

**RECOMMENDATION TO THE CITY MANAGER: SUPPLY CHAIN MANAGEMENT
BID ADJUDICATION COMMITTEE: 28 JUNE 2021**

**SCMB 119/06/21 REQUEST FOR EXPANSION AND/OR VARIATION AND/OR
AMENDMENTS: APPOINTMENT OF THE WESTERN CAPE
GOVERNMENT'S DEPARTMENT OF HUMAN SETTLEMENTS
TO IMPLEMENT THE CONSTRUCTION OF SUBSIDISED
HOUSING RELATING TO FIVE PROJECTS**

Mr Rayan Rughubar recused himself from this item.

The Chairperson noted the reasons given and asked what penalties have been applied. He further noted that the contractor PAWC, has performed poorly and asked what claim the City has against them. He asked why the City has to pay more for the goods and services and requested line to advice on the value for money. He inquired on the contract conditions and asked why the City must carry the cost. Furthermore, whether the Province contributes to any costs. He flagged this as a risk as this could be deemed fruitless and wasteful expenditure

Mr Duke Gumede responded by stating that about R1.5m has been recovered in Penalties from poorly performing contractors. The increased costs are due to increased specifications where applicable as approved by Province. This is value for money as it improves the product. Province funds the projects and provides for the increase by increasing the Housing Subsidy accordingly. The contract conditions stipulate that there is no financial compensation for extension of time, but only for increases in specifications where applicable.

Mr Gumede informed the Chairperson that the scope of work for this item was for the building of the structure of the houses. That there are increments which the Human Settlement in the Province incurs annually, these costs then filter down to the City for payment. In response to the Chairperson, he confirmed that the number of houses outstanding has reduced. The outstanding houses have to comply with the subsidy conditions and specifications by the Human Settlements Department. The additional costs are for improvements so that the houses meet the set specifications.

The Chairperson raised concern about the increase in costs, while there are less houses, outstanding to be built. He asked if Section 116 was followed for the expansion. Mr Gumede stated that Section 116 does not apply to Organ of State appointments.

The Director – SCM stated that this process will result in a new MOU with the organ of state. He added that there is no other mechanism.

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Mr N Dias concurred with the Director – SCM, in that Section 116 in particular and Part 11 of the MFMA does not apply to the new MOU with an Organ of State. He advised that the wording of part b) of the recommendation to indicate that this will be a new MOU for a new period.

RESOLVED that:

- a) For the reasons set out in the report that the **EXPANSION IN SUM** in respect of contract **SCMB 45/06/18** awarded to the **WESTERN CAPE GOVERNMENT'S DEPARTMENT OF HUMAN SETTLEMENT** for The Belhar-Pentech, Valhalla Park, Delft The Hague, Gugulethu and Nyanga Housing Projects **BE EXPANDED** by the amounts as stated in the tables below:

Project name	Estimated number of houses
Gugulethu Housing Project	571
Nyanga Housing Project	396
Belhar-Pentech Phase 1 Housing Project	115
Delft The Hague Phase 1 Housing Project	220
Valhalla Park Housing Project	781

The amended applicable rates as follows:

House Types	Cost per house (excl. VAT) as per BAC Resolution SCMB 45/06/18	Additional Cost per house (excl. VAT) (This Report)	Total Cost per house (excl. VAT)
Single free-standing 40 sq.m house	R114 600.00	R2 267.00	R116 867.00
Single double-storey 45 sq.m free-standing house	R135 790.00	R2 267.00	R138 057.00
Single 45 sq.m free-standing house for paraplegics	R164 500.00	R5 556.00	R170 056.00
Additional costs Geotechnical Variance	N/A	R4 269.00	R4 269.00
Additional costs for External Plaster	N/A	R5 283.00	R5 283.00
Additional costs for foundation steel and stronger concrete strength where required	N/A	R2 853.00	R2 853.00

Additional costs for boundary walls where required	N/A	R3 940.00	R3 940.00
Additional costs for Security where required	N/A	R5 405.00	R5 405.00
Additional costs for Security Fencing where required	N/A	R3 861.00	R3 861.00

b) The **NEW MEMORANDUM OF UNDERSTANDING** in respect of contract **SCMB 45/06/18** awarded to the **WESTERN CAPE GOVERNMENT'S DEPARTMENT OF HUMAN SETTLEMENT** for The Belhar-Pentech, Valhalla Park, Gugulethu and Nyanga Housing Projects will be from **1 July 2021 to 31 October 2023**.

c) It be noted that any increase in the Housing Subsidy Quantum will be passed onto the Western Cape Government (WCG) on a pro-rata basis. (Once the increase comes into effect, it is agreed that any house that has not been built up to wall plate height, will be eligible for this increase).

ACTION: **B VUMASE, L ESTERHUIZEN** to communicate the decisions of the BAC to the tenderers and BEC.

FOR NOTING: **DUKE GUMEDE** to note the BAC decisions and apply the recommendations and decisions of the BAC

This resolution complies with the Supply Chain Management Policy as approved by Council on 30 May 2019.

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ARNO VORSTER EMPLOYEE NO. 10300397
CHAIRPERSON: SUPPLY CHAIN MANAGEMENT
BID ADJUDICATION COMMITTEE

DATE: