|  |
| --- |
| *Insert an Organ of State Logo, name and other necessary details* |

**ADDENDUM**

**TO**

**SUPPLY CHAIN MANAGEMENT POLICY**

**OF**

**XXXX LOCAL MUNICIPALITY**

**Date: 2022/XX/XX**

NB: The drafter to delete items in { } after drafting, and, to convert drafted items to black colour text.

1. **PURPOSE**

The purpose of this addendum (High Level Delegations for FIPDM) is to provide specific information regarding the supply chain management for infrastructure procurement and delivery management related to the [insert the name of the Municipality or public entity])

The contents of this addendum must be read in conjunction with the Local Government Framework for Infrastructure Procurement and Delivery Management dated 01 October 2020 (effective for implementation on 01 July 2021) or as amended from time to time.

1. **BACKGROUND**

The National Treasury released the Local Government Framework for Infrastructure Procurement and Delivery Management (LGFIPDM) issued in terms of the Municipal Finance Management Act of 2003 (Act No. 56 of 2003) (MFMA), as part of the Treasury Circular 106 of 2020 (dated 16 September 2020) . This National Treasury Circular requires the implementation of the FIPDM by all organs of state subject to the MFMA, with effect from 1 July 2021.

In order to comply with the requirements of this Treasury Circular No. 106 of 2020, MISA, as part of its mandate, undertook a process of rolling out and unpacking the Local Government Framework for Infrastructure Procurement and Delivery Management to low and medium capacity municipalities.

The aim of the above-mentioned policy rollout is to, amongst others:

* Ensure that Municipalities, assigned with the responsibility (in terms of relevant legislation) to deliver infrastructure, comply with the National Treasury Circular No. 106 of 2020.
* Ensure that municipalities utilize the provisions of the IDMS in the planning of acquisition of their assets.

The Local Government Framework for Infrastructure Procurement and Delivery Management (FIPDM) therefore provides a broad framework with minimum requirements to be adhered inorder to comply with National Treasury Circular No. 106 of 2020 and ***cidb*** prescripts.

Accounting officers of Municipalities are required to adopt this LGFIPDM and also make use of this addendum to adjust SCM delegations, which has the provisions of the LGFIPDM and also to align their systems and resources in order to address their specific requirements, including: approved organisational structure, departmental policies and system of delegation of powers, duties, functions and responsibilitiesas per relevant legislation. In particular, the Control Stage deliverables as outlined in Table 1 will be driven by built environment professionals, either in-house or co-opted, whilst the Procurement Gates deliverables outlined in Tables 2 and 3 will be driven by Supply Chain Management with the support from built environment professionals where required.

1. **THE ADDENDUM TO APPROVED SCM DELEGATIONS**

The contents of this addendum is confirmed as municipality policy (SCM delegations of authority) with adjustments to the following tables:

Table 1: Responsibilities for approving / accepting end of stage deliverables (The Control Stages deliverables).

Table 2: Procurement activities and gates associated with the formation and conclusion of contracts above the quotation threshold (The Procurement Gates)

Table 3: Procurement activities and gates associated with the formation and conclusion of framework agreement contracts (The Procurement Gates)

1. **ADJUSTMENTS**

**{replace or adopt Person assigned the responsibility for co-approving the end of stage deliverables. The person responsible does not have to be a built environment professional.}**

**Table 1: Responsibilities for approving / accepting end of stage deliverables (The Control Stages deliverables)**

| # | **Stage and deliverable** | **Minimum level of a Person assigned the responsibility for co-approving the end of stage deliverables** | **Conditions and minimum requirements** |
| --- | --- | --- | --- |
| **1** | **Project initiation and prefeasibility report**  *Acceptance and approval of the prefeasibility report recommended by* | *{Delegated official or structure}* | The Initiation Report defines project objectives, needs, acceptance criteria, organisation’s priorities and aspirations, and procurement strategies, which set out the basis for the development of the Concept Report.    Or  A Pre-feasibility Report is required on Mega Capital Projects, to determine whether to proceed to the Feasibility Stage; where sufficient information is presented to enable a final project implementation decision to be made. Mega capital projects should be determined in the municipality’s policy approved by the Municipal Council.  **Stage 1 is complete when the Initiation Report or Pre-feasibility Report is approved.**. |
| **2** | **Concept Report or Feasibility Report**  *Acceptance and Approval of the Concept or feasibility report* | *{Delegated official or structure}* | **Concept Report or Feasibility Report**  (i) The Concept Stage presents an opportunity for the development of different design concepts to satisfy the project requirements developed in Stage 1. This stage presents alternative approaches and an opportunity to select a particular conceptual approach. The objective of this stage is to determine whether it is viable to proceed with the project, premised on available budget, technical solutions, time frame and other information that may be required.  (ii) The Concept Report should provide the following minimum information:  a) Document the initial design criteria, cost plan, design options and the selection of the preferred design option; or the methods and procedures required to maintain the condition of infrastructure, or the project.  b) Establish the detailed brief, scope, scale, form and cost plan for the project, including, where necessary, the obtaining of site studies and construction and specialist advice.  c) Provide an indicative schedule for documentation and construction, or maintenance services, associated with the project.  d) Include a site development plan, or other suitable schematic layouts, of the works.  e) Describe the statutory permissions, funding approvals and utility approvals required to proceed with the works associated with the project.  f) Include a baseline risk assessment for the project and a health and safety plan, which is a requirement of the Construction Regulations issued in terms of the Occupational Health and Safety Act.  g) Contain a risk report, need for further surveys, tests, investigations, consents and approvals, if any, during subsequent stages.  (iii) A Feasibility Report must provide the following minimum information:  a) Details regarding the preparatory work covering:  • A needs and demand analysis with output specifications.  • An options analysis.  b) A viability evaluation covering:  • A financial analysis.  • An economic analysis, if necessary.  c) A risk assessment and sensitivity analysis;  d) A professional analysis covering:  • A technology options assessment.  • An environmental impact assessment.  • A regulatory due diligence.  e) An implementation readiness assessment covering:  • Institutional capacity.  • A procurement plan.  Stage 2 is complete when the Concept Report or the Feasibility Report is approved. |
| **3** | **Design Development Report**  *Acceptance of the design development report* | *{Delegated official or structure}* | Design Development Report  (i) The Design Development Report must, as necessary:  a) Develop, in detail, the approved concept to finalise the design and definition criteria.  b) Establish the detailed form, character, function and costings.  c) Define the overall size, typical detail, performance and outline specification for all components.  d) Describe how infrastructure, or elements or components thereof, are to function; and how they are to be safely constructed, be commissioned and be maintained.  e) Confirm that the project scope can be completed within the budget, or propose a revision to the budget.  Stage 3 is complete when the Design Development Report is approved. |
| **4** | **Design Documentation Report**  *Approval of the Design Documentation Report* | *{Delegated official or structure}* | Design Documentation  (i) Design documentation provides:  a) the production information that details performance definition, specification, sizing and positioning of all systems and components that will enable construction;  b) the manufacture, fabrication and construction information for specific components of the work, informed by the production information.  Stage 4 is complete when the Design Documentation Report is approved. |
| **5** | **Works Completion - delivery**  *Certification of Works Completion Report* | *{Delegated official or structure}* | Completed Works capable of being used or occupied  (i) Completion of the Works Stage requires:  a) Certification of the completion of the works in accordance with the provisions of the contract;  or  b) Certification of the delivery of the goods and associated services in accordance with the provisions of the contract.  Stage 5 is complete when the Works Completion Report is approved. |
| **6** | **Handover**  *Acceptance and approval of handover* | *{Delegated official or structure}* | Works which have been taken over by the user or owner; Completed Training; Record Information  (i) The handover stage requires the following activities to be undertaken:  a) Finalise and assemble record information which accurately reflects the infrastructure that is acquired, rehabilitated, refurbished or maintained;  b) Hand over the works and record information to the user organisation and, if necessary, train end user staff in the operation of the works.  Stage 6 is complete when the Handover/Record Information Report is approved |
| **7** | Close Out  *Close Out Report is complete, including all certificates of completion, final accounts paid, and, improvement and maintenance plans* | *{Delegated official or structure}* | Defects Certificate or Certificate of Final Completion; Final Account; Close-Out Report  (i) The Close-Out Stage commences when the end user accepts liability for the works. It is complete when:  a) Record information is archived;  b) Defects certificates and certificates of final completion are issued in terms of the contract;  c) Final amount due to the contractor is certified in terms of the contract;  d) Close-Out Report is prepared by the Implementer and approved by the Municipality.  Stage 7 is complete when the Close-out Report is approved |

**Table 2: Procurement activities and gates associated with the formation and conclusion of contracts above the quotation threshold (The Procurement Gates)**

| **Activity** | | **Sub-Activity** (see paragraph 6.3 of the framework) | | **Key action to be performed within SCM/ Infrastructure Procurement Unit** | **Person assigned responsibility to perform key action** |
| --- | --- | --- | --- | --- | --- |
| 1\* | Establish what is to be procured | 6.3.1 **PG1** | **Obtain permission to start with the procurement process** | 1) Establish and clarify the procurement need, aligned to the municipality’s development and transformation priorities specified in the IDP.  2) Determine a suitable title for the procurement, to be applied as the project description.  3) Prepare the broad scope of work for the procurement.  4) Perform market analysis.  5) Estimate the financial value of proposed procurement and contract for budgetary purposes, based on the broad scope of work.  6) Confirm the budget.  7) Compliance with section 33 of the MFMA with respect to community and stakeholder consultation  PG 1 is complete when a designated person or body makes the decision to proceed/not to proceed, with the procurement of the infrastructure. | *{Delegated official or structure}* |
| 2\* | Decide on procurement strategy | 6.3.2  **PG2** | **Obtain approval for procurement strategies that are to be adopted including specific approvals to approach a confined market or the use of the negotiation procedure** | 1)Develop a procurement strategy aligned to the institutional procurement strategy:  a. Establish contracting and pricing strategy comprising of an appropriate allocation of responsibilities and risks; and the methodology for contractor payments.  b. Identify service required for works.  c. Decide on contracting strategy.  d. Decide on pricing strategy.  e. Decide on form of contract.  f. Establish opportunities for promoting preferential procurement in compliance with legislative provisions and the Construction Sector Code.  c) PG 2 is complete when a delegated person or body approves the procurement strategy that is to be adopted. | *{Delegated official or structure}* |
| 3 | Approval for procurement documents | 6.3.3  **PG3** | **Obtain approval for procurement documents** | 1) Prepare procurement documents that are compatible with:  i) approved procurement strategies.  ii) project management design documentation.  c) PG 3 is complete when the Bid Specification Committee approves the procurement document. | *{Delegated official or structure}* |
| 4 | Confirm budget availability | 6.3.4  **PG4** | **Confirmation of cash flow sufficiency** | 1) Confirm that cash flow processes are in place to meet contractual obligations.  2) Establish control measures for settlement of payments within the time period specified in the contract.  c) PG 4 is complete when a delegated person or body confirms in writing that cash flow processes are in place; and control measures are established for the procurement to take place. | *{Delegated official or structure}* |
| 5 | Solicit tender offers | 6.3.5  **PG5** | **Solicit tender offers**  (qualified, nominated, proposal or open / restricted competitive negotiations procedure only) | b)Minimum requirements for PG 5  1) Invite contractors to submit tender offers.  2) Receive tender offers.  3) Record tender offers.  4) Safeguard tender offers.  c) PG 5 is complete when tender offers received are recorded and safeguarded by a delegated person from the SCM unit. | *{Delegated official or structure}* |
| 6 | Evaluation of tender submissions | 6.3.6  **PG6** | **Evaluate tender offers in terms of undertaking and parameters established in procurement documents** | 1) Determine whether tender offers are complete.  2) Determine whether tender offers are responsive.  3) Evaluate tender submissions.  4) Review minimum compliance requirements for each tender.  5) Perform a risk analysis.  6) Prepare a report on tender offers received, and on their achievement of minimum compliance. | *{Delegated official or structure}* |
| 7 | Award contract | 6.3.7  **PG7** | **Award contract** | 1) Bid adjudication committee review of the BEC evaluation report.  2) Bid Adjudication Committee makes an award.  3) Accounting Officer approval of the tender process.  4) Notify successful tenderer and unsuccessful tenderers of the outcome.  5) Sign contract document.  6) Formally accept tender offer.  c) PG 7 is complete when the Accounting Officer, or the Bid Adjudication Committee where delegated, confirms that the tenderer has provided evidence of complying with all requirements stated in the tender data and formally accepts the tender offer in writing, and issues the contractor with a signed copy of the contract. | *{Delegated official or structure}* |
| 8 | a) Administer and monitor the contract. | 6.3.8  **PG8** | **a) Administer and monitor the contract.** | 1) Finance department to:  (i) Capture contract award data.  (ii) Manage cash flow projection.  (iii) Administer contract in accordance with the terms and provisions of the contract.  2) Delivery department to:  (i) Ensure compliance with contractual requirements.  c) PG 8 is complete when a delegated person captures the contract completion/termination data (close out reports and relevant documents), including payment certificates due. | *{Delegated official or structure}* |

\* Applies only to goods and services not addressed in a procurement strategy developed during stage 1 (initiation or prefeasibility) of the control stage gates for infrastructure delivery management

**Table 3: Procurement activities and gates associated with the issuing of an order above the quotation threshold in terms of a framework agreement**

| **Activity** | | **Key action to be performed within Infrastructure Procurement Unit** | **Person assigned responsibility to perform key action** |
| --- | --- | --- | --- |
| 1 **FG1** | Confirm justifiable reasons for selecting a framework contactor where there is more than one framework agreement covering the same scope of work | **Confirm reasons** submitted for not requiring competition amongst framework contractors or instruct that quotations be invited | *{Delegated official or structure}* |
| 3 **FG2** | Obtain approval for procurement documents | **Grant approval** for the issuing of the procurement documents | *{Delegated official or structure}* |
| 4 **FG3** | Confirm that budgets are in place | **Confirm that finance is available** so that the order may be issued | *{Delegated official or structure}* |
| 6 **FG4** | Authorise the issuing of the order | If applicable, **review evaluation report** and confirm or reject recommendations. Formally accept the offer in writing and issue the contractor with a signed copy of the order | *{Delegated official or structure}* |

**POLICY ADOPTION**

I ……………………….., in my capacity as the Accounting Officer, confirm that the powers, duties, functions and responsibilities assigned in the above tables are according to the Municipality’s approved policies and systems.

SIGNED AT ………………………… ON THIS ……. DAY OF …………………. 20….

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**ACCOUNTING OFFICER**

**{ORGAN OF STATE}**

**DATE:**