

Proposed amendments made to the budget related policies

ANNEXURE "H"

The changes made to policies 1 – 18 below are provided in this document. No 19 on the list is a new policy.

For the entire budget policy, stakeholders can access it on the website of the municipality at:

<https://sbm.gov.za/budget/>

No	Policy	Reference
1.	(a) Supply Chain Management policy	See proposed changes below
	(b) Local Government Framework for Infrastructure Delivery and Procurement Management	No changes
	(c) Preferential Procurement policy	No changes
2.	Credit control and debt collection policy	See proposed changes below
3.	Indigent policy	See proposed changes below
4.	Property rates policy	See proposed changes below
5.	Budget and funds and reserves policy	See proposed changes below
6.	Virement policy	See proposed changes below
7.	Transfers and subsidies policy	No changes
8.	Borrowing policy	No changes
9.	Cash management and investment policy	See proposed changes below
10.	Asset management policy	See proposed changes below
11.	Tariff policy	See proposed changes below
12.	Insurance management policy	No changes
13.	Special rating area policy	No changes
14.	Policy on the disposal of unserviceable, obsolete or redundant assets	No changes
15.	Incentives policy	No changes
16.	Cost containment policy	No changes
17.	Long term financial plan policy	See proposed changes below
18.	Petty cash policy	See proposed changes below
19.	Capital Budget Implementation policy	New policy

1. Supply Chain Management policy

Paragraph	Current policy wording	Proposed change
1. Definitions	New	<u>“Contract management” means the holistic term for all activities in the contract lifecycle that is undertaken by all role players involved in the contract and include the Contract Owner, Contract Manager and contractor, but not limited to the latter.</u>
1. Definitions	“Contract manager” means a line manager or budget cost centre manager or officials in the Project Management Unit with delegated authority.	“Contract manager” means a line manager or budget cost centre manager or officials in the Project Management Unit with delegated authority <u>responsible for overall contract management (monitoring of the competitive bidding contracts).</u>
1. Definitions	New	<u>“Contract owner” means the official that is ultimately accountable for the deliverables during the contract lifecycle relevant to the service delivery target that the contract seeks to achieve.</u>
5.3 Sub-delegations	3) An official or bid adjudication committee to which the power to make final awards has been sub-delegated in accordance with subparagraph (2) must within five working days of the end of each month submit to the official referred to in subparagraph (4) a written report containing particulars of each final award made by such official or committee during that month, including–	3) An official or bid adjudication committee to which the power to make final awards has been sub-delegated in accordance with subparagraph (2) must within five <u>working</u> days of the end of each month submit to the official referred to in subparagraph (4) a written report containing particulars of each final award made by such official or committee during that month, including–
6.3 Oversight of Council	3) The accounting officer must, within 10 days of the end of each quarter, submit a Service Delivery Budget Implementation Plan report on the implementation of the Supply Chain Management and Preferential Procurement Policy to the mayor.	3) The accounting officer must, within 10 <u>working</u> days of the end of each quarter, submit a Service Delivery Budget Implementation Plan report on the implementation of the Supply Chain Management and Preferential Procurement Policy to the mayor.
16(1)(e) Formal written price quotations	e) A supply chain management official must within three days of the end of each month report to the chief financial officer on any approvals given during that month by that official in terms of that subparagraph.	e) A supply chain management official must within three <u>working</u> days of the end of each month report to the chief financial officer on any approvals given during that month by that official in terms of that subparagraph.

27(4) Bid evaluation committees	4) In the case where a two-envelope bidding process is followed, the accounting officer or applicable director must appoint the three independent evaluators for the technical evaluation (test for functionality) in writing and the appointment letters must be provided to the SCM office for audit purposes.	4) In the cases where a two-envelope bidding process is followed <u>functionality is deemed necessary and is included in the bidding document</u> , the accounting officer or applicable director must appoint the three independent evaluators for the technical evaluation (test for functionality) in writing and the appointment letters must be provided to the SCM office for audit purposes.
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2. Credit control and debt collection policy

<u>Paragraph</u>	<u>Current policy wording</u>	<u>Proposed change</u>
6.2 Service application and agreements	c) When tenants are in default, the service contract with the tenants may be cancelled and the services transferred to the owner.	c) When <u>owners or</u> tenants are in default, the service contract with the tenants may be cancelled and the services transferred to the owner.
6.3(e) Termination of services	e) The municipality will disconnect the services upon receiving confirmation from The Deeds office of registration of the property in the new owner. The last reading obtain on the date of disconnection of services by the municipality will be used to calculate the final consumption.	<u>e) The municipality will disconnect the services upon receiving confirmation from The Deeds office of registration of the property in the new owner. The last reading on the billing system will be used to calculate the final consumption, if no disconnection or reconnection forms were submitted by the consumer (s). tain on the date of disconnection of services by the municipality will be used to calculate the final consumption.</u>
6.3(f) Termination of services	New	<u>f) If the new owner(s) fails to pay the applicable deposits, municipal services will be physically terminated until an application for municipal services and proof of payment of the deposits is received. The applicable deposits will be levied on the municipal account and all meters transferred to the owner(s) account.</u>

6.4(f) Customer screening and securities	New	<u>f) Upon consolidation of municipal accounts, the applicable deposits will be levied against the consumer account.</u>
6.4(i) Customer screening and securities	New	<u>ii) Refuse deposit will be levied on the consumer(s) account upon issuing of an occupation certificate by the municipality. The onus will be on the consumer to complete an application for a refuse bin(s).</u>

3. Indigent policy

<u>Paragraph</u>	<u>Current policy wording</u>	<u>Proposed change</u>
5(c) Qualifying criteria for all households:	<ul style="list-style-type: none"> i) To qualify for a 100% indigent subsidy, the qualifying gross income for a household must be R5 800 or less per month. The income limits for seasonal workers will be calculated over a period of one year; ii) The second category is based on a gross income of R6 500 per month. Such households will receive an indigent subsidy of 70% of abovementioned category; 	<ul style="list-style-type: none"> i) To qualify for a 100% indigent subsidy, the qualifying gross income for a household must be R5 800R6 000 or less per month. The income limits for seasonal workers will be calculated over a period of one year; ii) The second category is based on a gross income of R6 8500 per month. Such households will receive an indigent subsidy of 70% of abovementioned category;
5(d)(i)(2) Public Benefit Organisations	2) A certificate and welfare registration number must be provided	2) A certificate and welfare registration number must be provided;
6(a)(i) Permanent indigent category	i) If the value of the property is not more than R250 000 and gross income is less than R6 500 the indigent subsidy will expire on the implementation of the next General Valuation.	i) If the value of the property is not more than R250 000 and gross income is less than R6 8500 the indigent subsidy will expire on the implementation of the next General Valuation.
6(d)(i) Pensioners	i) If the gross income is less than R6 500 the indigent subsidy will expire on the	i) If the gross income is less than R6 500-800 the indigent subsidy will expire on the implementation of the next General Valuation.

	implementation of the next General Valuation.	
7(a)(vi) Deregistration of Indigents	vi) The average water consumption based on actual readings of an indigent household may not exceed 15 kilolitres per month for 3 consecutive months. The indigent subsidy will be cancelled automatically by the municipality.	vi) The average water consumption based on actual readings of an indigent household may not exceed 15 kilolitres per month for 3 consecutive months, if the municipal account is overdue . The indigent subsidy will be cancelled automatically by the municipality.
7(a)(vi) Deregistration of Indigents	vii) The average electricity consumption of an indigent household may not exceed 650 kWh units per month for 3 consecutive months. The indigent subsidy will be cancelled automatically by the municipality, except for ESKOM customers.	vii) The average electricity consumption of an indigent household may not exceed 650 kWh units per month for 3 consecutive months, if the municipal account is overdue . The indigent subsidy will be cancelled automatically by the municipality, except for ESKOM customers.

4. Property rates

<u>Paragraph</u>	<u>Current policy wording</u>	<u>Proposed change</u>																				
2(1)(f) Exemptions , Reductions and Rebates	vii) Proof of household income must be produced in the form of a recent bank statement (3 months), IRP5 or SARS return (where applicable) and identity documents must be produced to confirm age.	vii) Proof of household income must be produced in the form of a recent bank statement (3 months), IRP5 or SARS return (where applicable), payslip and/or letter confirming gross amount before deductions and identity documents must be produced to confirm age.																				
2(1)(f) Exemptions , Reductions and Rebates	Below is a table of the rebates for the 2023/24 financial year: <table border="1" data-bbox="367 1145 996 1353"> <thead> <tr> <th>Description</th> <th>Rebate %</th> </tr> </thead> <tbody> <tr> <td>With a monthly income not exceeding R13 850</td> <td>100%</td> </tr> <tr> <td>With a monthly income not exceeding R19 650</td> <td>70%</td> </tr> <tr> <td>With a monthly income not exceeding R25 500</td> <td>50%</td> </tr> <tr> <td>Monthly income exceeding R25 500</td> <td>0%</td> </tr> </tbody> </table>	Description	Rebate %	With a monthly income not exceeding R13 850	100%	With a monthly income not exceeding R19 650	70%	With a monthly income not exceeding R25 500	50%	Monthly income exceeding R25 500	0%	Below is a table of the rebates for the 2023/24 financial year: <table border="1" data-bbox="1077 1145 1720 1380"> <thead> <tr> <th>Description</th> <th>Rebate %</th> </tr> </thead> <tbody> <tr> <td>With a monthly income not exceeding R14 500</td> <td>100%</td> </tr> <tr> <td>With a monthly income not exceeding R20 600</td> <td>70%</td> </tr> <tr> <td>With a monthly income not exceeding R26 750</td> <td>50%</td> </tr> <tr> <td>Monthly income exceeding R26 750</td> <td>0%</td> </tr> </tbody> </table>	Description	Rebate %	With a monthly income not exceeding R14 500	100%	With a monthly income not exceeding R20 600	70%	With a monthly income not exceeding R26 750	50%	Monthly income exceeding R26 750	0%
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5. Budget and funds and reserves policy

Paragraph	Current policy wording	Proposed change
4.5	<p>Donated assets received; Directors of departments shall ensure that all Managers of all departments inform the Budget office when the information of the annual budget and adjustments budget is due as per the budget time schedule of any projects to be completed during the year and provide written confirmation of the envisaged date the project or asset will be handed over to the municipality in order to enable the budget office to include these amounts as donated assets, in the capital budget to avoid any unauthorized expenditure. The prescribed documents must be completed that contains all required information to be captured on the financial systems to comply with all m SCOA and budgetary requirements and must be signed off by the relevant director.</p>	<p>Donated <u>and</u> assets received <u>or to be received in lieu of development charges</u>; Directors of departments shall ensure that all Managers of all departments inform the Budget office when the information of the annual budget and adjustments budget is due as per the budget time schedule of any projects to be completed during the year and provide written confirmation of the envisaged date the project or asset will be handed over to the municipality in order to enable the budget office to include these amounts as donated assets, <u>or assets in lieu of developments charges</u> in the capital budget to avoid any unauthorized expenditure. The prescribed documents must be completed that contains all required information to be captured on the financial systems to comply with all m SCOA and budgetary requirements and must be signed off by the relevant director.</p>

6. Virement policy

<u>Paragraph</u>	<u>Current policy wording</u>	<u>Proposed change</u>
5.11	No virement may be made to increase any vehicle (transport related) related budget to increase the number of vehicles budgeted for from a non-vehicle (transport) related budgeted project for purchasing of a vehicle without the approval of council, except in the case of insurance claims, or where a vehicle is co-funded from grant funding	Delete
5.12	Office furniture and office equipment, machinery & equipment related budgets may not be increased through a virement without the approval of the council, except for insurance claims	Delete

7. Transfers and subsidies policy

No changes.

8. Borrowing policy

No changes.

9. Cash management and investment policy

<u>Paragraph</u>	<u>Current policy wording</u>	<u>Proposed change</u>
7.8(c)(iv) Cash	(iv) A duplicate computer-generated receipt should be printed for the audit and paper trail purposes.	(iv) A duplicate computer-generated receipt <u>will only be</u> should be printed for the <u>audit purposes</u> and <u>on request of the consumer.</u> paper trail purposes.

10. Asset management policy

<u>Paragraph</u>	<u>Current policy wording</u>	<u>Proposed change</u>
14.1 Initial cost	Additional bullet	<p><u>o Items that are on the borderline of being classified as assets and can be argued that it is expected to be used during only one reporting period, will not be capitalised as assets in the register. This list will be kept as Annexure A in this policy and updated annually as identified during the year.</u></p>
Annexure A	<u>New</u>	<p><u>Annexure A</u> <u>List of assets expected to be used during one reporting period or less than one reporting period</u> <u>Items often classified as stationery and of operational nature</u> - <u>Buddy Systems</u> - <u>Waste Bins</u> - <u>Money Boxes</u> - <u>Heavy Duty Staplers</u> - <u>Heavy Duty Punches</u> - <u>Carpet Protectors</u> <u>Items of operational nature of which the guarantee is less than 1 year if used by a business entity</u> - <u>Electrical Fans</u> - <u>Electrical Heaters</u> - <u>Kettles</u> - <u>Toasters</u> - <u>Mop Trolleys</u> - <u>Torches</u> - <u>2-Plate stoves (no oven)</u> <u>Items of operational nature and refilled – the contents of which can only be used over 1 reporting period</u> - <u>Fire Extinguishers</u> <u>Non-electrical hand tools of operational nature</u> - <u>Hand Tools (eg. Pliers, screwdrivers, sockets, etc. and not limited to)</u> - <u>Extension Leads</u></p>

11. Tariff policy

Paragraph	Current policy wording	Proposed change
8.1	<p>(d) Standard Connection Sizes</p> <p>The following Standard connection sizes will be available for Domestic Customers:</p> <ol style="list-style-type: none"> 1. Smaller than 30 Ampere Single Phase 2. 40 Ampere Single Phase 3. 60 Ampere Single Phase 4. 80 Ampere Single Phase (only in special cases) 5. 20 Ampere three Phase (Equivalent 60 Ampere) 6. 40 Ampere Three Phase (Equivalent 120 Ampere) 7. 60 Ampere Three Phase (Equivalent 180 Ampere) 	<p>(d) Standard Connection Sizes</p> <p>The following Standard connection sizes will be available for Domestic Customers:</p> <ol style="list-style-type: none"> 1. Smaller than 30 Ampere Single Phase <u>30 Ampere and lower Single Phase</u> 2. 40 Ampere Single Phase 3. 60 Ampere Single Phase 4. 80 Ampere Single Phase (only in special cases) 5. 20 Ampere three Phase (Equivalent 60 Ampere) 6. 40 Ampere Three Phase (Equivalent 120 Ampere) 7. 60 Ampere Three Phase (Equivalent 180 Ampere)
8.1	<p>(e) Indigent Subsidy</p> <p>Indigent subsidy will only apply to customers on the lifeline or Domestic Low tariff.</p>	<p>(e) Indigent Subsidy</p> <p>Indigent subsidy will only apply to customers on the lifeline or Domestic Low Standard <u>tariff, 30 Ampere and lower Single Phase.</u></p>
8.4 SEWAGE, INDUSTRIAL EFFLUENT AND EMPTYING OF CONSERVANCY TANKS	(c) New	<p>Private developments where the municipality is not responsible for maintenance of internal infrastructure.</p> <p><u>Undeveloped service points</u></p> <p>Availability fees</p> <p><u>Developed service points</u></p> <p>Flowing / Treatment fees only</p> <p>Fixed amount per size of plot that is determined annually by council.</p> <p>Fixed amount per size of plot that is determined annually by council.</p>

12. Insurance management policy

No changes.

13. Special rating area policy

No changes.

14. Policy on the disposal of unserviceable, obsolete or redundant assets

No changes.

15. Incentives policy

No changes.

16. Cost containment policy

No changes.

17. Long term financial plan policy

<u>Paragraph</u>	<u>Current policy wording</u>	<u>Proposed change</u>
7.1	Once adopted by Council, the LTFP should be updated every second year.	7.1 Once adopted by Council, the LTFP should be updated <u>at least</u> every second year.

18. Petty cash policy

Paragraph	Current policy wording	Proposed change
8.2.4	Wreaths, etc. for officials except for where an employee has been employed for more than 10 years and retires;	8.2.4 Wreaths, <u>flowers, gifts,</u> etc. for officials except for where an employee has been employed for more than 10 years and retires;
9.5	New	<u>A quarterly review of the petty cash module and general ledger on the financial system will be performed to ensure that all differences are accounted for.</u>
9.6	Reconciliations for all other petty cash box will be performed and reviewed by the respective petty cash custodians and managers of referenced departments	9. 6 5 Reconciliations for all other petty cash boxes will must be performed and reviewed by the respective petty cash custodians and managers of <u>the</u> referenced departments.
10.1	The holder of the petty cash float will be held accountable for any shortages and/or losses unless there is physical evidence of breaking in and no act or omission on the part of the relevant official contributed to the loss.	The holder of the petty cash float will be held accountable for any shortages and/or losses unless there is physical evidence of <u>breaking-inforcible entry</u> and no act or omission/ <u>-negligence</u> on the part of the relevant official contributed to the loss.

19. Capital budget implementation policy

New policy



CAPITAL BUDGET IMPLEMENTATION POLICY

For implementation as from 1 July 2024



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1. ABBREVIATIONS

AO/ MM	Accounting Officer/ Municipal Manager of SBM
CFO	The Chief Financial Officer of SBM
MBRR	Municipal Budget and Reporting Regulations
MFMA	Municipal Finance Management Act No. 56 of 2003
MTREF	Medium Term Revenue and Expenditure Framework
SBM	Saldanha Bay Municipality
SCM	Supply Chain Management

2. DEFINITIONS

“**BAC**” means Bid Adjudication Committee, a committee established in terms of Regulation 29 of the Municipal Supply Chain Management Regulations.

“**BEC**” means Bid Evaluation Committee, a committee established in terms of Regulation 28 of the Municipal Supply Chain Management Regulations.

“**BID**” means the legislative process of the procurement of goods and services above R300 000, or period exceeding 12 months. “Bid” is also referred to as “Tender”.

“**BSC**” means Bid Specification Committee, a committee established in terms of Regulation 27 of the Municipal Supply Chain Management Regulations.

“**CAPITAL BUDGET**” means the accumulative individual capital expenses that meets the definition of capital assets in accordance with Generally Recognised Accounting Practice, which will be incurred during a specific financial year.

“**CAPITAL PROJECT**” means capital project as per mSCOA project segment.

“**CIDB**” means the Construction Industry Development Board (CIDB) Act, 38 of 2000 and includes the regulations pertaining thereto.

“**CONTRACT MANAGER**” means a line manager, or a budget cost-centre manager, or the officials in the Project Management Unit with delegated authority.

“CONTRACT OWNER” means the official that is ultimately accountable for the deliverables during the contract lifecycle relevant to the service delivery target that the contract seeks to achieve.

“DAY” means calendar day.

“DEPARTMENTAL SCM REPORT” means an initial bid evaluation report prepared by the Contract Manager or Contract Owner.

“FINANCIAL YEAR” means 1 July until 30 June.

“MTREF PERIOD” means a 3-year budget that is approved annually by Council.

“MULTI-YEAR PROJECT” is a project that is implemented over more than 1 financial year.

“QUOTATION” means the legislative process of the procurement of goods and services below R300 000.

3. LEGISLATIVE REQUIREMENTS

Some of the most important legislative requirements pertaining to capital projects are:

- 3.1 Section 17(3)(e) of the MFMA requires that when an annual budget is tabled, it must be accompanied by any proposed amendments to the budget-related policies of the municipality.
- 3.2 Section 19(1) of the MFMA requires that money may only be spend on a capital project if the money has been appropriated in the capital budget, the project and its cost has been approved by the council, section 33 of the MM, if relevant, has been approved by the council, and appropriate funding sources are available.
- 3.3 Section 19(2) requires that, before approving a capital project, the council must consider the projected cost covering all financial years until the project is operational, and its future operational cost and revenue, including rates and tariff implications.
- 3.4 Section 28(e) of the MFMA requires that an adjustment budget may authorise the roll-over of capital projects that were unspent at the end of the financial year.

- 3.5 Section 46(1)(a) of the MFMA requires that long-term debt may only be incurred for capital expenditure and within certain specific MFMA requirement.
- 3.6 Sections 54 and 72 of the MFMA requires that the mayor must consider and, if necessary, revise the SDBIP with the approval of the council, including the approval of an adjustment budget.
- 3.7 Section 69 of the MFMA determines that the accounting officer is responsible for the implementation of the municipality's approved budget, and when necessary, must submit an adjustment budget for consideration by the mayor and council.
- 3.8 Regulation 11 of the MBRR requires that an annual budget must include the total capital expenditure as well as the different sources of funding. The total budgeted capital expenditure must be equal to the capital budget funding sources.
- 3.9 In terms of Regulation 13 of the MBRR, for capital projects exceeding R50 million, individual approval for capital projects is required from council and must include specific information such as the details of the nature, location and total projected cost of the capital project and must be made public within 10 days after council approval.

4. PURPOSE OF THE POLICY

- 4.1 The purpose of the Capital Budget Implementation policy is to ensure that –
 - a) The MTREF capital budget is credible;
 - b) Procurement planning takes place in structured manner in accordance with the approved MTREF capital budget;
 - c) Implementation of the capital budget commences as soon as possible after the start of the new financial year;
 - d) The performance of the procurement plan is monitored;
 - e) The performance of the capital budget is monitored.
- 4.2 The overall purposes and objective of this policy is therefore to ensure that the council-approved procurement plan will contribute to the timeous implementation of the approved 3-year MTREF capital budget.

5. PROCUREMENT CYCLE

- 5.1 In this policy context, the “procurement cycle” is, *inter alia*, the legislative SCM processes of compiling bid documents, the advertisement of the bid, evaluation of the bid and finally the appointment of a supplier.
- 5.2 Not included in the “procurement cycle” definition is the compilation of the bid specification document and other processes before that. The “submission of the bid specification document by the Department to SCM” is seen as the commencement of the procurement cycle at SBM.
- 5.3 Many processes must be completed before a bid can be awarded. A list of these actions at SBM is provided below and in **Annexure A** for illustration and educational purposes.
- (1) Submission of bid specifications by the Department to SCM;
 - (2) SCM prepares the tender document;
 - (3) BSC meeting to consider and approve the bid specifications;
 - (4) Compilation of all other bidding documentation;
 - (5) Sign-off of the final bid documentation and the public bid invitation;
 - (6) Submission of the bid notices for advertisement in the newspaper/s and on electronic platform/s;
 - (7) Advertise the bid for 14 days (below R10 million) or 30 days (above R10 million);
 - (8) Site meeting or briefing session, if applicable;
 - (9) Opening and recording of the bids that were received;
 - (10) Perform a technical evaluation for bids that includes functionality;
 - (11) Perform a departmental evaluation of all bids received;
 - (12) SCM prepares the BEC report based on the departmental report
 - (13) The BEC will evaluate all bids received and make recommendation/s to the BAC;
 - (14) The BAC to consider the recommendations of the BEC and make an award.
 - (15) For bids above R10 million, the BAC to make a recommendation to the MM on the preferred bidder, who will make the award;
 - (16) Finalisation of BAC minutes and other relevant documentation;
 - (17) Draft letters to notify the bidders of the outcome of their bids;
 - (18) Allow for an appeal process of 21 days;
 - (19) If appeal/s have been lodged, prepare the appropriate documents for the appeal authority for consideration, that may include a legal opinion;

- (20) The outcome of the appeal must be communicated;
- (21) For contracts having future financial obligations beyond the 3 years covered in the MTREF, a section 33 of the MFMA process must be followed, that, *inter alia*, includes:
 - a) The draft contract must be made public;
 - b) The local community must be invited to submit input on the bid;
 - c) The views and recommendations of the National Treasury must be solicited;
 - d) The views and recommendations of the Provincial Treasury must be solicited;
 - e) The views and recommendations of the Department responsible for Local Government must be solicited;
 - f) The views and recommendations of other National Departments may be required if the bid relates to Water, Sanitation, Electricity or other services;
 - g) A report must be prepared to Council consolidating all inputs;
 - h) A Council meeting must be scheduled.
- (22) The contract must be drafted and signed;
- (23) A service level agreement, if relevant, must be drafted and signed;
- (24) Where consulting engineers or other consultants are used to assist in the procurement process, a separate procurement process must be followed for their appointment;
- (25) If it is a construction bid, the CIDB requirements must be met, which, *inter alia*, require:
 - a) the initial registration of the project;
 - b) the award of the bid on electronic platform/s;
 - c) the payment of certain fees; and
 - d) the declaration of completion status of the project.

5.4 **Annexure A** is included to illustrate the estimated timeframe of the “procurement cycle” under a minimum and maximum days scenario.

6. PROJECT READINESS

6.1 Only capital projects that are ready for budget implementation may be included in the first year of the 3-year MTREF capital budget.

- 6.2 In this context, “project readiness” means that a capital project is in a state of preparedness so that, when council approves the annual budget in May, certain processes have already started, some even completed, and the procurement of goods and services will follow as documented in the approved procurement plan.
- 6.3 Project readiness preparation can be different for each capital project. Some of the processes that are required to ensure “project readiness” is listed below for illustration purposes. The time period to complete these processes must be considered before a capital project may be included on the capital budget.
- a) Feasibility study;
 - b) Environmental Impact Assessment (EIA);
 - c) Water use license (WULA);
 - d) Way-leave application;
 - e) Township establishment;
 - f) Rezoning;
 - g) Site development plan;
 - h) Land acquisition;
 - i) Materials to be used;
 - j) Compilation of the bid specifications.
- 6.4 The complication of the bid specifications is particularly important as it can delay the start of the procurement cycle. For this reason and to establish “project readiness”, the BSC date for new bids on the procurement plan may not be later than two calendar months after budget approval, i.e. the BSC date may not be later than 31 July.
- 6.5 The prohibition in paragraph 6.4 does not apply to –
- a) Bids below R1 million;
 - b) Term bids;
 - c) Housing projects.
- 6.6 For bids below R1 million, the BSC date may not be later than 5 calendar months after budget approval.
- 6.7 Therefore, if council has approved the budget on 30 May 2024, the BSC must meet to consider the bid specifications on/ before
- a) 31 July 2024 for projects larger than R1 million;
 - b) 31 October 2024 for projects less than R1 million.

6.8 If the project is a multi-year project, the allocation of the cost between financial years must be accurate.

7. PROCUREMENT PLANS

7.1 Three separate procurement plans must be prepared annually for each of the 3 financial years of the MTREF.

7.2 The first-year procurement plan must be amended every time that an adjustment budget is submitted to council.

7.3 The second- and third-year procurement plans are particularly important to ensure “project readiness” for future years.

7.4 The following information, must as a minimum be provided in the procurement plan:

- a) The unique number for each capital project on the capital budget;
- b) The project name;
- c) The funding source of the project;
- d) The Directorate who is responsible for the project;
- e) The Department who is responsible for the project;
- f) The supply chain process to be followed (bid or quotation);
- g) The existing bid number if a bid has already been awarded;
- h) The bid description for future bids;
- i) The list of the individual capital projects in the capital budget and their monetary values;
- j) The list of the individual capital projects in the capital budget and their monetary values of bids not yet been awarded;
- k) The actual spent against each capital project (for reporting purposes);
- l) The amount committed against each capital project (for reporting purposes);
- m) A status description of each capital project (for reporting purposes), using the following terminology:
 - i. Bid already awarded;
 - ii. Not yet at Bid Specification Committee;
 - iii. At Bid Specification Committee;
 - iv. Bid being evaluated;
 - v. At Bid Adjudication Committee;
 - vi. Bid cancelled or removed;
 - vii. Other.

- n) The name of the contract owner;
- o) The name of the contract manager;
- p) The date when the BSC will have their first meeting to discuss the specification document that will be used for each procurement of goods or services;
- q) The date when the Contract Owner or Contract Manager will submit their final Departmental SCM report to the SCM department;
- r) The date when the BEC will have their first meeting to evaluate the bids received.

7.5 The capital spending must be measured against the performance of the implementation of the procurement plan on a monthly basis.

8. PREPARATION TIMELINES OF PROCUREMENT PLANS

8.1 Three separate procurement plans are prepared for each of the 3-years of the MTREF.

8.2 The first-year procurement plan must be submitted to Council in March with the tabled budget, whilst the two outer years are submitted to Council in May when for final approval.

8.3 SCM and the Departments must ensure that the procurement plans are compiled timeously within the following periods:

<u>Action</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Compile the draft procurement plans	1 Dec - 28 Feb	15 Mar - 30 April	
Update the draft procurement plan for year 1 with the final tabled budget information	7 - 14 Mar		
Submit the final procurement plans to Council for approval	End of May		

9. AMENDMENT OF PROCUREMENT PLANS

- 9.1 Every time an adjustment budget is submitted to Council, the procurement plan for year 1 must be amended and approved by Council to ensure alignment.
- 9.2 Other than that the procurement plans may not be amended during a financial year.

10. CAPITAL BUDGET MONITORING COMMITTEE

- 10.1 A Capital Spending Committee must meet on an ad-hoc basis to monitor the capital spending.
- 10.2 The committee shall comprise of the minimum of:-
- a) The MM or delegated official;
 - b) The CFO or delegated official;
 - c) The Director or delegated official responsible for a specific capital project;
 - d) The Contract Manager of that specific capital project;
 - e) The Contract Owner of that specific capital project;
 - f) Any other official.
- 10.3 A meeting may be called to discuss, *inter alia*,
- a) A specific project that that does not meet the target dates on the Procurement Plan;
 - b) The progress on the capital project is slower than anticipated.
- 10.4 The MM, CFO or Director may at any time request that a Capital Budget Monitoring Committee meeting take place within 7 days after sending a meeting request to all the relevant officials.
- 10.5 The meeting must have a formal agenda and minutes of the meeting must be prepared. The Contract Owner must submit a written report to the Committee at least one (1) day prior to the meeting.

ESTIMATED "PROCUREMENT CYCLE" TIMEFRAME

No	Days to complete		Action	Primary responsibility
	Minimum	Maximum		
1	14	21	Submission of bid specifications by the Department to SCM	Department
2	14	14	SCM prepares the tender document	SCM
3	1	5	BSC meeting to consider and approve the bid specifications	BSC
4	2	3	Compilation of all other bidding documentation	SCM
5	1	2	Sign-off of the final bid documentation and public bid invitation	Director
6	4	8	Submission of the bid notices for advertisement in the newspaper/s and on electronic platform/s	SCM
7	14	30	Advertise the bid for 14 days (below R10 million) or 30 days (above R10 million)	SCM
8	concurrent process		Site meeting or briefing session, if applicable	Department
9	2	3	Opening and recording of the bids that were received	SCM
10	7	14	Perform a technical evaluation for bids that includes functionality	Department
11	7	35	Perform a departmental evaluation of all bids received	Department
12	14	21	SCM prepares the BEC report based on the departmental report	SCM
13	3	7	The BEC to evaluate all bids received and make recommendation/s to the BAC	BEC
14	1	7	The BAC to consider the recommendations of the BEC and make an award	BAC
15	1	2	For bids above R10 million, the BAC to make a recommendation to the MM on the preferred bidder, who will make the award	MM
16	1	2	Finalisation of BAC minutes and other relevant documentation	SCM
17	1	2	Draft letters to notify the bidders of the outcome of their bids	SCM
18	21	21	Allow for an appeal process of 21 days	SCM
19	10	21	If appeal/s have been lodged, prepare the appropriate documents for the appeal authority for consideration, that may include a legal opinion	SCM
20	1	2	The outcome of the appeal must be communicated	SCM
21	As it is not applicable to most bids, the number of days are not used in the "minimum" calculation.	60	For contracts having future financial obligations beyond the 3 years covered in the MTREF, a section 33 of the MFMA process must be followed, that includes:	Department
(a)			The draft contract must be made public	
(b)			The local community must be invited to submit input on the bid	
(c)			The views and recommendations of the National Treasury must be solicited	
(d)			The views and recommendations of the Provincial Treasury must be solicited	
(e)			The views and recommendations of the Department responsible for Local Government must be solicited	
(f)			The views and recommendations of other National Departments may be required if the bid relates to Water, Sanitation, Electricity or other services	
(g)			A report must be prepared to Council consolidating all inputs	
(h)			A Council meeting must be scheduled to approve the contract	
22			2	
23	7	14	A service level agreement, if relevant, must be drafted and signed	Department
24	separate SCM process		Where consulting engineers or other consultants are used to assist in the procurement process, a separate procurement process must be followed for their appointment	Department
25	concurrent process		If it is a construction tender, the CIDB requirements must be met, which, inter alia, entails	
(a)			the initial registration of the project	SCM
(b)			the award of the bid on electronic platform/s,	SCM
(c)			the payment of certain fees	Department
(d)			the declaration of completion status of the project on the various platforms.	Department
	100	264		