

Reference number: RCS/C.6

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TREASURY CIRCULAR MUN NO. 18/2019

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THE CHIEF DIRECTOR: MFMA IMPLEMENTATION – NATIONAL TREASURY (MR TV PILLAY)

RE SUBMISSION OF PROCUREMENT PLANNING REQUIREMENTS FOR 2019/20 FINANCIAL YEAR

1. PURPOSE

1.1 The purpose of this Circular is to:

- (i) Articulate the Provincial Treasury's requirements for the submission and reporting of the procurement plans for 2019/20 financial year;
- (ii) Provide municipalities and municipal entities with the Provincial Treasury's procurement template and to provide clear guidelines in terms of the requirements for submission of the procurement plans for the 2019/20 financial year;
- (iii) After the first round of submission of procurement plans by municipalities, issue a procurement planning toolkit to enhance the areas which needs improvement; and
- (iv) Introduce quarterly reporting on procurement plans for monitoring purposes.

2. BACKGROUND

- 2.1 In terms of NT MFMA Circular 62, Accounting Officers of municipalities may upon request, make available to the relevant treasury a procurement plan containing all planned procurement for the financial year, in respect of the procurement of goods, services and infrastructure projects which exceed R200 000 (all applicable taxes included).
- 2.2 Demand Management and procurement planning is becoming a national concern, hence National Treasury issued MFMA Circular No. 94 requiring the Accounting Officer to submit the procurement plan together with the Budget, Service Delivery and Budget Implementation Plan (SDBIP) to address the weak planning processes, as slow spending of capital budgets has a negative impact on service delivery.
- 2.3 Procurement planning in the Local Government sphere is a developing process but needs to be enhanced as the absence thereof has been attributed for poor service delivery and not meeting municipal service delivery goals.
- 2.4 Procurement planning forms an important sub-process of Demand Management and the development of procurement plans becomes essential to ensure that procurement activities are identified, timely executed and that contracts are ideally in place before a new financial year starts.

This will ensure that service delivery can take effect immediately and that there is no lag in expenditure.

- 2.5 The alignment between the budgeting and procurement planning process has become increasingly important based on recent statistics within municipalities in terms of the optimal and effective utilisation of the Municipality's budgets. For this reason, the compilation of a demand plan and procurement plan needs to be complimented with the Integrated Development Plan (IDP), SDBIP, and linked to the budget to ensure that funding for the acquisition of goods and services are available.
- 2.6 Henceforth, Provincial Treasury has found it necessary to request from municipalities to submit its annual procurement plans to assist in reducing irregular expenditure and to encourage effective planning amongst all role players in municipalities.
- 2.7 In view of the above the Provincial Treasury is in the process of compiling a procurement planning toolkit to assist municipalities in the procurement planning process that is aligned to its budget and IDP.
- 2.8 A procurement plan can be an effective tool to identify and review existing municipal procurement practices, establish benchmarks for performance and identify improved ways of procuring to meet future needs. Effective procurement planning requires that the users of the service, budget holders and supply chain practitioners engage in a collaborative manner to ensure that:
- (i) Procurement activities are linked to service delivery strategies;
 - (ii) Value for money outcomes are achieved through strategies such as aggregation or bulk buying; and
 - (iii) Existing procurement practices are reviewed to bring about improvements and efficiencies.
- 2.9 To ensure maximum citizen impact, key projects identified on the procurement plan needs to be prioritised as an effort to improve the delivery of municipal services and impact on the economic status from a citizen focus perspective.

3. REPORTING REQUIREMENTS FOR 2019/20 FINANCIAL YEAR

- 3.1 The Provincial Treasury will require the procurement plans which are in line with the **REPORTING REQUIREMENTS**.
- 3.2 Accounting Officers must submit an approved annual procurement plan for the 2019/20 financial year by 30 June 2019. Municipalities must utilise the prescribed template attached hereto marked **Annexure A**:
- (i) The annual procurement plan must include -
 - (a) all procurement of good and services in excess of R200 000 (incl. VAT); and
 - (b) all capital as well as maintenance work in excess of R200 000 (incl. VAT).
- 3.3 The intent of the aforesaid report is to provide performance information in terms of Supply Chain Management performance to municipalities in order to improve planning and decision-making processes as well as to measure results or outcomes that has been achieved. This report may be used to inform/assist with the development of the SCM performance plan.

4. REQUEST

- 4.1 The Accounting Officers are hereby requested to submit the annual procurement plans inclusive of a duly completed, Annexure A to Provincial Treasury for the 2019/20 financial year.
- 4.2 Submit all information to: Jamie-Leigh.Bruce@westerncape.gov.za.
- 4.3 It will be highly appreciated if these procurement plans are submitted to our offices by no later than **Friday, 30 August 2019**.

5. ENQUIRIES

- 5.1 Any enquiries in respect of this circular may be directed to:
- Deputy Director: Local Government Supply Chain Management
Ms Letitia Sallies
Tel: (021) 483 3180
Email: Letitia.Sallies@westerncape.gov.za

Your co-operation will be highly appreciated.



MR RODNEY MOOLMAN
DIRECTOR: LOCAL GOVERNMENT SUPPLY CHAIN MANAGEMENT
DATE: 12 August 2019