

**WESTERN CAPE PROVINCIAL TREASURY
INSTRUCTIONS:**

CHAPTER 16B

**SUPPLY CHAIN MANAGEMENT FOR THE DELIVERY
AND MAINTENANCE OF INFRASTRUCTURE**

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1 DEFINITIONS

In these Provincial Treasury Instructions, unless the context indicates otherwise, a word or expression to which a meaning has been assigned in the Act and Treasury Regulations, has the same meaning, and –

“**client**” means the institution which is ultimately responsible and accountable for the delivery of services and their organisational strategy, service and delivery plans and annual performance plans;

“**control budget**” means the amount of money which is allocated or made available by the client to deliver or maintain infrastructure associated with a project or package including site costs, professional fees, all service and planning charges, applicable taxes, risk allowances and provision for price inflation which may be adjusted by the client from time to time;

“**construction procurement**” means procurement in the construction industry, including the invitation, award and management of contracts;

“**construction industry**” means the broad conglomeration of industries and sectors which add value in the creation and maintenance of fixed assets within the built environment;

“**custodian**” means the provincial department designated in terms of the Government Immoveable Asset Management Act 2007 (Act 19 of 2007) to act as the caretaker of infrastructure throughout its lifecycle;

“**day-to-day maintenance**” means maintenance that takes place on an *ad hoc* basis including minor repairs, modifications or replacements;

“**emergency maintenance**” means repairs which are unforeseen and require urgent attention due to the presence of, or the imminent risk of, an extreme or emergency situation arising from one or more of the following:

- (a) human injury or death;
- (b) human suffering or deprivation of human rights;
- (c) serious damage to property or financial loss;
- (d) livestock or animal injury, suffering or death;
- (e) serious environmental damage or degradation; or
- (f) interruption of essential services;

“framework agreement” means an agreement between an institution and one or more contractors, the purpose of which is to establish the terms governing task, batch or package orders to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged;

“gate”: a control point at the end of a process where a decision is required before proceeding to the next process

“gateway review” means a review of the available information at a gate upon which a decision to proceed or not to the next process is based

“implementer” means an institution responsible for the delivery of infrastructure or maintenance projects;

“infrastructure” means fixed assets that are constructed or result from construction operations including:

- (a) buildings, structures and facilities;
- (b) water supply, sanitation, electricity supply, transportation and storm water drainage systems; and
- (c) the related permanent fixtures that cannot be readily or economically removed or reused;

“institution” means a provincial department, or public entity listed in Schedule 3C of the Act;

“maintenance” means the combination of all technical and associated administrative actions during an item's service life with the aim of retaining it in a state in which it can perform its required functions

“major capital project” means a project or a series of related packages involving the construction, alteration, extensions, refurbishment or the rehabilitation of infrastructure on a single site having an estimated control budget inclusive of VAT of R75 million or more;

“package” means works which have been grouped together for delivery under a single contract or a package order;

“procurement” means the process which creates, manages and fulfils contracts relating to the provision of goods, services and engineering and construction works or disposals, or any combination thereof;

“order” means the instruction to provide goods, services or works under a framework agreement;

“quality” means the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs;

“routine maintenance” means regular ongoing maintenance necessary to keep infrastructure operating and to prevent premature failure including repairs;

“Service Delivery Agreement” means an agreement between two or more organs of state setting out the terms and conditions, and roles and responsibilities with respect to the delivery or maintenance of infrastructure which promotes and facilitates inter-institutional relations and the principles of participation, co-operation and co-ordination; and

“scheduled maintenance” means maintenance projects flowing out of condition assessments or life cycle planning and which are included in a list in the User Asset Management Plan.

2 APPLICATION

These Provincial Treasury Instructions apply to institutions engaged in the delivery and maintenance of infrastructure as clients, implementers or custodians.

3 INFRASTRUCTURE DELIVERY MANAGEMENT SYSTEM

3.1 Accounting officers and accounting authorities must:

- (a) establish and implement an infrastructure delivery management system in accordance with the relevant provisions of the Provincial Treasury’s Standard for an Infrastructure Delivery Management System and assume responsibility for the functionalities as set out in Table 1; and
- (b) assume responsibility for the different types of maintenance as set out in Table 2.

TABLE 1

Functionary	Service area	Institution
Client	Housing and serviced sites	Department of Human Settlements
	Health facilities	Department of Health
	Education facilities	Education Department
	Transport infrastructure	Department of Transport and Public Works
	Accommodation (office, residential, etc.)	Relevant provincial department or Schedule 3C entities
Implementer	Health and education facilities, transport infrastructure and accommodation	Department of Transport and Public Works
	Housing and serviced sites	Department of Human Settlements
Custodian	Health and education facilities, transport infrastructure, and accommodation	Department of Transport and Public Works
	Housing and serviced sites	Department of Human Settlements

Table 2

Maintenance type	Service area				
	Health facilities	Education facilities	Transport infrastructure	Social rental housing stock	Accommodation (office, residential, etc.)
Scheduled	Department of Transport and Public Works		Department of Transport and Public Works	Department of Human Settlements	Department of Transport and Public Works
Routine	Department of Health – appropriate workshop, located within specific hospitals or central workshops located across the province	Overseen by Education Department but prioritised, managed and implemented by the school itself or by a contractor appointed by Education Department			Institution or Department of Transport and Public Works
Day-to-day	Department of Health or Department of Transport and Public Works	Department of Education			Institution or Department of Transport and Public Works
Emergency	Transport and Public Works	Department of Transport and Public Works			Department of Transport and Public Works

3.2 Notwithstanding the provisions of paragraphs 3.1:

- (a) the Department of Transport and Public Works may:
 - (i) where it has insufficient capacity to act as an implementer, assign its responsibilities to another organ of state through a Service Delivery Agreement; or
 - (ii) if a school makes a substantial financial contribution to a project and subject to the approval of the Education Department, assign its responsibilities to act as an implementer, to a School Governing Body established in terms of section 16 of the South African Schools Act, 1996 (Act No. 84 of 1996) subject to the provisions of paragraph 7.
- (b) the Department of Human Settlements may assign its responsibilities to act as an implementer to a municipality through a Service Delivery Agreement; and
- (c) an institution may, in the case of emergency maintenance where immediate repairs are essential, proceed with effecting of repairs or measures to arrest further damage or losses provided that:
 - (i) the official delegated by the Department of Transport and Public Works to deal with emergency maintenance for that institution confirms that the Department is not in a position to effect the necessary repairs or such official cannot be contacted; and
 - (ii) such repairs and measures can be effected within 48 hours.

3.3 Notwithstanding the provisions of paragraph 3.1, where the delivery or maintenance of infrastructure is fully financed by means of a grant in accordance with a technical assistance agreement in terms of the Reconstruction and Development Programme Act, 1994 (Act 7 of 1994), the provisions of paragraph 4.7 of Chapter 16A must be applied.

3.4 Accounting officers and accounting authorities must:

- (a) delegate responsibility for the performance of duties assigned to a client, implementer or custodian in terms of the standard referred to in 3.1a) to suitable units within their institution;
- (b) delegate responsibility for the different types of maintenance to suitable units within their institution; and
- (c) where alternative arrangements for routine and day to day maintenance are provided for in Table 2, allocate responsibilities for such maintenance in terms of a Service Delivery Agreement with the Department of Transport and Public Works.

3.5 All major capital projects must be subjected to an independent gateway review prior to the acceptance of the concept report at the end of stage 4 in accordance with the provisions of the standard referred to in paragraph 3.1(a).

3.6 Matters of dispute, non-compliance or negligence on the part of different institutions in performing their duties as client, implementer or custodian shall, subject to the provisions of the Intergovernmental Relations Framework Act, 2005 (Act 13 of 2005) be submitted to the head of Provincial Treasury for resolution, provided that such institutions have used their best endeavours to resolve differences on an amicable

basis. The head of Provincial Treasury shall in the first instance mediate between the two institutions. Should the process of mediation prove unsuccessful and not result in resolution, the Provincial Treasury will take on the role of arbitrator, and render a decision which shall be final and binding upon the institutions.

4 CONSTRUCTION PROCUREMENT SYSTEM

- 4.1 Accounting officers and accounting authorities must in order to serve their construction procurement needs either:
- (a) establish and implement a construction procurement system in accordance with the relevant provisions of the Provincial Treasury Standard for a Construction Procurement System; or
 - (b) make use of a framework agreement put in place by the Department of Transport and Public Works.
- 4.2 Notwithstanding the provisions of paragraph 4.1:
- (a) a procurement system established in terms of Chapter 16A may be applied where the value of a transaction is less than R30 000 including VAT;
 - (b) an institution may in the case of emergency repairs dispense with the calling for quotations or competitive tenders where immediate repairs are essential;
 - (c) goods and equipment procured through the construction procurement system which are stored prior to being issued to an institution's officials or to contractors must following their receipt be subject to the applicable provisions of paragraph 8 of Chapter 16A; and
 - (d) the construction procurement system may be applied to the provision of temporary facilities and to goods or services necessary for a new facility as delivered to be occupied and used
- 4.3 Accounting officers and accounting authorities must designate persons to undertake actions and perform activities in accordance with Annexure B of the Provincial Treasury Standard for a Construction Procurement System.
- 4.4 Quality may be evaluated in tender offers together with preference points system as other objective criteria in terms of section 2(1)(f) of the Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000) in accordance with the provisions of the Standard for Uniformity in Construction Procurement issued in terms of the Construction Industry Development Board Act, 2000 (Act 38 of 2000).

5 SUPPLY CHAIN MANAGEMENT UNITS

- 5.1 The supply chain management unit must be established within the office of the institution's chief financial officer, unless determined otherwise by the Provincial Treasury.

5.2 The supply chain management unit must:

- (a) execute certain activities relating to the construction procurement process in accordance with the provisions of the standard referred to in paragraph 4.1(a);
- (b) render assistance and, where appropriate, administrative support to the line function managers and other officials in the performance of their supply chain management responsibilities;
- (c) measure the performance of the supply chain in terms of areas such as effectiveness, potential efficiency gains, weaknesses in performance, quality and value for money and identify corrective actions or interventions to improve performance;
- (d) co-ordinate and manage the interface between the institution and provincial treasury in the implementation of these instructions;
- (e) collate and compile reports to the accounting officer or accounting authority and provincial treasury;
- (f) ensure that management, control and accountability is maintained through comprehensive objective assessments;
- (g) enforce the regulatory framework for supply chain management within the institution;
- (h) perform internal controls function for the supply chain; and
- (i) identify, treat and report occurrences of fraud, corruption, collusion and abuse of the supply chain system.

6 REQUIRED COMPETENCIES AND TRAINING

- 6.1 The accounting officer or accounting authority must ensure that officials employed for the delivery and maintenance of infrastructure and in the supply chain management unit possess the necessary knowledge (general and specific) and skills as set out in their institution's approved job descriptions which are reviewed every three years and are fully capacitated to fulfil their responsibilities.
- 6.2 Institutions must determine their training requirements to address institutional needs. The Provincial Treasury may facilitate such training.
- 6.3 The accounting officer or accounting authority must ensure that sufficient funding is available on the institution's training budget to address institutional needs.

7 DELIVERY OF INFRASTRUCTURE THROUGH SCHOOL GOVERNING BODIES

- 7.1 A Service Delivery Agreement must be entered into between the Department of Transport and Public Works, the Education Department and a School Governing Body where a School Governing Body acts as an implementer pursuant to paragraph 3.2(b)(ii). Such an agreement must as a minimum:

- (a) require the School Governing Body to appoint suitably qualified persons registered in terms of one of the councils for the professions as defined in the Council for the Built Environment Act of 2000 (Act 43 of 2000) to assume responsibility for the management and design of the works; and
- (b) apply a procurement system which
 - (i) is fair, equitable, transparent, cost effective and competitive; and
 - (ii) complies with the prescripts of the Construction Industry Development Board issued in terms of the Construction Industry Development Board Act, 2000 (Act 38 of 2000).

8 APPLICABILITY OF INSTRUCTIONS CONTAINED IN CHAPTER 16A

8.1 The following instructions issued in Chapter 16A also apply to the supply chain management system for the delivery and maintenance of infrastructure:

- (a) Departures from instructions (paragraph 1.3);
- (b) Regulatory framework for supply chain management (part 2);
- (c) Delegations (paragraph 3.7);
- (d) Compliance with Ethical Standards (paragraph 3.8);
- (e) Avoiding Abuse of Supply Chain Management System (paragraph 3.9);
- (f) Operational planning (paragraph 4.3.5 and 4.3.6);
- (g) Integrated Procurement Solution (paragraph 5.4);
- (h) Internal Control Measures (paragraph 6.1);
- (i) Monthly report on procurement transactions (paragraph 6.3);
- (j) Compliance monitoring capacity (paragraph 6.4); and
- (k) Reporting of Supply Chain Management Information (part 11);

9 DATE OF COMMENCEMENT

9.1 These Provincial Treasury Instructions take effect from 1 April 2012, except for those instructions determined by the Provincial Minister responsible for financial matters in the issuing notice, which will take effect on a date determined in the notice, but which may not be a date later than 1 April 2013 .