



# City Improvement District

## Blackheath

committed to making a difference

### Procurement Policy

#### 1. Purpose

The purchase of goods and services is necessary for the Blackheath City Improvement District NPC (BCID) 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 Blackheath CID. All purchases are bound by this policy.

#### 2. Policy statement

The Blackheath City Improvement District NPC (BCID) recognises that it is funded from additional property rates collected by the City of Cape Town from the property owners within the BCID footprint in Blackheath Industria 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 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 and provide value for money.

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 as a unit is responsible for the allocation of funds to the various portfolios.

#### 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 Blackheath 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 Blackheath City Improvement District NPC 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 or service providers and their offerings.

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

- 4.1 Amounts up to and including R5,000 excl. VAT
- 4.2 Amounts greater than R5,000 Excl. VAT
- 4.3 Contracted Services

#### **4.1. Expense category 1: Amounts up to and including R5,000.00 excl. VAT**

##### **Required approval: Manager**

1. Purchase requirements need to be identified.
2. Manager confirms budget capacity, alignment with business plan and priorities, and approves purchase.
3. Refer to Invoicing & Payments Procedure.
4. Payment made by Card or invoice loaded for payment via the Standard Bank Business Online Portal.
5. Invoices, till slips recorded in the appropriate expenses register.
6. If the purchase is made using personal funds, the Treasurer may approve the reimbursement made based on submission of the expenses register.

#### **4.2. Expense category 2: Amounts greater than R5,000.**

##### **Required approval: Chairperson and Treasurer**

##### **Procedure:**

1. Purchase requirements need to be identified.
2. Manager confirms budget capacity, alignment with business plan and priorities.
3. Unless a preferred service provider is already approved. At least two suppliers are identified, and quotes obtained.
4. Chairperson and Treasurer agree on the best option.
5. Invoice approved and signed by the Chairperson and Treasurer.
6. Payment made via the Standard Bank Business Online portal / EFT.

#### **4.3. Expense category 3: Contracted Services**

##### **Required approval: Board Decision**

##### **Procedure:**

1. Purchase requirements need to be identified.
2. Manager confirms budget capacity, alignment with business plan and priorities.
3. At least three suppliers are identified, and quotations obtained via an RFQ.
4. The Board of Directors carefully consider the options and the offer for the provision of goods or services and agree on the best option and value for money.
5. Contract completed and signed by the Chairperson and Treasurer.
6. CID Manager engages the Service Provider.

#### **7. Preferred suppliers**

Blackheath City Improvement District NPC 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 five years.

#### **8. Management reserve**

Blackheath City Improvement District NPC holds a Call Deposit Interest Bearing Account where surplus funds are held and spent as per the approved Surplus Funding section in

the Annual Budget which is approved in advance by the Members at the Annual General Meeting along with the Annual Budget.

## **9. 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 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 may be 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.
- 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.
- Period and termination – in general, contracts should not be longer than five years and be linked to the term of the CID. All contracts need to end at the end of the 5-year term of the CID. 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.

## **10. Future policy amendments**

This policy may be amended from time to time. Such amendments must be presented to and approved by resolution of the Blackheath City Improvement District NPC board.