

EMALAHLENI
MUNICIPALITY



EMALAHLENI MUNICIPALITY
SUPPLY CHAIN MANAGEMENT POLICY
MAY 2010

CHAPTER 1 INTRODUCTION

PART 1

1.1 Title

Emalahleni Municipality Supply Chain Management Policy

1.2 Approval/review date

- (a) This policy was approved by Council Resolution on **23 May 2008**, in terms of section 111 of the Municipal Finance Management Act, 2003 (Act No 56 of 2003), takes immediate effect, and is subject to annual review.
- (b) Any supply chain processes that were already in progress on the date of approval are exempted from the provisions of this policy, and may continue to completion.

1.3 Relevant legislation

- (a) This policy is approved within the framework of the following legislation:
 - Municipal Finance Management Act, 2003 (Act 56 of 2003)
 - Municipal Supply Chain Management Regulations, 2005
 - Municipal Public-Private Partnership Regulations, 2005
 - Municipal Systems Act 32 of 2002
 - Broad-Based Black Economic Empowerment Act, No 53 of 2003
 - Preferential Procurement Policy Framework Act, No 5 of 2000
 - Preferential Procurement Regulations, 2001
 - Construction Industry Development Board Act, 2000 (Act No 38 of 2000)
 - Constitution of the Republic of South Africa, 1996
- (b) In the event of any contradiction between this policy and any applicable legislation, then the legislation shall apply.

1.4 Preamble

- (a) The purpose of this policy is to establish a uniform supply chain management system for the municipality which seeks to promote an innovative form of targeted procurement, to encourage socio-economic transformation within its region.
- (b) The targeted mechanism of the Policy which enhances the development of Historically Disadvantaged Individuals (HDIs) and Historically Disadvantaged Companies (HDCs) clearly demonstrates the focus of the policy.
- (c) Major achievements and goals have been realized through the targeted procurement processes and Policies of the Emalahleni Municipality. The future focus will be to further enhance the Policy by considering new legislation that has been enacted.

- (d) The empowerment (BBBEE) goals have been reviewed and amended to be in line with current trends and to be realistic in terms of Council's performance.
- (e) Other amendments related to policy gaps and policy performances have been included in the policy to strengthen and enhance the current policy.
- (f) The policy includes a chapter on Empowerment Goals and objectives which strives towards ensuring that Historically Disadvantaged Individuals (HDIs) are presented an opportunity to participate and function in the mainstream of the economy.
- (g) The Policy sets out clear guidelines to service providers/contractors who perform projects on behalf of the Municipality to use local labour based human resources to ensure job creation and development of HDIs in communities where projects will be undertaken.
- (h) The annexures to the policy contain appendices that are standard contract documentation, which must be completed by all consultants, contractors or any other service provider.
- (i) This SCM system is intended to have:
 - Maximum operational efficiency to supply the various departments with the goods and services they require in order to implement the IDP effectively; and
 - Minimum opportunity for fraud, corruption, or other forms of abuse.

1.5 Application: Persons

- (a) This policy applies to the officials of the municipality who exercise any supply chain management responsibilities, and for whom this policy constitutes an addition to their existing conditions of service.
 - All officials who are intended to exercise SCM responsibilities are first to sign a declaration that they have read this policy, understood its contents, and agree to abide by its provisions before they begin to exercise their SCM responsibilities. This declaration will be kept on their personal file at Human Resources.
- (b) This policy applies to suppliers of goods or services to the municipality, for whom this policy constitutes general conditions of contract for all contracts, awards or agreements.
 - All suppliers are to sign a declaration that they have read this policy, understood its contents, and agree to abide by its provisions at the time when they submit their application to be included in the suppliers' database, or to renew their listing in the database.

1.6 Application: Processes

This policy is intended to regulate all actions taken, and processes followed, with regards to:

- (a) Procurement or purchasing of goods and services;
- (b) Disposal or letting of municipal assets; and
- (c) Public-private partnerships.

1.7 Principles

The principles that are intended to inform, and to be upheld by, the municipality's supply chain management system are:

- (a) **Fair:** The system strives to be complete and to cover all required processes, the system will be consistently applied to all suppliers, and the system is compliant with existing legislation;
- (b) **Equitable:** The system will treat suppliers on the basis of fair discrimination in order to promote the transformation of our country, but must not practice unfair discrimination;
- (c) **Transparent:** The system is designed to spend public money, and as such will promote open access to all suppliers and open information to all parties involved;
- (d) **Competitive:** The system strives to encourage competition between suppliers, primarily on the basis of price but also on the basis of quality/quantity and delivery lead time; and
- (e) **Cost-effective:** The system strives to ensure that the quality of life of our community is improved as a result of the expenditure of public funds.

Part 2

1.1 DEFINITIONS

- (a) All the defined terms from the legislation mentioned previously are used with the same meaning in this policy, and

- 1. Agent:** means a person mandated by another person ("the principal") to do business for and on behalf of, or to represent in a business transaction, the principal, and thereby acquire rights for the principal against an organ of state and incur obligations binding the principal in favour of an organ of state
- 2. Bid** means a written offer or bid in a prescribed or stipulated format in response to an invitation by an organ of state for the provision of services or goods.
- 3. Bid specification Committee** means a committee established by the Emalahleni Municipality in terms of section 26 of the Municipal Supply Chain Management Regulations.

- 4. Bid evaluation Committee** means a committee established by the Emalahleni Municipality in terms of section 26 of the Municipal Supply Chain Management Regulations.
- 5. Bid adjudication Committee** means a committee established by the Emalahleni Municipality in terms of section 26 of the Municipal Supply Chain Management Regulations.
- 6. Break-out Procurement** means the procurement of goods and services for any project of the Municipality in the smallest possible quantities without compromising the quality, coverage, cost or developmental impact of the goods and services.
- 7. Comparative Price** means the price after the factors of a non-firm price and all unconditional discounts that can be utilised have been taken into consideration.
- 8. Competitive bidding process** means a competitive bidding process referred to in regulation 12(1) (d) of the Supply Chain Management Regulations.
- 9. Competitive bid** means a bid in terms of a competitive bidding process.
- 10. Consortium or Joint Venture** means an association of persons for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity necessary for the execution of a contract.
- 11. Contract** means the agreement that results from the acceptance of a Bid by the Municipality.
- 12. Control** the possession and exercise of legal authority and power to manage the assets, goodwill and daily operations of a business and the active and continuous expertise of appropriate managerial authority and power in determining the policies and directing the operations of the business.
- 13. Councillor** means a member of a municipal council.
- 14. Disability** means, in respect of a person, a permanent impairment of a physical, intellectual, or sensory function, which results in restricted or lack of ability to perform an activity in the manner or within the range considered normal for a human being.
- 15. District Municipality** means a municipality that has municipal executive and legislative authority in an area that includes more than

one municipality and which is described in section 155(1) of the Constitution as a category “C” municipality.

16. Employer

means The Emalahleni Municipality.

17. Mayor

means a mayor elected in terms of section 55 of the Municipal Structures Act, Act 32 of 1998.

18. Final award

in relation to bids or quotations submitted for a contract means the final decision on which the bid or quotation was accepted.

19. Firm price

is the price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the change, imposition, or abolition of customs or excise duty and any other duty, levy or tax which in terms of a law or regulation is binding on the contractor and demonstrably has an influence on the price of any supplies, or the rendering costs of any service, for the execution of the contract.

20. Formal written price quotation

means quotations referred to in section 12(1) (c) of the Supply Chain Management Policy.

21. Fruitless and wasteful expenditure

means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

21. Historically Disadvantaged Individual

means a South African Citizen or any service provider.

(a) who, due to the apartheid policy that had been in place, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No. 110 of 1983) or the Constitution of the Republic of South Africa, 1993 (Act No. 2000 of 1993) and/or

(b) who is a female; and/or

(c) who has a disability;

Provided that a person who obtained South African citizenship on or after the coming to effect of the Interim Constitution, is deemed not to be an HDI.

22. 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 provided that non executive members of such boards are exempted from this until June 2010 in terms of notice 44. Government Gazette no 28411 dated 18 January 2006, unless repealed earlier:
- (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;

23. Irregular expenditure

in relation to a municipality or municipal entity, means

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in Accordance with, a requirement of the Act, and which has not been condoned in terms of section 170 of the Municipal Finance Management Act;

- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of the Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with a requirement of the Public Office-Bearers Act, 1998(Act no 20 of 1998); or
- (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorized expenditure".

24. Local Municipality	means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls and which is described in section 155(1) of the Constitution as a category “B” municipality.
25. Long term contract	means a contract with a duration period exceeding one year;
26. List of accredited prospective providers	means the list of accredited prospective providers which a municipality or municipal entity must keep in terms of regulation 14 of the Supply Chain Management Regulations;
27. Management	in relation to an enterprise or business means an activity inclusive of control and performed on a daily basis, by any person who is a principal executive officer of the company, by whatever name that person may be designated, and whether or not that person is a director.
28. Municipal Council or Council	means a municipal council referred to in section 157(1) of the Constitution, 1996.
29. Municipality	when referred to as – (a) an entity, means a municipality as described in the definitions section, and (b) a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998)
30. Municipal Manager	means a person appointed by the Municipality in terms of section 82 of the Municipal Structures Act and who is the head of administration and also the accounting officer for the Municipality.
31. Non-firm prices	mean all prices other than “firm” prices.
32. Organ of State	means an organ of state as defined in section 239 of the Constitution.
33. Other applicable legislation	means any other legislation applicable to municipal supply chain management, including – (a) the Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000) (b) the Broad-Based Black Economic Empowerment Act, 2003 (Act no 53 of 2003); and (c) the Construction Industry Development Board Act, 2000 (Act No 38 of 2000)

- 34. Owned** having all the customary incidents of ownership, including the right of disposition, and sharing in all the risks and profits commensurate with the degree of ownership interest, as demonstrated by an examination of the substance, rather than the form of ownership arrangements.
- 35. Person** includes reference to a juristic person.
- 36. Privileged or confidential information** means any information:
 (a) determined by the bid specification, evaluation or adjudication committee to be privileged or confidential ;
 (b) discussed in close sessions by any of the bid committees;
 (c) disclosure of what would violate a person’s right to privacy;
 (d) declared to be privileged, confidential or secret in terms of any legislative framework.
- 37. Rand Value** means the total estimated value of a contract in Rand denomination which is calculated at the time of bid invitations and includes all applicable taxes and excise duties.
- 38. Regulation** means the Local Government:
- 39. Service Providers**
 a) “Professional Service Provider”:
 Any person or body that is under contract to the Employer for the provision of Professional Services.
 b)“General Service Provider”:
 Any person or body that is under contract to the Employer for the provision of any type of service.
- 40. SMMEs** mean a separate and distinct business entity, including cooperative enterprises and non-governmental organizations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector of sub-sector of the economy.
- 41. Sub-Contracting** means the primary contractor’s assigning or leasing or making out work to, or employing, another person to support such primary contractor in the execution of part of a project in terms of the contract.
- 42. Supply Chain Manager** means an official appointed/designated by the Emalahleni Municipality to fulfil a vital role in the

implementation, the monitoring and the continued application of the Emalahleni Municipality Supply Chain Management policy.

- 43. Bid** means a written offer or bid in a prescribed or stipulated form in response to an invitation by an organ of state for the provision of services or goods.
- 44. The Act** means the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003)
- 45. Treasury Guidelines** means any guidelines on supply chain management issued by the Minister in terms of section 168 of the act
- 46. Unauthorized expenditure** in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the act, and includes –
(a) overspending of the total amount appropriated in the municipality’s approved budget;
(b) overspending of the total amount appropriated for a vote in the approved budget;
(c) expenditure from a vote unrelated to the department or functional area covered by the vote;
(d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
(e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of “allocation” otherwise than in accordance with any condition of the allocation;
or
(f) a grant by the Municipality otherwise than in accordance with this Act.
- 47. Unsolicited bid** means a proposal presented to the Municipality by a contractor/service provider, through his/her own initiative, without having been invited to do so by the Municipality.
- 48. Written or verbal quotations** means quotations referred to in section 12 (1) (b) of the Supply Chain Management Regulations

In addition, the following definition is also used:

- **“Supplier”** also includes prospective suppliers of goods or services

1.2 LIST OF ACRONYMS

1. **BBBEE** Broad Based Black Economic Empowerment
2. **ELM** Emalahleni Local Municipality
3. **HDI** Historically Disadvantaged Individual
4. **SARS** South African Receiver of Revenue Services
5. **SMME** Small Medium and Micro Enterprises
6. **PSP** Professional Service Provider
7. **VAT** Value Added Tax

CHAPTER 2

BROAD BASED BLACK ECONOMIC EMPOWERMENT (BBBEE) GOALS

Part 1

1.1 Introduction

In the preamble of the ELM Supply Chain Management Policy it is stated that "the Supply Chain Management policy seeks to encourage socio-economic transformation" within its region. To achieve this, empowerment goals have been set, which aim to redress the skewed distribution of wealth and therefore contribute to the alleviation of poverty.

1.2 Strategy

The Policy will achieve the above by providing employment opportunities to HDI's and communities, enabling socio-economic transformation objectives to be linked to fair, transparent, equitable, competitive and cost effective procurement practices. In this regard, the following empowerment goals are proposed to be used as measures by Council in assessing the impact of its policy in realizing the socio-economic transformation agenda of government in all spheres.

1.3 Process: Goals

1.3.1 Capital projects with value exceeding one million

- By **1 July 2011**, Council aims to have allocated at least **60%** of the bids on capital projects that exceed R1 000 000 (one million rand) to service providers who are entirely owned by HDI's or joint venture with a combined HDI share holding of at least **45%**.
- By **1 July 2012**, Council aims to have allocated at least **65%** of its capital projects that exceed R1 000 000 (one million rand) to service providers who are entirely owned by HDI's or joint venture with a combined HDI share holding of at least **51%**.
- By **1 July 2013**, Council aims to have allocated at least **70%** of its capital projects that exceed R1 000 000 (one million rand) to service providers who are entirely owned by HDI's or joint venture with a combined HDI share holding of at least **60%**.

Where this cannot be achieved, it will be allocated to those closest to the requirement in all the above financial years.

Notwithstanding the above, Council will give preference in allocating the balance of the bids to service providers who are structured as joint ventures with HDI's on a significant equity shareholding and control. Significant shareholding and control means that a service provider should have at least 51% HDI shareholding and 40% HDI's in managerial positions in the Company.

A graduated process of empowerment will follow whereby only companies with a shareholding as listed below will be considered when bids are adjudicated / awarded:

- **60%** HDI shareholding up to **1 July 2011**
- **65%** HDI shareholding up to **1 July 2012**

- **70% HDI shareholding up to 1 July 2013**

Where this cannot be achieved, the balance will be allocated to those closest to the requirement in all the above financial years.

1.3.2 Capital projects with value less than one million

- By **1 July 2011**, Council aims to allocate at least **60%** of its bids on all capital projects with a value less than one million to HDI's or firms that is at least **51%** owned and controlled by HDI's, except where **this cannot be achieved** due to the nature of the project.
- By **1 July 2012**, Council aims to allocate at least **70%** of all bids in this category to HDI's or firms that is at least **55%** owned and controlled by HDI's, except where this cannot be achieved due to the nature of the project.
- By **1 July 2013**, Council aims to allocate **75%** of all bids in this category to HDI's or firms that is at least **60%** owned and controlled by HDI'S, except where this cannot be achieved due to the nature of the project.
- **NOTE (100% WILL BE VIEWED AS UNFAIR DISCRIMINATION AS EVERY ONE ELSE IS EXCLUDED)**

1.3.3. Non-capital projects (Regardless of value of project)

- By **1 July 2011**, Council aims to allocate at least **60%** of its bids on all capital projects with a value less than one million to HDI's or firms that is at least **51%** owned and controlled by HDI's, except where this cannot be achieved due to the nature of the project.
- By **1 July 2012**, Council aims to allocate at least **70%** of all bids in this category to HDI's or firms that is at least **55%** owned and controlled by HDI's, except where this cannot be achieved due to the nature of the project.
- By **1 July 2013**, Council aims to allocate **75%** of all bids in this category to HDI's or firms that is at least **60%** owned and controlled by HDI'S, except where this cannot be achieved due to the nature of the project.
- **NOTE:(100% WILL BE VIEWED AS UNFAIR DISCRIMINATION AS EVERY ONE ELSE IS EXCLUDED)**

1.3.4 Employment/Job creation

In all capital projects, preference will be given to service providers who demonstrate labour intensive employment strategies along the following categories and ratios:

- 40% of labour be women (above youth age category of 36 years);
- 30% of labour be youth (men and women);
- 25% of labour be men (above youth age category of 36 years);
- 5% of labour be disabled people (regardless of gender);

Annexure M must be duly completed by all suppliers as the above figures will form part of the decision being taken when adjudicating bids.

1.3.5 Overall performance of the Council

In order to measure the overall performance of Council, a percentage of all bids allocated to HDI owned and controlled companies and/or joint ventures will be combined to assess the overall performance of the Council.

- By **1 July 2011**, Council aims to allocate **60%** of all its combined bids to HDI's.
- By **1 July 2012**, Council aims to allocate **65%** all its combined bids to HDI's.

1.3.6 Monitoring Mechanism

For purposes of monitoring the allocation of bids along the empowerment goals mentioned above, the Supply Chain Management officer shall table a report as part of consideration of the bids, detailing how many of the bids that were adjudicated on a particular day and if this reflects the empowerment goals listed above. A progress report will also be tabled every **month** to the Finance Portfolio Committee and **quarterly** to Council for noting and/or comments where there is deviation or lack of visible progress.

CHAPTER 3

ACCESS TO BID INFORMATION

The ELM will ensure that bid information is easily accessible to all citizens within its area of jurisdiction.

1 STRATEGY

To ensure that bid information is simplified to enable wider participation.

2 PUBLIC INVITATION FOR COMPETITIVE BIDS

1. A supply chain management policy must determine the procedure for the invitation of competitive bids and must stipulate –
 - (a) that any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the municipality or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin); and
 - (b) the information a public advertisement must contain, which must include –
 - (i) the closure date for the submission of bids, which may **not be less than 30 days** in the case of transactions over R10 million (VAT included), or which are of a long term nature, or **30 days** in any other case (amounts over R200 000), from the date on which the advertisement is placed in a newspaper, subject to sub regulation (2); and
 - (ii) a statement that bids may only be submitted on the bid documentation provided by the municipality.
 - (iii) The adjudication criteria that will be applied
 - (iv) That all bids submitted will be subject to the conditions contained in council's Supply Chain Management policy as well as any applicable legislation in this regard.
2. This supply chain management policy allows the accounting officer to 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 comply with section 2, sub section 1(b)(1) of Chapter 3 of this policy.

3. Bids submitted to the municipality must be sealed.
4. No bid may be in electronic format or by fax, all bids must be submitted in sealed hard copy format.
5. Tender adjudication criteria must be included in all bid documents.
6. Pre-bid meetings may be a standard requirement of the bid process in order to obtain details for the bid requirements and answer questions from prospective bids.
7. This supply chain management policy must determine the procedure for the handling, opening and recording of bids and -
 - (a) stipulate that bids –
 - (i) may 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;
 - (iii) must be opened with two officials present.
 - (b) confer on any bidder or member of the public 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) requires the accounting officer –
 - (i) to record in a register all bids received in time;
 - (ii) to make the register available for public inspection; and
 - (iii) to publish the entries in the register and the bid results on the website of the municipality.
8. Allows the accounting officer to 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 is submitted.

Minutes of such negotiations must be kept for record purposes.

9. (a) A two-stage bidding process is allowed for –
 - (i) large complex projects;

- (ii) projects where it may be undesirable to prepare complete detailed technical specifications; or
 - (iii) long term projects with a duration period exceeding three years.
- (b) 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.
- (c) In the second stage final technical proposals and priced bids should be invited.

CHAPTER 4

SUPPORT TO HISTORICALLY DISADVANTAGED INDIVIDUALS

1. OBJECTIVE

- (a) To assist and support HDI's when procuring goods and services.
- (b) To ensure that opportunities in procurement are made available to HDI's by setting empowerment goals.
- (c) To promote entrepreneurship amongst HDI's and increasing their access to join the main stream of the economy.

2. METHODOLOGY

Procurement of goods and services will be evaluated according to the following:

- 2.1 HDI owned and controlled suppliers whose ownership and management reflects the following:
 - 2.1.1 Women
 - 2.1.2 Disabled
 - 2.1.3 Small owned businesses (Refer to Annexure A)
 - 2.1.4 Large owned businesses (Refer to Annexure A)
- 2.2 HDI empowering suppliers/joint ventures that promote the following:
 - 2.2.1 Black ownership

- 2.2.2 Black management
- 2.2.3 Percentage of black females in management
- 2.2.4 Skilled black personnel as a percentage of all skilled personnel
- 2.2.5 Purchase from HDI's
- 2.2.6 Employment of the disabled
- 2.3 All other South African suppliers.

3. SUPPORT

- (a) The ELM Supply Chain Management officer will provide bid information to HDI's.
- (b) Bi-annual meetings with HDI's will be conducted as a means of direct communication to assess the impact of the Supply Chain Management policy. The meetings will be held by the SCM officer and one of the members of the adjudication committee. Minutes of the meetings will be kept and a report will be tabled before Council on the outcome of the meetings.
- (c) On request, unsuccessful HDI bids will be provided with precise, brief reasons why they were not awarded the bid in order to facilitate empowerment for future bids.
- (d) On a bi-annual basis, the supply Chain Management officer must identify and list all goods and services procured from HDI owned suppliers/companies and forward such information to the Bid committee.
- (e) The Municipality shall annually identify goods and services to be procured and may reserve such procurement for HDI's only.
- (f) The Municipality shall implement a monitoring system to evaluate the effectiveness of its support to HDI's.
- (g) A dedicated telephone number (office number) will be made available to bidders who require assistance when completing bid documentation or require information with regards to bids.

CHAPTER 5

RISK MANAGEMENT

This Chapter covers the ELM's procedure for addressing and preventing fraud and corruption in the procurement process.

- (a) With regards to the supply chain management system, the management of risk includes both:
 - Performance risk, i.e. the streamlining of the system to overcome bureaucratic inefficiency and speed up results; and
 - Criminal risk, i.e. minimizing the opportunities for fraud and corruption.
- (b) The risk management of the supply chain system will be the responsibility of the senior management committee of the municipality.
- (c) Risks shall, as far as possible, be managed in a pro-active manner, in the spirit that prevention is better than cure.
- (d) The senior managers will, from time to time but not less than once per annum, meet together as a brainstorming workshop in order to identify and assess the risks involved with the supply chain management system, using risk matrices or similar appropriate tool.

- (e) The most significant risks must be prioritized after each risk assessment workshop, and reasonable control measures must be introduced that will minimize the likelihood, or severity, of each risk.

Responsibility for implementing the control measures, and monitoring the effectiveness of the control measures, must be delegated to the most appropriate senior manager, who will report on the risk and its control measures to the municipal manager and internal auditor when required.

SECTION 5A DECLARATION

This Section covers the control measures that the Municipality will apply to prevent fraud and corruption involving officials and councillors.

METHODOLOGY

- (a) A declaration schedule will form an integral part of all the Municipality's bid documents.
- (b) Bidders will be required to complete the schedule as a prerequisite to the bid.
- (c) Employees of any Organ of State will be required to complete the Schedule as a prerequisite to the bid.

DECLARATION OF INTEREST FOR COUNCILLORS, OFFICIALS, CONSULTANTS, AND SERVICE PROVIDERS

- (a) ELM officials involved in the assessment and adjudication of bids will be required to complete the Declaration of Interest Schedule.
- (b) Consultants or any other service provider who are involved in the preparation of bid documentation and bid reporting will also be required to sign a Declaration of Interest Schedule.
- (c) The Declaration of Interest seeks disclosure on any interest that an official, consultant and/or service provider may have with regards to bids being adjudicated.
- (d) The schedule states in principle that there has been no undue influence by a councillor or official to influence the awarding of the bid under consideration.
- (e) The schedule must be completed prior to the award of a bid.
- (f) Officials involved in the assessment and adjudication of bids must be reminded of the Code of Conduct for municipal staff members which requires that they recuse themselves when they have an interest in the relevant bid.

- (g) Officials or other role players involved in the implementation of the supply chain management policy must treat all providers and potential providers equitably, may not use his/her position for private gain or to improperly benefit another person and may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate.

SECTION 5B

COMBATING OF ABUSE OF SUPPLY CHAIN MANAGEMENT SYSTEM

The supply chain management policy provides measures for the combating of abuse of the supply chain management system, and enables the accounting officer –

- (a) to take all reasonable steps to prevent such abuse;
- (b) to investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with the 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
- (c) to 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) to 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 municipal entity, 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 municipal entity or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;
- (e) to 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) to 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) to reject the bid of any bidder if that bidder or any of its directors –
 - (i) has abused the supply chain management system of the municipality or municipal entity or has committed any improper conduct in relation to such system;
 - (ii) has been convicted for fraud or corruption during the past five years;
 - (iii) has wilfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
 - (iv) has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities, (Act 12 of 2004).

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

SECTION 5C GENERAL RISK MANAGEMENT

This Section covers the General Risk Management measures which will be applied by the ELM.

METHODOLOGY

General risk management measures that will be applied by the ELM will include the following:

- i) Business Plans, where applicable, will be required for approval prior to the commencement of all projects.
- ii) Feasibility and/or design reports will be required by the ELM before bids for projects are called.
- iii) As far as possible bid documents will be specific and detailed.
- iv) The applicable project standards will be made available for public perusal.

- (v) Consultants and/or ELM officials will ensure time, cost and quality control while projects are being implemented.
- (vi) Bidders, where applicable, will be required to obtain public liability insurance in order to cover the ELM against any public liability claims.
- (vii) Variation orders to projects will require the approval of the ELM Municipal Manager or a delegated ELM official prior to execution on site.

**SECTION 5D
CONTRACT RISK MANAGEMENT**

This Section covers three additional risk management mechanisms applicable to construction projects, namely surety, retention and cessions.

SURETY

REQUIREMENTS Sureties are normally required for construction projects. Surety requirements are classified under the following **five** categories:

AMOUNT	PERCENTAGE
R200 000 - R300 000.....	Nil
R300 001- R1 000 000	2.5%
R1 000 001-R3 000 000	5%
R3 000 001-R5 000 000	7.5%
R5 000 001- and above	10%

In the event that a contractor is unable to raise the required surety, the ELM may allow such surety to be deducted in full or part from monies that are to become due to the contractor. This may take the form of deductions from the first three (3) payment certificates due to the contractor over a period agreed upon.

RELEASE OF SURETY Surety will be released on application to the ELM subsequent to ELM approving the completion certificate for the contract.

RETENTION

REQUIREMENTS

The ELM requires that a percentage of the project costs for all construction projects to be set aside as retention.

RETENTION PERCENTAGE

A 10% retention fee ~~up to a maximum of 5%~~ of the contract sum will be applied on all contracts, where applicable in terms of the bid documentation.

RELEASE OF RETENTION

The balance of the retention will be released on the completion of the defects liability period of the contract.

CESSIONS

OBJECTIVE

To provide an opportunity to service providers who cannot raise the necessary capital to procure services and goods.

REQUIREMENTS

Once approval has been received from the participating service provider and the Municipal Manager, the Municipality may at its discretion, enter into a cession agreement with a service provider.

CHAPTER 6

STRUCTURE OF APPROVAL

A. DELEGATIONS

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

2. The power to make a final award –

- (a) **above R10 million** (VAT included) may not be sub delegated by the accounting officer;
- (b) **above R2 million** (VAT included), but not **exceeding R10 million** (VAT included), may be sub delegated but only to –
 - (i) the chief financial officer
 - (ii) a senior manager; or
 - (iii) a bid adjudication committee of which the chief financial officer or a senior manager is a member; or
- (c) **not exceeding R2 million** (VAT included) may be sub delegated but only to –
 - (i) the chief financial officer;
 - (ii) a senior manager
 - (iii) a manager directly accountable to the chief financial officer or a senior manager; or
 - (iv) a bid adjudication committee

Delegations: Emalahleni Municipality

- (a) The Council delegates to the Municipal Manager, as the Accounting Officer, all the necessary powers to implement this policy, to maximize the operational efficiency of the supply chain management system, and to minimize the opportunities for fraud and corruption in supply chain management processes.
- (b) The Municipal Manager delegates:
 - The powers to appoint the members of the bid specification and evaluation committees to the Senior Managers responsible for the bids for the goods and services required by their own departments; and
 - Signing/authorization thresholds to the Senior Managers who report directly to the Municipal Manager, as well as the Managers who report directly to the Senior Managers.

No delegations are made to advisers or consultants

Signing/Authorisation Thresholds

- (a) The Senior Manager who is appointed by the Municipal Manager as the Chairperson of a bid adjudication committee is delegated to sign for/authorise expenditure for supply chain purposes up to a maximum of R500 000 per transaction, with a monthly limit of R3 000 000, subject to the recommendation of the bid adjudication committee which he/she is chairing.
- (b) Outside of the bid process, the Senior Managers are delegated to sign for/authorise expenditure for supply chain purposes up to a maximum of **R50**

000 per transaction, with a monthly limit of **R150 000**.

- (c) All expenditure in terms of these delegations must not to be unauthorized, irregular, fruitless or wasteful.
- (d) The regulation of the procurement of goods and services mentioned in (b) and (c) will be assessed and monitored by the Supply Chain Management officer to ensure alignment with the empowerment goals set out in Chapter 2.
- (e) Notwithstanding any provisions of this policy, the Municipal Manager reserves the right, at his/her own discretion, to decrease, suspend, withdraw, or add any conditions to any delegation of a signing threshold to any Senior Manager or Manager at any time and for any reason, and shall not be required to make these reasons known to the Senior Manager or Manager concerned.
- (f) Any Senior Manager or Manager who exercises supply chain management responsibilities is to submit a report within five days after the end of each month to his/her superior detailing how they have exercised their SCM delegations. Such reports are to include at least:
 - Date of authorization of each transaction;
 - Project/activity for which the expenditure was incurred;
 - The name of the supplier;
 - The amount/value of the transaction;
 - The progress estimates of both the work completed on the project and the budget spent on the project; and
 - A monthly total.

Role of Council

- (a) Council is the “owner” of the municipal budget, and, through the IDP and budget documents, are the decision makers with regards to:
 - On which programmes and projects to spend the public funds; and
 - How much to spend on each programme and project.
- (b) In addition, Council also approves and adopts the SCM policy, and exercises oversight with regards to its implementation.
- (c) In order to enable Council to exercise its oversight role meaningfully, the Municipal Manager shall include a standing item on the agenda of ordinary Council meetings for “SCM Report-back”, and then report, on a quarterly basis, on:
 - The operational efficiency of the SCM system, with particular reference to whether or not the goods or services are being provided on time and within budget to the departments that require them in order to be able to implement the IDP;
 - The security of the system, and any measures that are being implemented in order to minimize opportunities for fraud, corruption, or other forms of abuse; and
 - All of the bids that have been awarded during the previous quarter, including the programme and project, the name of the supplier, the value of the bid, and

the expected date of completion of work.

B. STRUCTURES OF PROCUREMENT PROCESSES

1. The supply chain management policy, subject to regulation 11(2) of the Supply Chain Management Regulations, provides for the procurement of goods and services by way of –
 - (a) petty cash purchases, up to a transaction value of R2 000 (VAT Included);
 - (b) written or verbal quotations for procurements of a transaction value over R2 000 up to R10 000 (VAT Included)
 - (c) formal written price quotations for procurements of a transaction value over R10 000 up to R200 000 (VAT Included); and
 - (d) a competitive bidding process for –
 - (i) procurements above a transaction value of R200 000 (VAT Included); and
 - (ii) the procurement of long term contracts
2. The supply chain management policy allows the accounting officer –
 - (a) to lower, but not to increase, the different threshold values specified in sub regulation (1); or
 - (b) to direct that –
 - (i) written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2 000;
 - (ii) formal written price quotations be obtained for any specific procurement of a transaction value lower than R10 000; or
 - (iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000.

Range of Procurement Processes: Emalahleni Municipality

- (a) At the municipality, the approved range of procurement processes for goods and services of different values is as follows:
 - R0 – R500 Petty cash
 - R501 – R1,500 One quotation
 - R1,501 – R5,000 Three written quotation
 - R5,001 - R30 000 Three written quotation(SCM)
 - R30 001- R200,000 Three informal bids(SCM)
 - R200,001 or more Open bid (SCM)
- (b) Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy.
- (c) When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt

with as a single transaction.

C SUPPLY CHAIN MANAGEMENT UNIT

- (a) An SCM unit is hereby established at the municipality. This unit is to be headed by the Supply Chain Manager, who in turn will report to the Chief Financial Officer. The SCM unit will be responsible for the following functions:
- Demand management: Creating and maintaining the demand register;
 - Acquisitions management: Creating and updating the suppliers' database, and facilitating procurement from the approved suppliers;
 - Disposal management: Selling or letting of municipal assets; and
 - Logistics management: Stores, warehouse, and distribution management.
- (b) In order to maintain the separation of SCM powers, the procurement officials who issue the orders will report to the supply chain manager, while the expenditure officials who issue the cheques will report to the expenditure manager. Both the supply chain and expenditure managers will, in turn, report to the CFO.
- (c) Both the performance risk and the criminal risk associated with the activities of the supply chain management unit will be subject to regular internal audit, and the reports will be considered on a quarterly basis by the audit committee of the municipality.

Training of Supply Chain Management Officials

- (a) Training that fulfils the required standards prescribed by Treasury/SAQA and is provided by an accredited training company will be provided to all officials who exercise SCM responsibilities.
- (b) Existing staff with SCM responsibilities will be trained within three months of the date of approval of this policy, while new recruits will be trained within three months of their date of assumption of duties.

CHAPTER 7

FRAMEWORK FOR SUPPLY CHAIN MANAGEMENT

A. DEMAND MANAGEMENT

- (a) “Demand” refers to the goods or services required by the various departments so that they can implement the IDP on time and within budget.
- (b) This demand by the departments is to be managed through a demand register, which will specify:
- The date on which the demand was communicated by the department to the SCM unit;
 - The specifications of the goods or services required;
 - The budget available for these goods or services;
 - The date by which / place at which the goods or services are required to be delivered.
- (c) The demand register is to be properly maintained by the supply chain manager, and will be used as evidence:
- In any audit of the performance of the SCM system;
 - By the Municipal Manager in his/her quarterly reports to Council on the performance of the SCM system; and
 - In the review or appraisal of the performance of the managers from various departments and the SCM officials.

B. ACQUISITION MANAGEMENT

- (a) “Acquisition” is the purchasing of goods or services of any type from suppliers following the process approved for the value of the goods or services required.
- (b) The provisions of this policy do not apply to the purchase of goods or services from a sole supplier, such as the purchase of water, electricity, or telecommunication lines, for example.

Requirements for Written Quotations and Tender Bids

- (a) Suppliers who are sole traders or in partnerships should submit the following information to the municipality:
- Full names and ID numbers;
 - An authorization that the municipality can obtain tax-related information from SARS and also do a criminal record check;
 - A disclosure of whether they are in the service of the state, or have been during the previous 12 months; and
 - A disclosure whether any spouse, child, or parent is in the service of the state, or has been during the previous 12 months.
- (b) Suppliers who are closed corporations (CC), private companies (Pty Ltd) or limited company (Ltd) should submit the following information to the municipality:
- Registered name, trading name and company registration number;
 - Tax and VAT registration numbers;
 - An original copy of a valid tax clearance certificate;
 - Full names and ID numbers of all members or directors;
 - An authorization that the municipality can obtain tax-related information from SARS and also do a criminal record check;
 - A disclosure of whether any owner or co-owner is in the service of the state, or has been during the previous 12 months; and
 - A disclosure whether any spouse, child, or parent of any owner or co-owner is in the service of the state, or has been during the previous 12 months.
- (c) The prices that are specified in quotations and bid submissions should be correctly calculated, in South African rands, include VAT where applicable, and be firm for a period of 30 days for quotations and 60 days for bids.

Lists of Accredited Prospective Providers

- (a) The municipality will create and maintain a database of approved suppliers that is to be used for the solicitation of quotations. This database will be structured according to different categories of goods and services.
- (b) Once per annum, the municipality will publish an invitation in a locally circulating newspaper, with copies on the municipal notice boards and website, for suppliers to register with the municipality. Companies can submit applications and be listed in the database throughout the year.
- (c) Suppliers who meet the criteria of the municipality will be included in the database of approved suppliers, while other suppliers that do not meet the criteria will be included as prohibited suppliers.
- (d) Prohibited suppliers are those:
- Which do not provide the minimum information listed in Section 3.2 above;
 - That are included in the prohibitions list of National Treasury;
 - Whose owners or co-owners are in the service of the state, or have been during the previous 12 months;
 - Who have defaulted on previous bids with either the municipality or any other organ of state; and

- Whose owners or co-owners have been convicted of fraud or corruption in the previous five years.
- (e) Where a sufficient number of approved providers are listed in certain categories of goods or services, then the SCM official responsible for the suppliers database will implement a rotation system whereby three different suppliers are approached for quotations each time goods or services from that category are required by the municipality.
 - (f) In order to support local economic development, two out of every three quotations solicited by the municipality should be from local suppliers or “Proudly South African” companies where possible.
 - (g) There will be two databases set up namely:
 - i. General services
 - ii. Professional services
 - (h) The following prerequisites will apply in order to be considered for selection to be placed on the database:
 - i. Current original Certificate of Good Standing in terms of Levies payable to the applicable District Municipality
 - ii. Current original Certificate of Good Standing in terms of VAT/Income Tax.
 - iii. Company Registration with the Registrar of Businesses.
 - iv. Professional Registration with a Professional Body where required.
 - (i) The Supply Chain Management officer will submit a quarterly report on the procurement of goods and services in the category for purchases below R200 000. An analysis will be submitted to the Accounting Officer and Finance Portfolio Committee, stating the achievement and/or failure in compliance with the set goals.

Petty Cash Purchases

- (a) The municipality will maintain a petty cash float of R2 000 per month at the head office (managed by an expenditure officer), and R1 000 per month at the satellite offices (managed by the Unit Head).
- (b) An official who would like to purchase goods or services through petty cash must complete the necessary requisition form and have it approved by his/her Manager or Senior Manager in his/her department.
- (c) The approved requisition form should be taken to the expenditure officer responsible for petty cash or the relevant Unit Head, who will issue the required cash to the requesting official within one hour, and who in turn will be responsible for procuring the approved goods or services.

- (d) The requesting official shall provide the receipts and any other necessary documents related to the transaction to the expenditure officer or relevant Unit Head within 24 hours.
- (e) The expenditure officer, and the Unit Heads of the satellite offices, should submit a monthly petty cash reconciliation report to the CFO, which must include:
 - The total amount of petty cash purchases for that month; and
 - Receipts and appropriate documents for each purchase.
- (f) Petty cash should not be used for ward committee refunds, fuel purchases, payroll-related expenses, and other expenses which can and should have been planned in advance.

One Quotation Purchases with a value of less than R 5 000

- (a) An official who would like to procure goods or services using one quotation should approach the SCM unit and obtain the name(s) and contact number(s) of up to three approved suppliers in the category of goods or services which he/she requires.
- (b) That official who needs the goods or services is responsible for contacting the suppliers and obtaining verbal or telephonic quotations from them, and identifying which of the three suppliers is the most competitive.
- (c) The official is then to request a written quotation from the most competitive supplier, and take the quotation, together with a requisition form, and obtain authorization from his/her manager.
- (d) The quotation and approved requisition form must be taken to the SCM unit, where an official order will be issued within 24 hours. The original copy of the order form will be returned to the requesting official, who is responsible for contacting the supplier and arranging for the delivery of the goods or services.
- (e) Once the goods or services have been received by the department that needed them, an original version of the invoice will be obtained by the official who requested the goods or services, and this invoice will be annotated by the relevant Manager in that department to reflect that the goods or services have been received by the municipality in good order.
- (f) The original invoice, duly annotated, together with any other necessary documentation, will be delivered to the expenditure section within 48 hours of receipt by the requesting official.

Three Quotations Purchases With a value of less than R 5 000

- (a) An official who would like to procure goods or services using three quotations should approach the SCM unit and obtain the name(s) and contact number(s) of at least three approved suppliers in the category of goods or services which he/she requires.

- (b) That official who needs the goods or services is responsible for contacting the suppliers and obtaining written quotations from them, and identifying which of the three suppliers is the most competitive.
- (c) The requesting official is then to complete a requisition form, attach the three quotations, and obtain authorization from his/her manager.
- (d) The quotations and approved requisition form must be taken to the SCM unit, where an official order will be issued within 24 hours. The original copy of the order form will be returned to the requesting official, who is responsible for contacting the supplier and arranging for the delivery of the goods or services.
- (e) Once the goods or services have been received by the department that needed them, an original version of the invoice will be obtained by the official who requested the goods or services, and this invoice will be annotated by the relevant Manager in that department to reflect that the goods or services have been received by the municipality in good order.
- (f) The original invoice, duly annotated, together with any other necessary documentation, will be delivered to the expenditure section within 48 hours of receipt by the requesting official.

Procedures for Procuring Goods or Services through Quotations

- (a) In the event that it is not possible to obtain three quotations for particular goods or services, then the reasons why not must be recorded in a covering memorandum, and attached to the requisition. After the manager from the department concerned has authorized the expenditure, the CFO or an official designated by the CFO will first have to regularize the expenditure involving fewer than three quotations before the order can be issued.
- (b) In order to minimize opportunities for fraud or corruption, all quotations for the municipality will be sent by post or fax to the office of the registry clerk, who will keep a record in a formal quotation register of all quotations received. This register is to include at least:
 - The date and time of receipt;
 - The name of the company;
 - A brief description of the goods or services offered; and
 - The price.
- (c) All of the quotations are to be retained in an incoming file by the registry clerk until all three quotations have been received, after which time the quotations may be collected by the requesting official.
- (d) It shall be an offence for any official other than the registry clerk or someone delegated by the CFO to receive, view, or take possession of any quotation before all three have been received by the registry clerk, recorded in the register, and formally handed over to the requesting official.

- (e) Requests for three quotations (informal bids) for goods or services above the value of R30 000 must, in addition to the procedures described above, also be advertised on the municipal web site and notice boards at the head office and satellites for a period of seven days.

Competitive Bids

- (a) Goods or services above a transaction value of R200 001 (incl. VAT) and long term contracts extending over a period of more than 12 months must be procured through a competitive bidding process.
- (b) No requirement for goods or services above an estimated transaction value of R200 001 may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.
- (c) The municipality reserves the right and shall include the notice in all bid-related documentation that it reserves the right:
- Not to accept the lowest or any bid;
 - To combine or split bids when it is in the best interests of the municipality to do so; and
 - To negotiate with the preferred bidder prior to concluding the award of the bid.

Procedures for Competitive Bidding

For all bids of the municipality:

- (a) The compilation of bidding documentation shall be done by the bid specification committee of the department concerned and approved by the Municipal Manager;
- (b) The public invitation of bids shall be done by the SCM unit, with the description of the physical location of the bid box and the closing date clearly stated;
- (c) Site meetings or briefing sessions, if applicable, are to be done by the department concerned, usually through its bid specification committee members;
- (d) The handling of bids submitted in response to public invitation shall be done by the CFO together with at least one other official designated by the Municipal Manager;
- (e) The evaluation of bids shall be done by the bid evaluation committee of the department concerned;
- (f) The adjudication of bids shall be done by an inter-departmental bid adjudication committee consisting of senior managers nominated by the Municipal Manager;
- (g) The award of contracts up to the value of R500 000 (incl. VAT) shall be done by the bid adjudication committee, and of contracts of a value exceeding R500 000 (incl. VAT) shall be done by the Municipal Manager;

- (h) The administration of contracts shall be done jointly between officials from the department concerned and officials from the SCM unit; and
- (i) Proper record keeping shall be done by the registry clerk with documents and other records submitted by officials from the department concerned, SCM officials, and any other relevant officials.

Bid Documentation for Competitive Bids

- (a) All bid-related documentation must take into account the municipality's general conditions of contract, any Treasury guidelines on bid documentation, and the requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure.
- (b) All bid-related documentation must also include evaluation and adjudication criteria, including any criteria required by other applicable legislation, for which the municipality intends to award points when evaluating the bids.
- (c) All bid-related documentation must compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted.
- (d) All bid-related documentation must, if the value of the transaction is expected to exceed R10 million (incl. VAT), require bidders to furnish:
 - Their audited annual financial statements for the past three years, or since their establishment if established during the past three years;
 - 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;
 - 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; and
 - A statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic.
- (e) All bid-related documentation must stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or arbitration, and, only if these are unsuccessful, in a South African court of law.

Public Invitation for Competitive Bids

- (a) The municipality will advertise its bids in a local newspaper, on the municipal notice boards at the head office and satellite offices, and on the website. Bids shall be advertised in the format(s) and language(s) as approved by the Municipal Manager.
- (b) Bids with an anticipated value of less than R10 million must have a closing date at least 30 days after the date of publication, while bids with an estimated value

exceeding R10 million must have a closing date at least 30 days after the date of publication.

- (c) Bids must be submitted on bid documentation supplied by the municipality (for which a non-refundable nominal fee may be charged), in sealed envelopes clearly marked in the specified manner as bid submissions, and deposited into the bid box. The municipality accepts no obligations or responsibilities with regards to bid submissions before they are deposited in the bid box.
- (d) Electronic copies of bid submissions may only be submitted as additional supplements to the sealed hard-copy bids deposited into the bid box, and only after the closing date has expired.

Procedure for Handling, Opening and Recording of Bids

- (a) Bids submitted to the municipality shall be handled, opened, and recorded by the CFO together with at least one other official nominated by the Municipal Manager.
- (b) The bid box must be opened as soon as possible after the expiry of the deadline, and the bids taken out. The sealed bids should be opened immediately, and the names of the suppliers and their bidding prices should be read out and then recorded in a bid register.
- (c) This process is public, and is open to representatives of all suppliers and other interested observers. Likewise, the bid register may be made available for public inspection, and copies should be posted on the municipal notice boards and website.
- (d) The recording of bids received by the municipality in the bid register only implies that the submission was received by the municipality on or before the deadline expired. It does not imply that these bids are complete, acceptable, or will be subject to the full evaluation process.
- (e) Bids that are submitted after the deadline has expired may not be accepted nor included in the bid register.
- (f) Once the bids have been opened and recorded in the register the CFO shall pass them on to the chairperson of the evaluation committee of the department concerned, from which stage the screening and evaluation will be a confidential process until it has been completed.

Negotiations with Preferred Bidders

Once bid submissions have been received, opened, recorded, screened, and evaluated, then the supplier that has scored the highest points is regarded as the preferred bidder.

If it is in the interests of the municipality to negotiate final details of the contract before finalizing its award, then these negotiations shall be conducted on behalf of the municipality by the Chairpersons of the Bid Evaluation and Bid Adjudication committees acting together.

Such negotiations may only be conducted with the preferred bidder, and not allow one of the non-preferred bidders a second chance. The price originally quoted by the preferred bidder may not increase as a result on any negotiations, but may decrease. Any other conditions that are favourable to the interests of the municipality may also be added or modified during such negotiations.

Minutes of any negotiations with preferred bidders must be kept.

Any negotiations, and any agreements that result from such negotiations, must first be approved by the Municipal Manager before the contract is concluded and awarded.

Two-Stage Bidding Process

- (a) For projects that are long, complex, require detailed technical specifications, and/or exceed three years in duration, the municipality will allow a two stage bidding process.
- (b) In the first stage, proposals will be sought for the design and specification of the complex project, subject to technical and commercial clarification and adjustments.
- (c) In the second stage, final proposals to deliver and implement the project, with firm prices, will be sought.

Committee System for Competitive Bids

- (a) The municipality hereby establishes a bid committee system consisting of:
 - Bid specification committee;
 - Bid evaluation committee; and
 - Bid adjudication committee.
- (b) This committee system may be used, if so directed by the Municipal Manager, for the consideration of three quotations below the value of R200 000 (incl. VAT), but the committee system must be used for the consideration of all bids above the value of R200 000 (incl. VAT).
- (c) The Municipal Manager delegates to each Senior Manager the powers to appoint the members of the specification and evaluation committees for the bids related to the goods and services required by their own departments. The Municipal Manager will appoint the members and chairperson of the adjudication committee.
- (d) If the Municipal Manager so directs, a neutral or independent observer may attend the meetings of any bid committee when this is appropriate for ensuring fairness and promoting transparency.
- (e) Councillors may not be members of, chairpersons of, or observers at any bid committee meeting.

Bid Specification Committees

- (1) The bid specification committee must compile the specifications for the procurement of goods or services by the municipality.
- (2) Specifications—
 - (a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
 - (b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
 - (c) where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
 - (d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification;
 - (e) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the words “equivalent”;
 - (f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the supply chain management policy of the municipality or municipal entity; and
 - (g) must be approved by the accounting officer prior to publication of the invitation for bids in terms of regulation 22.
- (3) A bid specification committee must be composed of one or more officials of the municipality, preferably the manager responsible for the function involved or his/her delegate, and may, when appropriate, include external specialist advisors.
- (4) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.
- (5) The bid specification committee must meet within one week of their date of appointment for any specific bid, and must conclude their work and submit their documents to the Municipal Manager within four weeks of their date of appointment.
- (6) The work of the bid specification committee must first be approved by the Municipal Manager before the SCM unit publishes the invitation for bid submissions, which will include information about the goods and services required, and the characteristics of the preferred type of provider.
- (7) The estimated price range that is acceptable for the bid shall not usually be published (unless the Municipal Manager so directs in order to encourage competition between suppliers on grounds other than price), shall not be communicated to officials outside of the bid specification committee, and shall not be leaked to any person or prospective supplier outside of the municipality.

Bid Evaluation Committees

- (1) The bid evaluation committee must—
 - (a) evaluate bids in accordance with—
 - (i) the specifications for a specific procurement; and
 - (ii) the points system as must be set out in the supply chain management policy of the municipality in terms of regulation 27 (2) (f) and as prescribed in terms of the Preferential Procurement Policy Framework Act;
 - (b) evaluate each bidder’s ability to execute the contract;
 - (c) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears; and
 - (d) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.
- (2) A bid evaluation committee must as far as possible be composed of—
 - (a) officials from departments requiring the goods or services; and
 - (b) at least one supply chain management practitioner of the municipality.
- (3) External advisers or consultants may offer advice and input, but they may not be members of the committee or be involved in decision-making.
- (4) The bid evaluation committee must screen the bid submissions by verifying:
 - That they are complete and provide all the information and/or documentation and/or certification that was required in the bid documents;
 - That the supplier is acceptable in that they meet the minimum requirements specified in the bid documents and they are not a prohibited supplier; and
 - That the quoted price is acceptable, and not below or above the estimated range.
- (5) Any bid submissions found to be incomplete or unacceptable are to be disregarded.
- (6) The bid evaluation committee must also score the complete and acceptable bid submissions by:
 - Compiling the scorecard using only those criteria that were agreed by the specification committee and communicated to all prospective suppliers; and
 - Scoring each bid submission in turn by awarding points for each of the criteria included on the scorecard according to the prescribed formulas and methods.
- (7) The evaluation committee must nominate the company that scored the highest points, and submit all relevant documentation to the bid adjudication committee.
- (8) The evaluation committee must meet within one week of the opening of the bids, and must conclude their business and forward their recommendations to the adjudication committee within three weeks of the opening of the bids.

Bid Adjudication Committees

- (1) The bid adjudication committee must—
 - (a) consider the report and recommendations of the bid evaluation committee; and
 - (b) either—
 - (i) make a final award in accordance with the delegations contained in Chapter six of this policy, 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;
 - (ii) at least one senior supply chain management practitioner who is an official of the municipality or municipal entity; and
 - (iii) a technical expert in the relevant field who is an official of the municipality or municipal entity, if the municipality or municipal entity has such an expert.
- (3) The accounting officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.
- (4) Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.
- (5) (a) If the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid—
 - (i) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears; and
 - (ii) notify the accounting officer.(b) The accounting officer may—
 - (i) after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in paragraph (a); and
 - (ii) if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.
- (6) The accounting officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.
- (7) The accounting officer must comply with section 114 of the Act within 10 working days.
- (8) The adjudication committee shall:
 - Have at its disposal all documents and other appropriate evidence relating to the whole process through which the bid that they are considering has progressed;
 - Review the sufficiency and fairness of all procedures, decisions and recommendations that have been made with regards to that bid; and

- Come to a conclusion about the quality of the process, and the quality of the decision to award the bid to the nominated supplier.

(9) If the bid adjudication committee has reservations about the bid process and recommendations, then:

- If time permits, they may refer the matter back to the evaluation committee for re-consideration; or
- If time does not allow, they may refer the matter to the Municipal Manager with positive, negative, or alternative recommendations.

(10) If the bid adjudication committee has no reservations about the bid process and recommendations, then they may:

- Approve the award of the bid to the recommended supplier for bids up to the maximum limits contained in the delegated authority as contemplated in Section 6 of this Supply Chain Management Policy or
- Recommend the approval of the bid to the recommended supplier for bids exceeding the maximum limits contained in the delegated authority as contemplated in Section 6 of this Supply Chain Management Policy

(11) The Municipal Manager may approve the award of the bid to the recommended supplier, or may, with good reasons, approve the award of the bid to another supplier that was not recommended. The reason/s for not appointing the bidder with the highest scoring points must be recorded and National Treasury informed accordingly

(12) The bid adjudication committee must meet within four weeks of the opening of the bids, and must conclude their business and submit their recommendations (if appropriate) to the Municipal Manager within five weeks of the opening of the bids.

Procurement of Banking Services (Section 7 or 85, MFMA)

- (a) The municipality will procure its banking service provider through a competitive bid process that will only be open to banks registered in terms of the Bank Act, 1990. (Act No 94 of 1990)
- (b) The contract for the municipality's banking service provider will be for a maximum period of five years.
- (c) The bid process to renew the banking service provider contract will begin nine months before the expiry of the existing contract, and bids will be advertised with a closing date of at least 60 days after the date of publication of the advertisement. (Regulation 22(1), SCM Regulations, 30 May 2005)
- (d) As far as possible, the prospective banking service providers will be requested to contribute to the local economic development of the municipality's area.

Procurement of IT Related Goods or Services

- (a) The municipality will, under normal circumstances, procure its information technology hardware and software in terms of the standard provisions of this policy.

- (b) The municipality may, if the Municipal Manager so directs, also approach the State Information Technology Agency (SITA) for assistance during the competitive bidding process, where required. This relationship will be in terms of a written contract stating what services are to be delivered by SITA and what payments are to be made by the municipality.
- (c) The accounting officer must notify SITA together with a motivation of the IT needs of the municipality if –
 - i. The transaction value of IT related goods or services required by the municipality in any financial year exceed R50 million (VAT included); or
 - ii. The transaction value of a contract to be procured by the municipality whether for one or more years exceeds R50 million (VAT included).
- (d) If SITA comments on the submission and the municipality disagree with such comment, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National Treasury, the relevant provincial treasury and the Auditor General.

Procurement of Goods and Services from other Organs of State

- (a) While the municipality will, under normal circumstances, procure the goods and services it needs from private suppliers, it may also procure goods or services it needs from other organs of state, but only if –
 - i. The contract has been secured by that organ of state by means of a competitive bidding process applicable to that organ of state;
 - ii. The municipality has no reason to believe that such contract was not validly procured;
 - iii. There are demonstrable discounts or benefits for the municipality to do so; and
 - iv. That other organ of state and the provider have consented to such procurement in writing.
- (b) Sub section (a) (iii) and (iv) above do not apply if –
 - i. A municipal entity procures goods or services through a contract secured by its parent municipality; or
 - ii. A municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.
- (c) If the municipality procures goods or services from another organ of state, then it must be in terms of a written contract.

Procurement of Goods Necessitating Special Safety Arrangements

- (a) The municipality should not usually procure and store in bulk goods that require special safety arrangements, such as fuel, gas, or chemicals, for example.

- (b) If it can be demonstrated that it is in the interests of the municipality to do so due to cost advantages, however, then the procurement and storage of such goods in bulk, together with the necessary safety arrangements, may be allowed by the Municipal Manager.

Proudly SA Campaign

- (a) The municipality supports companies that in turn support the Proudly South African campaign, and will give them preference in the rotation system used for the suppliers database.

Appointment of Consultants

- (a) The municipality may procure services from consultants, and shall do so following the appropriate procedures that are prescribed for different values of procurement.
- (b) Procurement of consulting services that are to be for longer than 12 months, or to be for an amount exceeding R200 000 (incl. VAT) shall be done through the bid process.
- (c) In addition to all the regular requirements, the consultants must also:
- Provide a complete list of all consulting services offered to any organs of state during the previous five years;
 - Sign a declaration that they acknowledge that any patent, copyright, trademark, or other form of intellectual property designed, devised, or developed by them during their contract with the municipality is owned by the municipality.

Minor Breaches of Procurement Processes

- (a) The Municipal Manager is authorized to deviate from the provisions of this policy, and to procure goods or services according to any process that he/she feels is appropriate under the circumstances, in the case of:
- An emergency, to prevent loss of human life, and to alleviate human suffering;
 - Sole suppliers;
 - Acquisition of unique historical objects, works of art, or animals for a zoo;
 - In any other exceptional case where it is impractical or impossible to follow the prescribed procedures.
- (b) In the event that one or more officials deviates from the prescribed processes when procuring goods or services on behalf of the municipality, the Municipal Manager may, at his/her discretion:
- Determine if the deviation makes a material difference to the fairness of the system or the outcomes of the procurement process; and

- Ratify the deviation is found to be immaterial, or direct that the deviant procedures must be scrapped and started afresh if found to be material.
- (c) The Municipal Manager must record any instances of deviations of which he/she is aware, and include these in the “compliance” section of his/her quarterly report to Council.

Unsolicited Bids

- (a) The municipality is never obliged to consider an unsolicited bid for which it did not ask and/or for a service that it was not planning on outsourcing.
- (b) However, the municipality may choose to consider an unsolicited bid if:
- The supplier is a sole supplier of unique goods or services;
 - The goods or services offer a demonstrable benefit to the service delivery of the municipality;
 - The reasons for not following the regular procurement channels are found to be acceptable by the Municipal Manager.
- (c) If the municipality decides to consider an unsolicited bid, then the municipality must publish its decision for 30 days on the municipal notice boards and website, stating:
- The reasons why the bid is not open to other competitors;
 - An explanation of the benefits for the municipality’s service delivery;
 - An invitation to members of the public or representatives of possible competitors to comment.
- (d) The unsolicited bid, together with any public comments received, and any response from the unsolicited bidder, must be forwarded to National Treasury and the relevant provincial treasury for comment.
- (e) Once the publication period has expired, and National Treasury and Provincial Treasury have had reasonable opportunity to comment, the unsolicited bid, together with all comments received, will be considered by the bid adjudication committee at a meeting which is open to the public. The bid adjudication committee will decide whether or not to make any award to the unsolicited bidder on the basis of what is in the best interests of the municipality, depending on its delegations.
- (f) If the bid adjudication committee decides to make an award contrary to the recommendation of National and Provincial Treasury, then Treasury and the Auditor-General must be informed within seven days of the decision, and the award may only be made or signed 30 days after the submission.
- (g) Written comments and recommendations of the National and Provincial Treasuries submitted to the ELM must be taken into account before any contract committing the ELM is signed.
- (h) If any of the recommendation of the National or Provincial Treasury are rejected or not followed, the accounting officer must table at the next meeting of the council –

- i. The comments and recommendations of the National Treasury or provincial treasury; and
- ii. The reasons for rejecting or not following those recommendations.

Adjudicating unsolicited bids

It is not permissible to dispense with the calling of bids in order to favour the contractor/service provider that presented the unsolicited bid. If however, the ideas presented are sufficiently new and innovative, and not protected by copyright or trademarks, the contractor/service provider may be rewarded for his innovative thinking by being granted ten (10) adjudication points for functionality on an open bid. No other bids would receive any points for functionality in this case. The maximum number of points available for price would be reduced accordingly.

The circumstances leading to the calling for bids and the conditions applicable to the granting of points for functionality must be clearly indicated in the bid documentation.

Combating of Abuse of Supply Chain Management System

- (a) In order to minimize opportunities for fraud and corruption, the Municipal Manager and any other Senior Manager with supply chain management responsibilities may take any reasonable steps to prevent any form of abuse, including amending, decreasing, or withdrawing any delegations.
- (b) Any allegation of abuse, non-compliance, fraud or corruption may be reported to the Municipal Manager or any Senior Manager, either verbally or in writing, either in person or anonymously.
- (c) Any allegation must at least be investigated on a preliminary level, and, if the preliminary investigation indicates that sufficient evidence of abuse is available, a full investigation will follow.
- (d) If any founded suspicion arises during the investigation that a criminal act may have been performed, then the Municipal Manager or Senior Manager responsible for the investigation must report the matter to the SAPS.
- (e) All suppliers must first supply all the information required in terms of Section 3.2 above, and they must also be screened in terms of Section 3.3 above, before they can be accepted as providers of the municipality.
- (f) The municipality may terminate a contract with any supplier at any time if that supplier, or one of the owners or co-owners of their representatives, or an official within the municipality acting in the interests of the supplier, has committed any fraudulent or corrupt act in order to win the award.
- (g) The municipality may reject any bid:
 - Received after the expiry of an advertised deadline;
 - That is not on the prescribed documentation, is incomplete or is unacceptable;
 - From a supplier that has abused the municipality's SCM system;

- From a supplier where an owner or co-owner has been convicted of fraud or corruption in the last five years;
- From a supplier that is listed, or has an owner or co-owner who is listed, on Treasury's prohibitions list; and
- From a supplier that is a defaulter on previous bids.

C. LOGISTICS MANAGEMENT

- (a) The Chief Financial Officer, together with the Supply Chain Manager if appropriate, is responsible for ensuring the development of an effective system of logistics management that includes:
- Setting of inventory levels;
 - Placing of orders;
 - Receiving and distribution of goods;
 - Stores and warehouse management;
 - Expediting orders;
 - Transport management; and
 - Vendor performance.
- (b) The first draft of this logistics management system is to be developed within three months of the date of approval of this policy, and is to be submitted to the Municipal Manager by that time.
- (c) The logistics management system is subject to internal audit, and to annual review, provided that the Municipal Manager may direct that any one part may be reviewed at any time subject to a satisfactory motivation from the CFO or any other Senior Manager.

D. DISPOSAL MANAGEMENT

Consideration to dispose or transfer

- (a) The disposal or letting of assets, including unserviceable, redundant or obsolete assets, will be performed by the SCM unit subject to the approval of the Municipal Manager and the Chief Financial Officer.
- (b) An asset that has previously been used by a department will first be identified within that department as being uneconomical to repair or upgrade, or redundant and obsolete. The senior manager of the department concerned should then motivate to the Chief Financial Officer that the asset should be disposed of, or let.
- (c) The Chief Financial Officer shall consider the senior manager's submission, nominate a competent person to determine the fair market value of the asset, and then forward

all the information, with recommendations, to the Municipal Manager for final decision.

- (d) All assets that are to be disposed of, or let, by the municipality must first be valued by a person competent to do so in order to determine the fair market value, after which the municipality may follow whatever procedures are appropriate to dispose or let these assets that ensures that the fair market value is attained.
- (e) Assets may be disposed of, or let, by:
 - Transferring the asset to another organ of state, either at fair market value or, when appropriate, free of charge;
 - Selling the asset by advertisement or auction, whichever is most advantageous to the municipality; or
 - Destroying the asset;
- (f) Once the asset has been disposed of, the Chief Financial Officer must ensure that the municipality's asset register is updated accordingly.
- (g) The municipality must always dispose of, or let, its assets in such a manner that the asset's fair market value is attained, except under two circumstances, namely:
 - To alleviate the plight of the poor; or
 - In the public interest.
- (h) Any organization wishing to purchase or lease a municipal asset for less than fair market value must submit a proposal to the municipality detailing how its activities will alleviate the plight of the poor or be in the public interest, together with sufficient explanation and motivation.
- (i) This proposal is first to be considered by the bid adjudication committee, after which the proposal, together with the adjudication committee's recommendations, will be forwarded to the Municipal Manager for final consideration and decision.
- (j) 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.
- (k) In the case of the disposal of firearms, the National Conventional Arms Control Committee must first approve any sale or donation of firearms to any person or institution within or outside the Republic, noting that:
 - No loaded firearm may be sold; the ammunition must first be removed from the firearm, and, if redundant and no longer required by the municipality for use with any other firearm of suitable calibres, must be handed over to the SAPS; and
 - No firearm that has been sold to any person or company may be handed over to the purchaser before they first produce a valid firearm licence for the specific firearm, including make, model, caliber, and serial number, that they purchased from the municipality.
- (l) All fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of the municipality's immovable property are to be reviewed on an annual basis.

- (m) When considering a transfer of disposal of assets the following has to be taken into account:
- i. Capital assets needed to provide a minimum level of basic municipal service may not be transferred or disposed of;
 - ii. The accounting officer must decide on reasonable grounds that an asset is not needed to provide a minimum level of basic municipal service before its ownership can be transferred;
 - iii. The fair market value of the asset and the economic and community value to be received in exchange for the asset.
 - iv. The final decision to sell land and buildings, and the proposed selling price has to be taken by the Municipality.

Methodology

1. Disposal of assets

- 1.1 Immoveable property is sold at market related prices unless the provincial treasury determines otherwise;
- 1.2 Moveable assets are sold either by way of competitive bidding process, auction or at market related prices, whichever is the most advantageous to the ELM;
- 1.3 In the case of the disposal of computer equipment, the accounting officer must approach educational institutions to ascertain whether they are interested in the equipment, and if so, to arrange for the transport of such equipment at its own cost to any such interested educational institutions.
- 1.4 transferring the asset to another organ of state at market related value or, when appropriate, free of charge; and
- 1.5 destroying the asset.

2. LETTING OF ASSETS

- 2.1 All immovable property is let at market related rates, unless the relevant provincial treasury determines otherwise or approves the letting of property free of charge;
- 2.2 All fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of municipal property must be reviewed annually.

CHAPTER 8

WAIVING TENDER PROCEDURES AND/OR TENDER PREREQUISITES

The waiving of bid procedures and/or bid prerequisites will only be permitted in the following circumstances:

1. Emergency/Disaster Situations
2. Sole Supplier
3. Sole Specialist Service Providers
4. Extended Public Works Programme projects

Provided the criteria as listed below are met.

METHODOLOGY

In circumstances where the Goods / Service required is within the Municipal Manager's delegated authority proof of Sole Supplier / Service Provider must be provided with motivating report why such procedures/ prerequisites should be waived. Reasons must be justifiable. The Municipal Manager's approval will be required in such circumstances.

In circumstances where the Goods / Service required is outside the Municipal Manager's delegated authority, proof of Sole Supplier / Service Provider must be provided with a motivating report why such procedures / prerequisites should be waived. Reasons must be justifiable.

CRITERIA

Although the procedures / prerequisites may be waived in the circumstances as listed above all service providers / suppliers must submit Good Standing certificates in respect of Taxes.

MONITORING

The Supply Chain Management officer will report on compliance in terms of this section in the Quarterly Procurement Report.

Where deviation occurs in terms of the reporting by officials to the Municipal Manager and/or Mayor the necessary disciplinary procedures will be instituted in terms of ELM's Code of Conduct to prohibit unethical behaviour by Officials and Councillors.

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

1. The supply chain management policy allows the accounting officer –
 - (a) to dispense with the official procurement processes established by the policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –
 - (i) in an emergency;
 - (ii) if such goods or services are produced or available from a single provider only;
 - (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
 - (iv) acquisition of animals for zoos; or
 - (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and
 - (b) to 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 section (1)(a) and (b) above and report them to the next meeting of the council and include as a note to the annual financial statements.
3. Section (2) above does not apply to the procurement of goods and services (water and electricity).

CHAPTER 9

OTHER MATTERS

Prohibitions and Conditions

- (a) The municipality will not make any award above R15 000 to a person whose tax matters have not been declared by the South African Revenue Service to be in order.
 - Before making an award to a person, a municipality or municipal entity must first check with SARS whether that person's tax matters are in order; and
 - If SARS does not respond within seven days such person's tax matters may be presumed to be in order.

- (b) The municipality will not make any award to any person-
 - Who is in the service of the state;
 - 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
 - Who is an advisor or consultant contracted with the municipality.
- (c) The municipality may make an award 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, but where the amount of the award exceeds R2 000, then the notes to the annual financial statements of the municipality must disclose the particulars of the award.
- (d) The municipality may not enter into a contract based on rate or percentage that does not have an upper limit, or cap, on the expenditure to be committed by the municipality.

Ethical Standards

- (a) All officials and suppliers who participate in any way in the supply chain management processes of the municipality shall:
 - Implement the provisions of this policy to the fullest possible extent;
 - Conduct themselves at all times in a trustworthy and respectable manner;
 - Demonstrate integrity; and
 - Conduct all business in a fair and reasonable manner;

Code of Conduct

- (a) All officials who exercise supply chain management responsibilities shall:
 - Treat all providers and potential providers equitably;
 - Not use his or her position for private gain or to improperly benefit another person;
 - 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, above the acceptance value prescribed in legislation;
 - 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;
 - Be scrupulous in his or her use of property belonging to the municipality or municipal entity, and shall never abuse any property belonging to the municipality in public or in private;
 - Assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and
 - Report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including-
 - i. Any alleged fraud, corruption, favouritism or unfair conduct; and
 - ii. Any alleged breach of the code of ethical standards.
- (b) This code of conduct constitutes of a part of the conditions of service of all officials who exercise supply chain management responsibilities at the municipality, and, as

such, any breach may be classified as misconduct and lead to disciplinary action against the official(s) concerned.

Disclosures

- (a) All officials who exercise supply chain management responsibilities shall:
- 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, both above and below the acceptance value prescribed in legislation; and
 - Disclose to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the municipality or municipal entity;
- (b) All declarations of interest or association by officials and suppliers must be recorded in a register which the accounting officer must keep for this purpose, and all declarations by the accounting officer must be made to the mayor, who must ensure that such declarations are recorded in the register.
- (c) No person who is a provider or prospective provider of goods or services to the municipality, or a recipient or prospective recipient of goods disposed or to be disposed of by a municipality, may either directly or through a representative or intermediary promise, offer or grant-
- Any inducement or reward to the municipality for or in connection with the award of a contract; or
 - Any reward, gift, favour or hospitality to any official or councillor of the municipality
- (d) The accounting officer of the municipality must promptly report any alleged bribe 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.
- (e) The accounting officer of the municipality must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted to the municipality, whether directly or through a representative or intermediary, by any person who is-
- A provider or prospective provider of goods or services to the municipality or municipal entity; or
 - A recipient or prospective recipient of goods disposed or to be disposed, of by the municipality or municipal entity.

Objections and Complaints

- (a) Any persons aggrieved by decisions or actions taken by the municipality in the implementation of its supply chain management system, may lodge within 14 days of the decision or action a written objection or complaint to the municipal manager against the decision or action.

- (b) If and when the municipal manager receives a complaint, she or he must nominate an independent and impartial person not directly involved in the supply chain management processes of the municipality to assist in the resolution of disputes between the municipality or municipal entity and other persons regarding any decisions or actions taken by the municipality or municipal entity in the implementation of its supply chain management system.
- (c) 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.
- (d) The person appointed must-
 - Be either internal or external to the municipality, but must in all cases be competent to manage the complaint;
 - Strive to resolve promptly all disputes, objections, complaints or queries received; and
 - Submit monthly reports to the accounting officer on all disputes, objections, complaints or queries received, attended to or resolved.
- (e) The municipality will strive to both investigate and resolve the complaint, and communicate with the person who lodged the complaint, within a period of 60 days, but also recognizes a person's rights to approach a court at any time.

CHAPTER 10

SUPPLY CHAIN MANAGEMENT POLICY PREREQUISITES

This Chapter covers a general set of prerequisites that have been identified for procurement by the ELM. Additional prerequisites have been identified for the procurement of goods and services, consultants, plant hire and contractors. Bids will not be considered should these prerequisites not be met.

SECTION 10A GENERAL PREREQUISITES

This Section covers a general set of prerequisites that have been identified for procurement by the ELM. All bids must submit the information requested below. Pro-forma data sheets can be found in the Annexures of this policy. Bids will not be considered should the prerequisites not be met.

CRITERIA

The municipality may not consider a written quotation or bid unless the provider who submitted the quotation or bid –

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

SECTION 10B

ADDITIONAL PREREQUISITES FOR PROFESSIONALS

This Section covers additional Prerequisites for Professionals that have been identified for procurement by the ELM. All Professionals must submit the information requested below. Pro-forma data sheets can be found in the Annexures. Bids will not be considered should the prerequisites not be met.

CRITERIA

- a) Submit proof of Professional Registration with the relevant Professional Body, e.g. The Engineering Council of South Africa
- b) Submit Professional indemnity and type of cover

- c) Submit written proof of Joint Ventures disclosing Joint Venture partnerships (Reflected as a percentage)
- d) Submit Company composition on the form attached as Annexure “H”.

SECTION 10C
ADDITIONAL PREREQUISITES FOR CONTRACTORS

This Section covers additional Prerequisites for Contractors that have been identified for procurement by the ELM. All Contractors must submit the information requested below. Pro-forma data sheets can be found in the Annexures or upon request from ELM. Bids will not be considered should the prerequisites not be met.

CRITERIA

- a) Should the contractor wish to sub contract any portion of the works, the contractor must submit details of subcontract together with names of subcontractor to the ELM.
- b) When Subcontracting to Non-HDI-owned companies, subcontracting will be restricted to a maximum of 25% of the total contract value.
- c) When Subcontracting to an HDI-owned Company, there will be a 50% restriction.
- d) If details of sub contract are not disclosed, the bid will be set aside.
- e) If the subcontracting firm has been involved with ELM previously and has performed poorly and/or has been involved in any irregular activities, the bid may be set aside.
- f) No Sub Contractors are to further sub contract any portion of the works without disclosing details to ELM for approval prior to commencement of works.
- g) Submit written proof of Joint Ventures - disclosing Joint Venture partnerships (Percentage or names or any other details required by ELM).
- h) The Company Composition of the subcontracting firm must be disclosed on the form attached as Annexure “I”.
- i) If a Company is registered with a Professional Body, a copy of such registration must be included in the Bid Document.
- j) All Contractors will be expected to adhere to the minimum requirements of the Occupational Health and Safety Act and the Labour Relations Act.

SECTION 10D
ADDITIONAL PREREQUISITES FOR
CONTRACTS ABOVE R10 MILLION

If the value of the transaction is expected to exceed R10 million (VAT Included), bidders are required to furnish –

- (i) if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements –
 - (a) for the past three years; or
 - (b) since their establishment of established during the past three years;
- (ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;
- (iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;
- (iv) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality is expected to be transferred out of the Republic.

CHAPTER 11

EVALUATION STRUCTURES AND CRITERIA

This Chapter covers the criteria ELM will use to evaluate and adjudicate bids by means of a points scoring system. The points scoring system will vary for different types of contracts. Separate points and factors have been developed for procuring goods and services, plant hire contractors, contractors and consultants.

SECTION 11A

COMMITTEE SYSTEM FOR AWARDING OF COMPETATIVE BIDS

1. This supply chain management policy provides for –
 - (a) a committee system for competitive bids consisting of at least –
 - (i) a bid specification committee
 - (ii) a bid evaluation committee
 - (iii) a bid adjudication committee;
 - (b) the appointment by the accounting officer of the members of each committee, taking into account section 117 of the Act; and
2. The committee system is consistent with –
 - (a) regulations 27, 28 and 29 of the Supply Chain Regulations; and
 - (b) any other applicable legislation.
3. This supply chain management policy allows the accounting officer to apply the committee system to formal written price quotations.

BID SPESIFICATION COMMITTEE

1. The bid specification committee must compile the specifications for each procurement of goods or services by the municipality.
2. Specifications –
 - (a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
 - (b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
 - (c) where possible, be described in terms of performance required rather than in terms

- of descriptive characteristics for design;
 - (d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification;
 - (e) may not make reference to any particular trade mark, name, patent design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the words “equivalent”;
 - (f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the supply chain management policy of the municipality;
 - (g) must be approved by the accounting officer prior to publication of the invitation for bids in terms of regulation 22.
3. The bid specification committee must be composed of one or more officials of the municipality, preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisors.
 4. No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.

BID EVALUATION COMMITTEE

1. The bid evaluation committee must –
 - (a) evaluate bids in accordance with –
 - (i) the specifications for a specific procurement; and
 - (ii) the points system as must be set out in the supply chain management policy of the municipality in terms of regulation 27(2)(f) and as prescribed in terms of the Preferential Procurement Policy Framework Act;
 - (b) evaluate each bidder’s ability to execute the contract;
 - (c) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears; and
 - (d) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.
2. The bid evaluation committee must as far as possible be composed of –
 - (a) officials from departments requiring the goods or services; and
 - (b) at least one supply chain management practitioner of the municipality.

BID ADJUDICATION COMMITTEE

1. The bid adjudication committee must –
 - (a) consider the report and recommendations of the bid evaluation committee; and
 - (b) either –
 - (i) depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award or
 - (ii) make another recommendation to the accounting officer how to proceed with the relevant procurement.
2. The bid adjudication committee must consist of at least four senior managers of the municipality which must include –
 - (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;
 - (ii) at least one senior supply chain management practitioner who is an official of the municipality;
 - (iii) a technical expert in the relevant field who is an official of the municipality, if the municipality has such an expert.
3. The accounting officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.
4. Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.
5. (a) If a 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 a not in arrears; and
 - (ii) notify the accounting offer.
- (b) The accounting officer may –
 - (i) after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in paragraph (a); and
 - (ii) if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee

for reconsideration.

6. The accounting officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.
7. The accounting officer must comply with section 114 of the Act within 10 working days.

SECTION 12B AWARDING OF BIDS

This Section introduces the points scoring system, which varies for different types of contracts. Separate points systems have been developed for procuring goods and services, plant hire contractors, contractors and consultants.

METHODOLOGY

The bid obtaining the highest amount of points will be awarded the Contract. Notwithstanding, a contract may be awarded to a bidder that did not score the highest number of points if there are reasonable and justifiable grounds for doing so, including the accomplishment of empowerment goals as stated in Chapter 2. Certain bids may not be considered based on the following extenuating circumstances:

- a) False representation within a bid
- b) Bidders involved in criminal activities
- c) Bidders listed by the ELM for previous poor performance
- d) Any other irregularities

SERVICE PROVIDER PERFORMANCE

The ELM will monitor the Performance of a Service Provider. Performance will be used as one of the criterion to assist ELM with the distribution when procuring services. A Service Providers name will be placed on a list labelled “Poor Performing Service Providers” when service providers fail to complete projects on time, within budget and to the required standard of the ELM or its duly appointed representative. Consideration will be given to “Poor Performing Service Providers” where poor performance has been due to poor support especially in relation to HDI’s. Depending on the reason for poor performance, service providers would be placed on the “Poor Performing Service Providers” list for a period of at least one year.

SECTION 12C POINT SCORING SYSTEM

This Section introduces the points scoring system, which varies for different types of contracts. Separate points systems have been developed for procuring goods and services, plant hire contractors, contractors and consultants.

EVALUATION PROCESS OVERVIEW

There are two types of project categories, namely projects with a rand value equal to, or above R 30 000 and up to a rand value of R 500 000 and those that are greater than R500 000, for which the criterion are listed below. The Methodology for awarding in the event of equal points is expanded below along with the Maximum Adjudication Points.

METHODOLOGY

- (a) Points scored will be rounded off to two decimal places.

Should the equity ownership and control points score be equal, the bid will be awarded on a equitable distribution basis to the tenderer who has done the least work for the ELM in the past. Subject to a good rating by Council, points will be allocated for the following criteria:

POINTS TABLE SUMMARY	
COST	
EQUITY OWNERSHIP AND CONTROL	
HUMAN RESOURCE DEVELOPMENT	

INDIRECT EMPOWERMENT	CRITERIA	PROJECT CATEGORY		
		POINTS FOR PROJECTS >R500 000	POINTS FOR PROJECTS <R500 000	
	Project/Service Costs	90	80	
LOCAL IND./ENTERPRISE	% owned by HDI's	2.0	6	
TOTAL ADJUDICATION POINTS	% owned by disabled persons	0.5	1	of the above
	% owned by women	1.2	2	
	% HDI's in executive management/and or executive board and board committees	1.3	4	
	% of HDI's as a proportion of total workforce	0.6	1	
1. POINTS AWARDED	Skills development expenditure as a proportion(%) of total payroll	0.6	1	
A method must be used to assess bids that do not qualify for points. Those bids that have not been realistically priced will be calculated as 0 points.	Procurement from HDI owned and empowered enterprises as a proportion(%) of total procurement	1.6	3	those that have no bids
	% of this contract that will be sub-contracted to a HDI-owned Enterprise	1.2	0	
METHODOLOGY	Local individual resident or enterprise	1.0	2	
	MAXIMUM POINTS	100	100	
FUNCTIONALITY	During the assessment and adjudication of bids, functionality will be considered, but no points will be allocated.			
FORMULA	Points for Cost of Work = POINTS x (1 - (T - T ₁) / T ₁)			
	Where T ₁	=	The lowest responsive bid which is realistically priced	
	and T	=	The price of the bid under consideration	

2. POINTS AWARDED FOR EQUITY OWNERSHIP AND CONTROL

The bids must fully completed and Annexure H submitted, which covers the HDI's (Historically Disadvantaged Individuals) Status and/or Equity ownership and control Declaration form to qualify for points under this section. Failure to do so will result in no points being allocated. The onus is on the bidder to disclose full details of their HDI's /Equity ownership and control status. For Maximum points, the company must be 100% HDI owned.

METHODOLOGY	<p>Points for equity ownership and control of HDI's within the enterprise will be awarded on the following basis :</p> <ul style="list-style-type: none"> • Contract value less than or = to R500 000 Max points 10 • Contract value greater than R500 000 Max points 5
FORMULA	<p>Number of points awarded = POINTS x (% HDI's / 100)</p> <p>Where % HDI's stands for the percentage of equity ownership and management by HDI's in a company.</p>

CHANGES OF EQUITY OWNERSHIP AND CONTROL

In the event that the HDI's/Equity ownership and control status changing prior to award or during the contract, the bidder must submit changes to ELM in writing for evaluation and consideration. The outcome may result in ELM cancelling the contractor and/or imposing penalties on the tenderer. The sanction will be decided based on information submitted to ELM for consideration.

3. POINTS AWARDED FOR HUMAN RESOURCE DEVELOPMENT

The bids must fully completed and Annexure I submitted, which covers the Human Resource Development Status form to qualify for points under this section. Failure to do so will result in no points being allocated. The onus is on the tenderer to disclose full details of their Human Resource and Development status. For Maximum points, the company must reflect 100% employment equity and skills development initiatives. 50% for employment equity and 50% skills development.

METHODOLOGY	<p>Points for human resource development on the following basis:</p> <ul style="list-style-type: none"> • Contract value less than or equal to R500 000 Max points 3 • Contract value greater than R500 000 Max points 1.2
FORMULA	<p>Number of points awarded = POINTS x (%HRD / 100%)</p> <p>Where %HRD stands for the percentage of HDI's as a proportion (%) of total workforce and skills development expenditure as proportion (%) of total payroll. Points scored are limited to the maximum values shown above.</p>

CHANGES OF HUMAN RESOURCE DEVELOPMENT

In the event that the Human Resource Development status of the company/bidder changing prior to award or during the contract, the bidder must submit changes to ELM in writing for evaluation and consideration. The outcome may result in cancelling the contract and/or imposing penalties on the tenderer. The sanction will be decided based on information submitted to ELM for consideration.

4. POINTS AWARDED FOR INDIRECT EMPOWERMENT

The bids must fully completed and Annexure J submitted, which covers the Indirect Empowerment Status form to qualify for points under this section. Failure to do so will result in no points being allocated. The onus is on the bidder to disclose full details of their Indirect Empowerment status. For Maximum points, the company must reflect 100% procurement from black owned and empowered enterprises.

METHODOLOGY	<p>Points for indirect empowerment will be awarded on the following basis:</p> <ul style="list-style-type: none"> • Contract value less than R500 000 or equal to Max points 4 • Contract value greater than R500 000 Max points 2.8
FORMULA	<p>Number of points awarded = POINTS x (%IE / 100%)</p> <p>Where %IE stands for the percentage procurement from HDI-owned and empowered enterprises as a proportion of total procurement and percentage of this contract that will be sub-contracted to a HDI-owned Enterprise. Points scored are limited to the maximum values shown above.</p>

CHANGES OF INDIRECT EMPOWERMENT

In the event that the Indirect Empowerment status of the company/bidder changing prior to award or during the contract, the bidder must submit changes to ELM in writing for evaluation and consideration. The outcome may result in cancelling the contract and/or imposing penalties on the bidder. The sanction will be decided based on information submitted to ELM for consideration.

5. POINTS AWARDED FOR LOCAL INDIVIDUALS OR ENTERPRISES

The bids must fully complete and Annexure K submitted, which covers the local individuals and enterprises status form to qualify for points under this section. Failure to do so will result in no points being allocated. The onus is on the bidder to disclose full details of their local individual or enterprise status. For Maximum points, the company must reflect 100% local individual or enterprise status.

METHODOLOGY	<p>Points for local individuals or enterprises will be awarded on the following basis:</p> <ul style="list-style-type: none"> • Contract value less than R500 000 or equal to Max points 3 • Contract value greater than R500 000 Max points 1
FORMULA	<p>Number of points awarded = POINTS x (%LIE / 100%)</p> <p>Where %LIE stands for the percentage local individual or enterprise. Points scored are limited to the maximum values shown above.</p>

6. CHANGES IN STATUS AS LOCAL INDIVIDUAL OR ENTERPRISE

In the event that the status as Local Individual or Enterprise of the company/bidder changing prior to award or during the contract, the bidder must submit changes to ELM in writing for evaluation and consideration. The outcome may result in cancelling the contract and/or imposing penalties on the bidder. The sanction will be decided based on information submitted to ELM for consideration.

OTHER FACTORS TO BE CONSIDERED UNDER POINTS SCORING SYSTEM

Due to the complexity in the allocation of points to the procuring of Goods & Services, Professional Services, Plant Hire Services and Contractors; a separate section has been developed to assist ELM in taking this type of service procurement into account. Separate point scoring systems have been developed for procuring goods and services, plant hire services, contractors and professional services.

The other factors total will be added to the overall points total, as determined by the PPPF ACT, 2000.

	<p>social responsibility policy and service time frame will be awarded on the following basis :</p> <ul style="list-style-type: none"> Contract value less than or equal to R 500 000 Max points 7 Contract value greater than R 500 000 Max points 5 <p>The breakdown of how these points are calculated are further explained under the following pages</p>																																																			
	<p>POINT SCORING FOR PROFESSIONAL SERVICES < R 500 000 = 80/20 SYSTEM</p> <table border="1" data-bbox="577 591 995 1111"> <thead> <tr> <th colspan="2">DESCRIPTION</th> <th>Points</th> </tr> </thead> <tbody> <tr> <td>a</td> <td>Price</td> <td>80</td> </tr> <tr> <td>b</td> <td>Equity ownership and control</td> <td>13</td> </tr> <tr> <td>c1</td> <td>Bursaries to HDI's</td> <td>1</td> </tr> <tr> <td>c2</td> <td>No. of HDI's Employed</td> <td>3</td> </tr> <tr> <td>c3</td> <td>No. of HDI's receiving Mentorship</td> <td>1</td> </tr> <tr> <td>c4</td> <td>Time frame to provide service</td> <td>2</td> </tr> <tr> <td colspan="2">TOTAL No of POINTS</td> <td>100</td> </tr> </tbody> </table>		DESCRIPTION		Points	a	Price	80	b	Equity ownership and control	13	c1	Bursaries to HDI's	1	c2	No. of HDI's Employed	3	c3	No. of HDI's receiving Mentorship	1	c4	Time frame to provide service	2	TOTAL No of POINTS		100	<p>POINT SCORING FOR PROFESSIONAL SERVICES > R 500 000 = 90/10 SYSTEM</p> <table border="1" data-bbox="1027 591 1445 1111"> <thead> <tr> <th colspan="2">DESCRIPTION</th> <th>Points</th> </tr> </thead> <tbody> <tr> <td>a</td> <td>Price</td> <td>90</td> </tr> <tr> <td>b</td> <td>Equity ownership and control</td> <td>5</td> </tr> <tr> <td>c1</td> <td>Bursaries to HDI's</td> <td>0.75</td> </tr> <tr> <td>c2</td> <td>No. of HDI's Employed</td> <td>1.75</td> </tr> <tr> <td>c3</td> <td>No. of HDI's receiving Mentorship</td> <td>0.75</td> </tr> <tr> <td>c4</td> <td>Time frame to provide service</td> <td>1.75</td> </tr> <tr> <td colspan="2">TOTAL No of POINTS</td> <td>100</td> </tr> </tbody> </table>		DESCRIPTION		Points	a	Price	90	b	Equity ownership and control	5	c1	Bursaries to HDI's	0.75	c2	No. of HDI's Employed	1.75	c3	No. of HDI's receiving Mentorship	0.75	c4	Time frame to provide service	1.75	TOTAL No of POINTS		100
DESCRIPTION		Points																																																		
a	Price	80																																																		
b	Equity ownership and control	13																																																		
c1	Bursaries to HDI's	1																																																		
c2	No. of HDI's Employed	3																																																		
c3	No. of HDI's receiving Mentorship	1																																																		
c4	Time frame to provide service	2																																																		
TOTAL No of POINTS		100																																																		
DESCRIPTION		Points																																																		
a	Price	90																																																		
b	Equity ownership and control	5																																																		
c1	Bursaries to HDI's	0.75																																																		
c2	No. of HDI's Employed	1.75																																																		
c3	No. of HDI's receiving Mentorship	0.75																																																		
c4	Time frame to provide service	1.75																																																		
TOTAL No of POINTS		100																																																		

BURSARIES TO HISTORICALLY DISADVANTAGED INDIVIDUALS

This section explains how ELM will allocate points for Professional Service Providers who are making a concerted effort in supporting/assisting previously disadvantaged individuals by means of bursaries. In this way ELM can reward those Professional Service Providers by giving them an advantage over other Professional Service Providers who are not awarding bursaries to HDI's. The Professional Service Providers' social responsibility policy is limited to the office located in the ELM area of jurisdiction. Where the Professional Service Provider has no office within the ELM area, the policy will be limited to the office from where the work under consideration will be done.

METHODOLOGY	Points will be awarded to Professional Service Providers' for bursaries offered to HDI's who attend universities or technikons in the following manner:
--------------------	---

	<ul style="list-style-type: none"> • Contract value less than or equal to R500 000 Max points 1 • Contract value greater than R500 000 Max points 0.75
FORMULA	<p>Number of points awarded = Max. Points x (1 – (B1 – B) / B1)</p> <p>Where B = ((UB x 1.5) + (TB x 1)) / TS</p> <p>UB = Number of university bursaries to HDI's</p> <p>TB = Number of technikon bursaries to HDI's</p> <p>TS = Total number of staff (permanent and contract employees)</p> <p>B = Bursary factor of bid under consideration</p> <p>B1 = Highest bursary factor offered for the bid in consideration</p>

CHANGES TO HISTORICALLY DISADVANTAGED INDIVIDUALS BURSARY STATUS

In the event that the Bursary to HDI'S changes prior to award or during the contract, the Professional Service Provider must submit changes to ELM in writing for evaluation and consideration. The outcome may result in ELM cancelling the contract and/or imposing penalties on the Professional Service Provider. The sanction will be decided based on information submitted to ELM for consideration.

ENFORCEMENT OF SOCIAL RESPONSIBILITY

Annexure K and O should be duly completed and Emalahleni Municipality reserves the right to verify whether or not the information submitted by professional service providers are correct and if the application of such bursary schemes is being adhered to.

EMPLOYMENT OF HISTORICALLY DISADVANTAGED INDIVIDUALS

This section explains how ELM will allocate points to Professional Service Providers' that are making a concerted effort to employ Historically Disadvantaged Individuals within their

organization. In this way ELM can reward those Professional Service Providers' by giving them an advantage over other Professional Service Providers' who are not addressing HDI's employment. The Professional Service Providers' social responsibility policy is limited to the office located in the ELM area of jurisdiction. Where the Professional Service Provider has no office within the ELM area, the policy will be limited to the office from where the work under consideration will be done.

<p style="text-align: center;">METHODOLOGY</p>	<p>Points will be awarded for the number of HDI's employed by Professional Service Providers' in the following manner:</p> <ul style="list-style-type: none"> • Contract value less than R500 000 or equal to Max points 3 • Contract value greater than R500 000 Max points 1.75
<p style="text-align: center;">FORMULA</p>	<p>Number of points awarded = Max. Points x (PDE / TPS) Where PDE = ((PDME x 2) + (PDTE x 1.5) + (PDPE x 1.2) + (PDUS x 1)) / TPS</p> <p>PDE = HDI's employment factor PDME = Number of HDI's in middle and senior management positions PDTE = Number of HDI's in technical or junior management positions PDPE = Number of HDI's in production positions PDUS = Number of Historically Disadvantaged Individuals in utility positions TPS = Total number of permanent staff employed by Professional Service Providers.</p> <p>Points are limited to the maximum values as reflected for the respective contract values.</p>

CHANGES TO HISTORICALLY DISADVANTAGED INDIVIDUALS EMPLOYMENT STATUS

In the event that the Employment status of HDI’s changes prior to awarding or during the contract, the Professional Service Provider must submit changes to ELM in writing for evaluation and consideration. The outcome may result in ELM cancelling the contract and/or imposing penalties on the Professional Service Provider. The sanction will be decided based on information submitted to ELM for consideration.

MENTORSHIP OF HISTORICALLY DISADVANTAGED INDIVIDUALS

This section explains how ELM will allocate points to Professional Service Providers’ that are making a concerted effort mentoring HDI’s. In this way ELM can reward those Professional Service Providers’ by giving them an advantage over other Professional Service Providers’ who are not mentoring HDI’s. The Professional Service Provider’s social responsibility policy is limited to the office located in the ELM area of jurisdiction. Where the Professional Service Provider has no office within the ELM area, the policy will be limited to the office from where the work under consideration will be done.

<p>METHODOLOGY</p>	<p>Points will be awarded to Professional Service Providers’ for mentorship offered to HDI’s who attend universities or technicons in the following manner:</p> <ul style="list-style-type: none"> • Contract value less than or equal to R500 000 Max points 1 • Contract value greater than R500 000 Max points 0.75
<p>FORMULA</p>	<p>Number of points awarded = Max. Points x (1 – (M1 – M) / M1)</p> <p>Where B = ((UM x 1.5) + (TM x 1)) / TS</p>

UM	=	Number of HDI's individuals university students under mentorship
TB	=	Number of HDI's technicon students under mentorship
TS	=	Total number of staff (permanent and contract employees)
M	=	Mentorship factor of bid under consideration
M1	=	Highest mentorship factor offered for the bid under Consideration.

CHANGES TO MENTORSHIP OF HISTORICALLY DISADVANTAGED INDIVIDUALS STATUS

In the event that the Mentorship of HDI'S changes prior to award or during the contract, the Professional Service Provider must submit changes to ELM in writing for evaluation and consideration. The outcome may result in ELM cancelling the contract and/or imposing penalties on the Professional Service Provider. The sanction will be decided based on information submitted to ELM for consideration.

ENFORCEMENT OF SOCIAL RESPONSIBILITY

Annexure N should be duly completed and Emalahleni Municipality reserves the right to verify whether or not the information submitted by professional service providers are correct and if the application of such mentorship programs is being adhered to.

TIME FRAME TO PROVIDE SERVICE

This section explains how ELM will allocate points to Professional Service Providers' that provide the service within the stipulated time frames. In this way ELM can reward those Professional Service Providers' by giving them an advantage over other Professional Service Providers' who do not meet agreed time frames to provide the service.

METHODOLOGY	<p>Points for cost are allocated on the following basis:</p> <ul style="list-style-type: none"> • Contract value less than or equal to R500 000 Max points 2 • Contract value greater than R500 000 Max points 1.75
FORMULA	<p>Points for Cost of Work = POINTS x (1 - (TF - TF₁) / TF₁)</p> <p>Where:</p> <p>TF₁ = The shortest realistic time frame offered from a responsive bid</p> <p>TF = The time frame of the bid under consideration.</p>

CHANGES TO AGREED TIME FRAMES

In the event that the agreed times frames are to be altered prior to awarding or during the contract, the Professional Service Provider must submit changes to ELM in writing for evaluation and consideration. The outcome may result in ELM cancelling the contract and/or imposing penalties on the consultant. The sanction will be decided based on information submitted to ELM for consideration.

PLANT HIRE SERVICES

Due to the high capital costs required to establish a Plant Hire company and the problems encountered with the poor performance of old plant, the main factor under consideration is age of plant. HDI's status and joint ventures have been taken into account in the Previous Section. The Plant Hire bids social responsibility policy is limited to the office located in the ELM's area of jurisdiction.

METHODOLOGY	<p>The other factor points score for the procurement of earthworks machinery (plant hire) will depend on the age of the equipment. The maximum points that will be allocated for age of plant are shown below:</p> <ul style="list-style-type: none"> • Contract value less than or equal to R500 000 Max points 4 • Contract value greater than R500 000 Max points 2
FORMULA	<p>The breakdown of how these points are calculated are explained below</p> <p>Points will be allocated using the following formula:</p> <p>Points scored = $(1 - A^2/225) \times P$</p> <p>Where: A = age of plant in years P = maximum points depending on the value of the contract</p> <p>Where plant age is greater than 15 years no will be allocated for other factors.</p>
CHANGES TO PLANT LIST	<p>In the event that the Plant Hire Tenderer acquiring additional plant, prior to awarding or during the contract, the company must submit changes to ELM in writing indicating ownership and plant specification for evaluation and consideration. The outcome may result in ELM cancelling the contract and/or imposing penalties on the consultant. The sanction will be decided based on information submitted to ELM for consideration.</p>

POINT SCORING SYSTEMS	POINT SCORING FOR PLANT HIRE < R500 000 = 80/20 SYSTEM		POINT SCORING FOR PLANT HIRE > R500 000 = 90/10 SYSTEM	
	DESCRIPTION		DESCRIPTION	
			Points	
	a	Price	80	
	b	Equity ownership and control	13	
	c1	Bursaries to HDI's	1	
	c2	No. of HDI's Employed	1	
	c3	No. of HDI's receiving Mentorship	1	
	c4	Age of Plant	4	
	TOTAL No of POINTS		100	TOTAL No of POINTS
			100	

BURSARIES TO HISTORICALLY DISADVANTAGED INDIVIDUALS

This section explains how ELM will allocate points to Plant Hire bids that are making a concerted effort in supporting/assisting previously disadvantaged individuals by means of bursaries. In this way ELM can reward those Plant Hire bids by giving them an advantage over other Plant Hire bids who are not awarding bursaries to HDI's. The Plant Hire bids social responsibility policy is limited to the office located in the ELM area of jurisdiction. Where the Plant Hire bidder has no office within the ELM area, the policy will be limited to the office from where the work under consideration will be done.

Methodology	<p>Points will be awarded to Plant Hire bids for bursaries offered to HDI's who attend universities or technicons in the following manner:</p> <ul style="list-style-type: none"> • Contract value less than R500 000 or equal to Max points 1 • Contract value greater R500 000 Max points 1
--------------------	---

Formula	Number of points awarded = Max. Points x (1 – (B1 – B) / B1)		
	Where B	=	((UB x 1.5) + (TB x 1)) / TS
	UB	=	Number of university bursaries to HDI's
	TB	=	Number of technikon bursaries to HDI's
	TS	=	Total number of staff (permanent and contract employees)
	B	=	Bursary factor of bid under consideration
B1	=	Highest bursary factor offered for the bid in consideration	

CHANGES TO HISTORICALLY DISADVANTAGED INDIVIDUALS BURSARY STATUS

In the event that the Bursary to HDI's changes prior to award or during the contract, the Plant Hire tenderer must submit changes to ELM in writing for evaluation and consideration. The outcome may result in ELM cancelling the contract and/or imposing penalties on the Plant Hire bidder. The sanction will be decided based on information submitted to ELM for consideration.

EMPLOYMENT OF HISTORICALLY DISADVANTAGED INDIVIDUALS

This section explains on how ELM will allocate points for Plant Hire Bidders' that are making a concerted effort employing HDI's within their organisation. In this way ELM can reward those Plant Hire bids by giving them an advantage over other Plant Hire bids who are not addressing HDI's employment. The Plant Hire enterer's social responsibility policy is limited to the office located in the ELM area of jurisdiction. Where the Plant Hire bidder has no office within the ELM area, the policy will be limited to the office from where the work under consideration will be done.

METHODOLOGY	Points will be awarded for the number of HDI's employed by Plant Hire Bidders in the following manner:		
	• Contract value less than or equal to	R500 000 Max	1 points
	• Contract value greater than	R500 000 Max	1 points

FORMULA	Number of points awarded = Max. Points x (PDE / TPS) Where PDE = ((PDME x 2) + (PDTE x 1.5) + (PDPE x 1.2) + (PDUS x 1)) / TPS
	PDE = HDI's employment factor
	PDME = Number of HDI's in middle and senior management positions
	PDTE = Number of HDI's in technical or junior management positions
	PDPE = Number of HDI's in production positions
	PDUS = Number of HDI's in utility positions
	TPS = Total number of permanent staff employed by Plant Hire Companies
Points are limited to the maximum values as reflected for the respective contract values.	

CHANGES TO HISTORICALLY DISADVANTAGED INDIVIDUALS' EMPLOYMENT STATUS

In the event that the Employment status of HDI's changes prior to awarding or during the contract, the Plant Hire enterer's must submit changes to ELM in writing for evaluation and consideration. The outcome may result in ELM cancelling the contract and/or imposing penalties on the Plant Hire supplier. The sanction will be decided based on information submitted to ELM or consideration.

MENTORSHIP OF HISTORICALLY DISADVANTAGED INDIVIDUALS

This section explains how ELM will allocate points for Plant Hire Bidders who are making a concerted effort mentoring HDI's. In this way ELM can reward those Plant Hire bids by giving them an advantage over other Plant Hire bids who are not mentoring HDI's. The Plant Hire bids social responsibility policy is limited to the office located in the ELM area of jurisdiction. Where the Plant Hire bidder has no office within the ELM area, the policy will be limited to the office from where the work under consideration will be done.

METHODOLOGY	Points will be awarded to Plant Hire Bidders for mentorship offered to HDI's who attend universities or technikons in the following manner:
--------------------	---

	<ul style="list-style-type: none"> • Contract value less than or equal to R500 000 Max points 1 • Contract value greater than R500 000 Max points 1
FORMULA	<p>Number of points awarded = Max. Points x (1 – (M1 – M)/M1)</p> <p>Where B = ((UM x 1.5) + (TM x 1)) / TS</p> <p>UM = Number of HDI’s individuals university Students under mentorship</p> <p>TB = Number of HDI’s technician students under mentorship</p> <p>TS = Total number of staff (permanent and contract employees)</p> <p>M = Mentorship factor of bid under consideration</p> <p>M1 = Highest mentorship factor offered for the bid under consideration.</p>

CHANGES TO MENTORSHIP OF HISTORICALLY DISADVANTAGED INDIVIDUALS STATUS

In the event that the Mentorship of HDI’s changes prior to award or during the contract, the Plant Hire Bidder must submit changes to ELM in writing for evaluation and consideration. The outcome may result in ELM cancelling the contract and/or imposing penalties on the Plant Hire tenderer. The sanction will be decided based on information submitted to ELM for consideration.

GOODS AND SERVICES

The criteria to be utilized when awarding points for Goods and Services are after service care, timeframes and quality for Goods & Service to be provided.

METHODOLOGY	<p>For the procurement and acquisition of all goods and services other than Plant Hire Services, Professional Services and Construction, the factors to be considered are after service care, timeframes and quality will be used to obtain a points score. The total points score for goods and service procurement will be awarded on the following basis:</p> <ul style="list-style-type: none"> • Contract value less than R 500 000 or equal to Max points 7 • Contract value greater than R 500 000 Max points 5 <p>The breakdown of how these points are calculated are expanded under the following pages</p>																																																	
POINT SCORING SYSTEMS	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: left;">POINT SCORING FOR GOODS AND SERVICES < R1 000 000 = 80/20 SYSTEM</th> </tr> <tr> <th style="width: 5%;"></th> <th style="width: 85%;">DESCRIPTION</th> <th style="width: 10%;">Points</th> </tr> </thead> <tbody> <tr> <td>a</td> <td>Price</td> <td style="text-align: center;">80</td> </tr> <tr> <td>b</td> <td>Equity ownership and contr</td> <td style="text-align: center;">13</td> </tr> <tr> <td>c1</td> <td>After Service Care</td> <td style="text-align: center;">2</td> </tr> <tr> <td>c2</td> <td>Time Frame to Provide Goods/Service</td> <td style="text-align: center;">2</td> </tr> <tr> <td>c3</td> <td>Quality of Goods and Services</td> <td style="text-align: center;">3</td> </tr> <tr> <td colspan="2" style="text-align: right;">TOTAL No of POINTS</td> <td style="text-align: center;">100</td> </tr> </tbody> </table>	POINT SCORING FOR GOODS AND SERVICES < R1 000 000 = 80/20 SYSTEM				DESCRIPTION	Points	a	Price	80	b	Equity ownership and contr	13	c1	After Service Care	2	c2	Time Frame to Provide Goods/Service	2	c3	Quality of Goods and Services	3	TOTAL No of POINTS		100	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: left;">POINT SCORING FOR GOODS AND SERVICES > R1 000 000 = 90/10 SYSTEM</th> </tr> <tr> <th style="width: 5%;"></th> <th style="width: 85%;">DESCRIPTION</th> <th style="width: 10%;">Points</th> </tr> </thead> <tbody> <tr> <td>a</td> <td>Price</td> <td style="text-align: center;">90</td> </tr> <tr> <td>b</td> <td>Equity ownership and control</td> <td style="text-align: center;">5</td> </tr> <tr> <td>c1</td> <td>After Service Care</td> <td style="text-align: center;">1.67</td> </tr> <tr> <td>c2</td> <td>Time Frame to Provide Goods and Service</td> <td style="text-align: center;">1.66</td> </tr> <tr> <td>c3</td> <td>Quality of Goods and Services</td> <td style="text-align: center;">1.67</td> </tr> <tr> <td colspan="2" style="text-align: right;">TOTAL No of POINTS</td> <td style="text-align: center;">100</td> </tr> </tbody> </table>	POINT SCORING FOR GOODS AND SERVICES > R1 000 000 = 90/10 SYSTEM				DESCRIPTION	Points	a	Price	90	b	Equity ownership and control	5	c1	After Service Care	1.67	c2	Time Frame to Provide Goods and Service	1.66	c3	Quality of Goods and Services	1.67	TOTAL No of POINTS		100
POINT SCORING FOR GOODS AND SERVICES < R1 000 000 = 80/20 SYSTEM																																																		
	DESCRIPTION	Points																																																
a	Price	80																																																
b	Equity ownership and contr	13																																																
c1	After Service Care	2																																																
c2	Time Frame to Provide Goods/Service	2																																																
c3	Quality of Goods and Services	3																																																
TOTAL No of POINTS		100																																																
POINT SCORING FOR GOODS AND SERVICES > R1 000 000 = 90/10 SYSTEM																																																		
	DESCRIPTION	Points																																																
a	Price	90																																																
b	Equity ownership and control	5																																																
c1	After Service Care	1.67																																																
c2	Time Frame to Provide Goods and Service	1.66																																																
c3	Quality of Goods and Services	1.67																																																
TOTAL No of POINTS		100																																																

AFTER SERVICE CARE

This section explains how ELM will allocate points for Service Providers with a good track record in supplying Goods or Service to ELM. In this way ELM can reward those Goods & Service Providers by giving them an advantage over other Goods & Service Providers who are not offering/honouring warranties, guarantees and maintenance service contracts. The Goods & Service Providers' other factors is limited to the office located in the ELM area of jurisdiction. Where the Goods & Service Providers has no office within the ELM area, the policy will be limited to the office from where the work under consideration will be done.

METHODOLOGY	<p>After service care will be measured in terms of warranties, guarantees and maintenance service contracts where applicable. Points will be awarded as follows:</p> <ul style="list-style-type: none"> • Contract value less than R500 000 or equal to Max points 2 • Contract value greater than R500 000 Max points 1.67
FORMULA	<p>Points awarded as follows:</p> <p>Warranty / Guarantee / Maintenance Contract offered - ½ max. point Warranty / Guarantee / Maintenance Contract not offered - 0 points Local office in EDM area – 0.5 max. points Local office not in EDM area - 0 points</p>

CHANGES TO OFFICE LOCATION, WARRANTY, GUARANTEE STATUS

In the event that there are any changes to office location, warranty and guarantees of products and Services procured by ELM prior to award or during the Goods and Service procurement, the Supplier of the said Goods/Service must submit changes to ELM in writing for evaluation and consideration. The outcome may result in ELM cancelling the contract and/or imposing penalties on the consultant. The sanction will be decided based on information submitted to ELM for consideration.

TIME FRAME TO PROVIDE GOODS & SERVICES

This section explains how ELM will allocate points for Service Providers that provide/supply Goods or Services to ELM on time. In this way ELM can reward those Goods and Service Providers by giving them an advantage over other Goods and Service Providers who are not providing Goods and Services on time. The Goods and Service Providers' other factors is limited to the office located in the ELM's area of jurisdiction. Where the Goods and Service Providers have no office within the ELM area of jurisdiction, the policy will be limited to the office from where the work under consideration will be done.

METHODOLOGY	<p>Points for cost are allocated on the following basis:</p> <ul style="list-style-type: none"> • Contract value less than or equal to R500 000 Max points 2 • Contract value greater than R500 000 Max points 1.66
FORMULA	<p>Points for Cost of Work = POINTS x (1 - (TF - TF₁) / TF₁)</p> <p>Where:</p> <p>TF₁ = The shortest realistic time frame offered from a responsive bid</p> <p>TF = The time frame of the bid under consideration</p>

CHANGES TO AGREED TIME FRAMES

In the event that the Supplier of the Goods or Service is not be able to meet the time frames agreed upon at the time of procurement, the Supplier of the said Goods/Service must submit changes to ELM in writing for evaluation and consideration. The outcome may result in ELM cancelling the contract imposing penalties on the consultant. The sanction will be decided based on information submitted to ELM for consideration.

QUALITY OF GOODS & SERVICE

This section explains how ELM will allocate points to Service Providers for quality of Goods or Services provided to ELM. In this way ELM can reward those Goods and Service Providers by giving them an advantage over other Goods and Service Providers who are not supplying quality products / service contracts. The Goods and Service Providers' other factors is limited to the office located in the ELM s area of jurisdiction. Where the Goods and Service Providers have no office within the ELM area of jurisdiction, the policy will be limited to the office from where the work under consideration will be done.

METHODOLOGY	<p>Quality of goods and services will be measured in terms of the specified quality required where applicable. Points will be awarded as follows:</p> <ul style="list-style-type: none"> • Contract value less than R500 000 or equal to Max points 3 • Contract value greater R500 000 than Max points 1.67
FORMULA	<p>Points awarded as follows:</p> <p>Quality meets/exceeds/equivalent to specification - Max. points Quality is less than the required specification - 0 points</p>

CHANGES TO QUALITY OF GOODS/SERVICE

In the event that there are any changes to quality of products and services procured by ELM prior to award or during the Goods and Service procurement, the Supplier of the said Goods/Service must submit changes to ELM in writing for evaluation and consideration. The outcome may result in ELM cancelling the contract and/or imposing penalties on the consultant. The sanction will be decided based on information submitted to ELM for consideration.

CONTRACTORS – RDP/EXPANDED PUBLIC WORKS FACTORS

The social responsibility policy of a prospective Contractor will be considered utilizing the RDP/Expanded Public Works factors. During the tendering procedure these factors will be evaluated to obtain a point score. The social responsibility policy will be evaluated using the

three criteria of Labour Based Construction, Use of Local Labour and Personnel and Skills Transfer and Training.

<p>METHODOLOGY</p>	<p>For the procurement of contractors, the criteria of RDP factors will be used to obtain a points score for other factors. The total points score for contractor procurement will be awarded on the following basis :</p> <ul style="list-style-type: none"> • Contract value less than or equal to R500 000 Max points 7 • Contract value greater than R500 000 Max points 5 <p>The breakdown of how these points are calculated are explained below:</p> <p>Information provided should be as comprehensive as possible as the bidder's approach to this subject will be an important criterion in the bid adjudication process. Failure to provide the information could prejudice a bid.</p>																																																	
<p>POINT SCORING SYSTEMS</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: left;">POINT SCORING FOR CONTRACTORS < R1 000 000 = 80/20 SYSTEM</th> </tr> <tr> <th style="width: 5%;"></th> <th style="width: 85%;">DESCRIPTION</th> <th style="width: 10%;">Points</th> </tr> </thead> <tbody> <tr> <td>a</td> <td>Price</td> <td>80</td> </tr> <tr> <td>b</td> <td>Equity ownership & Contr.</td> <td>13</td> </tr> <tr> <td>c1</td> <td>Labour Based Construction</td> <td>2</td> </tr> <tr> <td>c2</td> <td>Use of Local Labour and Personnel</td> <td>3</td> </tr> <tr> <td>c3</td> <td>Transfer of Skills and Training</td> <td>2</td> </tr> <tr> <td></td> <td>TOTAL No of POINTS</td> <td>100</td> </tr> </tbody> </table>	POINT SCORING FOR CONTRACTORS < R1 000 000 = 80/20 SYSTEM				DESCRIPTION	Points	a	Price	80	b	Equity ownership & Contr.	13	c1	Labour Based Construction	2	c2	Use of Local Labour and Personnel	3	c3	Transfer of Skills and Training	2		TOTAL No of POINTS	100	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: left;">POINT SCORING FOR CONTRACTORS > R1 000 000 = 90/10 SYSTEM</th> </tr> <tr> <th style="width: 5%;"></th> <th style="width: 85%;">DESCRIPTION</th> <th style="width: 10%;">Points</th> </tr> </thead> <tbody> <tr> <td>a</td> <td>Price</td> <td>90</td> </tr> <tr> <td>b</td> <td>Equity ownership and control</td> <td>5</td> </tr> <tr> <td>c1</td> <td>Labour Based Construction</td> <td>1.5</td> </tr> <tr> <td>c2</td> <td>Use of Local Labour and Personnel</td> <td>2</td> </tr> <tr> <td>c3</td> <td>Transfer of Skills and Training</td> <td>1.5</td> </tr> <tr> <td></td> <td>TOTAL No of POINTS</td> <td>100</td> </tr> </tbody> </table>	POINT SCORING FOR CONTRACTORS > R1 000 000 = 90/10 SYSTEM				DESCRIPTION	Points	a	Price	90	b	Equity ownership and control	5	c1	Labour Based Construction	1.5	c2	Use of Local Labour and Personnel	2	c3	Transfer of Skills and Training	1.5		TOTAL No of POINTS	100
POINT SCORING FOR CONTRACTORS < R1 000 000 = 80/20 SYSTEM																																																		
	DESCRIPTION	Points																																																
a	Price	80																																																
b	Equity ownership & Contr.	13																																																
c1	Labour Based Construction	2																																																
c2	Use of Local Labour and Personnel	3																																																
c3	Transfer of Skills and Training	2																																																
	TOTAL No of POINTS	100																																																
POINT SCORING FOR CONTRACTORS > R1 000 000 = 90/10 SYSTEM																																																		
	DESCRIPTION	Points																																																
a	Price	90																																																
b	Equity ownership and control	5																																																
c1	Labour Based Construction	1.5																																																
c2	Use of Local Labour and Personnel	2																																																
c3	Transfer of Skills and Training	1.5																																																
	TOTAL No of POINTS	100																																																

LABOUR BASED CONSTRUCTION

This section explains how ELM will allocate points for RDP Labour Based Construction. In this way ELM can reward those Contractors for providing work for locals, thus giving them an advantage over other Contractors who are not offering Labour Based contracts.

METHODOLOGY	<p>Points for labour based construction will be awarded on the following basis:</p> <ul style="list-style-type: none"> Contract value less than or equal to R 500 000 Max points - 2 Contract value greater than R 500 000 Max points – 1.5 <p>Bidders are to state the items and values of the work that will be done by labour based construction methods.</p> <p>The value thereof will be expressed as a percentage of the maximum labour-based content, which is estimated at 30% of the net contract value multiplied by the maximum points. The points for this factor are limited to the maximum above.</p>
--------------------	---

FORMULA	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #cccccc;"> <th colspan="5" style="text-align: center;">LABOUR BASED CONSTRUCTION</th> </tr> <tr> <th style="text-align: center;">ITEM Nod 's</th> <th style="text-align: center;">DESCRIPTION</th> <th style="text-align: center;">VALUE OF WORK</th> <th style="text-align: center;">VALUE OF LABOUR PORTION</th> <th style="text-align: center;">% OF CONTRACT VALUE</th> </tr> <tr> <th style="text-align: center;">(a)</th> <th style="text-align: center;">(b)</th> <th style="text-align: center;">(c)</th> <th style="text-align: center;">(d)</th> <th style="text-align: center;">(e)</th> </tr> </thead> <tbody> <tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr> <td colspan="4" style="text-align: right;">TOTAL %</td> <td> </td> </tr> <tr> <td colspan="5"> POINTS ALLOCATED = $\frac{\text{Total column (e) in \%} \times \text{Max. Points}}{30\% \text{ net contract value}}$ </td> </tr> </tbody> </table> <p>(a) Item number from the Schedule of Quantities e.g. 17.01. (b) Description of Schedule of Quantities e.g. “Clearing” (c) Value of Work – This is the amount in the Schedule of Quantities under the ‘Amount’ Column. (d) Value of labour portion – i.e. the amount of wages to be paid out for this task e.g. R1500. (e) The amount in (d) divided by the total amount on the Summary Page of the Schedule of Quantities excluding VAT and Contingencies.</p> <p>Points Allocated = Total in Column (e) expressed in percentage e.g. 25% divided by the labour percentage target and multiplied</p>	LABOUR BASED CONSTRUCTION					ITEM Nod 's	DESCRIPTION	VALUE OF WORK	VALUE OF LABOUR PORTION	% OF CONTRACT VALUE	(a)	(b)	(c)	(d)	(e)																										TOTAL %					POINTS ALLOCATED = $\frac{\text{Total column (e) in \%} \times \text{Max. Points}}{30\% \text{ net contract value}}$				
LABOUR BASED CONSTRUCTION																																																			
ITEM Nod 's	DESCRIPTION	VALUE OF WORK	VALUE OF LABOUR PORTION	% OF CONTRACT VALUE																																															
(a)	(b)	(c)	(d)	(e)																																															
TOTAL %																																																			
POINTS ALLOCATED = $\frac{\text{Total column (e) in \%} \times \text{Max. Points}}{30\% \text{ net contract value}}$																																																			

	by the maximum points for this target is 2 points or 0.67 points.
--	---

CHANGES TO LABOUR BASED PORTION OF CONTRACT

In the event that there are any changes to the information supplied in the table above to calculate the points for Labour Based portion of work procured by ELM prior to award or during the Contract, the Contractor must immediately submit changes to ELM in writing for evaluation and consideration. The outcome may result in ELM cancelling the contract and/or imposing penalties on the consultant/contractor. The sanction will be decided based on information submitted to ELM for consideration.

USE OF LOCAL LABOUR & PERSONNEL

This section explains how ELM will allocate points for Contractors making use of Local Labour and Personnel for the Contract. In this way ELM can reward those Contractors for employing locals, thus giving them an advantage over other Contractors who are not offering Local Labour Employment for the contract.

METHODOLOG Y	Points for use of local labour and personnel will be awarded on the following basis : For all categories of work not to be sub-contracted to local small Contractors bids are to indicate the number and categories of local people to be employed on this contract.
-------------------------	---

LOCAL LABOUR AND PERSONNEL			
Category	Local Labour	Non-Local Labour & Personnel	Total Labour & Personnel Requirement
	(a) number	(b) number	(c) number
Labourer's			
Artisans			
Management			

FORMULA

(a) Bidders should indicate the total number of labourer's, artisans and management staff that will be employed from the local community. Where the labour is rotated, this figure should be the total number of individuals that will be employed for each category.

(b) Bidders should indicate the total number of labourer's, artisans and management staff that will be employed who are not from the local municipality, i.e. who are permanent staff or who are employed from elsewhere for the purpose of the contract.

(c) This column should contain the totals of (a) and (b) for each category, i.e. labourer's, artisans and management staff. The total for column (c) should be the same as the total number of people employed on the contract.
Points Allocated = Total in Column (a) divided by the labour percentage target and multiplied by the maximum points for this target, e.g. 2 points or 0.66 points.

CHANGES TO LOCAL LABOUR EMPLOYED ON CONTRACT

In the event that there are any changes to the information supplied in the table above to calculate the points for Local Labour Employed to contract procured by ELM prior to award or during the Contract, the Contractor must immediately submit changes to EDM in writing for evaluation and consideration. The outcome may result in ELM cancelling the contract and/or imposing penalties on the consultant. The sanction will be decided based on information submitted to ELM for consideration.

TRANSFER OF SKILLS & TRAINING

This section expands on how ELM will allocate points for Contractors transferring skills and training to Local Labour & Personnel for the Contract. In this way ELM can reward those Contractors for transferring skills and training, thus giving them an advantage over other Contractors who are not offering skills transfer and training to local labour employed for the contract.

<p style="text-align: center;">METHODOLOGY</p>	<p>Points for use of transfer of skills and training will be awarded on the following basis :</p> <ul style="list-style-type: none"> • Contract value less than R500 000 Max points 2 • Contract value greater than R500 000 Max points .5 <p>Bidders are to state the categories of training to be provided and the numbers of people to be trained in each category in the table below.</p> <p><u>NB:</u> The training is to be provided <i>via</i> an approved training body/or institution. The Contractor will be required to maintain a register of training given and the recipients of the training are to sign the register certifying that such training has been done.</p>
<p>FORMULA</p>	

TRAINING OF LABOUR AND PERSONNEL						
CATEGORY	NO OF PERSONS	POINTS PER PERSON		MAXIMUM POINTS		POINTS ALLOCATED
	(a)	(b)		(c)		(d)
LABOURERS		0,02 5	0.01 7	0,5	0.17	
ARTISANS		0,1	0.01 7	0,5	0.17	
MANAGEMENT		0,10	0.03 3	1	0.33	
POINT SCORING SYSTEM		2	0.67	2	0.67	
TOTAL POINTS ADDED (Limited to Maximum Points)						
(a) Bidders should indicate the total number of labourer's, artisans and management staff that will be trained in a specific task from the local community. Only training by an approved training body will be accepted towards achieving the procurement targets.						
(b) The maximum points per person.						
(c) The maximum points per category.						
(d) Points allocated per category (value in (d)) will be the number of persons to be trained in (a) multiplied by the points per person (b). The maximum points per category are indicated in (c).						
Points Allocated = The total score for training will be the total of column (d). The maximum score for this section is 2 points or 0.67 points.						

CHANGES TO LABOUR IDENTIFIED FOR SKILLS TRANSFER AND TRAINING

In the event that there are any changes to the information supplied in the table above to calculate the points for Transfer of Skills and Training of Local Labour to the contract procured by ELM prior to award or during the Contract, the Contractor must immediately submit changes to ELM in writing for evaluation and consideration. The outcome may result in ELM cancelling the contract and/or imposing penalties on the contractor. The sanction will be decided based on information submitted to ELM for consideration.

ANNEXURES

Annexures A to N is typical annexures applicable to all ELM bids and contracts. Information required may vary in detail depending on the nature of the procurement. Cognisance should be taken of additional standard annexures relevant to particular types of bids and contracts that have not been included in this policy. Please ensure that all relevant annexures attached to the bid documents are thoroughly completed.

IN THE ANNEXURES	ANNEXURE	TITLE
	A	Scheduled definitions of Medium, Small, Very Small and Micro enterprises as per National Small Business Act, 1996
	B	Submission of Good Standing Certificates Regarding Tax and Levies
	C	Past Experience
	D	Company Details
	E	Joint Venture Disclosure Form
	F	Declaration Of Interests
	G	Declaration
	H	Company Composition
	I	Human Resource Development
	J	Indirect Empowerment
	K	Local Individuals and Enterprises
	L	Tender Check List
	M	Employment / Job Creation
N	Social Responsibility	

CHAPTER 12 PROFESSIONAL SERVICE PROVIDER ROSTER SYSTEM

12.1 PREAMBLE

As part of transformation and black economic empowerment through strategic targeted procurement methods the Roster System is introduced to further enhance the objectives and goals as set out the ELM Supply Chain Management policy.

The Roster is introduced to meet the following principles and objectives:

- To enable historically disadvantaged companies/firms to obtain assignments/contracts with ELM and thereby develop their experience and capacity.
- To encourage well established firms to transform and promote black economic empowerment.
- To ensure that projects for which the Municipality is responsible is executed to acceptable standards and norms.
- To ensure that the system of rotation and appointment of Professional Service Providers (PSP's) is thorough, equitable, fair, transparent and is monitored to avoid manipulation or unfair practices.

This Roster is being implemented as a pilot for a period of no longer than one year or as circumstances may dictate after which an evaluation of the operation of the Roster will be assessed to determine whether it is achieving its objectives. If at any stage it transpires that the Roster is not functioning satisfactorily, consideration will be given to modifying the system to remedy the shortcomings.

The Roster as set out in this document is consistent with National Legislation, policies and practices pertaining to Public Sector Procurement.

12.2 SCOPE

This document establishes the general principles and procedures for the establishment of a Roster System in support of a Preferential Supply Chain Management policy for statutory tariff-based appointments of PSP's for:

All projects where the total project value does not exceed R200 000 including Value Added Tax.

Where projects exceed R200 000, Professional Service Providers will be appointed through the bid procedures of the Emalahleni Municipality.

All references to fees in this document are inclusive of VAT.

12.3 APPLICATION

PSP's will be invited via the Media to make application for admission to the Roster.

All applications received must meet the General Prerequisites for PSP's as listed in ELM Supply Chain Management policy.

A report will be submitted to the ELM Bid committee reflecting all the applications received in which all PSP's will be described in terms of the following:

- Equity Ownership/ shareholding (HDI Status)
- Gender composition of company
- Experience
- Expertise

- Percentage of HDI's in management positions
- Percentage of HDI's employed
- Percentage of HDI's receiving bursaries
- Percentage of HDI's in mentorship programs
- Company registration
- Black Economic Empowerment (BEE) Strategy/Transformation Strategies
- Disability/physically challenged

Based on a point scoring system attached as **Annexure "O"**, PSP's will be placed on the Roster in a preferential order in such a manner that all Preferred Firms are positioned at the top of the Roster. The Bid committee will decide on the position of firms on the roster based on the scoring system.

PSP's added to the Roster after the initial randomization will be placed at the bottom of the Roster.

When departments require the appointment of a PSP a written submission detailing the nature and value of project will be made via the respective Head of Department to the ELM Supply Chain Management officer.

For the appointment of a PSP within the delegated scope of the Municipal Manager, i.e. R200 000 the Supply Chain Management officer will recommend to the Municipal Manager the appointment of a PSP who is positioned at the top of the roster in terms of the rotational cycle. The rotation list (Roster) will be attached to recommendation that will clearly reflect the appointments made after each assignment/ project in terms of the date and nature of the assignment.

For the appointment of a PSP within the delegated scope of the Bid committee, i.e. above R200 000 the Supply Chain Management officer will submit a standardized report to the Bid committee reflecting the next three (3) PSP's at the top of the Roster to be appointed in terms of the rotational cycle.

The Bid committee will appoint a PSP from the recommended list. The rotation list (Roster) will be attached to the recommendation that will clearly reflect the appointments made after each assignment/ project. The remaining two (2) PSP's will remain at the top of the roster until a suitable project has been allocated to them.

Attached as **Annexure "P"** is the Flow Chart for the appointment of PSP's.

12.4 TYPES OF ASSIGNMENTS

Routine Assignments are assignments where the tasks are of a straightforward nature involving, in the main, standard technologies in terms of which inputs are relatively well known and outputs can be readily defined. Emerging HDI-owned firms will be targeted to perform Routine Assignments. In a process of graduation emerging firms will be assessed on their performance and graduated to Specialist Assignments where applicable.

Specialist Assignments are assignments in which the bulk of the service involves technically complex work, which calls for considerable innovation, creativity,

expertise and/or skills. These assignments will be reserved for the more established firms who have a high HDI equity status and/or transforming firms.

Complex Assignments are assignments other than Routine, or Specialist, assignments and may include policy development, restructuring, strategic planning and research and development. These assignments will be implemented through the Tender Procedures of the ELM.

12.5 PRINCIPLES WHEN APPOINTING PROFESSIONAL SERVICE PROVIDERS FROM THE ROSTER

12.5.1 ROSTER DATA

The Roster will be a single list of PSP's covering the different professional disciplines and will contain, inter alia, the following data in respect of the Head Office and each Branch Office of every PSP:

- The number of permanent staff complement employed at the Office.
- The disciplines and sub-disciplines in which the Office is competent.
- The geographical location of the Office.
- Details of the Resident Registered Principal / Professional in the disciplines the Office practices.
- Equity Ownership/ shareholding (HDI Status)
- Experience
- Expertise
- Percentage of HDI's in management positions
- Percentage of HDI's employed
- Percentage of HDI's receiving bursaries
- Percentage of HDI's in mentorship programs
- Gender composition
- Company Registration
- Registration details pertaining to the membership of their relevant Association or Gazetted Councils

12.5.2 PREFERENTIAL TREATMENT OF HDI PSP'S

PSP's will be rotated on the Roster in a fair and equitable manner.

PSP's must have at least 30% HDI ownership within their companies to qualify to be placed on the Roster and will be given accelerated access to work opportunities by EDM and will rotate faster on the Roster than firms that have a HDI ownership of less than 30%

Firms, who employ at least 5% or more HDI Graduate Youths, will be given accelerated access to work opportunities by Emalahleni Municipality and will rotate faster on the Roster than Firms that employ less than 5%.

A firm that does not meet the equity requirements of 30% as stated above will be given an opportunity to be placed on the roster if satisfactory Black Economic Empowerment Strategies are in place. A Transforming Firm must be fully transformed within 5 years and must demonstrate transformation on an annual basis. Transforming Firms that do not demonstrate improvement will not qualify for such status. A Declaration Affidavit must be submitted on an annual basis for review confirming goals and objectives that have been achieved as laid out in their BEE Strategies. If it is determined that firms do not comply with their BEE Strategies they may be removed from the roster.

The ELM may require any firm to enter into Structured Joint Venture with HDI Firms in order to transfer/develop skills, competency, expertise and capacity in the latter, with a participation parameter not less than that prescribed by the ELM Supply Chain Management policy.

Where a joint venture agreement has been entered into between two firms, the firms must comply with the prerequisites as stipulated in the ELM Supply Chain Management policy with regards to joint ventures. The payment of a joint venture consortium will be in terms of the agreement that has been concluded between the parties concerned.

12.5.3 A SEPARATE ROSTER WILL BE SET UP FOR EACH OF THE FOLLOWING CATEGORIES:

Architectural
Structural
Road works/civil
Water/sanitation
Environmental
Geotechnical
Electrical
Mechanical
Land Surveyors
Town Planners
Other

NB: The roster system will be maintained and updated quarterly by the EDM Supply Chain Management officer.

12.6 CONDUCT AND DISCIPLINE

12.6.1 CODE OF CONDUCT

PSP's applying for inclusion on the Roster must undertake to subscribe to the codes of conduct and ethical behaviour laid down by their respective professional societies and statutory councils, and to the following internationally accepted principles:

- (a) PSP's shall contribute positively to the well being of the community and when involved in any project or application of technology, strive to ensure that the

affected parties are identified, properly informed and consulted, subject to the policy of the Municipality.

- (b) PSP's shall take all reasonable steps to protect life and safeguard people.
- (c) PSP's shall take due cognizance of the environmental impact of their work and give due consideration to the social and economic effects associated with the work subject to the policy of the Municipality.
- (d) PSP's shall exercise due care and diligence and undertake all their duties with professionalism, competence, integrity and good faith.

PSP's appointed by the Municipality from the Roster shall operate in accordance with the approved Project Execution Plan, where applicable, and notify the Departmental Director or Authorised Official of any deviation there from.

Any attempt to exploit or influence the operation of the Roster by misinterpretation of information used in the operation of the Roster will be deemed to constitute unprofessional conduct.

Misrepresentation of the available staff, resources and capacity of a Firm in order to obtain an assignment which would otherwise not be awarded to the Firm will be regarded as unprofessional conduct and viewed in a serious light.

12.6.2 DISCIPLINARY PROCEDURES

Alleged unprofessional conduct or transgression of the Code of Conduct will be reported to the relevant professional society and statutory council.

In addition the Municipality may, after a fair investigation procedure, terminate the appointment of a transgressor and/or remove the Firm from the Roster for a two-year period.

Alleged transgressions may be identified by any of the following means but not limited to:

- (a) formal complaint(s) from the public, other firms, statutory councils, or professional societies
- (b) reports from municipal officials who learn, or suspect, that transgressions have been committed by a Firm.
- (c) formal complaint(s) by firm(s) appointed in joint venture with another Firm.

The procedures in this regard:

- (a) A written complaint is filed with the Municipal Manager.
- (b) The Municipal Manager shall appoint a representative to conduct a preliminary investigation.

- (c) A report will be submitted to the Bid committee who will decide on the steps / measures to be taken against transgressing firms in terms of the code of conduct for PSP's.

12.7 PROFESSIONAL INDEMNITY INSURANCE

A firm which has been appointed must have a valid current professional indemnity insurance cover, from an approved insurer, for a limit of indemnity not less than the applicable in terms of the industry norm.

Where ELM considers insurance cover higher than the minimum limit of indemnity provided to be warranted for because of the size, or nature, of a particular project, this will be indicated to potential appointee Firms prior to appointments being finalised.

Where a Structured Joint Venture carries out an assignment, professional indemnity insurance cover must be taken out on the Structured Joint Venture.

Firms are required to keep the Professional Indemnity Insurance cover current after an award until completion of an assignment.

12.8 OUTSOURCING OF ASSIGNMENTS

All professional service providers will be permitted to subcontract/outsource an assignment to a maximum amount of 25% of the calculated professional fees, based on estimated project total, for an awarded project. The outsourcing of portions of the assignments will be restricted to non-core functions of the PSP concerned.

Structured Joint Ventures will normally be acceptable to the Municipality on Routine Assignments.

12.9 REGISTRATION OF THE ROSTER

Any Firm will qualify for registration on the Roster provided that it meets the Municipality's requirements as listed in Chapter 11 of this policy.

Registration of Firms on the Roster will be dealt with on the following basis:

- (a) Firms applying for registration will give details of their Principals, resources, fields of expertise. Firms will be required to update their registration particulars whenever a change in their abovementioned details occurs and, in any event, at intervals of two years.
- (b) Only firms that are registered with the Municipality as PSP'S and have completed the necessary Declarations and submitted the required prerequisites

will be regarded as PSP's for the purpose of the Roster and shall remain as such until they no longer comply with the definition of PSP's.

- (c) Each professional service provider must be a member of their relevant Association and Gazetted Councils.

12.10 APPLICATION TO BE REMOVED FROM THE ROSTER

Should a professional service provider wish to be removed from the roster, the service provider must submit a written request to the Supply Chain Management officer.

12.11 NON-COMPLIANCE REGARDING ADMISSION TO THE ROSTER

Firms, which fail to meet the admission criteria for the Roster, shall not be admitted to the Roster.

Where firms are admitted to the Roster on the basis that their application demonstrated that they were eligible for admission to the Roster and are subsequently found not to be eligible for the Roster, the firm, together with all its offices, shall be removed from the Roster. The firm and its associated offices may reapply for admission to the Roster after a period of two years. Such applications shall be treated as new applications.

Where Preferred Firms are admitted to the Roster on the basis that their application demonstrated that they were eligible for such status on the Roster and are subsequently found not to be eligible for such status, the firm, together with all its offices, shall be removed from the Roster. The firm may after a period of two years reapply for admission to the Roster. Such applications shall be treated as new applications.

12.12 NON-COMPLIANCE REGARDING APPOINTMENTS

Firms, which fail to respond within two weeks of receipt of correspondence received from the Municipality in connection with a pending appointment from the roster, shall forfeit the opportunity of an appointment and shall be repositioned on the Roster as if they had received an appointment.

Firms, which are offered appointments requiring competencies for which they are registered on the Roster as having, and decline the appointment on the basis that they do not have such competencies, shall be removed from the Roster. The firm may after a period of two years reapply for ELM admission to the Roster. Such applications shall be treated as new applications.

Firms, which cannot be contacted in connections with a pending assignment, shall be removed from the Roster. Such firms shall be free to reapply for ELM admission to the Roster. Such applications shall be treated as new applications.

Firms, which contact the Municipality and attempt to influence the staff into manipulating the Roster in order to secure an appointment, shall be removed from the Roster. Such Firms shall be reported to the relevant statutory body.

12.13 PERFORMANCE

The monitoring of PSP's performance on projects will be undertaken by the relevant Project Managers of the ELM. A project evaluation must be completed at the end of the projects defect liability period. If PSP's are found to be performing poorly, a report must be submitted by the Supply Chain Management officer stating the areas of poor performance. Attached as **Annexure "Q"** is the Performance Report.

A report will be submitted by the Supply Chain Management officer to the Municipal Manager where the service quality and poor performance of a particular PSP will be lodged. The Municipal Manager will decide on the measures / steps to be taken against poor performing firms.

Company performance will be assessed after the completion of each project; therefore it is in the interest of the professional service provider to ensure that all its employees deliver a service of an acceptable standard.

ANNEXURE O

EVALUATION SCORE CHART EMALALHeni MUNICIPALITY ROSTER

CRITERIA	POINTS
Equity Ownership/Shareholding (HDI Status)	30
Gender Composition of Company	10
Disability / Physically Challenged	10
Experience: (Previous Projects undertaken)	10
Expertise (Firms composition and capacity)	20
Percentage of HDI's in Management Positions	5
Percentage of HDI's Employed	5
Percentage of HDI's Receiving Bursaries	5
Percentage of HDI's in Mentorship Programs	5
TOTAL	100

POINT SCORING CALCULATIONS

PERCENTAGE EQUITY OWNERSHIP/SHAREHOLDING/JV
Service Providers Equity Shareholding Percentage (ES) x Total Points for Equity Shareholding (TES) = Points Scored. ES x TES = Point Scored.

e.g. $73\% \times 30 = 21.90$ Points

PERCENTAGE GENDER COMPOSITION

Service Providers Gender Composition Percentage (GC) x Total Points for Gender Composition (TGC) = Points Scored.

$GC \times TGC = \text{Points Scored}$

e.g. $73\% \times 10 = 7.3$ Points

DISABILITY/PHYSICALLY CHALLENGED

Service Providers Disability/Physically Challenged Percentage (D/PC) x Total Points for Disability/Physically Challenged (TD/PC) = Points Scored.

$D/PC \times TD/PC$

e.g. $73\% \times 10 = 7.3$

EXPERIENCE

Based on the submissions received from PSP's and the assessment of the experience listed the points scored will be calculated as follows: Service Providers Percentage Experience (E) x Total Points for Experience (TE) = Points Scored.

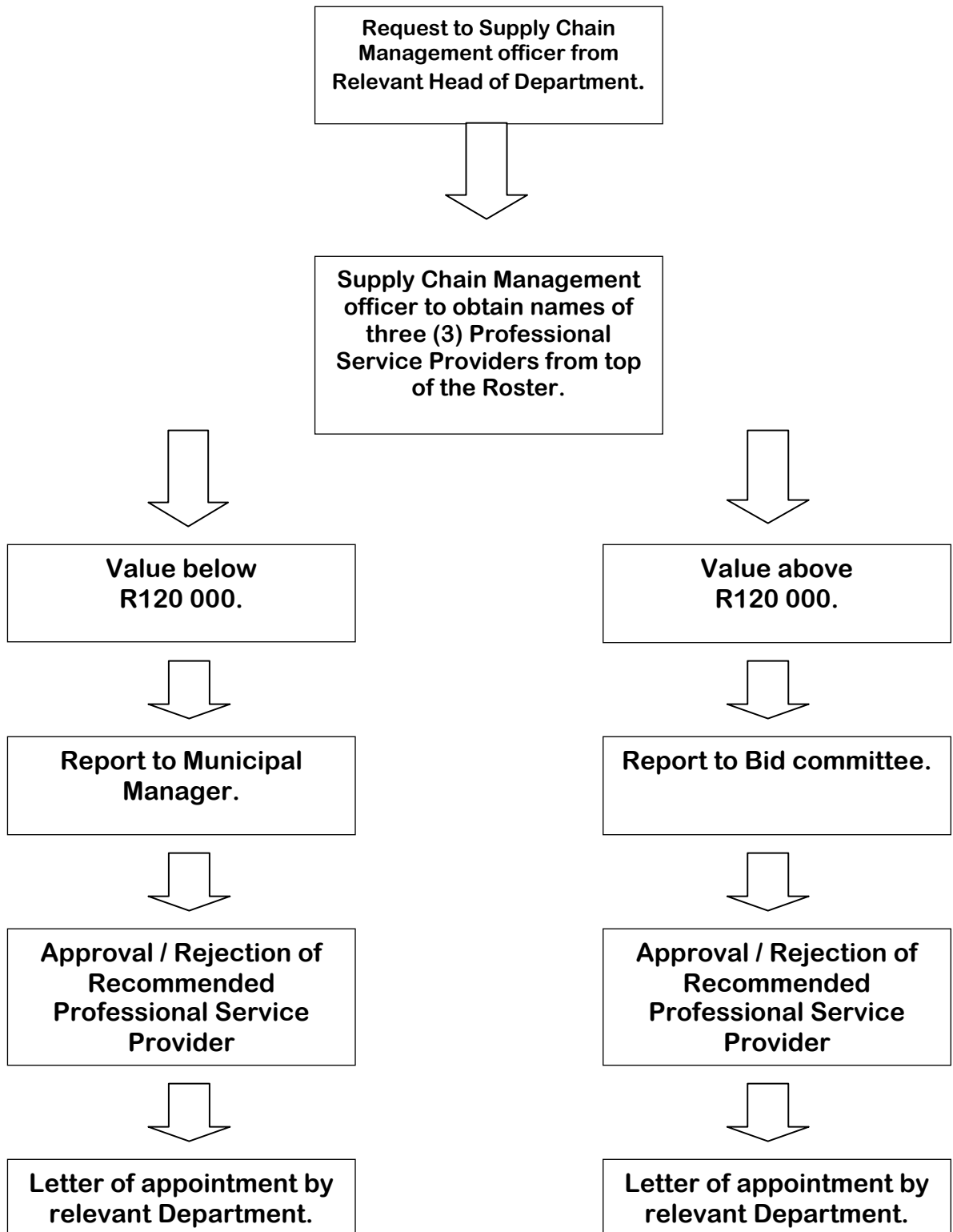
$E \times TE = \text{Points Scored}$

e.g. $73\% \times 10 = 7.35$ Points

EXPERTISE
Based on the submissions received from PSP's and the assessment of the experience listed the points scored will be calculated as follows: Service Providers Percentage Experience (X) x Total Points for Experience (TX) = Points Scored. $X \times TX = \text{Points Scored}$ e.g. $73\% \times 20 = 14.70 \text{ Points}$
PERCENTAGE OF HDI's IN MANAGEMENT POSITIONS
Service Providers HDI's in Management Positions Percentage (HMP) x Total Points for HDI's in Management Positions (THMP) = Points Scored. $HMP \times THMP = \text{Points Scored}$ e.g. $73\% \times 5 = 3.65 \text{ Points}$
PERCENTAGE OF HDI'S EMPLOYED
Service Providers HDI's Employed Percentage (HE) x Total Points for HDI's Employed (THEP) = Points Scored. $HE \times THE = \text{Points Scored.}$ e.g. $73\% \times 5 = 3.65 \text{ Points}$
PERCENTAGE OF HDI's RECEIVING BURSARIES
Service Providers HDI's Receiving Bursaries Percentage (HRB) x Total Points for HDI's Receiving Bursaries (THRB) = Points Scored. $HRB \times THRB = \text{Points Scored}$ e.g. $73\% \times 5 = 3.65 \text{ Points}$
PERCENTAGE OF HDIS IN MENTORSHIP PROGRAMS
Service Providers HDI's in Mentoring Programs Percentage (MP) x Total Points for HDI's in Mentoring Programs Percentage (THMP) = Points Scored. $MP \times TMP = \text{Points Scored}$ e.g. $73\% \times 5 = 3.65 \text{ Points}$

ANNEXURE P

**APPOINTMENT OF PROFESSIONAL SERVICE PROVIDERS
FLOW CHART**



ANNEXURE Q
PERFORMANCE CHECK LIST

QUESTIONS		TICK IN THE APPROPRIATE BLOCK			
		POOR	ACCEPTABLE	GOOD	EXCELLENT
	RATING	1	2	3	4
1.	Was all correspondence from the Professional Service Provider (PSP) on the relevant PSP letterheads and forms?				
2.	Were all payment certificates submitted within the stipulated time frames?				
3.	Were submitted payment certificates complete and correct?				
4.	Was the bid document complete and free of errors?				
5.	Did all designs conform to SABS specifications?				
6.	Were the agreed site supervision service levels maintained for the duration of the contract?				
7.	Were any reports returned to the PSP for corrections, this excludes any Emalahleni Municipality instructed project alterations or additions.				
8.	Did the PSP find or inform the Emalahleni Municipality of any below specification site work before it was identified by the Emalahleni Municipality.				
9.	Was the project free of any design errors or omissions resulting in a loss to the Emalahleni Municipality discovered up to and during the construction period				
10	Did the PSP submit				

monthly Progress Reports as prescribed on the standard form on the Project?				
---	--	--	--	--

PERFORMANCE SUMMARY		
	OVERALL SCORE	
POOR	0 – 15	
ACCEPTABLE	16 – 20	
GOOD	21 – 30	
EXCELLENT	Above 30	

GENERAL COMMENTS BY PROJECT MANAGER:

.....

SIGNATURE:

DATE:

DATE SUPPLY CHAIN MANAGEMENT OFFICER RECEIVED PERFORMANCE REPORT:

**CHAPTER 14
PROJECT CLUSTER SYSTEM**

SCOPE

The Project Cluster System may be utilised through the bid process of the ELM. The project value when clustering projects is not limited and will be adjudicated in terms of the delegation policy of the ELM.

APPLICATION

The Project Cluster System may be applied when the Municipality implements projects of a similar nature in a specific area. The linkage of projects in close proximity to each other is also enhanced.

PSP’s will be invited via bid notice in the local media to submit proposals to be appointed as Cluster Managers.

A bid report will be submitted to the Bid committee where the appointment of Cluster Managers will be obtained.

GENERAL PREREQUISITES

The general prerequisites as listed in the ELM Supply Chain Management policy will apply to Cluster Project Managers.

TYPES OF ASSIGNMENTS

Routine Assignments are assignments where the tasks are of a straightforward nature involving, in the main, standard technologies in terms of which inputs are relatively well known and outputs can be readily defined. Emerging HDI-owned firms will be targeted to perform Routine Assignments. In a process of graduation emerging firms will be assessed on their performance and graduated to Specialist Assignments. These assignments will be limited to a specific speciality e.g. sanitation projects.

Specialist Assignments are assignments in which the bulk of the service involves technically complex work, which calls for considerable innovation, creativity, expertise and/or skills. These assignments will be reserved for the more established firms who have a high HDI equity status. In the cluster system a Project Manager may draw on the specialities and expertise of different competencies e.g. planning, geotechnical, engineering, land surveying, conveyancing, etc.

ADJUDICATION OF CLUSTER PROJECTS

The principles of Black Economic Empowerment as set out in the ELM Supply Chain Management policy will apply when considering cluster bids.

Special consideration will be given to companies with a high HDI status and / or joint venture / consortium agreements.

The principles of fair and equitable distribution of projects will be applied when considering cluster projects.

GENERAL PRINCIPLES

- Projects are clustered per area or Municipal Region.
- Projects are further clustered per Speciality (roads, sanitation, geotechnical, social facilitation, etc)
- Projects are identified and approved every year in terms of the Integrated Development Plan (IDP).
- Department's should therefore plan well in advance on the methods to be utilised to procure PSP's.

- Project Managers in a Cluster System can therefore be appointed to manage a number of projects per region and/or speciality.
- Rates charged will be in accordance with the Gazetted Rates, inclusive of a Performance system as described under 11.13, therefore PSP's will not be required to submit a tendered price in certain circumstances.

OR

- Where applicable PSP's may be requested to Bid in order to create competition and allow for reduced pricing.
- Appointments will therefore be based on the experience and expertise of the firm, ELM Supply Chain Management policy prerequisites and empowerment targets will apply.
- PSP's may be restricted to five (5) projects in any given cluster.
- The total value of the entire project when clustering assignments is not limited.
- The Tender Process/Procedure will apply.