

OVERBERG

DISTRICT MUNICIPALITY

DEMAND MANAGEMENT POLICY

Reviewed: 30 March 2017

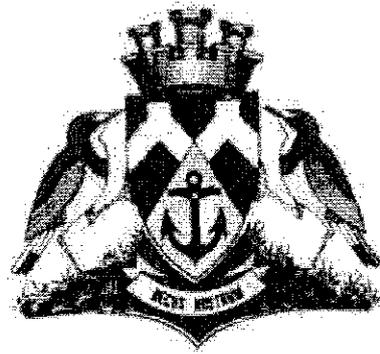


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1. BACKGROUND

1.1 The Supply Chain Management Regulations, requires that a Supply Chain Management system contains the following six elements:

- Demand management
- Acquisition management
- Logistics management
- Disposal management
- Risk management
- Regular assessment of Supply Chain performance

1.2 The objective of demand management of the Overberg District Municipality (the municipality) is to ensure that the resources required to support the strategic objectives, as described in the Integrated Development Plan (IDP), are delivered at the correct time, at the right price and at the right location, and that the quantity and quality will satisfy needs. In infrastructure projects, demand management will ensure that projects that support the Integrated Development Plan (IDP) are identified, prioritised and budgeted for in a systematic manner.

2. PURPOSE OF THE POLICY

2.1 This Policy shall give effect to the legislation as applied to the supply chain management environment at the municipality.

3. TERMINOLOGY

Acquisition management	Acquisition management is the process of procurement of goods or services and includes the: <ul style="list-style-type: none">• Identification of preferential policy objectives;• Determination of market strategy;• Application of depreciation rates;• Application of total cost of ownership principle;• Evaluation of bids and tabling of recommendations;• Compilation of bid documentation, including conditions• Determination of evaluation criteria
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	<ul style="list-style-type: none"> • Compilation and signing of contract documents; • Contract administration
BBBEE	Broad Based Black Economic Empowerment
Black people	Black people, is a generic term which means Africans, Coloureds and Indians.
Demand management	Demand management is a planning and controlled process to ensure that the resources required to support the strategic objectives are delivered at the correct time, at the right price, location, quantity and quality that will satisfy the needs.
Depreciation	Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.
Historically disadvantaged individual (HDI)	Historically Disadvantaged Individual (HDI) means a South African citizen – <ul style="list-style-type: none"> • who had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No 10 of 1983) or the Constitution of the Republic of South Africa, 1993 (Act No 200 of 1993) (“the Interim Constitution”); and/or • who is a female; and/or • who has a disability; • Provided that a person who obtained South African citizenship on or after the coming into effect of the Interim Constitution is deemed not to be an HDI
IDP	Integrated Development Plan
Lifecycle costing	Lifecycle costing is a technique developed to identify and quantify all costs, initial and ongoing, associated with a project or installation over a given period. Thus, it is a tool that forecasts the total cost of a purchase throughout its predetermined lifecycle.
MFMA	Municipal Finance Management Act No 56 of 2003
Municipality	Overberg District Municipality
PPPFA	Preferential Procurement Policy Framework Act (Act 5 of 2000)

Procedures	Policies are carried out by means of more detailed guidelines called "standard methods". A series of actions conducted in a certain order or manner.
Process	A series of actions or steps towards achieving a particular end.
Provider	A provider is the private person or institution that provides supplies, services or works to the Municipality.
Risk management	Risk management may be defined as the identification, measurement and economic control of risks that threaten the assets and earnings of a business or other enterprise
Rules	Rules are statements that a specific action must or must not be taken in a given situation.
SITA	State Information Technology Agency
Small and Enterprise (SMME) Medium and Micro	SMME is as defined in the National Small Business Act, 102 of 1996, as amended. Employing a maximum of 100 employees in any sector except manufacturing or construction where the maximum is 200 employees.
Strategic objectives	Strategic objectives are more concrete and specific than strategic goals. They should give a clear indication of what the municipality intends doing or producing in order to achieve the strategic goals it has set for itself. As such strategic objectives would normally describe high-level outputs or "results" of actions that departments intend taking.
Supply Chain management (SCM)	Supply Chain Management (SCM) is an integral part of financial management. This function is the collaborative strategy that integrates the planning, procurement and provisioning processes in order to eliminate non-value adding cost infrastructure, time and activities, seeks to introduce international best practices, whilst at the same time addressing Government's preferential procurement policy objectives and whilst serving the end users and customers efficiently.
Value for money	In relation to public-private partnership agreements, means that the performance of a private party in terms of the agreement will result in a net benefit to the municipality in terms of cost, price, quality, quantity, risk transfer or any combination of those factors.

4. LEGISLATIVE ENVIRONMENT

4.1 The Municipality is committed to adhering to and applying the prescribed legislative environment as it affects SCM.

- 4.1.1 The Constitution of the Republic of South Africa, Act No 108 of 1996, as amended;
- 4.1.2 The Local Government Municipal Finance Management Act, Act No 56 of 2003;
- 4.1.3 Treasury regulations issued in terms of the MFMA;
- 4.1.4 Municipal Systems Act 32 of 2000, Chapter 8 Section 83(1), (2), (3) and (4);
- 4.1.5 The Policy to Guide Uniformity in Procurement Reform Processes in Government as approved by Cabinet 10 September 2003 and promulgated on 05 December 2003;
- 4.1.6 National Treasury Circulars: All documents relevant to SCM available electronically on National Treasury's web page [http://www.treasury.gov.za /MFMA /regulations /circulars](http://www.treasury.gov.za/MFMA/regulations/circulars);
- 4.1.7 Preferential Procurement Policy Framework Act (PPPFA), Act No 5 of 2000;
- 4.1.8 Preferential Procurement Policy Framework Act Regulations as amended by Preferential Procurement Regulations 2011;
- 4.1.9 Broad Based Black Economic Empowerment Act (BBBEE Act), Act No 53 of 2003;
- 4.1.10 Prevention and Combating of Corrupt Activities Act, Act 12 of 2004;
- 4.1.11 King IV Report on Corporate Governance for South Africa;
- 4.1.12 State Information Technology Act 38 of 1998 as amended;
- 4.1.13 National Small Business Act, Act No 102 of 1996, as amended;

4.1.14 Public Service Act, Act No 23 of 1994;

4.1.15 Promotion of Administrative Justice Act, Act No 3 of 2000;

4.1.16 Promotion of Access to Information Act, Act No 2 of 2000;

4.1.17 Protected Disclosure Act, Act No 26 of 2000;

4.1.18 The Competition Act, Act No 89 of 1998.

5. SCOPE FOR APPLICATION

5.1 This policy applies to the demand management in terms of the supply chain management system and policies of the municipality.

6. RESPONSIBILITIES OF OFFICIALS

6.1 Each official shall carry out his/her activities within his/her area of responsibility.

6.2 Each official shall take appropriate steps to prevent any unauthorised, irregular, fruitless and wasteful expenditure in his/her area of responsibility.

6.3 A person in the relevant division holding the rank to which the authority has been delegated or the person with the authority in the Municipality appointed for the task must carry it out satisfying the various Supply Chain requirements, including the ability to commit the Municipality.

6.3 All activities not delegated to a person in the relevant department or the Supply Chain unit holding the rank to which the authority has been delegated, must be forwarded upwards to the person holding the required rank or to the relevant delegated structure.

7. SYSTEM OF DEMAND MANAGEMENT

7.1 Demand management shall translate the Integrated Development Plan (IDP) into current and future needs, to cost and budget for it.

- 7.2 The demand management system must ensure that the resources required to support the strategic and operational commitments of the Municipality are delivered at the right time, at the right price and at the right location, and that the quantity and quality satisfy the needs of the Municipality
- 7.3 Having been established, the system will ensure that the Municipality can coherently plan for the timely execution of its requirements.

8. NEEDS ANALYSIS

8.1 The official responsible for the demand management function must coordinate the needs analysis and costing of each and every department in the Municipality. To do this the following process must be followed:

- The **departments** will give an overview of the detail of their annual performance plan. The human resources and financial experts give their guidelines applicable to this plan.
- The departments will do a need analysis to determine the total needs required to support the annual service delivery plan. The **needs analysis will include** the following activities:
 - Understanding the future needs in terms of quantity and specification.
 - Frequency of the needs.
 - Critical delivery dates.
 - Budgetary requirements.
 - Analysis of the supplying industry.

8.2 With the needs analysis the following activities have to be done to determine the inputs for the annual performance plan and budget:

- Spend analysis to provide input into sourcing strategies such as consolidated buying and to gain an understanding of historical spend patterns of different items/commodities and services.

- Determine the Economic Order Quantities. The question of “how much” should be answered based upon balancing storage cost and ordering cost, is resolved with the economic order quantity model.
- Determine the lead and delivery time of each commodity.
- Determine the lifecycle cost of each commodity. Lifecycle cost is a tool for applying the total cost of ownership principle. Lifecycle costing includes costs associated from the commencement of the budgeting process until the requirement is disposed-of.
- Determine the total cost of ownership for each commodity. Total cost of ownership is widely used for decisions on ownership of assets. It is based on the fact that all costs applicable to ownership should be included in any analysis where decisions should be made on the options of owning a capability or the contracting for the supply or the service.
- To do obsolescence planning. Obsolescence cost is the difference between the original cost of the unit and its salvage value.
- To do renewal planning. The asset renewal planning involves the assessment of existing assets and planned acquisitions against service delivery requirements.
- Planning for Information Technology requirements.
- Determining an asset strategy.
- Asset management decisions should be integrated into the annual service delivery planning process. Following an evaluation of lifecycle costs and the benefits and risks associated with each option, the strategy will identify the most appropriate approach for meeting programme delivery needs.
- Setting benchmarks for complying with targets.
- Mechanisms for accounting and reporting.

- Linking the requirements with the baseline allocations over the next 3-year period.
- Commence with the identification of contract conditions.

9. BUSINESS PLAN FOR PROCUREMENT / PROCUREMENT PLAN

9.1 The SCM Unit must compile a business plan for procurement for the next financial year.

9.2 The identified requirements in the operational plan are drawn from and summarised in a business plan for procurement for the next financial year.

9.3 The minimum requirements of information for the business plan for procurement are outlined below:

- Detailed description of the programme.
- Detailed description of the goods, works or services required.
- Reference to the relevant specification / terms of reference.
- Funds available.
- Date when required.
- Quantity required. .
- Reference to the following information:
 - Frequency of requirements.
 - The lead and delivery times

9.4 Acquisition management uses the business plan for procurement to start the procurement process. All the procurement information is verified.

10. AD HOC NEEDS ANALYSIS

10.1 Over and above the planned needs analysis, an ad hoc needs analysis has to be done for unplanned activities during the financial year.

- 10.2 The departments will perform needs analysis on a case-by-case basis as and when required in order to determine a sourcing strategy for the appropriate product or service that will ultimately provide best value for money.
- 10.3 The end user must establish the need and in the event of an acquisition in excess of the quotation threshold or a period contract, the total value of which exceeds the quotation threshold, perform a needs analysis in conjunction with the departments. Technical expertise may be co-opted to the team.

11. RELATED POLICIES

- 11.1 The following policies are related to this policy:

- 11.1.1 Supply Chain Management policy

12. REVIEW

- 12.1 This Policy shall be reviewed at least annually during the annual budget process or when Legislation requires immediate amendment to the policy.
- 12.2 Where the National Treasury and the Provincial Treasury issue amendments, those instructions, must also be taken into account in the execution of the Supply Chain Management in addition to the Policy and the Policy amended at the earliest convenient opportunity.
- 12.3 When necessary, recommendations for amendments to the Policy deemed must be submitted to the council committees for consideration and approval.

13. EFFECTIVE DATE

- 13.1 This policy shall come into effect on 01 July 2017 and shall remain in full force and effect until it is reviewed, revoked or amended by Council.

