

BUDGET & TREASURY OFFICE

MEMORANDUM

Reference : 5/1/1
Enquiries : X Masuku/ B Mdladla
Extension : 7825/7821
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The Municipal Manager
NEWCASTLE MUNICIPALITY

GUIDELINES ON THE IMPLEMENTATION OF PROCUREMENT PLAN

1. PURPOSE

- 1.1 This guide aims to provide Municipal Manager, CFO, Senior Executive Directors, Directors, Managers, and all other role players of Newcastle Municipality with a general understanding of the procedures to be followed when implementing demand management (DM) and the compilation of procurement plans.

2. OBJECTIVE

- 2.1 The objective of this guide is to assist Newcastle Municipality with the planning for the procurement of goods, works, or services in a pro-active manner and to remove away from merely reacting to purchasing requests.

3. INTRODUCTION

- 3.1 Supply Chain Management (SCM) could be described as a business process that ensures that goods, works or services are delivered to the right place, in the right quantity, with the right quality, at the right cost at the right time.
- 3.2 Demand Management is the first element of the SCM function. The objective is to ensure that the resources required to fulfil the needs identified in the Integrated Development Plan (IDP) and SDBIP of the municipality are delivered at the right time, price and place and that the quality and quantity satisfy those needs of the user (ultimately the provision of services to the community). As part of this element of SCM, a total need analysis must be undertaken. This analysis must be included as part of the strategic planning process of the municipality and will therefore, incorporate future needs.

- 3.3 It is vital for managers to understand and utilize sound good practice techniques to assist them in their planning, implementation and control activities. As part of the strategic plan of the institution, resources required for the fulfilment of its obligations should be clearly analysed. This entails a detailed analysis of the goods, works or services required, including how much can be accomplished, how quickly and with what materials, equipment and resources.
- 3.4 When implemented correctly, demand management within SCM forms an integral part of a series of activities that will contribute to achieving the measured goals of the institution by insuring that goods, works or services are delivered as originally envisaged with a reliable standard of quality and to the satisfaction of the end-users. Correct implementation also ensures that, controls exist for management to detect variances early and rectify them in a planned and orderly manner and to foster a culture of compliance, thereby assisting management achieve its goals and satisfy the executive and public.

4. STEPS TO BE IMPLEMENTED FOR PROCUREMENT PLAN

4.1 Participation in the strategic planning process

- 4.1.1 As part of the strategic planning exercise of the municipality, the various functions to be undertaken must be identified. Pursuant to, it is necessary to determine the different resources required to execute the identified functions, i.e., water services, sanitation, refuse removal, electrical, etc. These resources must be budgeted for. It is of vital importance to know, even at this stage, the estimated costs of the required resources, including the estimated costs of the required goods, works and services.
- 4.1.2 Demand Management must be coordinated by SCM officials of the municipality in consultation with end-users. This includes a detailed analysis of the goods, works and services required, such as: -
- The scope of work to be executed.
 - The time required to complete the project; and
 - The material, resources, equipment required to execute the project.

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

4.2 Procurement Planning

- 4.2.1 Procurement planning should take place at the beginning of the financial year when the municipal IDP, Service Delivery and Budget Implementation Plan (SDBIP) and annual budget have been approved. Procurement plans cannot be developed in isolation; it should instead form part of the municipality and other functional strategies. The SCM Unit must perform hand in hand with user departments or directorates in the formulation of procurement plans.

4.3 Analysis of the goods, works or services required.

- 4.3.1 During the strategic planning phase of the municipality, the goods, works or services required to execute the identified functions are determined. The SCM Unit should assist the process in ensuring that the identified goods, works or services are the optimum resources required to achieve the goals and objectives of the municipality.
- 4.3.2 The SCM unit of the municipality must analyze the goods, works and services required and execute, among others, the following:

- (a) List the functions to be executed by the municipality.
- (b) Conduct an analysis of the past expenditure as this exercise may among other things contribute in determining the manner in which the municipality fulfilled its needs in the past.
- (c) Compile a detailed list of the goods, works or services required to execute the functions listed as per sub- paragraph (a) above.

4.4 Planning to obtain the required goods, works and services.

4.4.1 Together with the end user, the SCM unit should apply strategic sourcing principles to determine the optimum manner in which to acquire the required goods, works and services. This entails the following:

- a) Conducting an industry and market analysis of the goods, works and services to be obtained. This must include the determination of a reasonable price for the required goods, works or services.
- b) Confirmation that sufficient funds have been allocated for the procurement of the required goods, works and services. If this is not so, the end user must be informed accordingly. The procurement process should not proceed if funds are not available. Documentary proof must be obtained to substantiate availability of budgetary provisions.
- c) Considering optimum method to satisfy the need, for example whether the procurement should be by means of price quotation, advertised competitive bids, limited bids, procuring the goods, works or services from other institutions or on transversal term contracts or ad hoc contracts.
- d) The frequency of the requirements must be established to determine whether it would be cost effective to arrange a specific term contract for the goods, works and services.
- e) Establishing whether it would be cost effective to have the goods available as a store item within the institution. Should this be the case, the minimum and maximum storage levels of these items should be determined and managed.
- f) Establishing the lead time required by the potential suppliers to deliver the required goods, works and services after receipt of an official order.

4.5 Compilation of Procurement Plan

4.5.1 Completion of the above-mentioned activities should result in the compilation of the procurement plan to be implemented by SCM unit. This plan should indicate:

- a) A description of the goods, works or services
- b) The end user
- c) The contact person representing the end user
- d) Estimated value
- e) Date of submission of specifications
- f) Date of advertisement of the bid
- g) Closing of the advertised bid
- h) Estimated evaluation time
- i) Envisaged date of Bid Adjudication Committee meeting
- j) Envisaged date of Accounting officer approval (for all procurement above R10 million)
- k) envisaged date of issuance of an official order

4.5.2 An example explaining the procedures to be followed to establish the timeframes when dealing with advertised competitive bids is drafted below.

4.6 Compilation of bid register

4.6.1 The SCM unit should compile a bid register that will manage the procurement process for each requirement. This should be used as a tool to monitor and evaluate the procurement process. For all bids in excess of R 200 000.00, relevant information must be captured in the template.

4.7 Governance, Risk and Compliance Management

4.7.1 The SCM Unit should on a continuous basis monitor and assess the viability and accuracy of and compliance to the procurement plan.

EXAMPLE OF THE PROCEDURES TO BE FOLLOWED TO ESTABLISH TIMEFRAMES WHEN DEALING WITH ADVERTISED COMPETITIVE BIDS

Requirement

The Institution is a municipality, mandated to render water services to residents located in the Kwa Zulu Natal Province.

The scope of the work involves new mixing channels, modifications to the settling tank, new filters, building work and the construction of two sludge ponds. Due to the specialized nature of this infrastructure project, relevant experience and expertise is required in the following areas:

- Construction of Water Treatment Plants
- Re- enforced concrete structures.
- Filter bed construction

Background Information

- The project is funded internally amounting to R69 million.
- The project is estimated to be completed within 30 weeks after start date.
- The Bid Adjudication Committee (BAC) meetings are scheduled for the second and last Thursday of every month.
- The Bid Evaluation Committee (BEC) meetings are scheduled for every first and third Thursday of the month.
- Reports containing recommendations for awards must be submitted to the secretariat of the BAC three (03) working days prior to the specific BAC meeting.
- The closure date for the submission of bids may not be less than 30 days.
- The project requires a compulsory 1-day site meeting.

The following is sequence of activities by the Accounting Officers of the Municipalities and Municipal Entities, reflecting SCM Regulation 10 issued May 2005 in terms of the MFMA, 2004.



The results regarding the envisaged dates of advertisement of each bid should thereafter be captured on the Schedule of Procurement Plan in respect of advertised competitive bids.

PROCUREMENT PLAN

Project Name:	
Prepared by:	
Bid Number:	
Date (MM/DD/YYYY):	

Project Initiation Phase- This portion of the procurement plan document is used to provide the Bid Specification Committee with general information about the need to purchase of goods and services. No approval signatures are required.

1. Procurement Statement

Describe in general terms what products, works or services are being considered for procurement.

2. Estimated Cost

Provide an estimated total cost of all procurements in this project. Example: R1 567 000.00

3. Supplier or Service Provider Selection

Describe what approach the project team will take to select a product or vendor (e.g. RFI, RFP)

Project Planning Phase- This portion of the procurement plan documents provides detailed information about how vendors, products and services will be chosen. What kind of contracts will be used, how vendors will be managed and who will be involved at each stage of the process. This document should be approved by appropriate individuals before the actual process begins.

1. Procurement Definition

Describe in specific terms what items will be procured and under what conditions.

2. Selection Process & Criteria

Describe the selection process. List selection criteria. Describe any analytical selection tool that you will use.

3. Project Procurement Team

List all stakeholders who are involved in the Procurement Process along the contact information and a description of their procurement role. Enter an [x] next to each project team member who is authorised to enter into contract agreements or purchase for the team (insert rows as needed)

<input checked="" type="checkbox"/> here	Name:	Phone/email:	Procurement role:
<input type="checkbox"/>			
<input type="checkbox"/>			
<input type="checkbox"/>			

4. Contract Type

Which types of contracts will be used, and the actions required to initiate the contract

5. Conditions of Contract

Provide the standards for documentation that will be used for each contract (e.g. General Conditions of contract, Special Conditions of Contract).

6. Service Provider- Supplier Management

Describe what steps the project team will take to ensure that the vendor provides all of the products and services (and only the products or services) that were agreed upon and that appropriate levels of quality are maintained.

7. Links to related planning documents

Provide hyperlinks to related documents such as the Change Request Management Plan, vendor payment Plan or attach as addenda.

8. Project Procurement Plan -Signatures

Project Name:

Project Manager:

Bid Number:

I have reviewed the information contained in this project procurement plan and agree:

NAME	ROLE	SIGNATURE	DATE (MM/DD/YYYY)

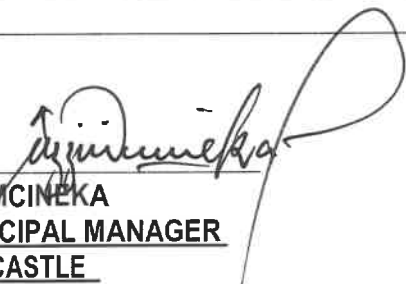
The signatures above indicate an understanding of the purpose and content of this document by those signing it. By signing this document, they agree to this as the formal Project Procurement Plan.

SCHEDULE OF PROCUREMENT PLANS IN RESPECT OF ADVERTISED COMPETITIVE BIDS
 (GOODS, INFRASTRUCTURE PROJECTS OR SERVICES IN EXCESS OF R200 000
 INCLUDING ALL APPLICABLE TAXES) FOR THE FINANCIAL
 YEAR

Name of Municipality or Municipal Entity	
Name of Accounting Officer / Delegated Official	
Signature of Accounting Officer / Delegated Official	
Telephone Number and email address	

Bid Number	Project name and Description	Estimated value (included all applicable taxes)	Envisaged date of advertisement on the website, newspaper or other medium	Envisaged closing date of bid	Envisaged evaluation date	Envisaged date of award	Responsible department within Municipality

Approved/ ~~Not Approved~~


 Z.W. MCINEKA
 MUNICIPAL MANAGER
 NEWCASTLE
 MUNICIPALITY

DATE: 26/01/2024