

# Procurement Policy

*Version history*

Version 1.0	Original version drafted by	Board approved .....
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**1. Purpose**

The purchase of goods and services is necessary for the Upper Kenilworth Improvement District (UKID) to fulfill its mandate as defined in the business plan and supporting legislative framework for Special Rating Areas. The aim of this policy is to define good governance in the procurement of all goods and services whilst not being unnecessarily onerous and thereby constraining the operational effectiveness of the CID. All purchases are bound by this policy.

**2. Policy statement**

UKID recognises that it is funded from additional property rates collected by the City of Cape Town from the property owners of Kenilworth and will at all times use money as effectively as possible and avoid conflicts of interest i.e., avoid board members directly or indirectly receiving financial benefit from purchases or other own interest. The purchase of products and services will be fair, equitable, transparent, competitive, cost-effective and the product or service must meet the requirements of its intended purpose. The purchase value will determine the extent of the process to be followed, such that higher value purchases require greater oversight and control. All purchases will be in line with the budget and business plan, or board resolution that changes the budget. The Board of Directors will take appropriate action against any corrupt or unethical activities and acts of financial misconduct in the purchase of goods and services. The Board is responsible for oversight of the budget.

**3. Procurement principles**

The purchase of products and services are guided by the following principles:

- Value for money - often the cheapest option can turn out to be a more expensive option in the longer term due to poor quality; purchases must provide good value for money.
- Local economy support - where possible purchases will benefit the local Kenilworth community via employment, local businesses, etc.
- Conflicts of interest - potential suppliers and service providers must declare any direct or indirect family or other personal relationships with UKID board members, and board members involved with a procurement decision must also inform the executive manager if they are in any way compromised, due to a relationship with a potential supplier.

#### **4. Procurement procedure**

The procurement of all products and services will follow the required procedure based on the value of the purchase amount (once-off or value of the contract (minimum term x monthly fee) in the case of contracts covering a period) and the level of understanding of the solution and potential suppliers and their offerings, using the RFX<sup>1</sup> procurement governance process.

Pursuant to the UKID Procurement Policy, the UKID Invoicing & Payments Procedure document details the process by which work orders and invoices are managed with vendors and payments are made from the UKID bank account.

There are four expense categories (each detailed hereafter) defined in this Policy:

1. Day to day expense up to and including R 500
2. Amounts greater than R500 up to and including R5,000
3. Amounts greater than R5,000 up to and including R20,000
4. Amounts greater than R20,000

##### **4.1. Expense category 1: Amounts up to and including R500.00**

**Required approval: Executive Manager**

###### **Pre-purchase approval process**

1. Purchase requirements need to be identified and recorded on a UKID order form
2. Executive Manager confirms budget capacity, alignment with business plan and priorities, and approves purchase.
3. Refer to Invoicing & Payments Procedure.
4. Refer to UKID Card Policy and Procedures.
5. Payment made by Card.
6. Invoices, till slips sent by end of month to Executive Manager .

###### **Post-purchase approval process (where the payment has been made and the purchaser is seeking approval for reimbursement after the purchase)**

1. Invoices, till slips sent by end of month to the Executive Manager.
2. Purchase requirements need to be identified by the Executive Manager.
3. Executive Manager confirms budget capacity, alignment with business plan and priorities, reasonability of the amount paid, and approves reimbursement (unless the purchase was made by the Executive Manager). If any of these requirements are not met, the Executive Manager refers the decision to the Chairman.
4. Reimbursement payment is approved by a director.

##### **4.2. Expense category 1: Amounts greater than R500 up to and including R5,000**

**Required approval: Management Team & Relevant Director**

1. Purchase requirements need to be identified and recorded on a UKID order form
2. Executive Manager confirms budget capacity, alignment with business plan and priorities, and approves purchase.
3. Executive Manager obtains two telephonic quotes.

4. Refer to Invoicing & Payments Procedure.
5. If the purchase is made using personal funds, a Director may approve the reimbursement made based on completion and submission of the Reimbursement/ Claim Form. (Annexure 1), provided that he/she is not approving their own reimbursement.

#### **4.3. Expense category 2: Amounts greater than R5,000 up to and including R20,000**

##### **Required approval: 2 Relevant Directors**

##### **Procedure:**

1. Purchase requirements need to be identified and recorded on a UKID order form
2. Portfolio head confirms budget capacity, alignment with business plan and priorities.
3. RFQ<sup>2</sup> procedure to be followed. At least three suppliers identified, and quotes obtained as per the completed RFQ Form and obtain three written quotes.
4. The Chairperson and Relevant Director agree on the best option.
5. Purchase made or contract entered into.

#### **4.4. Expense category 3: Amounts greater than R20,000**

##### **Required approval: Board (resolution)**

##### **Procedure:**

1. Purchase requirements need to be identified and recorded on a UKID order form
2. Sub-committee established with at least 3 board members (specialists may be contracted and co-opted).
3. RFI<sup>3</sup>: Where there is insufficient knowledge on the solution and/or knowledge of potential suppliers the RFI process shall be followed.
4. RFQ<sup>2</sup> procedure to be followed if:
  - a) The requirements are uncomplicated and well understood.
  - b) The procurement is a once off capital item purchase and requires no warranty and support.
  - c) At least three suppliers identified, and quotes obtained as per the completed RFQ Form.
5. RFP: The tender specification identified potential suppliers/service providers from RFI process or from common knowledge of suppliers and requirements.
6. Suppliers/service providers invited to tender, and tender published on the website, minimum of three tenders/proposals required
7. Written tenders received and evaluated against tender specification criteria (including cost, quality, track record/experience etc.). Collate responses and complete RFP Vendor Scorecard.
8. A recommendation made to board (all documentation must be finalised and stored for future reference).
9. Board approves at a board meeting (if satisfied with the recommendation and adherence to process) and resolution minutes (including authorisation for Chairman to contract with supplier/service provider).
10. Purchase made, or contract entered into.

## 5. Preferred suppliers

UKID may appoint preferred suppliers and service providers for services like vehicle maintenance, secretarial duties. Their appointment must follow the same procedure detailed above based on the anticipated value of goods and services that will be procured within the financial year. Their prices must be tested against two comparative quotes once every two years.

## 6. Management reserve

UKID will hold a management reserve of 10% of budgeted expenditure which may be used to mitigate major risks and threats as they arise, and funding is immediately accessible in order to cover the costs of unidentified risks or 'unknown-unknowns'.

## 7. Contracting principles

The following contracting principles should be adhered to for all contracts that are non-day-to-day in nature:

- Must meet the requirements set out in the Finance Agreement the CID has entered into with the City of Cape Town:
    - Clear performance indicators with appropriate targets and/or service levels
    - Provision for regular meetings to review performance against these targets and/or service levels where problems which could impact performance are resolved
    - Incentives and penalties which enable the Board to correct performance
    - A termination clause that allows the contract to be terminated in the event of poor performance
  - All contracts for the acquisition of any goods or services must be in writing (a valid invoice from a supplier is an absolute minimum requirement for all contracts)
- Parties – clearly identify the legal entity being contracted with (include registration number);
- The goods or services purchased must either be definite or at least ascertainable. This is a key requirement in the RFX process.
  - Performance – detail precisely each party's duties, rights, and obligations, in particular any special conditions. If possible, build in a service level obligation to ensure that contractual performance meets an agreed standard.
  - Price – show the make-up of the price in detail. Clarity over whether a price is inclusive or exclusive of VAT is essential. As a rule, payment for goods or services should only be made after delivery. Upfront payments should be kept to a minimum.
  - Period and termination – in general, contracts should not be longer than five years, and reviewed after 3 years. Contracts must be subject to a right of cancellation if the counterparty is in material breach or has not complied with its obligation when measured against the agreed service level.

## 8. Future policy amendments

This policy may be amended from time to time. Such amendments must be presented to and approved by resolution of the UKID board.

### Endnotes:

- 1) **RFx:** RFx is a term used to refer to a family of 'Request For...' documents used to solicit responses of various types from suppliers. The three most commonly used documents in this family include Request for Information (RFI), Request for Quote (RFQ), and Request for Proposal (RFP).
- 2) **RFQ:** Request for Quotation shall mean the UKID representative requests a quote from suppliers for the purchase of specific products or services. To receive correct quotes, RFQs often include the specifications of the items/services to make sure all the suppliers are bidding on the same item/service. Logically, the more detailed the specifications, the more accurate the quote will be and comparable to the other suppliers. Another reason for being detailed in sending out an RFQ is that the specifications could be used as legal binding documentation for the suppliers.
- 3) **RFI:** A Request for Information is a solicitation that the UKID Chairperson sends to a broad base of potential suppliers. Its purpose is for conditioning, gaining information, preparing for an RFP or RFQ, forming a strategy, or building a database. It is an information request, not binding on either the supplier or the purchaser, and is often used prior to specific requisitions (RFQ Process) for items.
- 4) **RFP:** A Request for Proposal is the process of documentation and solicitation that communicates UKIDs need or availability for a certain service and invites various vendors to submit proposals in consideration for the opportunity.

# Annexure 1: Reimbursement/Claim Form

UPPER KENILWORTH IMPROVEMENT DISTRICT

PERSONAL EXPENSES: (Name Surname)

NO.	DATE	ITEM	COST
		<b>TOTAL</b>	

I hereby certify that the above expenses were in execution of my duties and paid from my own personal funds.

All invoices attached.

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(Name Surname.....)