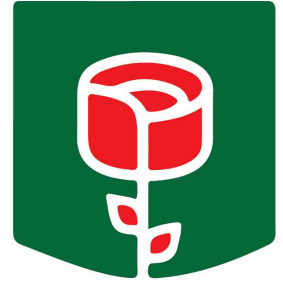


LITTLE MOWBRAY AND ROSEBANK IMPROVEMENT DISTRICT NPC (LMRID)

Registered N.P.C., No. 2016/311084/08 VAT No.: 4250275015



PROCUREMENT POLICY

Date: 25th August, 2024

1. PURPOSE

The purchase of goods and services is necessary for LMRID 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

LMRID recognises that it is funded by the property owners in the CID area 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.

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 LMRID Board of Directors ("Board") will take appropriate action against any corrupt or unethical activities and acts of financial misconduct in the purchase of goods and services. The respective board member ("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.
- Conflicts of interest – board members must declare any direct or indirect family or other personal relationships with potential suppliers/service providers.

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. There are three expense categories:

Category 1: Amounts up to R5,000

Category 2: Amounts between R5,001 and R20,000

Category 3: Amounts greater than R20,000 (including recurring contracts)

4.1. Category 1:

Required approval: Board

Procedure:

- Purchase requirement needs to be identified.
- Portfolio head confirms budget capacity, alignment with business plan and priorities.
- Board to approve
- Work or capital item quoted for is confirmed completed or in place as specified.
- Payment made on invoice as quoted for.
- If the purchase is made using personal funds the Financial Director (FD) may approve the reimbursement made based on completion and submission of the Reimbursement Form.

4.2. Category 2:

Required approval: Board

Procedure:

- Purchase requirement needs to be identified.
- Portfolio head confirms budget capacity, alignment with business plan and priorities.

- Request for Proposal (RFP) procedure to be followed. At least two suppliers identified and quotes obtained.
- Purchase made or contract entered into.

4.3. Category 3:

Required approval: Board (resolution)

Procedure:

- Purchase requirement needs to be identified.
- RFP procedure to be followed:
 - a. Suppliers/service providers invited to tender. 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
 - d. All documentation must be finalised and stored for future reference.
 - e. 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).
 - f. Purchase made or contract entered into.

5. **PREFERRED SUPPLIERS**

LMRID 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. **CONTRACTING PRINCIPLES**

The following contracting principles should be adhered to for all contracts that are non-day-today 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. 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);
- 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 three years.

Contracts must be subject to a right of cancellation if the counter-party is in material breach or has not complied with its obligation when measured against the agreed service level. Contracts that are signed for three years may be extended for a further two years (five years in total) if approved by the board. After five years, the service should go out to tender again.

7. **FUTURE POLICY AMENDMENTS**

Amendments to this policy may be made as necessary. Such amendments must be presented to and approved by resolution of the Board.