



MOUNT RHODE CID NPC

2019/080628/08

PROCUREMENT POLICY AND PROCESS

1. PURPOSE

The purchase of goods and services is necessary for the Mount Rhodes 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 CID. All purchases are bound by this policy.

2. POLICY STATEMENT

The Mount Rhodes CID recognises that it is funded by the property owners of Mount Rhodes 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 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 Financial committee 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 Mount Rhodes and 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 Mount Rhodes 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 Mount Rhodes CID Procurement Policy, the Mount Rhodes CID Invoicing & Payments Procedure document details the process by which work orders and invoices are managed with vendors and payments are made from the Mount Rhodes CID bank account.

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

1. Day to day expenses not exceeding R 1,000
2. Amounts not exceeding R5,000
3. Amounts between R5,001 and R20,000
4. Amounts exceeding than R20,000



4.1 EXPENSE CATEGORY 1: Amounts not exceeding R1,000.00
REQUIRED APPROVAL: Chairperson/Manager

PROCEDURE:

- 4.1.1 Purchase requirements need to be identified.
- 4.1.2 Completion of Expense Approval Form or Reimbursements Form
- 4.1.3 Confirmation of payment from Nedbank to be sent to Chairperson.
- 4.1.4 Invoices, till slips sent by end of month to the Accountant or Treasurer.
- 4.1.5 If the purchase is made using personal funds, the Treasurer may approve the reimbursement made based on invoices and till slips provided.

4.2 EXPENSE CATEGORY 2: Amounts not exceeding R5,000.00
REQUIRED APPROVAL: Chairperson

PROCEDURE:

- 4.2.1 Purchase requirements need to be identified.
- 4.2.2 Chairperson confirms budget capacity, alignment with business plan and priorities, and approves purchase.



- 4.2.3 Completion of Expense Approval Form or Reimbursements Form
- 4.2.4 Confirmation of payment from Nedbank to be sent to Chairperson.
- 4.2.5 Invoices, till slips sent by end of month to the Accountant or Treasurer.
- 4.2.6 If the purchase is made using personal funds, the Treasurer may approve the reimbursement made based on invoices and till slips provided.

4.3 EXPENSE CATEGORY 3: Amounts between R5,001.00 – R20,000.00
REQUIRED APPROVAL: Chairperson and Manager

PROCEDURE:

- 4.3.1 Purchase requirements need to be identified.
- 4.3.2 Chairperson confirms budget capacity, alignment with business plan and priorities, and approves purchase.
- 4.3.3 Obtain 3 written quotes.
- 4.3.4 Chairperson and Treasurer agree best option.
- 4.3.5 Completion of Expense Approval.
- 4.3.6 Purchase is completed.



4.4 EXPENSE CATEGORY 4: Amounts exceeding R20,000.00

REQUIRED APPROVAL: Board

PROCEDURE:

- 4.4.1 Purchase requirements need to be identified.
- 4.4.2 A minimum of three quotes are obtained.
- 4.4.3 A recommendation made to board (all documentation must be finalised and stored for future reference).
- 4.4.4 Completion of Expense Approval Form.
- 4.4.5 Board confirms budget capacity, alignment with business plan and priorities and approves at a board meeting (if satisfied with the recommendation and adherence to process) and resolution minutes .
- 4.4.6 Purchase made, or contract entered.

5. PREFERRED SUPPLIERS

Mount Rhodes 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.



6. MANAGEMENT RESERVE

Mount Rhodes CID 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:

7.1 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 Executive Officer (board) to correct performance
- A termination clause that allows the contract to be terminated in the event of poor performance.



- 7.2 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)
- 7.3 Parties – clearly identify the legal entity being contracted with (include registration number);
- 7.4 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.
- 7.5 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.
- 7.6 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.



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 Mount Rhodes CID board.