objective criteria, in addition to those specific goals contemplated in section 2 of the PPPFA, justify the acceptance of another bid. Such objective criteria include whether the recommended bidder:

(i) has demonstrated that it has the necessary resources and skills required to fulfil its obligations in terms of the bid document.
(ii) poses any commercial or legal risk to the Municipality.
(iii) Take into consideration thresh-hold limits e.g. evaluation of all submitted bids in terms of determined cost estimates within the approved thresholds as per bid invitation specified limits.

(4) a) The bidder may be regarded as non-responsive if on considering the bid poses the following risks,

(i) Increase chances of non-completion of the awarded contract.
(ii) Bidder with history of non-completion of awarded contracts
(iii) Whose bid proposal is too low from the determined cost estimates
(iv) Any other criteria specified in the bid documents.

b) Check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears for more than three months and;
c) Submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.
d) Submit to the adjudication committee a report and reasons in the event of a tender not being awarded.

(5) A Bid Evaluation Committee must as far as possible be composed of:

a) Standing members

(i) a delegated senior supply chain management practitioner.
(ii) at least one knowledgeable / professional official from the Directorate for whom the bid is called; and
(iii) A legal advisor.

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

b) Other members:

(i) Technical experts, consultants or advisors, provided that these experts may only actively contribute to discussions, but not vote on the items evaluated.

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

27. Bid adjudication committees

1. The bid adjudication committee must –

   (a) Be a standing committee.
   (b) Consider the report and recommendations of the bid evaluation committee; and
   (c) Either –
   (i) Depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award; or
   (ii) Make another recommendation to the accounting officer how to proceed with the relevant procurement.

2. The bid adjudication committee must consist of at least four senior managers of the municipality or municipal entity which must include –
   (i) The chief financial officer or, if the chief financial officer is not available, another manager in the budget and treasury office reporting directly to the chief financial officer and designated by the chief financial officer; and
   (ii) At least one senior supply chain management practitioner who is an official of the municipality; and
   (iii) A technical expert in the relevant field who is an official, if such an expert exists.

3. A quorum for the Adjudication Committee shall be four members with voting rights.
   a) In the event of an equality of votes the chairperson shall have a casting vote over and above a deliberate vote.

4. The Chairperson of the Bid Evaluation Committee or in his absence an official nominated by the Chief Financial Officer should be present at the Bid Adjudication Committee meetings to introduce the reports to the Committee and assist in clarifying issues that were dealt with in the Evaluation Committee meetings without voting rights.
5. A technical expert in the relevant field, who is an official, if such an expert exists, may attend the meeting as an advisor for clarification purposes. This official will not have voting rights at the Bid Adjudication Committee meeting.

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

6. The accounting officer must appoint the chairperson of the committee preferable the Chief Financial Officer. 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.
7. Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, must be a member of a bid adjudication committee.
8. 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.

9. The accounting officer must –

   (i) After due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in paragraph (a); and
   (ii) If the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back that committee for reconsideration.

10. The accounting officer must at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation
11. The accounting officer must comply with section 114 of the Act within 10 working days:
    a) If a tender other than the one recommended in the normal course of implementing the supply chain management policy is approved, the Accounting Officer must, in writing, notify the Auditor-General, the Provincial Treasury and the National Treasury of the reasons for deviating from such recommendation.
    b) Subsection (7) does not apply if a different tender was approved in order to rectify an irregularity.

28. Procurement of banking services

(1) Banking services –

   (a) Must be procured through competitive bids;
   (b) Must be consistent with section 7 or 85 of the Act; and
   (c) Must not be for a period of more than five years at a time.

(2) The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.
(3) The closure date for the submission of bids must not be less than 60 days from the date on which the advertisement is placed in a newspaper in terms of paragraph 22(1).

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

(4) Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

29. Procurement of IT related goods or services

(1) The accounting officer must request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.
(2) Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.
(3) The accounting officer must notify SITA together with a motivation of the IT needs if –
   (a) The transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included); or
   (b) The transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT included).
(4) If SITA comments on the submission and the municipality disagree with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National Treasury, the relevant provincial treasury and the Auditor General.
(5) The Municipality is required to follow the following process before inviting proposals for a new financial management system:
   a) National and Provincial Treasury should immediately be informed of any intention to replace the accounting or billing system currently operating at the municipality.
   b) The submission should include a comprehensive motivation with specific reasons for why it is deemed necessary to replace the existing financial system.
   c) A copy of the service level agreement with minutes of the meetings between the municipality and the current service provider (financial system vendor) during the previous twelve months must be made available.
   d) The organisational structure, specifically for the IT department/function, clearly indicating management capacity and responsibility for operating the financial system, must be submitted.
   e) An assessment should be done to determine which modules of the existing financial system are being utilised by the municipality and reasons must be provided for modules not in operation. In cases where an existing system is not an ERP system the municipality must provide details of any other systems utilised by the municipality.
   f) The date on which the existing financial system was implemented, the procurement and implementation costs and the current operational costs thereof must be disclosed.
   g) A technical assessment must be undertaken on the server and network requirements of the new financial system and a copy of such report should be submitted; and

102 Main Street,
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Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

h) Copies of all IT strategies, policies and procedural documents including the IT disaster recovery plan must be made available.

30. Procurement of goods and services under contracts secured by other Organs of state

(1) The accounting officer must 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.

In addition to the explicit requirements indicated above, municipalities need to comply with the following:

a) The scope of the services or works or the quantities of the goods in terms of specifications must be exactly the same as those included in the contract awarded by the other organ of the State.
b) The contract entered into between the municipality and the service provider/ supplier must be exactly the same as the one that was originally secured by the other organ of the State; and
c) The tender price that is included in the contract of the municipality must be exactly the same as the price that was included in the contract secured by the other organ of the State.

(2) Subparagraph (1) (c) and (d) do not apply if –

(a) A municipal entity procures goods or services through a contract secured by its parent municipality; or
(b) A municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.

31. Procurement of goods necessitating special safety arrangements

(1) The acquisition and storage of goods in bulk (other than water) which necessitate special safety arrangements, including gasses and fuel, should be avoided wherever possible.
(2) Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the accounting officer.

102 Main Street,
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P.O. Box 35,
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Tel: 039 737 3135
Fax: 039 737 3611

32. Proudly SA Campaign

(1) The accounting officer must determine internal operating procedures supporting the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services as per Council's Preferential Procurement Policy

33. Appointment of consultants

(1) The accounting officer must procure consulting services provided that any Treasury guidelines which are *BBBEA, PPPFA, CIDBA, MFMA and Small Business Act in respect to procuring consulting services are taken into account.*

(2) Consultancy services must be procured through competitive bids if–
(a) The value of the contract exceeds R300 000 (VAT included); or
(b) The duration period of the contract exceeds one year.

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

(a) All consultancy services provided to an organ of state in the last five years; and
(b) Any similar consultancy services provided to an organ of state in the last five years.

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

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

(1) the accounting officer must –

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

(i) In an emergency.

(a) Circumstances that warrant emergency dispensation, includes but are not limited to–
(i) The possibility of human injury or death.
(ii) The prevalence of human suffering or deprivation of rights.
(iii) The possibility of damage to property or suffering and death of livestock and animals.

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

(iv) The interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the municipality as a whole.
(v) The possibility of serious damage occurring to the natural environment.
(vi) The possibility that failure to take necessary action may result in the municipality not being able to render an essential community service.
(vii) The possibility that the security of the state could be compromised.

(b) 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.
(c) Procurement in the case of emergencies must be tacitly approved by the relevant General Manager or his delegate prior to incurring the expenditure and must be reported to the Municipal Manager or delegated official on the ensuing business day.

(ii) If such goods or services are produced or available from a single provider only.
(iii) For the acquisition of special works of art or historical objects where specifications are difficult to compile.
(iv) Acquisition of animals for zoos and/or nature and game reserves; or
(v) In any other exceptional case where it is impractical or impossible to follow the official procurement processes; and

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

(2) The accounting officer must record the reasons for any deviations in terms of subparagraphs (1) (a) and (b) of this policy and report them to the next meeting of the council and include as a note to the annual financial statements.
(3) Subparagraph (2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of this policy.

35. 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 must decide in terms of section 113(2) of the Act to consider an unsolicited bid, only if –
(a) The product or service offered in terms of the bid is a demonstrably or proven unique innovative concept.
(b) The product or service will be exceptionally beneficial to or have exceptional cost advantages.
(c) The person who made the bid is the sole provider of the product or service; and

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

(d) The reasons for not going through the normal bidding processes are found to be sound by the accounting officer.

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

(a) Reasons as to why the bid should not be open to other competitors.
(b) An explanation of the potential benefits if the unsolicited bid were accepted; and
(c) An invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.

(4) All written comments received pursuant to subparagraph (3), including any responses from the unsolicited bidder, must be submitted to the National Treasury and the relevant provincial treasury for comment.
(5) The adjudication committee must consider the unsolicited bid and must award the bid or make a recommendation to the accounting officer, depending on its delegations.
(6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
(7) When considering the matter, the adjudication committee must take into account –
(a) Any comments submitted by the public; and
(b) Any written comments and recommendations of the National Treasury or the relevant provincial treasury.

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

36. Combating of abuse of supply chain management system

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

(a) Take all reasonable steps to prevent abuse of the supply chain management system.
(b) Investigate any allegations against an official or other role player of fraud, corruption, favoritism, unfair or irregular practices or failure to comply with this supply chain management policy, and when justified –
(i) Take appropriate steps against such official or other role player; or
(ii) Report any alleged criminal conduct to the South African Police Service.

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

(c) Check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector.

(d) Reject any bid from a bidder–

(i) If any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the municipality, or to any other municipality or municipal entity, are in arrears for more than three months; or

(ii) Who during the last five years has failed to perform satisfactorily on a previous contract with the municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory.

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

(f) Cancel a contract awarded to a person if –

(i) The person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or

(ii) An official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and

(g) Reject the bid of any bidder if that bidder or any of its directors –

(h) Has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system.

(i) Has been convicted for fraud or corruption during the past five years.

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

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

(2) The accounting officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of subparagraphs (1)(b)(ii), (e) or (f) of this policy

(3) Notwithstanding anything contained in the clause the Municipality shall declare the bid of a person non-responsive who:

(a) has been convicted of fraud or corruption during the past 5 (five) year period immediately preceding the invitation of the bid in question; and/or

(b) is listed on the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act, 12 of 2004.

(c) is listed on the Database for Restricted Suppliers as a person prohibited from doing business with the public sector; and/or

(d) Is restricted in terms of the Supply Chain Management Policy.

102 Main Street,
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Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

Part 3: Logistics, Disposal, Risk and Performance Management

(iii) Logistics management

(1) The accounting officer must establish an effective system of logistics management in order to provide for the setting of inventory levels, placing of orders, receiving and distribution of goods, stores and warehouse management, expediting orders, transport management, vendor performance, and maintenance and contract administration.

(2) The Logistics Management Process

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

(iv) Coding of items
(v) Setting of inventory levels
(vi) Placing of orders
(vii) Receiving and distribution of the material
(viii) Stores Management and
(ix) Transport Management
(x)
ABC Classification

(xi) Disposal management

(1) The accounting officer must establish an effective system of disposal management for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to Municipality Risk Management Policy and sections 14 and 90 of the Act, which must stipulate the following:

(2) The disposal of assets must–

(a) Be by one of the following methods –

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

(b) Provided that –

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

(i) Immovable property must be sold only at market related prices except when the public interest or the plight of the poor demands otherwise.
(ii) Movable assets must be sold either by way of written price quotations, a competitive bidding process, and auction or at market related prices, whichever is the most advantageous.
(iii) In the case of the free disposal of computer equipment, the provincial department of education must first be approached to indicate within 30 days whether any of the local schools are interested in the equipment; and
(iv) In the case of the disposal of firearms, the National Conventional Arms Control Committee has approved any sale or donation of firearms to any person or institution within or outside the Republic.

(c) Furthermore, ensure that –

(i) Immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise; and
(ii) All fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed; and

(d) Ensure that where assets are traded in for other assets, the highest possible trade-in price is negotiated.

(e) The identification of assets to be disposed of must be that –

(i) The maintenance of the assets cost more than the return on the asset.
(ii) The asset no longer adds value to the delivery of services.
(iii) The asset does not comply with safety standards.

The disposal Management Process
At this stage: refer to the Asset MGT policy.

(xii) 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.

(2) Risk management must include –

(a) The identification of risks on a case-by-case basis.
(b) The allocation of risks to the party best suited to manage such risks.
(c) Acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

(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.

(3) Five Pillars of Procurement

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

b. Open and Effective Competition:
The pillar for public sector procurement requires the following:
(i) A framework of procurement laws, policies, practices and procedures that is transparent, in other words they must be readily accessible to all parties.
(ii) Openness in the procurement process
(iii) Encourage of effective competition through procurement methods suited to market circumstances.
(iv) Observance the provisions of the PPPFA.

c. Ethics and fair dealings
All parties involved in procurement should comply with the following ethical standards:
(i) Deal with each other on a basis of mutual trust and respect
(ii) Conduct their business in a fair and reasonable manner and integrity.

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

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

Risk management Process it is imperative

102 Main Street,
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Tel: 039 737 3135
Fax: 039 737 3611

(xiii) Performance management

(1) The accounting officer must establish an effective 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 desired objectives were achieved
(2) Here a monitoring process takes place, undertaking a retrospective analysis to determine whether the proper process is being followed and whether the desired objectives are achieved.
(3) Some issues to be reviewed are:

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

(xiv) Part 4: Other matters

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

(1) the accounting officer must ensure that, irrespective of the procurement process followed, no award above R15 000 is given to a person whose tax matters have not been declared by the South African Revenue Service to be in order.
(2) Before making a final award to a person the Accounting Officer/ designated official(s) must first verify with SARS whether that person's tax matters are in order.
(3) Where the recommended bidder is not tax compliant, the bidder should be notified of their non-compliant status and the bidder must be requested to submit to the municipality or municipal entity, within 7 working days, written proof from SARS of their tax compliance status or proof from SARS that they have made an arrangement to meet their outstanding tax obligations.
The proof of tax compliance status submitted by the bidder to the municipality or municipal entity must be verified via the CSD or e-Filing.
(4) The accounting officer should reject a bid submitted by the bidder if such a bidder fails to provide proof of tax compliance status within the timeframe stated above.
(5) Where goods or services have been delivered satisfactorily without any dispute, accounting officers should not delay processing payment of invoices due to outstanding tax matters.

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

38. Prohibition on awards to persons in the service of the state

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

(a) Who is in the service of the state; or
(b) If that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
(c) A person who is an advisor or consultant contracted with the municipality or municipal entity.

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

(1) The notes to the annual financial statements must disclose particulars of any award of more than R2000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including –

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

40. Ethical standards

A code of ethical standards is hereby established, in accordance with subparagraph

(1) For officials and other role players in the supply chain management system in order to promote –
(a) Mutual trust and respect; and
(b) An environment where business can be conducted with integrity and in a fair and reasonable manner.

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

(i) Must treat all providers and potential providers equitably.
(ii) Must not use his or her position for private gain or to improperly benefit another person.
(iii) Must not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350;
(iv) Notwithstanding subparagraph (2) (c), must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person.

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

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

(vi) 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;

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

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

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

(i) Any alleged fraud, corruption, favouritism
(ii) or unfair conduct;
(ii) Any alleged contravention of paragraph 47(1) of this policy; or
(iii) Any alleged breach of this code of ethical standards.

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

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

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

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

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

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

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

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

(b) Any reward, gift, favor or hospitality to –
  (i) Any official; or
  (ii) Any other role player involved in the implementation of the supply chain management policy.

(2) The accounting officer must promptly report any alleged contravention of subparagraph (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.
(3) Subparagraph (1) does not apply to gifts less than R350 in value.

42. Sponsorships

(1) 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.

43. Objections, complaints and appeals

(1) Persons aggrieved by decisions or actions taken in the implementation of this supply chain management system, must –
a) Lodge within 14 calendar days of the decision or action, a written objection or complaint to the Accounting Officer against the decision or action on awarded tenders.
b) Each bidder, on request, is entitled to feedback concerning its own bid.
c) Should a bidder not be satisfied with the outcomes of objection or complaints may in terms of section 49 submit in writing an appeal to the Accounting Office at the address stated, and an appeal must contain the following:
  (i) reasons and/or grounds for the appeal;
  (ii) the way in which the appellant's rights have been affected; and
  (iii) the remedy sought by the appellant.
d) An appeal should be lodged within 5 calendar days after response on objection or complaint.

44. 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 and preferable not in the municipal employ with legal experience –

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

(a) To assist in the resolution of disputes between the municipality and other persons regarding –

(i) Any decisions or actions taken in the implementation of the supply chain management system; or
(ii) Any matter arising from a contract awarded in the course of the supply chain management system; or
(b) To deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

(2) The accounting officer, or another official designated by the accounting officer, is responsible for assisting the appointed person to perform his or her functions effectively.
(3) The person appointed must –
(a) Strive to resolve promptly all disputes, objections, complaints or queries received; and
(b) Submit monthly reports to the accounting officer on all disputes, objections, complaints or queries received, attended to or resolved.

(4) A dispute, objection, complaint or query may be referred to the relevant provincial treasury if –

(a) The dispute, objection, complaint or query is not resolved within 60 days; or
(b) No response is forthcoming within 60 days.

(5) If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query must 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.

45. Contracts providing for compensation based on turnover

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

46. Contract Extensions

(1) The Accounting Officer may extend the existing contract as follows,

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

(a) Contracts may be expanded or varied by not more than 20% for construction related goods, services and/or infrastructure projects and 15% for all other goods and/or services of the original value of the contract. Furthermore, anything beyond the abovementioned thresholds must be reported to council or the board of directors. Any expansion or variation in excess of these thresholds must be dealt with in terms of the provisions of section 116(3) of the MFMA which will be regarded as an amendment to the contract.

(b) Where the invitation of the new bid will delay or affect the services already on progress, where the extension of the initial scope of services to be provided was not anticipated at the initial stage of the bid

(2) This section is applicable to all contracts and Circular 62 and Section 116(3) of the Act must be complied with in respect of extension of contracts.

Section 116(3) of the Act states: "A contract or agreement procured through the supply chain management policy of the municipality or municipal entity may be amended by the parties, but only after-

a) The reasons for the proposed amendment have been tabled in the council of the municipality or, in the case of a municipal entity, in the council of its parent municipality; and

b) The local community-

(i) has been given reasonable notice of the intention to amend the contract or agreement; and

(ii) has been invited to submit representations to the municipality or municipal entity"

(3) The Policy and Process for Major Amendments to Contracts:

1. Step 1 of the process is the submission of a Report to the Accounting officer recommending approval of Major Amendments to a Contract

a) The contents of the report must contain:

(i) proof that the contract or agreement procured was through the supply chain management policy;

(ii) proof that there is a written contract in place;

(iii) proof that the contract has been monitored on a monthly basis in terms of Section 116(2)(b) of the Act;

(iv) proof that the contract has been reported on in terms of Section 116(2)(d) of the Act; (

(v) proof and motivation that the reasons for the proposed amendments are valid; Matatiele Local Municipality:

(vi) draft advert for the proposed amendments in terms of Section 116(3)(b)(I) &(ii) of the MFMA. (3) There must be a consideration of Section 33 of the MFMA for contracts exceeding three years.

2. Step 2 of the process is the submission of a Report to Council via the Management team on the Major Amendments to contracts recommending approval to advertise the proposed amendments.

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

a) The contents of the report must contain:
   (i) proof that Step 1 for Major Amendments has been followed, together with associated documentation;
   (ii) Reasons for the proposed amendments; and
   (iii) The report is to be signed off by Municipal Manager, and CFO
   (iv) Council resolution must be obtained

3. Step 3 of the process is the submission of a Report to Supply Chain Management recommending approval of Major Amendments to a Contract
   a) The contents of the report must contain:
   (i) proof that Steps 1 and 2 for Major Amendments have been followed, together with associated documentation; and
   (ii) Results of advertising in terms of Section 116(3) (b) (I) & (ii) of the MFMA, and the results thereof showing representations received and the materiality and impact of these representations.
   b) Consideration must be made of Section 33 of the MFMA for contract

47. Appointment of Service Providers

The municipality may not appoint one services provider for more than one similar bid advertised and or evaluated on the same date, for the fair distribution of jobs to service providers.

If only one service provider considered responsive the law must take precedent **(Section 47 is recommended to be repealed in the supply chain management policy of the Matatiele Local Municipality)**

48. Municipal Service Account Certificate: Bids

1) The Supply Chain Management Policy and tender conditions of the Municipality will include the following:
   a) When inviting bids for the provision of services or delivery of goods, potential contractors may submit tenders subject to a condition that consideration and evaluation thereof will necessitate that the bidder obtain from the Matatiele Municipality a certificate stating that all relevant municipal accounts owing by the bidder and/or its directors, owners or partners have been paid.

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Tel: 039 737 3135
Fax: 039 737 3611

b) No tender will be awarded to a person/contractor until proof of payment of any arrear debt for the repayment of arrears, has been made. No further debt may accrue during contract period.

c) A condition allowing the Matatiele Municipality to deduct any moneys owing to the Matatiele Municipality from contract payments.

49.Cancellation of Bids

1. An organ of state may, before the award of a tender, cancel a tender invitation if-
   (a) due to changed circumstances, there is no longer a need for the goods or services specified in the invitation;
   (b) funds are no longer available to cover the total envisaged expenditure;
   (c) no acceptable tender is received; or
   (d) There is a material irregularity in the tender process.
2. The decision to cancel a tender invitation in terms of subsection (1) must be published in the same manner in which the original tender invitation was advertised.
3. An organ of state may only with the prior approval of the relevant treasury Cancel a tender invitation for the second time

4. In the application of the 80/20 preference point system, if all bids received exceed R50, 000, 000 thresholds, the bid must be cancelled. If one or more of the acceptable bid(s) received are within the R50, 000, 000 thresholds, all bids received must be evaluated on the 80/20 preference point system.
5. In the application of the 90/10 preference point system, if all bids received are equal to or below R50, 000, 000 thresholds, the bid must be cancelled. If one or more of the acceptable bids received are above the R R50, 000, 000 thresholds, all bids received must be evaluated on the 90/10 preference point system.
6. A municipality or municipal entity that cancelled a bid invitation as a result of sub – paragraph i and ii, must re-invite bids and in the "fresh" bid documents, stipulate the revised preference point system to be applied.
7. Regulation 10(4) of the Preferential Procurement Regulations, 2017, prescribes that an organ of state may, prior to the award of a bid, cancel the bid if:
   (i) Due to changed circumstances there is no longer a need for the goods or services for which bids were solicited;
   (ii) Funds are no longer available to cover the total envisaged expenditure; or no acceptable bids were received.

Preferential Procurement Regulation November 2022

BACKGOUND OF THE PROPOSED AMENDMENT

On 16 February 2022, the Constitutional Court handed down judgment in the application by the Minister of Finance for leave to appeal against the judgment and order of the SCA

102 Main Street,
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Tel: 039 737 3135
Fax: 039 737 3611

in essence confirming the declaration of invalidity of the PPR of 2017. The Minister of Finance has now promulgated new regulations, the Preferential Procurement Regulations of 2022, replacing the impugned PPR of 2017. The PPR of 2022 were gazetted on 4 November 2022. It must be noted that the PPR of 2022 takes effect on **16 January 2023**. Any procurement (bids and quotations) advertised before this date must be dealt with in terms of the Preferential Procurement Regulations, 2017.

Repeal of regulations

Subject to this regulation, the Preferential Procurement Regulations, 2017 published in Government No. 40553 of 20 January 2017, are hereby repealed with effect from the date referred to in regulation. Any tender advertised before the date referred to in regulations of 2017 must be dealt with in terms of the Preferential Procurement Regulations, 2017.

Commencement These Regulations are called the Preferential Procurement Regulations, 2022 and take effect on 16 January 2023.

Application

These Regulations apply to organs of state as defined in section 11 of the Act.

Identification of preference point system

(1) The Matatiele Local Municipality will, in all the tender documents, stipulate—

(a) the applicable preference point system as envisaged in regulations 4, 5, 6 or 7;

(b) the specific goal in the invitation to submit the tender for which a point may be awarded, and the number of points that will be awarded to each goal, and proof of the claim for such goal.

(2) If it is unclear whether the 80/20 or 90/10 preference point system applies, the Matatiele Local Municipality will, in the tender documents, stipulate in the case of— *(a)*

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

an invitation for tender for income-generating contracts, that either the 80/20 or 90/10 preference point system will apply and that the highest acceptable tender will be used to determine the applicable preference point system; or *(b)* any other invitation for tender, that either the 80/20 or 90/10 preference point system will apply and that the lowest acceptable tender will be used to determine the applicable preference point system.

80/20 preference point system for acquisition of goods or services with Rand value equal to or below R50 million.

(3) The following formula will be used to calculate the points out of 80 for price in respect of an invitation for a tender with a Rand value equal to or below R50 million, inclusive of all applicable taxes:

Ps 80 1 min Where- Ps = Points scored for price of tender under consideration; Pt = Price of tender under consideration; and PMing = Price of lowest acceptable tender. (2) A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender as stipulated on the notice to tender and tender document. (3) The points scored for the specific goal will be added to the points scored for price and the total will be rounded off to the nearest two decimal places. (4) Subject to section 2(1)*(f)* of the Act, the contract must be awarded to the tenderer scoring the highest points.

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

4.(1) The following formula must be used to calculate the points out 90 for price in respect of an invitation for tender with a Rand value above R50 million, inclusive of all applicable taxes: Where- Ps = Points scored for price of tender under consideration; Pt = Price of tender under consideration; and PMing = Price of lowest acceptable tender. (2)

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender. (3) The points scored for the specific goal will be added to the points scored for price and the total must be rounded off to the nearest two decimal places. (4) Subject to section 2(1)*(f)* of the Act, the contract must be awarded to the tenderer scoring the highest points.

80/20 preference points system for tenders for income-generating contracts with Rand value equal to or below R50 million

5.(1) The following formula must be used to calculate the points for price in respect of an invitation for tender for income-generating contracts, with a Rand value equal to or below R50 million, inclusive of all applicable taxes: Where- Ps = Points scored for price of tender under consideration; Pt = Price of tender under consideration; and Plax = Price of highest acceptable tender. (2) A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender. (3) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places. (4) Subject to section 2(1)*(f)* of the Act, the contract must be awarded to the tenderer scoring the highest points.

90/10 preference point system for tenders for income-generating contracts with Rand value above R50 million

6.(1) The following formula must be used to calculate the points for price in respect of a tender for income-generating contracts, with a Rand value above R50 million, inclusive of all applicable taxes Where- Ps = Points scored for price of tender under consideration; Pt = Price of tender under consideration; and P max = Price of highest acceptable tender. (2) A maximum of 10 points may be awarded to a tenderer for the specific goal specified

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

for the tender. (3) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places. (4) Subject to section 2(1)*(f)* of the Act, the contract must be awarded to the tenderer scoring the highest points.

Matatiele Local Municipality Preferential Points System in accordance with the regulations PPR November 2022.

"Historically Disadvantaged Individual" (HDI) is defined as a South African citizen –

1) who, due to the apartheid policy that was in place, had no voting rights in the national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No. 100 of 1983) or the Constitution of the Republic of South Africa, 1993 (Act No. 200 of 1993) (*"the interim Constitution"),* and/or

2) who is a woman, and/or

3) who has a disability with the understanding that any person who received South African citizenship on or before the introduction of the interim Constitution, will not be deemed to

be HDI.

"A woman" refers to a female person who is a South African citizen.

"Disability" refers to a person with a permanent physical disability, mental disability, awareness disability, which leads to confinement or disability, or the inability to perform bodily functions in the manner or within the capacity of a normal person.

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

"HDI equity ownership" refers to the percentage of a partnership or business that is owned by individuals, or in the case of a company, the percentage of shares which is owned by individuals who are actively involved in the management decisions and day to day operational activities of the company or business and who exercises control in the business in relation to their ownership at the close of tender. Where individuals are not actively involved in the management and day to day operational activities of the business and who does not exercise control in relation to the percentage of their ownership, Equity ownership points cannot be awarded.

Tenderers will be awarded points on the following basis:

Tenderers will be awarded points on the following basis:

1. Tender Price	**80 points**
2. HDI – Equity ownership	**6 points**
3. Youth-Enterprises 14-35 years (MLM)	**6 points**
3. Women – Equity ownership	**4 points**
4. Disability – Equity ownership	**2 points**
5. Rural Enterprises	**2 points**

The allocation of preferential points to achieve specific goals will be different per project so as to enhance empowerment of different communities according to their needs.

TOTAL 100 POINTS

- **Voting Rights – Equity Ownership**

A maximum of 6 points will be awarded to a Tenderer who did not have voting rights according to the definition of an HDI and/or who is using a subcontractor

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

who is such a person. Equity ownership for voting rights will be determined by the % of the enterprise owned by such a person or by the % of shares owned by members who are actively involved in the day to day activities of the company or enterprise.

% of Enterprise owned by persons who did not having voting rights .....%

Proof of ownership must be attached in the form of

2) Valid Central Supplier Database registration (Full updated Report)

3) Woman Ownership (CSD and a certified copy of the ID-document (s) of the woman

4) Disability (CSD and a certified declaration from your medical doctor certifying the degree of disability

5) **Rural Enterprise-**

a) Proof of residence signed by the ward councillor

PROCUREMENT POLICY SCHEDULE (90/10)

Tenderers will be awarded points on the following basis:

1. Tender Price	**90 points**
2. HDI – Equity ownership	**3 points**
3. Youth-Enterprises 14-35 years (MLM)	**3 points**
3. Women – Equity ownership	**2 point**
4. Disability – Equity ownership	**1 point**
5. Rural Enterprises	**1 point**
TOTAL	**100 points**

The allocation of preferential points to achieve specific goals will be different per project so as to enhance empowerment of different communities according to their needs.

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

Proof of ownership must be attached in the form of

1) Valid Central Supplier Database registration (Full updated Report)

2) Woman Ownership (CSD and a certified copy of the ID-document (s) of the woman

3) Disability (CSD and a certified declaration from your medical doctor certifying the degree of disability.

Criteria for breaking deadlock in scoring

(1) Where two or more tenderers score equal total points, the following tie-break process applies:

Highest specific goal points: The tenderer that scored the highest points for specific goals (preference points) must be selected.

Highest functionality score: If the tenderers are still tied, the tenderer with the highest functionality score must be selected (if the functionality was part of the evaluation).

Local production and content

(1) The Department of Trade and Industry may, in consultation with the National Treasury-
   (a) designate a sector, sub-sector or industry or product in accordance with national development and industrial policies for local production and content, where only locally produced services or goods or locally manufactured goods meet the stipulated minimum threshold for local production and content, considering economic and other relevant factors; and
   (b) Stipulate a minimum threshold for local production and content.

(2) An organ of state must, in the case of a designated sector, advertise the invitation to tender with a specific condition that only locally produced goods or locally manufactured goods, meeting the stipulated minimum threshold for local production and content, will be considered.

(3) The National Treasury must inform organs of state of any designation made in terms of regulation 8(1) through a circular.
   a. If there is no designated sector, an organ of state may include, as a specific condition of the tender, that only locally produced services or goods or locally manufactured goods with a stipulated minimum threshold for local production and content, will be considered.

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

b. The threshold referred to in paragraph (a) must be in accordance with the standards determined by the Department of Trade and Industry in consultation with the National Treasury.

(4) A tender that fails to meet the minimum stipulated threshold for local production and content is an unacceptable tender.

(5) Local production and content requirements continue to apply together with the Preferential Procurement Regulations, 2022. Bidders must usually submit Annexure C(local declaration summary), Annexure D(imported content), Annexure E (local content).

50.Guidelines when functionality is included as a criterion in the evaluation of bids

(1) When inviting bids, the municipality will indicate: -

(i) Whether the bids will be evaluated on functionality.
(ii) The evaluation criteria for measuring functionality.
(iii) The weight of each criterion; and
(iv) The applicable values as well as the minimum threshold for functionality
(v) Threshold below and above on approved budget, cost estimate and CIDB threshold to be used, if applicable

(2) The evaluation of the bids will be conducted in the following two stages:

(i) Firstly, the assessment of functionality will be done in terms of the evaluation criteria and the minimum threshold referred to above.
(ii) A bid will be disqualified if it fails to meet the minimum threshold for functionality as per the bid invitation.
(iii) Thereafter, only the qualifying bids will be evaluated in terms of the 80/20 or 90/10 preference points systems, where the 80 or 90 points will be used for price only and the 20 or 10 points are used for Broad Base Black Economic Empowerment (BBBEE).
(iv) The guidance provided above replaces and prevails over the relevant guidelines contained in paragraph 5.8 of the Supply Chain Management: A Guide for Accounting Officers of Municipalities and Municipal Entities.

102 Main Street,
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P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

51.Infrastructure procurement

SCM POLICY FOR INFRASTRUCTURE PROCUREMENT AND DELIVERY MANAGEMENT FIDPM

For all infrastructure related services, the approved Infrastructure procurement policy must be adhered to according to the FIPDM standard for May 2019.

52.Local Economic Development

1. As part of promoting local economic development all construction project below R4million or CIDB Grading 4 or below there will be no functionality required depending on determination by end user department.

2. **Sub-Contracting**
   a. For the supply and delivery of goods manufactured outside the Local area contracted supplier must where feasible sub-contract packaging and distribution of such goods to Local SMME.
   b. Local Economic Development should establish and maintain the database of Local SMME.
   c. With regards to Infrastructure projects above 4 CIDB grading the principal contractor must subcontract a minimum of 30% to an emerging contractor.
   d. Infrastructure department should establish and maintain databases of emerging contractor for this purpose.

Sub-contracting as a condition of tender means that an organ of state may require the successful bidder to subcontract a portion of the contract to certain designatated groups or categories of enterprises.

Subcontracting after award of tender-a contractor may not subcontract in a way that defeats the objectives of the preferential procurement system.

3. **Unbundling Strategies**
   a. In order to encourage increased participation and the sustainable growth of the small business sector, the unbundling of larger projects into smaller, more manageable, contracts is encouraged. Unbundling must however be considered in the context of:
      - economies of scale being lost,
      - abortive work becoming necessary,
      - additional demands (not only financial) being placed on the areas resources,

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

- the risk of later phases not being completed as a result of budget cuts becoming necessary in the future. Unbundling, and all of its associated implications, must therefore be carefully considered at the planning stage of any project and the budgets for, and design thereof, should be structured accordingly. It is important to note that while it is the Matatiele Local Municipality's policy to procure works in the smallest practicable quantities, the practice of breaking out projects in order to circumvent the formal tender process is not permitted.

53.Framework Agreement Bid

General

a. It is permissible to invite bids for the supply of goods and services or construction works that is of an ad-hoc or repetitive nature, for a predetermined period of time (commonly referred to as a framework agreement bid).
b. The period of a framework agreement that is of an ad-hoc nature shall generally not exceed 3 years except with the approval of the Accounting
c. The period of a framework agreement that is of repetitive nature for services that the Municipality has an obligation to provide on an ongoing basis for the duration of the resulting contract(s), cannot extend beyond the three years covered in the annual budget for the financial year in which the contract will commence, unless all related legislative processes are complied with.
d. The general acquisition procedure for framework agreement bids shall comply with procedures contained in the acquisition management system of this Policy.
e. The method by which the price will be determined must be stated in the bid documentation. The detailed formulation of the calculations that will determine the financial offer must be agreed to by the Bid Specification Committee prior to the advertisement of the bid.
f. The Rand value that will determine the applicable preference system for framework agreement bids in terms of Preferential Procurement Policy Framework Act will be the estimated overall value of the tender.
g. Bid documentation shall state that the acceptance of framework agreement bids will not impose any obligation on the Municipality to avail itself of the goods and services or construction works offered by the bidders.
h. Bid documentation shall state the processes by which allocations will be made arising from any resulting contract.
i. Material for repairs and maintenance can be purchased on a framework agreement bid where circumstances warrant it.
j. Additional items included in a framework agreement bid by any bidder which are clearly not an alternative to any of the items specified shall not be considered.
k. Orders for goods or services may be raised up until the expiry of the framework agreement bid, provided that the goods or services can be delivered within 30 days of placing the order.

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

l. Orders for professional services or construction works may be raised up until the expiry of the framework agreement bid, provided that the work in respect thereof is completed within the three-year budget cycle that is applicable at the time of placing the order.
m. Upon request, the Accounting Officer may approve the use of existing framework agreements by other departments in instances where such approval does not conflict with anything else contained in this Policy, would not constitute an amendment to the contract and where the relevant contractors or suppliers has the capacity to perform

Evaluation and Adjudication of Framework Agreement Bids

The process for considering framework agreement bids shall be in terms of the evaluation and adjudication procedures as described in the bid documents and in accordance with the principles contained in this Policy.
Subsequent to award, where different selections of items are required in terms of the same framework agreement bid and it is not possible or practical to separate orders for different items from different suppliers, service providers or contractors (in the case of construction works, for example), then a selection process will have to be carried out in respect of each application by the Supply Chain Management Unit. Individual orders will then be placed (or contracts awarded) on the basis of the highest total adjudication points received, per application.

If the selected supplier, contractor or service provider, in terms of the selection process specified in the framework agreement bid documentation, is unable to provide the required goods, services or construction works at the required time and confirms as such in writing then the bidder with the next highest adjudication points shall be selected. If after a contract is awarded, or an order is placed in terms of a framework agreement bid, the supplier, contractor or service provider fails to supply the goods or service required, then the remedies in terms of the contract shall apply.

54.Commencement

(1) This policy takes effect on the date on which it is adopted by the council.

ESTABLISHMENT AND UTILIZATION OF PANELS FOR THE PROCUREMENT OF GOODS, SERVICES AND CONSTRUCTION RELATED PROJECTS.

1. Assessment and Planning (Annual Procurement Plan)

102 Main Street,
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Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

- The Matatiele Local Municipality will conduct a thorough assessment of the municipality's procurement processes to identify areas where panels can be effectively implemented in the procurement of goods, services and construction work.
- Define the scope of goods and services that will be procured through panels, projects as listed on the annual procurement plan.
- Establish clear objectives for implementing panels, such as improving efficiency, reducing costs, or increasing transparency in terms of section 217 of Act 108 of 1996. The Matatiele Local Municipality shall firstly perform a pre-qualification: Panels are formed through a pre-qualification process where potential suppliers, professional service providers and contractors submit their qualifications, experience, financial stability, and other relevant information. This helps in creating a pool of pre-approved vendors who meet certain criteria set by the procuring entity. Establishment and utilization of panels relate to a selection procedure which is one of the procurement strategies. In respect of each project, the municipality will indicate the selection procedure which will be utilised. As part of the procurement strategy, a framework in respect of each selection procedure shall be outlined. It is this framework which will determine whether or not such selection procedure is aligned to the provisions of section 217 of the constitution of the Republic.
- The municipality develops the supply chain management policies and guidelines specifically outlining the use of panels.
- Define the criteria for selecting panel members, including qualifications, expertise, and experience through an open bidding process in terms of the SCM regulations.

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

- Establish rules for panel rotation, conflict of interest, and confidentiality. The Matatiele Local Municipality will utilise panels of contractors across all CIDB classes of works to implement various projects. Requests for quotations (RFQs) will be issued to all contractors listed on the respective panels, according to the relevant commodity or service category.
- Quotations will be submitted to the Supply Chain Management (SCM) unit and jointly evaluated by the user department and SCM, in accordance with the Preferential Procurement Policy Framework Act (PPPFA) and all applicable legislation. Upon conclusion of the evaluation process, a task order will be issued to the preferred contractor or service provider.

2. Procurement Process:

- Identify the scope of work and send RFQs to panel to submit back to the municipality and issue task orders. The panel will submit the following documents:
- Quotations.
- Central Supplier Database.
- MBD 4, 8 and 9.
- CIDB proof of registration for construction related projects.

3. Evaluation and Selection:

- Aggregate scores and recommendations from panel members to determine the preferred contractors.
- Ensure that the RFQ process is transparent, documented, and free from any bias or conflicts of interest.

4. Monitoring and Review:

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

- The municipality shall implement mechanisms for monitoring the performance of panel members and vendors throughout the procurement process.
- Conduct regular reviews of the panel's effectiveness and efficiency, making adjustments as necessary to improve outcomes.

a) Panels can be established for any category of contract.

b) The focus at the time of establishing a panel is to assess the capacity and capability of each service provider that has expressed interest in being included in the panel.

c) The possession of specified capacity and capability is the requirement for admission to the panel.

d) In a construction environment, panels can be established for the various classes of works as per CIDB grading.

e) A panel for a particular category of contract must be established only when it is anticipated that there will be work packages during a particular financial year or over MTERF, which must be executed.

f) At the time of establishing the panel.

Reduce procurement time (reduce time)

- One of the advantages of a framework/panel contract is that it can be used for procurement of goods and services whose volume is approximate. The need for providers has been met, but the transaction is situational.
- In addition, framework contract can be used for multiple users and can be extended for several years. Other users do not need to carry out a repetitive procurement process or if the goods / services are required for several years, it is sufficient to procure them once.

Lowering prices (reduce costs)

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

- With the condition of a framework contract that can be used for several users or for several years, it will open up a bigger market or make the volume bigger, of course this will push prices to be more uniform, cheaper and more efficient.
- The municipality may argue that the establishment of various panels will assist with quick implementation of projects as it allows the municipality to deal with functionality criteria at once with a view that when work packages have been properly identified the only phases of evaluation which will be dealt with will be other phases which come after functionality criteria which amongst other include:

a. Price Evaluation.
b. Assessment for Commercial Risk.
c. Preferential points.
d. Due Diligence.
e. Negotiation of the final terms of contract.