penzance estate
special rating area • hout bay

Procurement Policy

1. Purpose

The purchase of goods and services is necessary for the PENZANCE CID to fulfil 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 volunteer-based organisation. All purchases are bound by this policy.

2. Policy statement

The PENZANCE CID recognises that it is funded by the property owners of Penzance Estate and will always use money as effectively as possible and avoid conflicts of interest i.e. avoid board members directly or indirectly receiving financial benefit from purchases. The purchase of products and services will be fair, equitable, transparent, competitive, cost-effective and the product or service must meet the requirements for 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 respective portfolio head is responsible for its 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 Hout Bay 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 PENZANCE CID board members.

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 cumulative within the financial year) and the level of understanding of the solution and potential suppliers and their offerings.

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

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

1. Amounts up to R5,000
2. Amounts between R5,001 and R20,000
3. Amounts greater than R20,000

4.1. Expense category 1: Amounts up to R5,000

Required approval: Portfolio head

Procedure:

1. Purchase requirements need to be identified.
2. Portfolio head confirms budget capacity, alignment with the relevant portfolio implementation plan and priorities, and approves purchase.
3. Refer to Invoicing & Payments Procedure
4. If the purchase is made using personal funds the Treasurer may approve the reimbursement made based on completion and submission of the Reimbursement Form.

4.2. Expense category 2: Amounts between R5,001 and R20,000

Required approval: Portfolio head and Treasurer

Procedure:

1. Purchase requirements need to be identified.
2. Portfolio head confirms budget capacity, alignment with the relevant portfolio implementation plan and priorities, and approves purchase.
3. RFQ[2] procedure to be followed. At least two suppliers identified, and quotes obtained as per the completed RFQ Form.
4. The Portfolio head and Treasurer agree on the best option.
5. Purchase made or contract entered.

4.3. Expense category 3: Amounts greater than R20,000

Required approval: Board (resolution)

Procedure:

1. Purchase requirements need to be identified
2. Sub-committee established with at least 3 board members (specialists may be contracted and co-opted).
3. RFQ procedure to be followed if:
    a. The requirements are commonly understood, 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.

4. If not, then RFP procedure to be followed:
    a. Suppliers/service providers invited to tender, and tender published on the website, minimum of three tenders/proposals required
    b. Written tenders received and evaluated against tender specification criteria (including cost, quality, track record/experience etc
    c. A recommendation made to board (all documentation must be finalised and stored for future reference).
    d. Board approves at a board meeting (if satisfied with the recommendation and adherence to process) and resolution minuted (including authorisation for Portfolio Head to contract with supplier/service provider).
    e. Purchase made or contract entered into.

5. Preferred suppliers

PENZANCE CID may appoint preferred suppliers and service providers. 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. Further aspects such as an ability to uphold their warranties, availability and VAT registration become more important in their selection.

6. 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:
    a) Clear performance indicators with appropriate targets and/or service levels
    b) Provision for regular meetings to review performance against these targets and/or service levels where problems which could impact performance are resolved
    c) Incentives and penalties which enable the Executive Officer (board) to correct performance
    d) 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 or sold must either be definite or at least ascertainable.
- 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 two 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. Contracts that are signed for two years may be extended for a further two years (four years in total) were approved by the board. After four years, the service should go out to tender again.

7. Future policy amendments

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