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**TO ALL : HEADS OF DEPARTMENTS
: SCM PRACTITIONERS OF USER DEPARTMENTS
: PROJECT MANAGERS OF DEPARTMENTS**

SUPPLY CHAIN MANAGEMENT PRACTICE NOTE 01/2024 -AMENDMENTS TO MUNICIPAL SUPPLY CHAIN MANAGEMENT REGULATIONS BY MINISTER OF FINANCE

1. PURPOSE

The purpose of this Practice Note is to provide guidance to Heads of Departments, Managing Directors, Chief Executive Officers, SCM Practitioners of the City's Core Departments and Entities to note and adopt the amendments to the Municipal Supply Chain Management Regulations made by the Minister of Finance, acting with concurrence of the Minister of Cooperative Governance and Traditional Affairs, in terms of section 168(1) of the Local Government Municipal Finance Management Act, 2023 (Act No. 56 of 2003), published under General Notice No. 868 of 30 May 2005, as amended by Government Notice No. R.31 of 20 January 2017.

2. BACKGROUND

The Minister of Finance amended the Municipal Supply Chain Regulations in terms of section 168(1) of the Local Government Municipal Finance Management Act, 2023 (Act No. 56 of 2003). The amendments to the Regulations were published under General Notice No. 868 of 30 May 2005, as amended by Government Notice No. R.31 of 20 January 201. The Regulations took effect on the date of publication in the Gazette, which was 14 December 2023.

The amendment to the Regulations comes after the approval of the amended CoJ SCM Policy by Council on 31 October 2023. It therefore means that the approved SCM Policy should be amended to reflect the amendment to the Regulations made by the Minister of Finance.

The salient amendments to the Regulations are outlined hereunder.

3.2 AMENDMENTS TO THE SUPPLY CHAIN REGULATIONS

3.2.1 Amendments of regulation 1 of the Regulations

Regulation 1 of the Regulations was amended by the deletion of the definition of "written or verbal quotations"

3.2.2 Amendment to regulation 12 of the Regulations

Regulation 12 of the Regulations was amended - (a) by the deletion of paragraph (b) of sub-regulation (1); (b) by the substitution for paragraphs (c) and (d) of sub-regulation (1) of the following paragraphs:

"(c) formal written price quotations for procurement of a transaction value over –

- (i) R2000 up to R300 000 (VAT included), in the case of a local municipality;
 - (ii) R2000 up to R200 000 (VAT included), in the case of a district municipality;
 - (iii) R2000 up to R750 000 (VAT included), in the case of a metropolitan municipality;
- and

(d) a competitive bidding process for-

(i) procurement above a transaction value of R300 000 (VAT included), in the case of a local municipality;

(ii) procurement above a transaction value of R200 000 (VAT included), in the case of a district municipality; and

(iii) procurement above a transaction value of R750 000 (VAT included), in the case of a metropolitan municipality.”;

(c) by the deletion of sub-paragraph (i) of paragraph (b) of sub-regulation (2); and

(d) by the substitution for sub-paragraph (iii) of paragraph (b) of sub-regulation (2) of the following subparagraph:

“(iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than the competitive bidding thresholds specified in sub-regulation (1)(c)(i) to (iii).”

3.2.3 Amendment of regulation 14 of the Regulations

Regulation 14 of the Regulations was amended by the substitution for sub-paragraph (i) of paragraph (a) of sub-regulation (1) of the following sub-paragraph:

“(i) to keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements of the municipality or municipal entity through formal written price quotations;”

3.2.4 Deletion of regulation 16 of the Regulations

Regulation 16 was deleted.

3.2.5 Amendment of regulation 18 of the Regulations

Regulation 18 of the Regulations was amended-

(a) by the substitution for the heading of the following heading: **“Procedures for procuring goods or services through formal written price quotations”**;

(b) by the substitution for the words preceding paragraph (a) of the following words: “A supply chain management policy must determine the procedure for the procurement of goods or services through formal written formal written price quotations, and must stipulate-”; and

(c) by the substitution for paragraph (c) and (d) of the following paragraphs: “(c) that the accounting officer must take all reasonable steps to ensure that the procurement of goods and services through formal written price quotations is not abused;”; and

(d) that the accounting officer or chief financial officer must on a monthly basis be notified in writing of all formal written price quotations accepted by an official acting in terms of a sub-delegation; and”.

3.2.6 Substitution of regulation 19 of the Regulations

Regulation 19 of the Regulations was substituted for the following regulation:

“A supply chain management policy must specify-

(a) that goods or services above a transaction value of-

(i) R300 000 (VAT included), in the case of a local municipality;

(ii) R200 000 (VAT included), in the case of a district municipality; and

(iii) R750 000 (VAT included), in the case of a metropolitan municipality, may be

procured by the municipality or municipal entity only through a competitive bidding process, subject to regulation 11(2); and

- (b) that no requirement for goods or services above an estimated transaction value of -
- (i) R300 000 (VAT included), in the case of a local municipality;
 - (ii) R200 000 (VAT included), in the case of a district municipality; and
 - (iii) R750 000 (VAT included), in the case of a metropolitan municipality, may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process."

3.2.7 Amendment of regulation 35 of the Regulations

Regulation 35 of the regulations was amended by the substitution for sub-regulations –

(1) and (2) of the following sub-regulations:

“(1) A supply chain management policy may allow the accounting officer to procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurement is made.

(2) A contract for the provision of consultancy services to a municipality or municipal entity must be procured through competitive bids if-

(a) the value of the contract exceeds-

- (i) R300 000 (VAT included), in the case of a local municipality;
- (ii) R200 000 (VAT included), in the case of a district municipality; or
- (iii) R750 000 (VAT included), in the case of a metropolitan municipality; or

(b) the period of the contract exceeds one year.”

Only amendments applicable to Metropolitan Municipalities shall apply to the City of Johannesburg.

The following paragraphs shall be amended.

Paragraph	Amendment
Para 14.2	Increase of thresholds from R200 000 to R750 000 (VAT included) and deletion of reference to verbal quotation
Para 20 & 21	Deletion of reference to verbal quotations
Para 21.1.1	R200 000 to be replaced by R750 000
Para 22.4.1	R200 000 to be replaced by R750 000
Delegations of Central adjudications committee	The threshold to commence from R750 000 to R5 000 000
Delegations of the Group Head GSSCM	The threshold to be increased to be up to R750 000

Implications of above changes on business:

- No verbal request for quotations shall be acceptable anymore.
- Request for quotations below R30 000 remain unchanged.
- Requests for quotations for a transaction value above R30 000 can now be done up to R750 000 (Including VAT) and are still to be approved by the Group Head: Group Strategic Supply Chain Management.

- Requirements to procure through a competitive bidding process and not through RFQ now for transaction value above R750 000(including VAT).
- All other process flows remain unchanged.

3. APPLICATION OF THE PRACTICE NOTE AND EFFECTIVE DATE

The report with amendments has been compiled and will be subjected to all City's governance structures and be presented to the next sitting Council for noting as is required.

This Practice Note is applicable to all Departments and Entities and is to be implemented with immediate effect.

4. CONTACT INFORMATION

Enquiries related to this Practice Note should be directed to:

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19/01/2024

Date