

SENQU MUNICIPALITY STRATEGIC PROCUREMENT FRAMEWORK



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Contents

BACKGROUND AND INTRODUCTION	3
APPROACH TO DEVELOPING STRATEGIC PROCUREMENT FRAMEWORK AND DEMAND PLANNING SYSTEM	4
KEY PRINCIPLE 1 - REQUIRED SPENDING ANALYSIS OVER MTREF PERIOD	4
Table 1.1 – Key Commodities Purchased per mSCOA Item Type (Condensed Operating Expenditure)	4
Table 1.2 – Key Commodities Purchased per mSCOA Item Type (Detailed Per Type Operating Expenditure)	5
Table 1.3 – Key Commodities Purchased per mSCOA Item Type (Condensed Capex Expenditure)	6
Table 1.4 – Key Commodities Purchased per mSCOA Item Type (Detailed Capex Expenditure - Procurement Strategy Needed ALL)	7
KEY PRINCIPLE 2 - DETERMINE STRATEGIC SOURCING INITIATIVE	8
Strategic Sourcing Diagram: Overview	9
Strategic Sourcing Diagram: Characteristics, Strategy, Tactics, Actions and Approach	10
Operational Projects Proposed Strategic Sourcing Strategy	11
Capital Projects Proposed Strategic Sourcing Strategy	11
KEY PRINCIPLE 3 - THREE TYPES OF STRATEGIC SOURCING INITIATIVES AVAILABLE TO GOVERNMENT	11
Universal strategic sourcing	11
Department-specific strategic sourcing	11
Sector-specific strategic sourcing	11
KEY PRINCIPLE 4 - DEMAND MANAGEMENT PROCESSES	12
Criterion 1: Participation in the Strategic Planning Process	12
Criterion 2: Procurement Planning	12
Criterion 3: Analysis of the Goods, Works or Services Required	12
Criterion 4: Planning to obtain the Required Goods, Works, or Services (Market Analysis)	13
Criterion 5: Compilation of a procurement Plan	13
Criterion 6: Compilation of a Bid Register	13
KEY PRINCIPLE 5 - CONCLUSION AND REVIEW	14

BACKGROUND AND INTRODUCTION

In general, where regulations apply in the public sector, organisations will have to:

- Advertise an intention to procure normally through a competitive bidding process.
- Only exclude a tenderer for justified reasons; the evaluation criteria are normally published in the document pack.
- Give tenderers the reasons why they were not successful in the tender so that they have the option to appeal the decision.
- Award the contract based on the results of the evaluation process and the rules set out at the outset.

The successful implementation of strategic sourcing may lead to an improved understanding of spending patterns that will assist in optimising the budgeting and planning process and enable sourcing practitioners and decision makers to make better informed decisions. Furthermore, deployment of strategic sourcing principles will provide alternative methods to improve services and reduce administrative costs.

Strategic sourcing is a collaborative, structured approach to analysing spending; using the information from this analysis to acquire commodities and services effectively; and as a result, supporting service delivery objectives.

It helps supply chain managers to plan, manage, and develop the supply base in line with these objectives; and creates an understanding of the categories of goods and services the municipal spending portfolio, their intended use, and the sources of supply. This helps to identify the leverage points, develop appropriate sourcing strategies, reduce costs, and increase the benefits and value of the service or commodity to government.

Strategic Procurement is NOT the purchase of goods and services on a day-to-day, transactional basis. Instead, Strategic Procurement is the opposite: it is a long term and all-encompassing means of achieving procurement and strategic business goals.

Strategic Plans and Annual Procurement Plans should include, amongst others, a description of how the organisation will give effect to their service delivery mandate through procurement, starting with demand planning.

“Demand management forms an intrinsic part of the whole planning process of the institution. During the planning process demand management must continuously verify resources required to give effect to the goals and objectives of both the strategic and annual performance plans, cost these resource requirements and provide feedback to management accounting in the budget office. The cost of these requirements is weighed against funds available, and plans amended until a balance is reached between resource requirements in terms of the plans and the availability of funds in the budget

Demand management, include principles and activities that are typically found in Strategic Sourcing processes. Examples include:

- spend analysis
- categorising procurement spend
- commodity/category analysis
- industry analysis
- determining specifications, etc.

The above will be incorporated into the overall framework under Key Principle 4 as mentioned below

APPROACH TO DEVELOPING STRATEGIC PROCUREMENT FRAMEWORK AND DEMAND PLANNING SYSTEM

The Report will reflect on the following will be the key principles within the strategic procurement framework

1. Key Principle 1 - Preparation of Required Spending Analysis over MTREF Period
2. Key Principle 2 - Determine Strategic Sourcing Initiative
3. Key Principle 3 - Types of strategic sourcing initiatives
4. Key Principle 4 - Demand Management Processes
 - a. Criterion 1: Participation in the Strategic Planning Process
 - b. Criterion 2: Procurement Planning
 - c. Criterion 3: Analysis of the Goods, Works or Services Required
 - d. Criterion 4: Planning to obtain the Required Goods, Works, or Services (Market Analysis)
 - e. Criterion 5: Compilation of Demand Plan
 - f. Criterion 6: Compilation of a Bid Register
5. Key Principle 5 - Conclusion and Review

KEY PRINCIPLE 1 - REQUIRED SPENDING ANALYSIS OVER MTREF PERIOD

The Below tables will present the Senqu Municipalities Total Spending Profile Across the MTREF Period Commencing 2024_2025 FY to 2026_2027 FY

Table 1.1 – Key Commodities Purchased per mSCOA Item Type

Row Labels	Sum of Original Budget Year 2025/26	Sum of Budget Year +1 2026/27	Sum of Budget Year +2 2027/28
CAPEX	135 991 044	92 595 082	51 170 317
Procurement Strategy Needed	135 991 044	92 595 082	51 170 317
OPEX	422 308 095	442 368 565	455 520 808
Direct Purchase from Organ of State	73 723 772	77 485 920	80 956 674
Direct Payments - Council Resolutions	146 431	152 528	158 636
Direct Payments - SDL	1 617 485	1 686 298	1 713 628
Direct Payments - Traditional Leaders	5 255 696	5 481 685	5 652 337
Procurement Strategy Needed	111 812 025	114 239 766	114 230 121
Rev / Non Procurement Item	229 752 686	243 322 369	252 809 410
REV	-	-	-
Rev / Non Procurement Item	-	-	-
Grand Total	143 051 797	127 648 820	86 299 108

Table 1.2 – Key Commodities Purchased per mSCOA Item Type (Detailed Per Type Operating Expenditure)

R/C/O_1	OPEX		
Row Labels	Sum of Original Budget Year 2	Sum of Budget Year +1 2021/22	Sum of Budget Year +2 2022/23
• OPEX	422 308 095	442 368 565	455 520 808
• Direct Purchase from Organ of State	73 723 772	77 485 920	80 956 674
Audit fees	4 456 964	4 624 004	4 936 696
Electricity bulk purchases	67 567 175	71 036 078	74 056 073
Other Operational Costs	16 999 634	18 255 838	19 633 906
• Direct Payments – Council Resolution	146 431	152 528	158 636
Cash Transfers to Organisations	146 431	152 528	158 636
• Direct Payments – SDL	1 617 485	1 686 298	1 713 628
Other Operational Costs	1 617 485	1 686 298	1 713 628
• Direct Payments – Traditional Leaders	5 255 696	5 481 685	5 652 337
Other Operational Costs	5 255 696	5 481 685	5 652 337
• Procurement Strategy Needed	111 812 025	114 239 766	114 230 121
Consultants and Professional Services	23 201 082	21 756 561	21 114 426
Contractors	16 115 647	16 228 771	15 931 974
Materials and Supplies	5 266 222	5 568 043	5 724 672
Other Operational Costs	37 011 367	38 914 212	38 881 952
Outsourced Services	15 874 737	15 840 263	15 327 071
Standard Rated	6 201 288	6 755 465	7 221 932
Zero rated	8 141 683	9 176 451	10 028 094
• Rev / Non Procurement Item	229 752 686	243 322 369	252 809 410
Acting and post related allowance	594 669	618 456	658 655
Annuity Loans	584 952	4 802 194	4 765 372
Basic Salaries and Wages	121 778 243	126 843 269	134 288 081
Capital Asset Impairment			
Cellphone Allowance	3 140 926	3 283 652	3 497 089
Depreciation of Property, Plant & Equipment	20 835 361	21 960 949	22 848 764
Electrical Infrastructure	292 861	291 920	290 536
Electricity	6 949 141	6 928 672	7 127 702
Housing Allowances	613 078	637 601	679 045
Long service awards	848 000	928 000	1 008 000
Machinery and Equipment	140 573	140 121	139 457
Medical Aid Contributions	8 301 068	8 633 111	9 194 263
Motor Vehicle Allowance	4 897 559	5 093 462	5 424 537
Other benefits and allowances	46 551	48 412	51 559
Other Operational Costs	559 067	577 762	600 900
Outsourced Services	6 749 251	7 666 580	7 617 699
Overtime	3 132 945	3 258 263	3 470 050
Payments in lieu of leave	4 050 821	4 212 854	4 486 689
Pension and UIF Contributions	15 688 299	16 315 831	17 376 360
Performance bonus	4 773 769	4 964 720	5 287 427
Post-retirement benefit obligations	4 697 000	5 332 000	5 967 000
Property Rates	5 212 967	4 390 500	3 728 183
Rehabilitation Provision – Landfill Sites	2 838 039	2 942 070	3 059 893
Rentals	303 500	317 650	330 372
Roads Infrastructure	1 200 000	1 000 000	1 000 000
Storm water Infrastructure	1 171 445	973 066	774 763
Traffic Fines	271 865	284 540	283 192
Waste Management	10 080 734	10 876 714	8 853 823
Grand Total	422 308 095	442 368 565	455 520 808

Table 1.3 – Key Commodities Purchased per mSCOA Item Type (Condensed Capex Expenditure)

R / C / O_1 CAPEX					
R / C / O	Asset Class	Procurement Strategy Needed / Direct Purchase from Organ of State	Sum of Original Budget Year 2025/26	Sum of Budget Year +1 2026/27	Sum of Budget Year +2 2027/28
CAPEX	Community Assets	Procurement Strategy Needed	14 123 962	5 076 744	177 018
CAPEX	Computer Equipment	Procurement Strategy Needed	2 172 019	430 058	447 280
CAPEX	Electrical Infrastructure	Procurement Strategy Needed	4 290 065	5 914 179	5 629 717
CAPEX	Furniture and Office Equipment	Procurement Strategy Needed	148 250	60 794	64 430
CAPEX	Intangible Assets	Procurement Strategy Needed	697 010	486 338	338 823
CAPEX	Machinery and Equipment	Procurement Strategy Needed	3 660 090	1 326 171	490 874
CAPEX	Other assets	Procurement Strategy Needed	9 416 445	2 000 000	-
CAPEX	Roads Infrastructure	Procurement Strategy Needed	90 393 497	56 190 921	12 495 836
CAPEX	Solid Waste Infrastructure	Procurement Strategy Needed	-	-	18 000 000
CAPEX	Storm water Infrastructure	Procurement Strategy Needed	8 089 706	18 109 878	13 526 338
CAPEX	Land	Procurement Strategy Needed	3 000 000	3 000 000	-
Grand Total			135 991 044	92 595 082	51 170 317

Table 1.4 – Key Commodities Purchased per mSCOA Item Type (Detailed Capex Expenditure)

R / C / O_1	CAPEX					
Procurement Strategy Needed / Direct Purchase from Organ of						
R / C / O	Asset Class	State	Notes Detail	Sum of Original Budget Year 2025/26	Sum of Budget Year +1 2026/27	Sum of Budget Year +2 2027/28
CAPEX	Community Assets	Procurement Strategy Needed	Barkly East & Lady Grey Boundary Fence	278 804	222 326	177 018
CAPEX	Community Assets	Procurement Strategy Needed	Construction of Blue-Gums Sportsfield	3 700 107	-	-
CAPEX	Community Assets	Procurement Strategy Needed	Herschel Community Hall	4 490 633	-	-
CAPEX	Community Assets	Procurement Strategy Needed	Lady Grey and Herschel Cemeteries	4 854 418	4 854 418	-
CAPEX	Community Assets	Procurement Strategy Needed	Lady Grey and Herschel Cemetery Layout Plans (EIA) (W13 & 14)			
CAPEX	Community Assets	Procurement Strategy Needed	Fencing of existing cemeteries at Joveleni, Hinana and Voyizana	800 000	-	-
CAPEX	Computer Equipment	Procurement Strategy Needed	Audio Visual System	1 757 168	-	-
CAPEX	Computer Equipment	Procurement Strategy Needed	Computer Equipment	414 851	430 058	447 280
CAPEX	Electrical Infrastructure	Procurement Strategy Needed	Electrification of Households at Mountain View Ward 10	1 521 522	4 331 304	4 526 957
CAPEX	Electrical Infrastructure	Procurement Strategy Needed	Pre-Paid Electricity Meters	2 268 543	1 582 874	1 102 761
CAPEX	Electrical Infrastructure	Procurement Strategy Needed	Ward 16 Reroute of LV Overhead Line with Street Lights for Lulama Location	500 000	-	-
CAPEX	Furniture and Office Equipment	Procurement Strategy Needed	Furniture & Office Equipment	148 250	60 794	64 430
CAPEX	Intangible Assets	Procurement Strategy Needed	Computers - software & programming	697 010	486 338	338 823
CAPEX	Machinery and Equipment	Procurement Strategy Needed	Fleet - GFS Roads (Plant)	2 808 488	1 135 450	339 021
CAPEX	Machinery and Equipment	Procurement Strategy Needed	Power Backup System	514 336	-	-
CAPEX	Machinery and Equipment	Procurement Strategy Needed	Tools & Equipment	259 170	190 721	151 854
CAPEX	Machinery and Equipment	Procurement Strategy Needed	Traffic Equipment (VTS Cameras)	78 096	-	-
CAPEX	Other assets	Procurement Strategy Needed	Driving Licence and Testing Centre Sterkspruit	4 445 000	-	-
CAPEX	Other assets	Procurement Strategy Needed	Renovation of the Mayoral House	3 071 445	-	-
CAPEX	Other assets	Procurement Strategy Needed	Renovation of the MM's House	400 000	-	-
CAPEX	Other assets	Procurement Strategy Needed	Construction of Fleet Bay_Sterkspruit	1 500 000	2 000 000	-
CAPEX	Roads Infrastructure	Procurement Strategy Needed	Construction of interlock paved streets in Khewzi Naledi (Steve Tswete) W 14	4 998 176	-	-
CAPEX	Roads Infrastructure	Procurement Strategy Needed	New Rest Construction - Paving	8 357 090	19 190 921	12 495 836
CAPEX	Roads Infrastructure	Procurement Strategy Needed	Rehabilitation of Roads & Stormwater in Barkly East Ward 15 & 16	15 280 038	-	-
CAPEX	Roads Infrastructure	Procurement Strategy Needed	Rehabilitation of Roads & Stormwater in Lady Grey Ward 14	16 303 834	18 500 000	-
CAPEX	Roads Infrastructure	Procurement Strategy Needed	Rehabilitation of Roads & Stormwater in Mokhesi Ward 8	15 280 038	-	-
CAPEX	Roads Infrastructure	Procurement Strategy Needed	Rehabilitation of Roads & Stormwater in Ward 10	16 303 834	18 500 000	-
CAPEX	Roads Infrastructure	Procurement Strategy Needed	Repairing of 4,5 km gravel roads and stormwater channels in Ward 9: Joveleni, Hinana and Voyizana	4 209 243	-	-
CAPEX	Roads Infrastructure	Procurement Strategy Needed	Repairing of 5.2 km gravel roads and stormwater channels in Ward 1: Ndofera, Bikizana and Mboho	4 516 224	-	-
CAPEX	Roads Infrastructure	Procurement Strategy Needed	Repairing of 6 km gravel roads and stormwater channels in Ward 17: Sunduza, Bensonville, Jozana nek	4 900 968	-	-
CAPEX	Roads Infrastructure	Procurement Strategy Needed	Tienbank_Access to Property (180 Properties)	244 051	-	-
CAPEX	Solid Waste Infrastructure	Procurement Strategy Needed	Solid Waste Site - Sterkspruit	-	-	18 000 000
CAPEX	Storm water Infrastructure	Procurement Strategy Needed	Lining, fencing and upgrading of primary storm water channel through Khwezi Naledi and upgrade of two motor bridges..	8 089 706	18 109 878	13 526 338
CAPEX	Land	Procurement Strategy Needed	Purchase of Grazing Land	3 000 000	3 000 000	-
Grand Total				135 991 044	92 595 082	51 170 317

KEY PRINCIPLE 2 - DETERMINE STRATEGIC SOURCING INITIATIVE

Strategic sourcing requires that government adopts a differentiated approach to procurement of the various commodity groups.

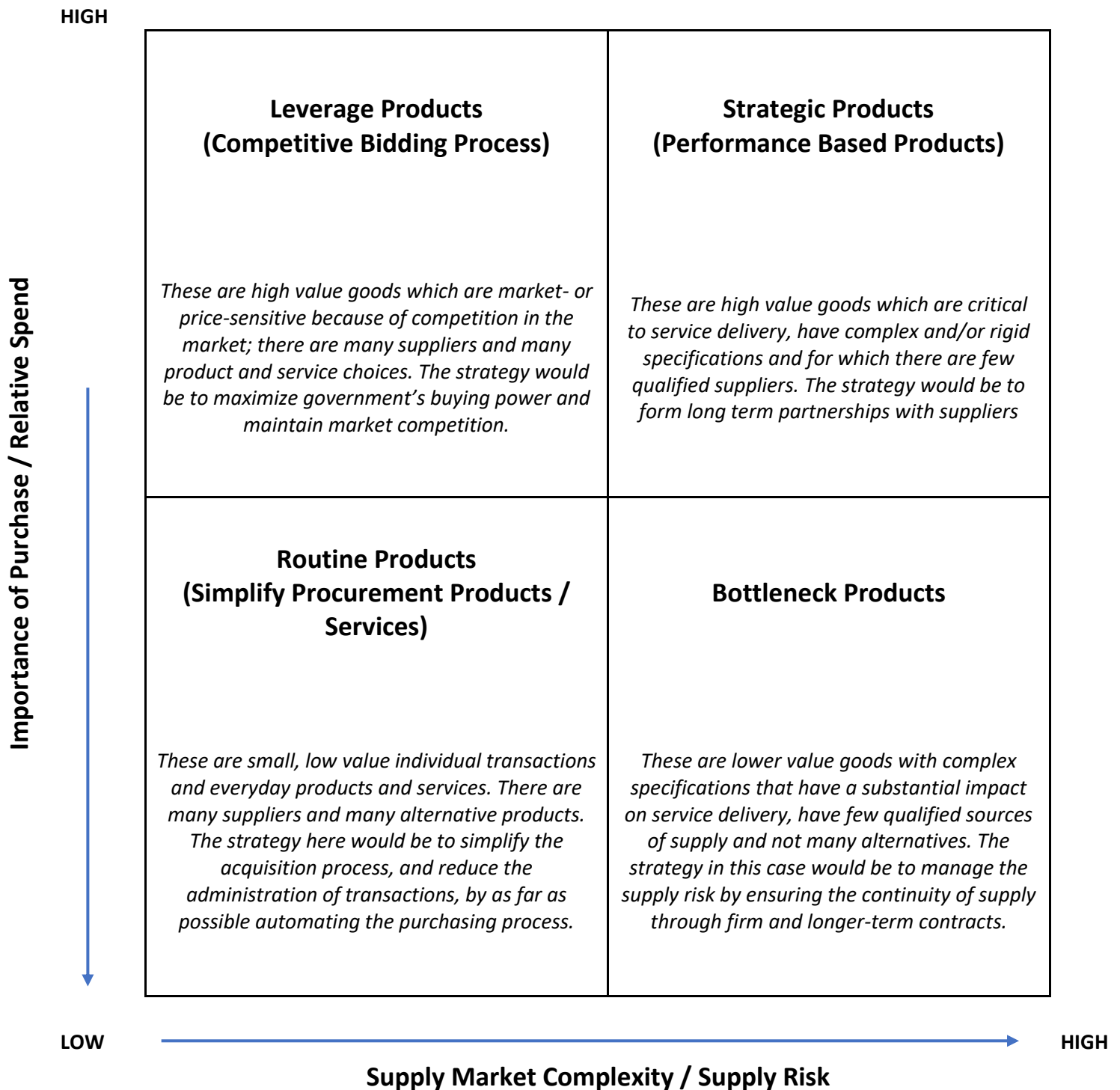
Households do not procure their monthly goods in the same way as they buy property, which is a strategic decision. In the same way, government should not procure catering services in the same way as specialised and expensive medical or agricultural equipment. Using the principles of strategic sourcing means distinguishing between the various categories of commodities and developing appropriate sourcing approaches for each

Deciding how to differentiate depends on two factors (adapted from Kraljic, Peter, "Purchasing Must Become Supply Management," Harvard Business Review, September-October 1983):

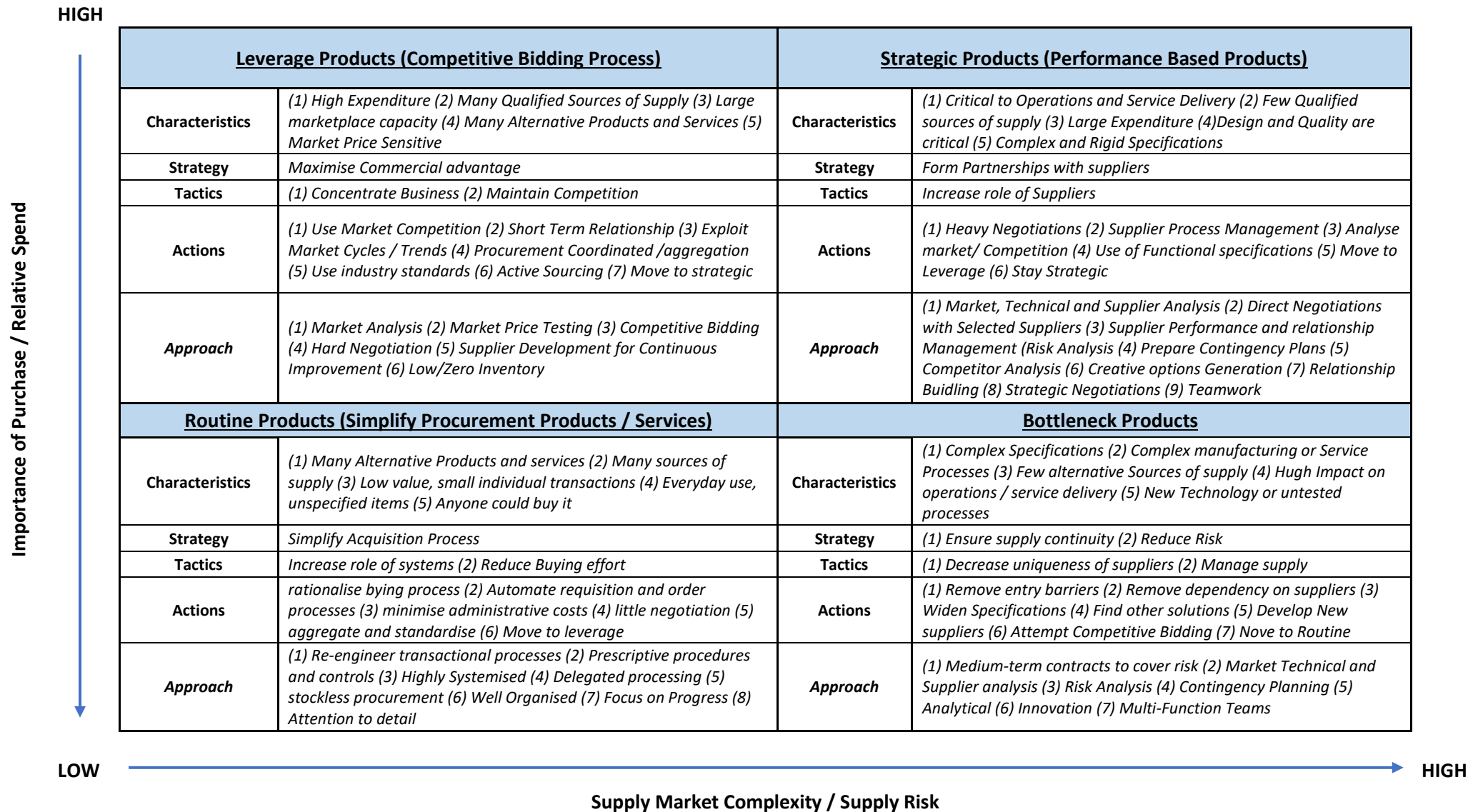
- the strategic importance of the goods or services being purchased, either in terms of value for money and service delivery or of the cost. The more expensive, the more important it is to think strategically about how to purchase.
- the complexity of the supply market, measured in terms of factors such as how scarce the supply is, how quickly the technology is changing and any barriers to supplier entry to the market.

Using these two criteria, purchasing executives should be able to develop sourcing strategies for the following four commodity types as per the diagram on the following page

Strategic Sourcing Diagram: Overview



Strategic Sourcing Diagram: Characteristics, Strategy, Tactics, Actions and Approach



Operational Projects Proposed Strategic Sourcing Strategy

The Key Operational Commodities and Services were analysed over the MTREF of the municipality and procurement strategy has been applied to key commodities at an organisational, departmental and project level to consider economies of scale and ease of providing services.

The above is attached as per [Annexure A - Key Operational Commodities and Services Strategic Sourcing Strategies](#)

Capital Projects Proposed Strategic Sourcing Strategy

The Key Capital Commodities and Services were analysed over the MTREF of the municipality and procurement strategy has been applied to key commodities at an organisational, departmental and project level to consider economies of scale and ease of providing services.

The above is attached as per [Annexure B - Key Capital Commodities and Services Strategic Sourcing Strategies](#)

KEY PRINCIPLE 3 - THREE TYPES OF STRATEGIC SOURCING INITIATIVES AVAILABLE TO GOVERNMENT

Universal strategic sourcing

This applies particularly where economies of scale are possible through aggregating volumes or quantities from all government institutions. Cost benefits come from leveraging government's buying power and using the savings achieved for other important programmes. As well as giving more control over supply and demand, administrative efficiencies lead to indirect cost savings.

As an example of this approach is a strategy to source goods and services that are common across government. These include travel and accommodation, mobile communication and subscription services, banking services and motor vehicles

Department-specific strategic sourcing

This relates to procurement of goods and services that are central to a municipalities' key service delivery objectives, and typically include goods and services above a certain rand value which are considered complex and/or high risk.

Achieving value for money means that the municipality must define its requirements clearly and explain these to the market to create certainty, and competitive tension, among competing bidders

Sector-specific strategic sourcing

This covers procurement of goods and services purchased by more than one government department and involving an industry sector that government wishes to protect or promote.

KEY PRINCIPLE 4 - DEMAND MANAGEMENT PROCESSES

Criterion 1: Participation in the Strategic Planning Process

As part of the strategic planning exercise of an institution, the various functions to be executed must be identified. Pursuant thereto, it is necessary to determine the different resources required to execute the identified functions, i.e. human resources and goods, works or services. These resources must be budgeted for. It is of vital importance to know, even at this stage, the estimated costs of the required resources, including the estimate costs of the required goods, works or services.

Demand management should be co-ordinated by SCM officials of the institution in consultation with end-users. This includes a detailed analysis of the goods, works or services required, such as what should be executed, how quickly and with what materials, resources, equipment, etc. The outcome of this activity should be a detailed planning document that outlines what goods, works or services should be procured, the manner in which they should be procured as well as the timelines to execute the procurement functions.

Criterion 2: Procurement Planning

Procurement planning should take place during the beginning of the financial year when the institution's strategic plan and budget have been approved. Procurement plans cannot be developed in isolation; it should instead form part of the institutions and other functional strategies. The SCM Unit must perform together with user departments/ directorates in the formulation of procurement plans.

Criterion 3: Analysis of the Goods, Works or Services Required

During the strategic planning phase of the institution, the goods, works or services required to execute the identified functions are determined. The SCM representative(s) should assist the process in ensuring that the identified goods, works or services are the optimum resources required to achieve the goals and objectives of the institution.

The SCM Unit of the institution must analyse the goods, works or services required and execute, among others, the following:

- (a) List the functions to be executed by the institution;
- (b) Conduct an analysis of the past expenditure as this exercise may, among others, contribute in determining the manner in which the institution fulfilled its needs in the past; and
- (c) Compile a detailed list of the goods, works or services required to execute the functions listed as per sub-paragraph (a) above.

Criterion 4: Planning to obtain the Required Goods, Works, or Services (Market Analysis)

Together with the end-user, the SCM Unit should apply strategic sourcing principles to determine the optimum manner in which to acquire the required goods, works or services. This entails, among others, the following:

- (i) Conducting an industry and market analysis of the goods, works or services to be obtained. This must include the determination of a reasonable price for the required goods, works or services;
- (ii) Confirmation that sufficient funds have been allocated for the procurement of the required goods, works or services. If this is not so, the end-user must be informed accordingly. The procurement process should not proceed if funds are not available. Documentary proof must be obtained to substantiate availability of budgetary provisions.
- (iii) Considering the optimum method to satisfy the need, for example whether the procurement should be by means of price quotations, advertised competitive bids; limited bids; procuring the goods, works or services from other institutions (e.g. stationery, printing and related supplies from the Government Printing Works or furniture from the Department of Correctional Services), or on transversal term contracts or ad hoc contracts;
- (iv) The frequency of the requirement(s) must be established in order to determine whether it would be cost-effective to arrange a specific term contract for the goods, works or service, if it is not available in terms of a transversal term contract facilitated by the relevant treasury;
- (v) Establishing whether it would be cost-effective to have the goods available as a store item within the institution. Should this be the case, the minimum and maximum storage levels of these items should be determined and managed; and
- (vi) Establishing the lead time required by the potential suppliers to deliver the required goods, works or services after receipt of an official order.

Criterion 5: Compilation of a procurement Plan

Completion of the above activities should result in the compilation of the procurement plan to be implemented by the SCM Unit. This plan should indicate a description of the goods, works or services, the end-user, the contact person representing the end-user, estimated value, date of submission of specifications, date of advertisement of the bid, closing date of the advertised bid, estimated evaluation time, envisaged date of the Bid Adjudication Committee meeting, envisaged date of issuance of an official order, etc.

Criterion 6: Compilation of a Bid Register

The SCM Unit should compile a bid register that will manage the procurement process for each requirement. This should be used as a tool to monitor and evaluate the procurement / acquisition process. For all bids in excess of R500 000, the relevant information must be captured.

The SCM Unit should on a continuous basis monitor and assess the validity and accuracy of and compliance to the procurement plan and report its implementation to the Accounting Officer on a Monthly basis via the office of the CFO.

The above is attached as per [Annexure C – Senqu LM Procurement Plan](#)

KEY PRINCIPLE 5 - CONCLUSION AND REVIEW

Strategic sourcing is an organised and collaborative approach which takes advantage of the size and nature of government spending to get the best possible service and value from selected suppliers. It is closely linked to transversal contracting, which provides a country-wide framework for maximising government's bargaining power and in this way maximising savings.

Collaboration is vital for strategic sourcing, rather than working in silos with the implementation of the strategic procurement framework to be reported monthly to the Accounting Officer and Quarterly to Council

