# INFRASTRUCTURE PROCUREMENT AND DELIVERY MANAGEMENT POLICY

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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**SIGNATURE OF THE MUNICIPAL MANAGER**

Ms P Q Mogatle

**SIGNATURE OF THE SPEAKER**

Speaker

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

# 2021/22

## INFRASTRUCTURE PROCUREMENT AND DELIVERY MANAGEMENT POLICY

**Policy for adoption by Council in terms of MFMA Circular 106**

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In 2012, the Infrastructure Delivery Management System (IDMS) was adopted as the chosen government wide system for infrastructure delivery in South Africa. In the same year (2012), the

National Treasury, together with the eight metropolitan municipalities, initiated the customisations of the IDMS for implementation by municipalities. The product of that engagement became the Cities Infrastructure Delivery Management Toolkit (CIDMT), focusing mainly on cities or metros.

In order to establish a common approach to infrastructure delivery across all organs of state, the Standard for Infrastructure Procurement and Delivery Management (SIPDM) was issued for adaptation and adoption by municipalities in terms of Circular 77.

In the process of implementing and institutionalising the SIPDM, institutions expressed concerns regarding the operational challenges imposed by aspects of the SIPDM. This constraint was further compounded when the Preferential Procurement Regulations, 2017 were promulgated and effected, resulting in conflict between the SIPDM and the Regulations.

The National Treasury, in consultation with relevant stakeholders, initiated the SIPDM review process, which resulted in the development of the Local Government Framework for Infrastructure Delivery and Procurement Management (LGFIDPM). The LGFIDPM provides for minimum requirements for effective governance of infrastructure delivery and procurement management. It also recognises the different capacities in the various categories of municipalities and therefore requests municipalities to review their institutional and capacities before adapting and adopting this model.

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## Introduction

a) The Integrated Development Plan (IDP) is the principal strategic planning instrument for municipalities. The IDP process requires a robust process of gathering and synthesising information related to the medium to long-term management of the municipality's infrastructure needs.

b) The preparation of Roads and Storm Water Services, Water and Sanitation Services, Waste Disposal
Services, Electricity Services and Community Facilities and Municipal Buildings, Infrastructure Asset Management Plans (IAMPs) enables municipalities to rank projects and determine budgets, based on a holistic view of local needs and priorities; and serves as a source of valuable information in preparing the IDP.

c) Through the Infrastructure Delivery Management System, Cities Infrastructure Delivery Management System was developed to provide a holistic system for the management of infrastructure based on the requirements of SANS 55001: Asset management tailored for application in South African metropolitan spaces and specifically in support of the country's spatial transformation agenda.

d) There is need to develop an infrastructure delivery management system tailor-made for all municipalities (excluding cities) which should integrate asset management strategy, policy to guide infrastructure planning, delivery management and decision making. The LGFIDPM introduces the initial process focusing on the project processes of the infrastructure delivery management and infrastructure procurement.

e) The Framework for Infrastructure Procurement Management should be implemented together with the project management processes, to ensure alignment, integration and efficient and effective service delivery.

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## 1. Scope

1.1. The Local Government FIDPM applies to organs of state which are subject to the Municipal Finance Management Act (MFMA).

1.2. The Framework provides minimum requirements for the implementation of Infrastructure Delivery and Procurement Management through the:
   a) Project processes for infrastructure delivery management, and
   b) Infrastructure procurement gates.

1.3. The Framework specifies the allocation of responsibilities for performing activities and making decisions at project stages and procurement gates.

## 2. Terms and Definitions

**Approved:** Officially agreed and signed-off by an Accounting Officer or a delegated person / body.

**Construction:** Everything constructed or resulting from construction operations.

**Employer:** Organ of state intending to, or entering into, a contract with a contractor.

**Gate:** A control point at the end of a process where a decision is required before proceeding to the next process or activity.

**Gateway review:** An independent review of the available information at a gate upon which a decision is made whether to proceed to the next process, or not.

**Infrastructure:**

a) Immovable asset, which is acquired, constructed or results from construction operations; or

b) Movable asset, which cannot function independently from purpose-built immoveable asset(s).

**Infrastructure delivery:** The combination of all planning, technical, administrative and managerial actions associated with the construction, supply, refurbishment, rehabilitation, alteration, maintenance, operation or disposal of infrastructure.

**Infrastructure procurement:** The procurement of goods or services, including any combination thereof, associated with the acquisition, refurbishment, rehabilitation, alteration, maintenance, operation or disposal of infrastructure.

**Organ of State:** Any department of state or administration in the national, provincial and local sphere of government.

**Procurement strategy**: The selected packaging, contracting, pricing and targeting strategy and procurement procedure for a particular procurement.

**Project:** A unique set of processes consisting of coordinated and controlled activities with start and end dates, performed to achieve the project objective.

**Stage:** A collection of periodical and logically related activities in the Project Management Control Stages, that culminates in the completion of an end of stage deliverable.

## 3. ABBREVIATIONS

| | |
|---|---|
| CIDB | Construction Industry Development Board |
| IDP | Integrated Development Plan |
| FIDPM | Framework for Infrastructure Delivery and Procurement Management |
| MFMA | Municipal Finance Management Act |
| PSP | Professional Service Provider |
| PPPFA | Preferential Procurement Policy Framework Act |
| SCM | Supply Chain Management |
| SDBIP | Service Delivery Budget Implementation Plan |

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## 4. NORMATIVE REFERENCES

### 4.1 Acts of Parliament

The following referenced Acts of Parliament are indispensable in the application of this document:

- Architectural Profession Act, 2000 (Act No. 44 of 2000)
- Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003)
- Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996)
- Construction Industry Development Board Act, 2000 (Act No. 38 of 2000)
- Division of Revenue Act (Annual)
- Engineering Profession Act, 2000 (Act No. 46 of 2000)
- Landscape Architectural Profession Act, 2000 (Act No. 45 of 2000)
- Municipal Finance Management Act, (No. 56 of 2003)
- Local Government: Municipal Systems Act, 2000 (Act No. 32 Of 2000)
- National Archives and Record Services of South Africa Act, 1996 (Act No. 43 of 1996)
- Occupational Health and Safety Act, 1993 (Act No. 85 of 1993)
- Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)
- Project and Construction Management Professions Act, 2000 (Act No. 48 of 2000)
- Public Finance Management Act, 1999 (Act No. 1 of 1999) □ Quantity Surveying Profession Act of 2000 (Act No. 49 of 2000) □ Other Sector Specific Acts of Parliament.

### 4.2 Regulations issued in terms of the MFMA and MFMA Circulars

- Regulations issued in terms of the MFMA
- Preferential Procurement Policy Framework Act Regulations (PPPFA of 2017 or as amended from time to time) and circulars.

### 4.3 Standards

- Applicable Construction Industry Development Board Standard for Uniformity
- Construction Sector Code.

### 4.4 Management System

- Infrastructure Delivery Management System (IDMS)
- Cities Infrastructure Delivery Management Toolkit (CIDMT).

### 4.5 National Treasury Guidelines

□ Local Government Capital Asset Management Guideline and Planning Guidelines □ Budget Facility for Infrastructure (BFI).

### 4.6 Department of Cooperative Governance and Traditional Affairs Guidelines

□ Guidelines for Infrastructure Asset Management in Local Government.

## 5. FRAMEWORK FOR INFRASTRUCTURE DELIVERY

### 5.1 The Infrastructure Delivery Management Project Processes

a) The project process of infrastructure delivery management contains control stage deliverables at the end of each stage. Table 1 outlines the stage deliverables that must be approved. The control stages are specific to project management processes; and outline and

describe the stages in the life of a project from start to end. The specific stages are determined by the specific project's governance and control needs. The stages follow a logical sequence with a specified start and end. The deliverable is considered to have passed through the relevant stage when it is approved and signed off. The project then moves on to the next sequential stage. It is expected that the municipality's organisation reflects an engagement between the Budget Treasury Office, Engineers and Planners when developing and approving projects. It is also expected that there should be engagements with the National and Provincial Treasury where appropriate or where projects dictate so.

***Table 1: Project stage deliverables***

| Stage | | Project Stage Deliverables |
|---|---|---|
| **No** | **Name** | **End of Stage Deliverables** |
| **1** | **Initiation** | **Initiation Report or Pre-feasibility Report**<br>(i) The Initiation Report defines project objectives, needs, acceptance criteria, organisation's priorities and aspirations, and procurement strategies, which set out the basis for the development of the Concept Report.<br><br>Or<br><br>(ii) A Pre-feasibility Report is required on Mega Capital Projects, to determine whether to proceed to the Feasibility Stage; where sufficient information is presented to enable a final project implementation decision to be made. Mega capital projects should be determined in the municipality's policy approved by the Municipal Council.<br>**Stage 1 is complete when the Initiation Report or Pre-feasibility Report is approved.** |
| **2** | **Concept** | **Concept Report or Feasibility Report**<br>(i) The Concept Stage presents an opportunity for the development of different design concepts to satisfy the project requirements developed in Stage 1. This stage presents alternative approaches and an opportunity to select a particular conceptual approach. The objective of this stage is to determine whether it is viable to proceed with the project, premised on available budget, technical solutions, time frame and other information that may be required.<br><br>(ii) The Concept Report should provide the following minimum information: |

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| Stage | | Project Stage Deliverables |
|---|---|---|
| **No** | **Name** | **End of Stage Deliverables** |
| | | a) Document the initial design criteria, cost plan, design options and the selection of the preferred design option; or the methods and procedures required to maintain the condition of infrastructure, or the project.<br>b) Establish the detailed brief, scope, scale, form and cost plan for the project, including, where necessary, the obtaining of site studies and construction and specialist advice.<br>c) Provide an indicative schedule for documentation and construction, or maintenance services, associated with the project.<br>d) Include a site development plan, or other suitable schematic layouts, of the works.<br>e) Describe the statutory permissions, funding approvals and utility approvals required to proceed with the works associated with the project.<br>f) Include a baseline risk assessment for the project and a health and safety plan, which is a requirement of the Construction Regulations issued in terms of the Occupational Health and Safety Act.<br>g) Contain a risk report, need for further surveys, tests, investigations, consents and approvals, if any, during subsequent stages.<br>(iii) A Feasibility Report must provide the following minimum information:<br>a) Details regarding the preparatory work covering:<br>• A needs and demand analysis with output specifications.<br>• An options analysis.<br>b) A viability evaluation covering:<br>• A financial analysis.<br>• An economic analysis, if necessary.<br>c) A risk assessment and sensitivity analysis;<br>d) A professional analysis covering:<br>• A technology options assessment.<br>• An environmental impact assessment.<br>• A regulatory due diligence.<br>e) An implementation readiness assessment covering:<br>• Institutional capacity.<br>• A procurement plan.<br>**Stage 2 is complete when the Concept Report or the Feasibility Report is approved.** |

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| 3 | **Design Development** | **Design Development Report**<br>(i) The Design Development Report must, as necessary:<br>a) Develop, in detail, the approved concept to finalise the design and definition criteria. |

| Stage | | Project Stage Deliverables |
|---|---|---|
| **No** | **Name** | **End of Stage Deliverables** |
| | | b) Establish the detailed form, character, function and costings.<br>c) Define the overall size, typical detail, performance and outline specification for all components.<br>d) Describe how infrastructure, or elements or components thereof, are to function; and how they are to be safely constructed, be commissioned and be maintained.<br>e) Confirm that the project scope can be completed within the budget, or propose a revision to the budget.<br>**Stage 3 is complete when the Design Development Report is approved.** |
| 4 | **Design Documentation** | **Design Documentation**<br>(i) Design documentation provides:<br>a) the production information that details performance definition, specification, sizing and positioning of all systems and components that will enable construction;<br>b) the manufacture, fabrication and construction information for specific components of the work, informed by the production information.<br>**Stage 4 is complete when the Design Documentation Report is approved.** |
| 5 | **Works** | **Completed Works capable of being used or occupied** (i) Completion of the Works Stage requires:<br>a) Certification of the completion of the works in accordance with the provisions of the contract; or<br>b) Certification of the delivery of the goods and associated services in accordance with the provisions of the contract.<br>**Stage 5 is complete when the Works Completion Report is approved.** |

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| 6 | **Handover** | **Works which have been taken over by the user or owner; Completed Training; Record Information**<br>(i) The handover stage requires the following activities to be undertaken:<br>a) Finalise and assemble record information which accurately reflects the infrastructure that is acquired, rehabilitated, refurbished or maintained;<br>b) Hand over the works and record information to the user organisation and, if necessary, train end user staff in the operation of the works.<br>**Stage 6 is complete when the Handover/Record Information Report is approved.** |
| 7 | **Close-Out** | **Defects Certificate or Certificate of Final Completion; Final Account; Close-Out Report** |
| **Stage** | | **Project Stage Deliverables** |
| **No** | **Name** | **End of Stage Deliverables** |
| | | (i) The Close-Out Stage commences when the end user accepts liability for the works. It is complete when: a) Record information is archived;<br>b) Defects certificates and certificates of final completion are issued in terms of the contract;<br>c) Final amount due to the contractor is certified in terms of the contract;<br>d) Close-Out Report is prepared by the Implementer and approved by the Municipality.<br>**Stage 7 is complete when the Close-out Report is approved.** |

b) Procurement of PSPs and Contractors can occur at different points in the project stages.

c) Additional stages may be added to the described stages above, if deemed necessary. For example, additional stages could include those necessary to ensure that project activities are appropriately carried out and stages linked. Contract activities would, in many instances, be contingent upon the requirements of the specific contract being used.

d) For project progress using the project stages, reporting must be for the deliverable achieved in the stage immediately prior to the 'in progress' stage. For example, if a project is shown as being at Stage No. 3 (Design Development), it implies that the deliverable for Stage No. 2 (i.e. the Concept Report) has been achieved; and that the deliverable for Stage 3 (i.e. the Design Development Report) is in the process of being prepared.

e) Where an organ of state engages another organ of state to provide agency services, a service delivery agreement must be developed that outlines the roles and responsibilities for each organ of state; and establishes a relationship between the client and the implementer. The development of all deliverables should be carried out in a cooperative and consultative manner between the Client and Implementer parties. All deliverables must be developed and signed off in compliance with the specific service delivery agreement.

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## 5.2 Gateway Reviews

### 5.2.1 Gateway reviews for mega capital projects

(i) The MFMA (Act 56 of 2003), section 19 (2) states: "Before approving a capital project in terms of subsection (1)(b), the council of a municipality must consider the projected cost covering all financial years from the start until the project is operational; and the future operational costs and revenue on the project, including municipal tax and tariff implications."

(ii) The LGFIDPM prescribes the Gateway Review at the end of stage 2, as the minimum requirement to comply with section (i) above.

(iii) The focus of such a review must be on the quality of the documentation in the first instance, and thereafter on:

a) Deliverability: the extent to which a project is deemed likely to deliver;
b) Expected benefits: within the declared cost, time and performance area;
c) Affordability: the extent to which the project's level of expenditure and financial risk can be accepted, given the organisation's overall financial position, both singly, and when considering its other current and projected commitments; and
d) Value for money: The optimum combination of whole life costs and quality (or fitness of purpose), to meet the user's requirements.

(iv) A gateway review team must comprise of not less than three persons who are neither involved, nor associated with the project, but have a broad understanding of the subject matter.

(v) A gateway review must be led by a person who has experience in the planning of infrastructure projects and is registered as a professional with a statutory council under the built environment professions. The members of the team must, as relevant, have expertise in the key technical areas, cost estimating, scheduling and implementation of similar projects.

(vi) It is the duty of the institution's Accounting Officer or Authority to appoint a team responsible for the gateway review of his or her institution.

(vii) The gateway review team must base its findings primarily on:

a) The information contained in the end-of-stage deliverable;
b) Supplementary documentation, if any, provided by key staff and obtained during an interview process; and
c) Interviews with key staff members and stakeholders.

(viii) The gateway review team must issue a report at the conclusion of a gateway review, which reflects the team's assessment of the information at the end of a stage; and provides findings or recommendations on areas where further work should be undertaken to improve such information.

(ix) The gateway review findings must be classified by the gateway review team as:

a) Critical: Findings that pose adverse effect to the project or package. Critical findings are findings related to the stage deliverable that are wholly unacceptable.
b) Major: Findings that pose a potentially adverse effect to the project or package. Major findings are serious findings and are in direct violation of key legislation, e.g. The Constitution of the Republic of South Africa, the MFMA or the PPPFA.
c) Minor: Findings that do not pose any adverse effect to the project or package. Minor findings indicate the need for improvement of practices and processes.

(x) A Stage 2 deliverable must not be approved until such time that all findings have been resolved.

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## 6. FRAMEWORK FOR INFRASTRUCTURE PROCUREMENT

### 6.1 INTRODUCTION

The framework for infrastructure procurement outlines the minimum infrastructure procurement policy requirements for municipal planning and implementation.
The strategic direction set in the Integrated Development Plan (IDP) informs the framework for infrastructure procurement. For example, procurement strategies must be aligned to the municipality's developmental and internal transformation needs, as specified in the IDP.

### 6.2 MINIMUM REQUIREMENT FOR INFRASTRUCTURE PROCUREMENT

6.2.1 Infrastructure procurement must be undertaken in accordance with all applicable Infrastructure Procurement related legislation and this Framework.

6.2.2 Infrastructure procurement must be implemented in accordance with the institutional Supply Chain Management System, which promotes differentiated procurement for infrastructure.

6.2.3 Infrastructure procurement must be implemented in accordance with the procurement gates prescribed in clause 6.3 below.

6.2.4 The Accounting Officer must ensure that a budget is available for the duration of the project, in line with MFMA provisions for capital and operating budgets.

6.2.5 The Accounting Officer must ensure that cash flow management processes are in place to meet payment obligations within the time periods specified in the contract.

6.2.6 Procurement gates provided in 6.3 below must be used, as appropriate, to:

a) Authorise commencement of activities that lead to the next control gate;
b) Confirm conformity with requirements; and/or
c) Provide information to eliminate any cause of non-conformity and to prevent reoccurrence.

6.2.7 The authorisation to proceed to the next procurement gate must be given by a delegated person or body. The delegated person or body must be able to apply relevant built environment knowledge and skill to achieve the intended results required at the relevant procurement gate. The level of detail contained in the documentation on which a decision to proceed to the next procurement gate is made, must be sufficient to enable an informed decision.

6.2.8 The Accounting Officer must develop and implement effective and efficient emergency procurement procedures, including relevant approval delegation, in compliance with relevant legislation.

6.2.9 The Accounting Officer must develop and implement an effective and efficient infrastructure disposal policy in line with the Municipal Asset Transfer Regulations. The institution may consider disposal strategies aligned to their internal disposal policy, prior to proceeding with the procurement strategy.

6.2.10 The Accounting Officer must keep records of Procurement Gate Approvals, in a manual or electronic format, with the following minimum requirements: a) Procurement gate;

b) Delegated person/s or body;
c) Date on which the approval request was received;
d) Date on which the approval was actioned; and
e) Signature of the delegated person or body.

6.2.11 All assets must be recorded in the municipal asset register as required by the GRAP standards.

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## 6.3 Infrastructure Procurement Gates

6.3.1 Procurement **Gate 1 (PG 1)**

a) Initiate a procurement process;

b) **Minimum Requirement for PG 1:**

1) Establish and clarify the procurement need, aligned to the municipality's development and transformation priorities specified in the IDP.
2) Determine a suitable title for the procurement, to be applied as the project description.
3) Prepare the broad scope of work for the procurement.
4) Perform market analysis.
5) Estimate the financial value of proposed procurement and contract for budgetary purposes, based on the broad scope of work.
6) Confirm the budget.
7) Compliance with section 33 of the MFMA with respect to community and stakeholder consultation.

c) **PG 1 is complete when a designated person or body makes the decision to proceed/not to proceed, with the procurement of the infrastructure.**

6.3.2 Procurement **Gate 2 (PG 2)**

a) Approve procurement strategy to be adopted.

b) **Minimum Requirement for PG 2:**

1) Develop a procurement strategy aligned to the institutional procurement strategy:
   a. Establish contracting and pricing strategy comprising of an appropriate allocation of responsibilities and risks; and the methodology for contractor payments.
   b. Identify service required for works.
   c. Decide on contracting strategy.
   d. Decide on pricing strategy.
   e. Decide on form of contract.
   f. Establish opportunities for promoting preferential procurement in compliance with legislative provisions and the Construction Sector Code.

c) **PG 2 is complete when a delegated person or body approves the procurement strategy that is to be adopted.**

6.3.3 Procurement **Gate 3 (PG 3)**

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a) Approve procurement documents.

b) **Minimum requirements for PG 3:**

1) Prepare procurement documents that are compatible with:
   (i) approved procurement strategies.
   (ii) project management design documentation.

c) **PG 3 is complete when the Bid Specification Committee approves the procurement document.**

6.3.4 Procurement **Gate 4 (PG 4)**

a) Confirm that cash flow processes are in place to meet projected contractual obligations.

b) **Minimum requirement for PG 4**

1) Confirm that cash flow processes are in place to meet contractual obligations.

2) Establish control measures for settlement of payments within the time period specified in the contract.

c) **PG 4 is complete when a delegated person or body confirms in writing that cash flow processes are in place; and control measures are established for the procurement to take place.**

6.3.5 Procurement **Gate 5 (PG 5)**

a) Solicit tender offers.

b) **Minimum requirements for PG 5**

1) Invite contractors to submit tender offers.
2) Receive tender offers.
3) Record tender offers.
4) Safeguard tender offers.

c) **PG 5 is complete when tender offers received are recorded and safeguarded by a delegated person from the SCM unit.**

6.3.6 Procurement **Gate 6 (PG 6)**

a) Evaluate tender offers premised on undertakings and parameters established in procurement documents.

b) **Minimum Requirement for PG 6:**

1) Determine whether tender offers are complete.
2) Determine whether tender offers are responsive.
3) Evaluate tender submissions.
4) Review minimum compliance requirements for each tender.
5) Perform a risk analysis.
6) Prepare a report on tender offers received, and on their achievement of minimum compliance.

c) **PG 6 is complete when the chairperson of the Bid Evaluation Committee approves the BEC report.**

6.3.7 Procurement **Gate 7 (PG 7)**

a) Award the contract.

b) **Minimum Requirement for PG 7:**

1) Bid adjudication committee review of the BEC evaluation report.
2) Bid Adjudication Committee makes an award.
3) Accounting Officer approval of the tender process.
4) Notify successful tenderer and unsuccessful tenderers of the outcome.
5) Sign contract document.
6) Formally accept tender offer.

c) **PG 7 is complete when the Accounting Officer, or the Bid Adjudication Committee where delegated, confirms that the tenderer has provided evidence of complying with all requirements stated in the tender data and formally accepts the tender offer in writing, and issues the contractor with a signed copy of the contract.**

6.3.8 Procurement **Gate 8 (PG 8)**

a) Administer and monitor the contract.

b) **Minimum Requirements for PG 8:**

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1) Finance department to:

(i) Capture contract award data.

(ii) Manage cash flow projection.

(ii) Administer contract in accordance with the terms and provisions of the contract.

2) Delivery department to:

(i) Ensure compliance with contractual requirements.

c) **PG 8 is complete when a delegated person captures the contract completion/termination data (close out reports and relevant documents), including payment certificates due.**

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## 7. Short Title

This policy is called the INFRASTRUCTURE PROCUREMENT AND DELIVERY MANAGEMENT POLICY of the John Taolo Gaetsewe District Municipality.

**Commencement**

This reviewed policy takes effect from the 1st July 2021.

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