

SENQU MUNICIPALITY STRATEGIC PROCUREMENT FRAMEWORK



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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 2026_2027 FY to 2028_2029 FY

Table 1.1 – Key Commodities Purchased per mSCOA Item Type

Row Labels	Sum of Original Budget Year 2026/27	Sum of Budget Year +1 2027/28	Sum of Budget Year +2 2027/28
CAPEX	117 961 402	77 836 199	53 676 142
Procurement Strategy Needed	117 961 402	77 836 199	53 676 142
OPEX	428 486 952	458 099 332	478 136 624
Direct Purchase from Organ of State	80 535 591	87 555 209	95 032 842
Direct Payments - Council Resolutions	106 770	158 636	163 713
Direct Payments - SDL	1 740 082	1 724 283	1 777 671
Direct Payments - Traditional Leaders	5 087 344	5 613 223	5 747 066
Procurement Strategy Needed	105 612 735	114 078 200	117 538 657
Rev / Non Procurement Item	235 404 430	248 969 782	257 876 675
REV	400 918 015	413 230 820	432 815 606
Direct Payments - SDL	77 249	-	-
Rev / Non Procurement Item	400 840 766	413 230 820	432 815 606
Grand Total	145 530 338	122 704 711	98 997 160

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

Row Labels	Sum of Original Budget Year 2026/27	Sum of Budget Year +1 2027/28	Sum of Budget Year +2 2027/28
OPEX	428 486 952	458 099 332	478 136 624
Direct Purchase from Organ of State	80 535 591	87 555 209	95 032 842
Audit fees	4 824 004	4 936 696	5 094 670
Electricity bulk purchases	73 975 233	80 633 004	87 889 974
Other Operational Costs	1 736 354	1 985 509	2 048 198
Direct Payments - Council Resolutions	106 770	158 636	163 713
Cash Transfers to Organisations	106 770	158 636	163 713
Direct Payments - SDL	1 740 082	1 724 283	1 777 671
Other Operational Costs	1 740 082	1 724 283	1 777 671
Direct Payments - Traditional Leaders	5 087 344	5 613 223	5 747 066
Other Operational Costs	5 087 344	5 613 223	5 747 066
Procurement Strategy Needed	105 612 735	114 078 200	117 538 657
Consultants and Professional Services	19 125 367	18 526 407	17 807 752
Contractors	13 929 829	14 360 285	14 826 786
Materials and Supplies	4 734 506	4 826 540	4 998 873
Other Operational Costs	40 202 041	41 957 504	43 016 997
Outsourced Services	12 303 081	14 644 720	15 063 289
Standard Rated	4 530 263	7 364 885	7 819 361
Zero rated	10 787 648	12 397 858	14 005 599
Rev / Non Procurement Item	235 404 430	248 969 782	257 876 675
Acting and post related allowance	492 519	524 533	546 826
Annuity Loans	2 170 203	2 152 274	2 164 389
Basic Salaries and Wages	127 013 676	134 440 259	139 987 361
Cellphone Allowance	3 302 151	3 508 803	3 637 862
Depreciation of Property, Plant & Equipment	20 705 047	21 119 147	21 794 960
Electrical Infrastructure	291 920	290 536	290 536
Electricity	2 764 869	2 084 485	2 112 175
Housing Allowances	637 601	679 045	707 905
Long service awards	876 000	975 000	1 059 208
Machinery and Equipment	140 121	139 457	143 920
Medical Aid Contributions	9 092 215	9 455 903	9 857 779
Motor Vehicle Allowance	4 186 125	4 439 229	4 627 896
Other benefits and allowances	44 705	46 493	48 469
Other Operational Costs	2 335 715	2 438 897	2 311 534
Outsourced Services	6 383 916	6 653 745	6 909 271
Overtime	3 258 263	3 470 050	3 617 527
Payments in lieu of leave	4 212 854	4 486 689	4 677 373
Pension and UIF Contributions	17 318 444	18 011 182	18 776 657
Performance bonus	4 964 720	5 287 427	5 512 142
Post-retirement benefit obligations	4 950 300	5 567 000	6 430 870
Property Rates	6 422 822	6 866 038	6 957 359
Rehabilitation Provision - Landfill Sites	2 942 070	3 059 893	3 182 433
Rentals	317 650	330 372	336 979
Roads Infrastructure	1 000 000	1 000 000	1 000 000
Storm water Infrastructure	973 066	774 763	799 556
Traffic Fines	284 540	283 192	288 855
Waste Management	8 322 919	10 885 369	10 096 832
Grand Total	428 486 952	458 099 332	478 136 624

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

R / C / O	Asset Class	Procurement Strategy Needed / Direct Purchase from Organ of State	Sum of Original Budget Year 2026/27	Sum of Budget Year +1 2027/28	Sum of Budget Year +2 2027/28
CAPEX	Community Assets	Procurement Strategy Needed	10 778 804	9 167 282	7 583 641
CAPEX	Computer Equipment	Procurement Strategy Needed	1 750 224	830 135	856 699
CAPEX	Electrical Infrastructure	Procurement Strategy Needed	16 275 315	7 526 957	7 732 174
CAPEX	Furniture and Office Equipment	Procurement Strategy Needed	145 352	118 172	79 063
CAPEX	Machinery and Equipment	Procurement Strategy Needed	24 080 478	3 340 000	3 316 000
CAPEX	Other assets	Procurement Strategy Needed	6 800 000	-	-
CAPEX	Roads Infrastructure	Procurement Strategy Needed	47 798 676	38 653 653	14 108 565
CAPEX	Solid Waste Infrastructure	Procurement Strategy Needed	5 500 000	10 200 000	10 000 000
CAPEX	Storm water Infrastructure	Procurement Strategy Needed	1 832 553	8 000 000	10 000 000
CAPEX	Land	Procurement Strategy Needed	3 000 000	-	-
Grand Total			117 961 402	77 836 199	53 676 142

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

R/C/O	Asset Class	Procurement Strategy Needed / Direct Purchase from Organ of		Sum of Original		
		State	Notes Detail	Budget Year 2026/27	Sum of Budget Year +1 2027/28	Sum of Budget Year +2 2027/28
CAPEX	Community Assets	Procurement Strategy Needed	Barkly East & Lady Grey Boundary Fence	278 804	167 282	83 641
CAPEX	Community Assets	Procurement Strategy Needed	Construction of Blue-Gums Sportsfield	6 000 000	9 000 000	
CAPEX	Community Assets	Procurement Strategy Needed	Lady Grey and Herschel Cemeteries	-	-	7 500 000
CAPEX	Community Assets	Procurement Strategy Needed	Renovations (Barkly East Town Hall)	4 500 000		
CAPEX	Computer Equipment	Procurement Strategy Needed	Computer Equipment	1 750 224	830 135	856 699
CAPEX	Electrical Infrastructure	Procurement Strategy Needed	Pre-Paid Electricity Meters	3 000 000	3 000 000	3 000 000
CAPEX	Electrical Infrastructure	Procurement Strategy Needed	Electrification of Households at Lulama Village Ward 16	-	4 526 957	4 732 174
CAPEX	Electrical Infrastructure	Procurement Strategy Needed	Installation of 2 High Mast Lights in Ward 10 (Zwelitsha & Mounta	2 215 986	-	-
CAPEX	Electrical Infrastructure	Procurement Strategy Needed	Installation of 2 High Mast Lights in Ward 13 - Herschel	2 215 986	-	-
CAPEX	Electrical Infrastructure	Procurement Strategy Needed	Installation of 2 High Mast Lights in Ward 15 - Rhodes	2 215 986	-	-
CAPEX	Electrical Infrastructure	Procurement Strategy Needed	Installation of 3 High Mast Lights in Ward 16 (Boysi Nondala & Ro	3 313 678	-	-
CAPEX	Electrical Infrastructure	Procurement Strategy Needed	Installation of 3 High Mast Lights in Ward 8 (New Rest & Mokhesi)	3 313 678	-	-
CAPEX	Furniture and Office Equipment	Procurement Strategy Needed	Furniture & Office Equipment	145 352	118 172	79 063
CAPEX	Machinery and Equipment	Procurement Strategy Needed	Power Backup System	257 169	-	-
CAPEX	Machinery and Equipment	Procurement Strategy Needed	Tools & Equipment	239 170	-	-
CAPEX	Machinery and Equipment	Procurement Strategy Needed	Communication Equipment	100 000	40 000	16 000
CAPEX	Machinery and Equipment	Procurement Strategy Needed	Automation of HR Processes	250 000	-	-
CAPEX	Machinery and Equipment	Procurement Strategy Needed	Yellow Fleet	20 000 000	-	-
CAPEX	Machinery and Equipment	Procurement Strategy Needed	Specialised Vehicles	3 234 139	3 300 000	3 300 000
CAPEX	Other assets	Procurement Strategy Needed	Driving Licence and Testing Centre Sterkspruit	4 800 000	-	-
CAPEX	Other assets	Procurement Strategy Needed	Construction of Fleet Bay_Sterkspruit	2 000 000	-	-
CAPEX	Roads Infrastructure	Procurement Strategy Needed	New Rest Construction - Paving	21 060 689	10 000 000	2 181 671
CAPEX	Roads Infrastructure	Procurement Strategy Needed	Rehabilitation of Roads & Stormwater in Barkly East Ward 15 & 16	7 688 709	-	-
CAPEX	Roads Infrastructure	Procurement Strategy Needed	Rehabilitation of Roads & Stormwater in Lady Grey Ward 14	9 500 000	23 072 610	-
CAPEX	Roads Infrastructure	Procurement Strategy Needed	Rehabilitation of Roads & Stormwater in Mokhesi Ward 8	3 249 278	-	-
CAPEX	Roads Infrastructure	Procurement Strategy Needed	Rehabilitation of Roads & Stormwater in Ward 10	5 500 000	-	-
CAPEX	Roads Infrastructure	Procurement Strategy Needed	Construction of 3km Paved Road with Motorway Bridge Esilindin	800 000	5 581 043	11 926 894
CAPEX	Solid Waste Infrastructure	Procurement Strategy Needed	Construction of Sterkspruit Solid Waste Site	800 000	7 700 000	10 000 000
CAPEX	Solid Waste Infrastructure	Procurement Strategy Needed	Electrification of Rossouw Solid Waste Site	3 200 000		
CAPEX	Solid Waste Infrastructure	Procurement Strategy Needed	Construction of Transfer Station in Rhodes	1 500 000	2 500 000	
CAPEX	Storm water Infrastructure	Procurement Strategy Needed	Lining, fencing and upgrading of primary storm water channel th	1 832 553	8 000 000	10 000 000
CAPEX	Land	Procurement Strategy Needed	Purchase of Grazing Land	3 000 000	-	-
Grand Total				117 961 402	77 836 199	53 676 142

KEY PRINCIPLE 2 - DETERMINE STRATEGIC SOURCING INITIATIVE

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

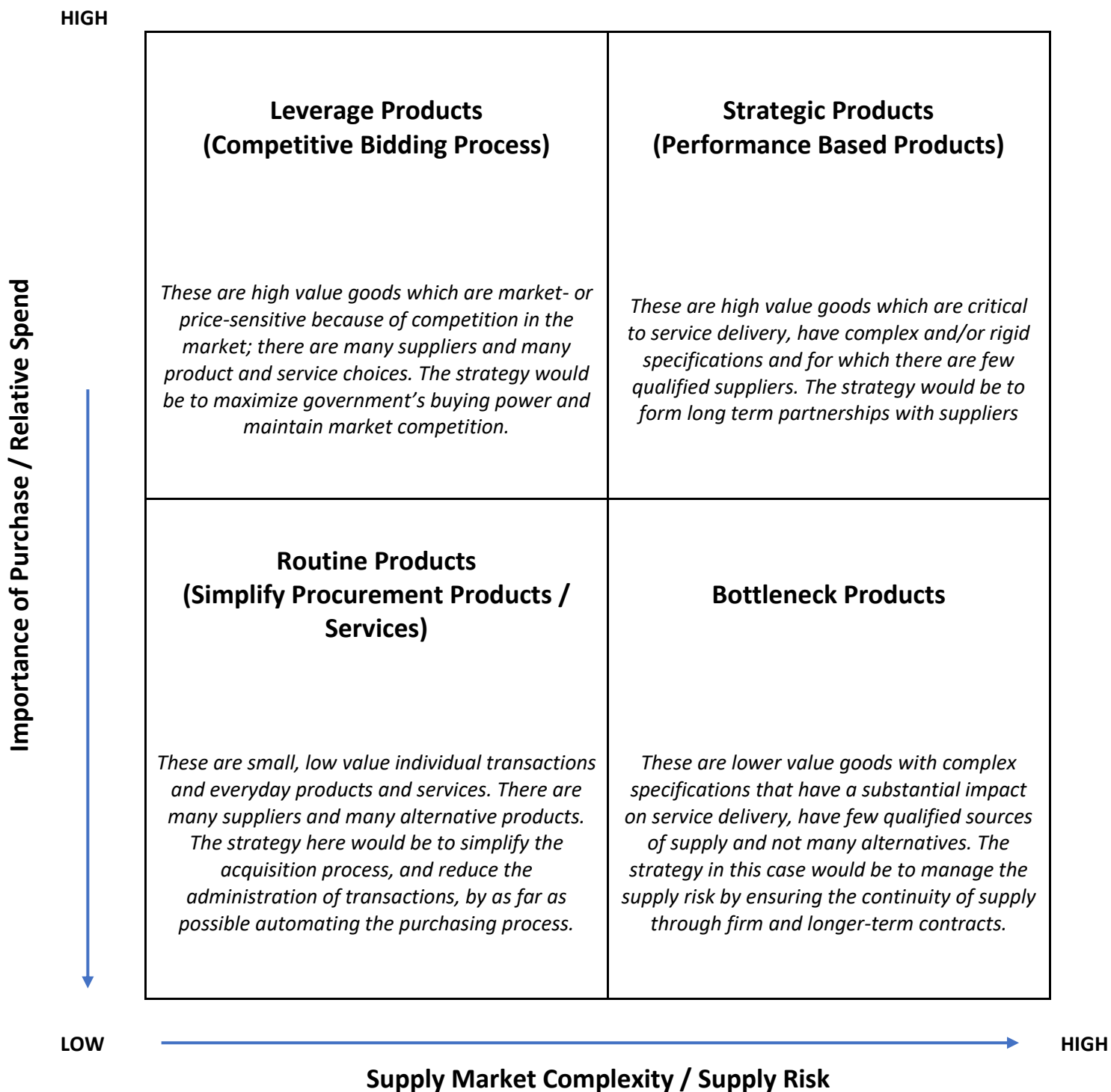
Households do not procure their monthly goods in the same way as they buy property, which is a strategic decision. In the same way, government should not procure catering services in the same way as specialised and expensive medical or agricultural equipment. Using the principles of strategic sourcing 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):

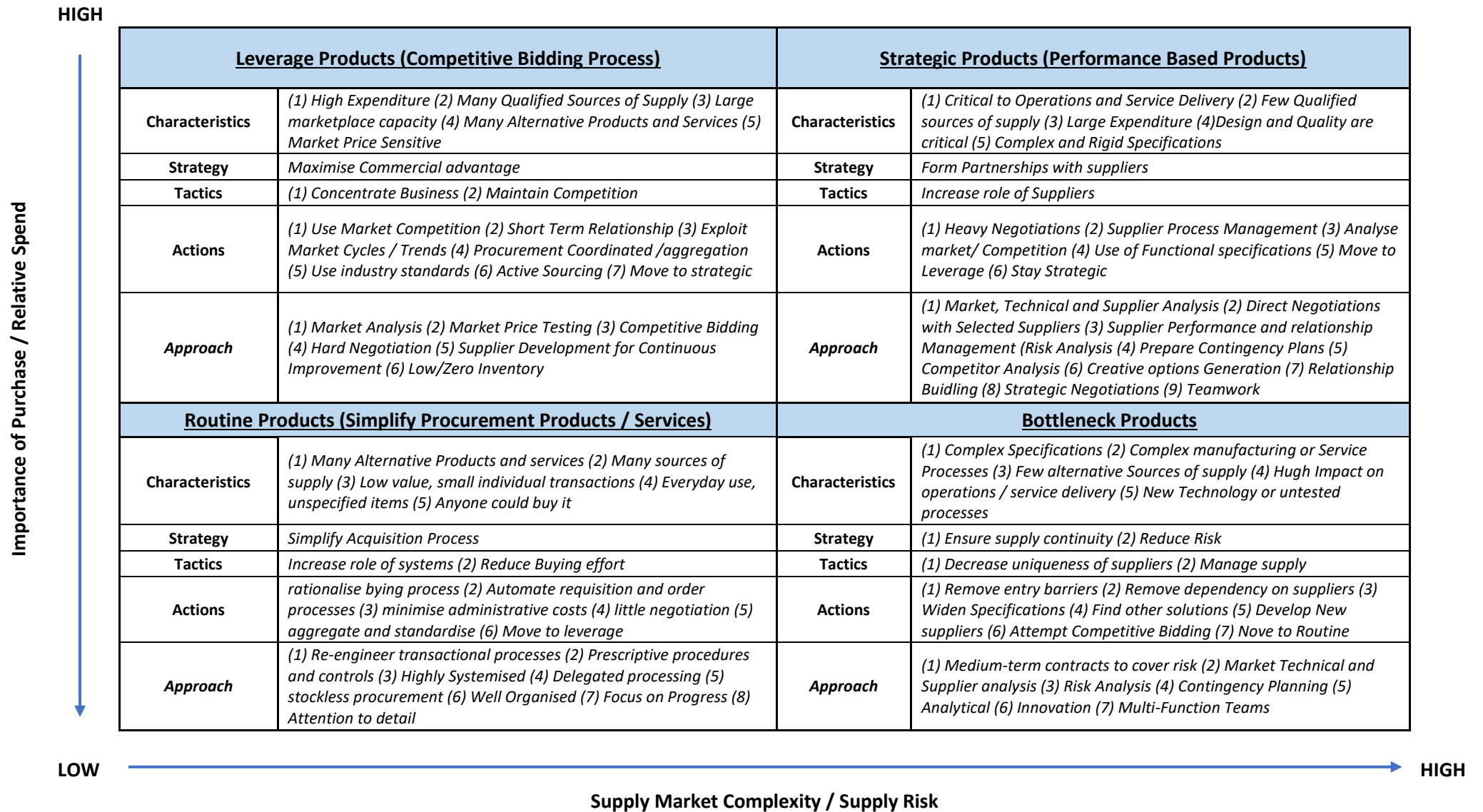
- the strategic importance of the goods or services being purchased, either in terms of value for money and service delivery or of the cost. The more expensive, the more important it is to think strategically about how to purchase.
- the complexity of the supply market, measured in terms of factors such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