

# ANNUAL SUPPLY CHAIN MANAGEMENT REPORT

1 JULY 2006 TO 30 JUNE 2007

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AMATHOLE DISTRICT MUNICIPALITY



## ANNUAL REPORT ON EMPOWERMENT GOALS AS SET OUT IN THE SUPPLY CHAIN MANAGEMENT POLICY



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# 1. INTRODUCTION

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This policy was adopted by the Amathole District Municipality (ADM) on **25 May 2007**, in terms of section 111 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

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.

Major achievements and goals have been realized through the targeted procurement processes and Policies of the ADM. The future focus will be to further enhance the Policy by considering new legislation that have been enacted.

The empowerment (BEE) goals have been reviewed and amended to be in-line with current trends and to be realistic in terms of Council's performance.

Other amendments related to policy gaps and policy performances have been included in the policy to strengthen and enhance the current policy.

## 2. BLACK ECONOMIC EMPOWERMENT (BEE) GOALS

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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.

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.

The following empowerment goals were listed for the current financial year and will be monitored and reviewed continuously:

**[a] CAPITAL PROJECTS WITH A VALUE EXCEEDING ONE MILLION**

45% of its capital projects with a value exceeding one million will be allocated to service providers who are entirely owned by HDIs.

**[b] CAPITAL PROJECT WITH A VALUE LESS THAN ONE MILLION**

60% of its capital project with a value less than one million will be allocated to HDIs.

**[d] NON-CAPITAL PROJECTS (REGARDLESS OF VALUE OF PROJECT)**

50% of its non-capital projects will target HDI owned companies, except where this cannot be achieved due to the nature of the project.

**[e] EMPLOYMENT/JOB CREATION**

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

- 35% of labour be women (above youth age category of 36 years)
- 35% 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)

**[f] OVERALL PERFORMANCE OF COUNCIL**

Council aims to allocate 55% of its combined tenders to HDI's

### **3. ESTABLISHMENT OF A BID COMMITTEE SYSTEM**

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In terms of the Municipal Supply Chain Management (SCM) Regulations that was promulgated on 30 May 2005, the Accounting Officer is required to –

- (a) establish a committee system for competitive bids consisting of at least –
  - (i) a bid specification committee;
  - (ii) a bid evaluation committee; and
  - (iii) a bid adjudication committee;
- (b) the appointment by the accounting officer of the members of each committee, taking into account section 117 of the MFMA; and

The committee system must be consistent with –

- (a) the Municipal Supply Chain Management Regulations; and
- (b) any other applicable legislation.

In terms of the MFMA and the SCM Regulations, the Accounting Officer of a Municipality must establish Bid Committees to deal with issues relating to the procurement of goods and services.

The Bid Adjudication Committee, in addition to adjudicating tenders, recommends policy, procedures and practises to enable Council to exercise its powers, functions and duties in a fair, efficient, transparent, cost effective and competitive manner.

The SCM Manager would report monthly to National Treasury, Provincial Treasury and the Municipal Manager, and would report quarterly to the Executive Mayor on awards made by the ADM's Bid Adjudication Committee. The reports would include the empowerment goals as set out in the SCM Policy and would identify gaps and make recommendations where required.

## 4. ANNEXURES

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Annexure "A"	Bids Adjudicated by the Bid Adjudication Committee
Annexure "B"	Bids Adjudicated by the Municipal Manager : Above R10 Million
Annexure "C"	Minor Projects Approved by the CFO : R30 000 to R200 000
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## Procurement Breaches / Deviations / Emergency

In terms of Procurement Breaches, Deviations and Emergency Procurement, the Municipal Supply Chain Management (SCM) Regulations states:

- 36.** (1) A supply chain management policy may allow 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 subregulation (1)(a) and (b) and report them to the next meeting of the council, or board of directors in the case of a municipal entity, and include as a note to the annual financial statements.

### **EMERGENCY PROCUREMENT**

Examples:

- Life and Death Situations
- Disaster Situations
- Water Services Interruptions

The conditions warranting Emergency Procurement includes the existence of one or more of the following:

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

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

Emergency Procurement must **not** be used in respect of the following:

- To circumvent normal procurement procedures;
- As a result of insufficient stock-levels for items that are used daily.
- As a result of working programmes not properly planned;

### **URGENT PROCUREMENT**

The conditions warranting Urgent Procurement includes the existence of one or more of the following:

- Fast tracking procedures, e.g. last minute request from the Executive Mayor or any other form of authority.
- Council vehicle breaking down after hours.

Urgent Procurement must **not** be used in respect of the following:

- To circumvent normal procurement procedures;
- As a result of insufficient stock-levels for items that are used daily.
- As a result of working programmes not properly planned;

## Procurement of Goods/Services from Organs of State

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The Municipal Finance Management Act 56 of 2003, Chapter 11, Goods and Services, Part 1 : Supply Chain Management, Application of the part states that:

- "(1) This Part, subject to subsection (2), applies to-*
- (a) the procurement by a municipality or municipal entity of goods and services;...*
- (2) This Part, except where specifically provided otherwise, does not apply if a municipality or municipal entity contracts with another organ of state for-*
- (a) the provision of goods or services to the municipality or municipal entity;*
  - (b) the provision of a municipal service or assistance in the provision of a municipal services; or*
  - (c) the procurement of goods and services under a contract secured by that other organ of state, provided that the relevant supplier has agreed to such procurement."*

In terms of the above legislation, a proposal received from an Organ of State is submitted to the Bid Adjudication Committee prior to submission of a recommendation to the Accounting Officer to accept the proposal.

## Procurement of Goods/Services from Sole Service Providers

### **SOLE SUPPLIER PROCUREMENT**

In this case there is only one supplier who can provide the required good/service. Proof is however required from the service provider that they are the sole supplier of such a good or service.

In terms of Procurement of Goods/Services from Sole Service Providers, the Municipal Supply Chain Management (SCM) Regulations states:

- 36.** (1) A supply chain management policy may allow 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 subregulation (1)(a) and (b) and report them to the next meeting of the council, or board of directors in the case of a municipal entity, and include as a note to the annual financial statements.