SPECIAL MEETING OF THE COUNCIL

SPESIALE VERGADERING VAN DIE RAAD

INTLANGANISO EKHETHEKILEYO YEBHUNGA

A G E N D A

I-AJENDA

DATE / DATUM / UMHLA : **29 JULY / JULIE / JULAYI 2026**
VENUE / PLEK / INDAWO : **BANQUETING HALL, BANKETSAAL,**
CIVIC CENTRE / BURGERSENTRUM / IZIKO LOLUNTU HERMANUS
TIME / TYD / IXESHA : **10:00**

MUNISIPALITEIT OVERSTRAND MUNICIPALITY

Office of the Municipal
Manager
Municipal Offices
HERMANUS

21 July / Julie / Julayi 2026

NOTICE TO ALL ALDERMEN & COUNCILLORS

SPECIAL MEETING OF THE OVERSTRAND MUNICIPAL COUNCIL

NOTICE IS HEREBY GIVEN that a **SPECIAL MEETING** of the **OVERSTRAND MUNICIPAL COUNCIL** will be held in the **Banqueting Hall, Civic Centre, Hermanus,** on **Wednesday, 29 July 2026** at **10:00** to consider the business set forth in the subjoined agenda.

The attention of Councillors is directed to the Code of Conduct for Councillors, Schedule 7 of the Local Government : Municipal Structures Act, 1998 (Act 117 of 1998).

DR D O'NEILL
MUNICIPAL MANAGER

KENNISGEWING AAN ALLE RAADSHERE & RAADSLEDE

SPESIALE VERGADERING VAN DIE OVERSTRAND MUNISIPALE RAAD

KENNIS WORD HIERMEE GEGEE dat 'n **SPESIALE VERGADERING** van die **OVERSTRAND MUNISIPALE RAAD** in die **Banketsaal, Burgersentrum, Hermanus,** gehou sal word op **Woensdag, 29 Julie 2026** om **10:00** om die sake op meegaande sakelys te bespreek.

Raadslede se aandag word gevestig op die Gedragskode vir Raadslede, Skedule 7 van die Wet op Plaaslike Regering : Munisipale Strukture, 1998 (Wet 117 van 1998).

DR D O'NEILL
MUNISIPALE BESTUURDER

ISAZISO ESIYA KUBO BONKE OOCEBAKHULU NOOCEBA

INTLANGANISO EKHETHEKILEYO YEBHUNGA LIKAMASIPALA WE-OVERSTRAND

OKU KUKWAZISA ukuba **INTLANGANISO EKHETHEKILEYO** ye**BHUNGA, LIKAMASIPALA WASE OVERSTRAND** iza kuba se **I-Banqueting Hall, kwiZiko , eHermanus, uLWESITHATHU, Umhla we 29 JULAYI 2026, ngeye-10:00** ukuqwalasela imicimbi ekule ajenda iqhotyoshelwe apha.

OCeba bayacelwa ukuba baqwalasele isikhokelo sokuziphatha sooCeba, iShedyuli 7 kaRhulumente wooMasipala: uMthetho weeNkqubo zikaMasipala, uMthetho -1998 (uMthetho we-117 ka-1998).

DR D O'NEILL
LOMPHATHI KAMASIPALA

AGENDA/...

SPECIAL COUNCIL

29 July 2026

I N D E X

1. OPENING

2. APPLICATIONS FOR LEAVE OF ABSENCE

3. STATEMENTS AND COMMUNICATIONS BROUGHT FORWARD BY THE SPEAKER / EXECUTIVE MAYOR

4. CONSIDERATION OF REPORTS

4.1
HERMANUS BULK WATER SUPPLY: PROPOSED DESALINATION PROJECT: STATUS QUO ASSESSMENT AND NEEDS ANALYSIS

S Muller **Chief Engineer: Infrastructure Services**
3 July 2026 **(028) 313 8019**

1. Executive Summary

The purpose of this report is to provide the necessary information to Council with regards to the need to augment the bulk water supply to Hermanus and to resolve on the way forward following an assessment undertaken in terms of section 78(1) of the Municipal Systems Act.

The detailed Status Quo and Needs Analysis report is attached to this item as Annexure A.

2. Service Delivery and Budget Implementation Plan - IGNITE

Directorate: Infrastructure Services

3. Compliance with Strategic Priorities

Provision of democratic, accountable and ethical governance
Provision and maintenance of municipal services
Creation and maintenance of a safe and healthy environment

4. Delegated Authority

None

5. Legal Requirements

Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA)
Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)

6. Background/Discussion/Evaluation/Conclusion

Background

Overstrand Local Municipality (the Municipality) is situated in a water-scarce region experiencing sustained population growth and increasing pressure on its existing bulk water supply infrastructure. Water consumption in the Greater Hermanus area has grown by approximately 18% between 2017 and 2023, and long-term demand projections indicate that average annual daily demand will rise from approximately 14,711 kl/d in 2024 to more than 30,800 kl/d by 2049 based on the 3% growth scenario. The municipality's existing source portfolio, comprising the De Bos Dam and the Gateway, Camphill and Volmoed wellfields, is approaching its sustainable yields, and without augmentation, projected demand will exceed reliable supply in the near term. The need for bulk water supply augmentation is urgent.

This report constitutes the Section 78(1) internal assessment required under the Local Government: Municipal Systems Act, 32 of 2000 (MSA), and represents the first step in a comprehensive feasibility and project preparation process. Its purpose is to confirm the nature and extent of the bulk water supply challenge, assess Overstrand's internal capacity to respond to it, and establish the evidential foundation for the feasibility study that follows.

Discussion

The proposed desalination project is firmly grounded in national, provincial and local policy. The National Water Resource Strategy 3 (NWRS-3), published in 2023, explicitly identifies seawater desalination as a strategic intervention to augment potable water supply, and the National Water and Sanitation Master Plan (NW&SMP) assigns responsibility for implementing coastal desalination projects to municipalities. At a provincial level, the Western Cape Water Resilience Strategy recognises desalination as a critical component of the diversified supply mix and identifies it as an intervention capable of attracting climate finance and concessional funding from development finance institutions. At a municipal level, the proposed project is embedded in Overstrand's Integrated Development Plan (IDP), Water Services Development Plan (WSDP) and three-year Medium-Term Expenditure Framework (MTEF) and has featured in the municipality's strategic planning since 2004.

Overstrand has secured the support of the Water Partnership Office (WPO), a ring-fenced entity housed within the Development Bank of Southern Africa (DBSA) and accountable to the Department of Water and Sanitation. The WPO was established specifically to assist municipalities in preparing and structuring bankable water infrastructure projects for private sector participation, and offers Overstrand access to project preparation grant funding, specialist advisory support, and blended finance instruments incorporating development finance institutions and the Green Climate Fund (GCF).

Evaluation

A structured multi-option assessment evaluated four augmentation alternatives: seawater reverse osmosis (SWRO) desalination; a Remix and Reuse hybrid scheme; abstraction from the Palmiet River; and abstraction from the Theewaterskloof Dam. SWRO desalination was identified as the preferred solution on the basis of supply certainty, drought resilience, technical maturity, strategic alignment, regulatory manageability, costs, and suitability for private sector delivery. The Palmiet River option is constrained to approximately five to seven months of effective abstraction per year and is not viable as a standalone source without major dam storage infrastructure. The Theewaterskloof Dam option is most constrained during drought, when supplementary supply is most critical, and is subject to intergovernmental processes outside Overstrand's control. The Remix and Reuse option carries materially higher capital cost and process complexity and is better suited to a longer-term portfolio role.

A dedicated coastal screening study assessed all viable seawater abstraction points along the Walker Bay coastline, evaluating candidate locations against technical, environmental and infrastructure criteria. The Kleinrivier Lagoon was eliminated due to variable salinity and ecological sensitivity, and the Hawston coastline was found to require prohibitively costly marine infrastructure given its high-energy wave exposure. The central Hermanus New Harbour area emerged as the most technically feasible abstraction point, offering sheltered conditions, improved constructability and proximity to existing infrastructure, directly informing the preferred plant site.

The preferred site is located within the New Harbour precinct on land owned by the Department of Public Works and Infrastructure (DPWI), for which a long-term lease is being actively pursued. While this introduces a degree of governmental process risk, being actively managed through regular engagement with DPWI at regional and national level, two contingency sites have been identified — a privately owned parcel adjacent to the harbour (Site 2) and the Zwelihle/Hermanus Wastewater Treatment Works on municipal-owned land (Site 3) — ensuring the project is not solely dependent on a single site outcome. A critical strategic advantage of the preferred site is its proximity to the abalone industry’s existing seawater abstraction and screening infrastructure, the utilisation of which eliminates the need for new marine intake works — identified as the single greatest technical risk and cost driver for any desalination project along the Walker Bay coastline. The proposed plant will have an initial capacity of 5 Ml/d, scalable to 10 Ml/d, with Phase 1 required by 2029 and Phase 2 by approximately 2035. Integration into the existing bulk water distribution network via a dedicated pumping station and rising main has been confirmed as feasible, and adequate electrical supply capacity for both phases is assured through the existing Still Street switching station and a planned new 66/11 kV substation scheduled for completion by end 2029.

Regulatory Framework

The regulatory environment is enabling, comprehensive and multi-layered, spanning constitutional obligations, municipal systems and finance legislation, environmental and water law, heritage requirements and transformation policy.

These frameworks collectively confirm Overstrand's authority and obligation to act and define the structured process the municipality must follow.

From a municipal governance perspective, the project is subject to Chapter 8 of the MSA and to Chapter 11 of the MFMA and the Municipal PPP Regulations. The current Section 78(1) assessment is the first prescribed step, to be followed by a feasibility study and a Council decision. Should a PPP route be pursued, full compliance with Section 120 of the MFMA and the Municipal PPP Regulations will be required.

On the environmental front, a Basic Assessment (BA) under NEMA is required, with Activity 16 of Listing Notice 1 confirmed as triggered. A General Discharge Authorisation (GDA) under NEM:ICMA is required for brine discharge, to be obtained through an update to the abalone farm’s existing GDA. The treated water supply pipeline's traversal of a portion of the Fernkloof Nature Reserve engages NEM:PAA. Specialist studies, including botanical, freshwater ecology and marine impact assessments, form part of the environmental authorisation process, which is being managed by DEA&DP. Sections 34 and 38 of the National Heritage Resources Act are triggered by the development footprint and building demolitions, with the relevant applications to Heritage Western Cape (HWC) already submitted and underway. Importantly, a water use licence under the National Water Act (NWA) is not required for desalination, and no legislative provision has been identified that precludes the proposed project or its delivery arrangement.

The applicable B-BBEE framework, preferential procurement goals and relevant sector scorecard will be determined as part of the procurement strategy developed during the feasibility study. All key regulatory authorities have been engaged and established consultation processes are in place, providing a clear and navigable path forward.

Financial Assessment

Overstrand has historically maintained a disciplined financial position, achieving clean audit outcomes and sound liquidity ratios. Notwithstanding this, the municipality faces structural financial pressures, principally from the imbalance between approved Eskom tariff increases and the ceiling on municipal electricity tariff pass-through, which constrains the operating surplus over the medium term.
The pre-feasibility capital cost estimate for a 10 Ml/d SWRO facility is approximately ZAR 545 million (excluding VAT), with an initial 5 Ml/d plant estimated at approximately ZAR 300 million or more.

This capital requirement materially exceeds Overstrand's on-balance-sheet financing capacity. The municipality's MFMA-compliant borrowing envelope of approximately ZAR 60 to 100 million per annum is already fully committed to its broader capital programme, and no headroom exists to absorb debt service obligations of this magnitude without breaching borrowing policy covenants and crowding out legally mandated investment in other essential service areas. It is likely that the project therefore be financed off-balance-sheet, with the private party raising and assuming project debt and the municipality's obligation structured as a performance-linked unitary payment within its operating expenditure envelope. The initial financial model indicates a tariff of ZAR 35/m³ could be applicable from this specific source, dependant on funding mix. The affordability of this obligation relative to the municipality's water tariff revenue base will be a central focus of the feasibility study.

Three principal funding sources have been identified: blended finance instruments facilitated by the WPO combining concessional Development Finance Institution (DFI) debt with commercial debt and equity; Green Climate Fund (GCF) concessional finance for which desalination as a climate-resilient technology is well-positioned to qualify; and sub-commercial DFI debt from the DBSA, the Industrial Development Corporation (IDC) and the African Development Bank (AfDB). Applied in combination, these instruments are expected to reduce the effective cost of capital to within the municipality's affordability envelope.

Institutional Assessment

Overstrand's bulk water services function is well-governed, with all critical posts in the Directorate: Infrastructure Services filled and a sound performance management framework in place. Since 2015, Veolia Services Southern Africa (Veolia) have operated and maintained the municipality's bulk water and wastewater infrastructure under a long-term contract, contributing to strong outcomes across the DWS Blue Drop, Green Drop and No Drop programmes. As a result, Overstrand's internal capacity is focused on infrastructure planning, water quality oversight and contract management — functions performed to a demonstrably high standard that provide a sound foundation for governing a long-term external arrangement.

However, the assessment identifies a structural capacity gap that is directly determinative of the Section 78(1) question. The municipality does not possess the specialist engineering disciplines required to design, procure or operate a SWRO desalination facility, encompassing reverse osmosis process engineering, marine works design, membrane management, energy recovery optimisation, brine handling and desalinated water quality compliance. None of these capabilities exist within the current staff complement, and none can be constituted through internal recruitment or training within the project's required delivery timeframe. An indicative staffing assessment confirms that, linked to its scalability, the facility would require between 21 and 26 specialist operational posts, representing scarce skills categories with limited market availability that a specialist private operator is better positioned to recruit, train and retain. Internal delivery is accordingly not feasible.

Overstrand's contract management capability is well-established, with the Veolia contract providing direct institutional precedent for managing a complex performance-based arrangement. A dedicated manager will need to be appointed to oversee the desalination contract — a proportionate and manageable enhancement. The municipality's commitment to the project is long-standing, with the desalination plant embedded in the WSDP, MTEF and directorate performance indicators. The project team is suitably constituted with multidisciplinary specialist capacity and a functioning Project Steering Committee, and the expected participation of the WPO and DBSA as co-sponsors further strengthening governance and financing capacity.

The stakeholder framework is comprehensive, with all key internal governance structures and external regulatory, funding and approval bodies engaged through established processes including a newly established monthly project alignment meeting with DPWI. Organised labour has been formally engaged prior to and through the Local Labour Forum and provided with the final draft of the Needs Analysis report. It has been confirmed and placed on record that the proposed plant is a greenfield development that does not affect existing employees or established posts, and that new employment opportunities are anticipated during both construction and operation. A written response was received from IMATU indicating it understands the need for the project and is satisfied that matters concerning organised labour were fully taken into account.

The institutional assessment confirms that Overstrand has the commitment, governance capability and contract management capacity to advance the project as a long-term externally managed infrastructure arrangement. The absence of internal specialist operational capacity is not a project constraint — it is a confirmation that external delivery through a suitably qualified private party is both necessary and appropriate.

Conclusion

Assessment of internal options demonstrates that the key need to transfer significant technical, financial and operational risk is not met through an internal option. The option to access alternative funding mechanisms will require the Project to be structured in a particular way. The next step is to proceed to test the feasibility of procuring a public private partnership to meet the needs of the Municipality regarding the most feasible and effective way to augment its bulk supply needs within the required time frames. The risks regarding the third-party interfaces – in particular regarding the site access and ownership and the access to existing infrastructure to access sea water and discharge brine will need to be mitigated through engagement and sound contracting arrangements.

7. **Financial Implications**

To be determined during the feasibility assessment phase of the project.

8. **Staff Implications**

None

9. **Comments from other Departments, Divisions and Administrations**

None

10. **Annexures**

Annexure A: Overstrand Local Municipality Bulk Water Supply: Desalination Project: Status Quo Assessment / Needs Analysis Report

(A link to Annexure A will be distributed as part of the electronic agenda.)

RECOMMENDATION TO THE COUNCIL:

1. that Council notes and confirms the following:

   (a) the need to augment bulk supply to Hermanus in order to ensure continuous service delivery;

   (b) the project scoping to address the need, namely a desalination project with an off-take arrangement and interface with third parties where environmentally sound and feasible;

   (c) the capacity constraint to fund the project in Council's current capital budget process;

   (d) the national and provincial policy imperatives to undertake supply side diversification as effectively and efficiently as possible, including desalination;

   (e) that the project is a support activity and does not impact the existing structures of the water services delivery mechanism currently serving the community (an internal department mechanism);

   (f) the views received from organised labour and that there is no impact on existing employees in the municipal services delivery mechanism structure; and

   (g) the project will have a positive economic impact in that it will create new jobs; new skills and will address the supply-side bulk capacity requirements.

2. that, following assessment of the criteria in S78(1) of the Municipal Systems Act No. 32 of 2000, Council resolves to:

   (a) continue in terms of S78(2) to deliver water and sanitation services by way of an internal mechanism structured as an internal department;

   (b) explore the feasibility of implementing the augmentation of bulk supply by way of desalination; and

   (c) authorise the Chief Engineer: Infrastructure Services:

      (i) to register the Municipality's intention to explore the option of a public private partnership with National Treasury and the Water Partnerships Office;

      (ii) to nominate and authorise the Project Officer;

      (iii) to continue to engage with DPWI regarding access to the site identified for the desalination project; and

      (iv) to report back to Council with the Feasibility study in terms of S120(6) of the Local Government: Municipal Finance Management Act.

RESPONSIBLE OFFICIAL : **S MULLER**
H BLIGNAUT

TARGET DATE FOR IMPLEMENTATION : **1 AUGUST 2026**

4.2
GRANT AGREEMENT – DEVELOPMENT BANK OF SOUTHERN AFRICA LIMITED

S Muller **Chief Engineer: Infrastructure Services**
30 June 2026 **(028) 313 8019**

1. **Executive Summary**

   The purpose of this report is to provide the necessary information and motivation regarding grant funding to be received for project preparation for the planned Hermanus seawater desalination plant from the Development Bank of Southern Africa Limited (DBSA) and to authorize the Municipal Manager to sign the Memorandum of Agreement.

2. **Service Delivery and Budget Implementation Plan - IGNITE**

   Directorate: Infrastructure Services
   Directorate: Finance

3. **Compliance with Strategic Priorities**

   Provision of democratic, accountable and ethical governance
   Provision and maintenance of municipal services
   Creation and maintenance of a safe and healthy environment

4. **Delegated Authority**

   None

5. **Legal Requirements**

   Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA)
   Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)

6. **Background/Discussion/Evaluation/Conclusion**

   Background

   The DBSA, acting through the Water Partnerships Office (WPO), is mandated to support the development, preparation and financing of strategic water infrastructure projects and programmes, including through the administration of grant funding for project preparation.

   Overstrand Municipality, as a water services authority, is responsible for the provision of water services to all communities within its jurisdiction. The Greater Hermanus water supply system is exposed to an increasing water supply risk due to climate variability and a rapidly growing population and water demand. In response, the municipality has adopted a strategy of resource diversification and water conservation and demand management.

As part of this strategy, the municipality is planning a seawater desalination plant for Hermanus (the Project), which has been identified as the preferred option to augment potable water supply and to improve long-term water security, following various options feasibility and scoping studies.

The Project is in the project preparation phase and requires specialist technical, environmental, financial and legal advisory support to advance feasibility, regulatory approvals and procurement structuring. The municipality has accordingly applied for a grant from the WPO to support these activities, and DBSA has agreed, subject to the terms and conditions of the proposed agreement (refer to Annexure A), to make available a grant amount for this purpose to supplement the municipality's own financial contribution.

7. Financial Implications

The municipality will receive an amount of R7 084 642 (seven million and eighty-four thousand six hundred and forty-two Rand) exclusive of value added tax and all other applicable taxes thereon, in grant funding (the Grant).

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

None

Annexures

Annexure A – Draft DBSA Agreement
(A link to Annexure A will be distributed as part of the electronic agenda.)

RECOMMENDATION TO THE COUNCIL:

1. that Council approves the Project, accepts the Grant and project support from the DBSA, and supports the implementation of the Project;

2. that Council approves the terms of, and the transactions contemplated by the Grant Agreement provided by the DBSA to the benefit of the Municipality, and approves the execution of the Grant Agreement by the Municipality; and

3. that the Municipal Manager be authorised and mandated to sign the Grant Agreement on behalf of the Municipality, and to sign and/or despatch all documents and notices (including any Disbursement Request) to be signed and/or despatched by the Municipality under or in connection with the Agreement.

RESPONSIBLE OFFICIAL :	**H BLIGNAUT** **CFO**
TARGET DATE FOR IMPLEMENTATION :	**1 AUGUST 2026**

4.3
ANNUAL STOCK TAKING FOR 2025/2026: MUNICIPAL STORES

C Roets **Manager: Fleet & Logistics Management**
15 July 2026 **(028) 313 8951**

1. **Executive Summary**

   The purpose of this report is to inform Council of the annual stock-take conducted:

   On Thursday 25 June 2026 at:

   Gansbaai Store (08h30 to 13h00)
   Kleinmond Store (13h45 to 16h30)

   On Friday 26 June 2026 at:

   Hermanus Store: (08h30 to 16h30)

2. **Service Delivery and Budget Implementation Plan – IGNITE**

   Directorate Finance
   Supply Chain Management

3. **Compliance with Strategic Priorities**

   Provision of democratic, accountable and ethical governance
   Provision and maintenance of municipal services

4. **Delegated Authority**

   None

5. **Legal Requirements**

   Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003)
   Overstrand Municipality Supply Chain Management Policy dated 25 June 2008, as amended.

6. **Background/Discussion/Evaluation/Conclusion**

   Background

   Stock taking is conducted annually at the end of the financial year. The results of the stock-take in respect of Overstrand Municipality are dealt with in the report.

Discussion

		30 June 2026					
		General Store - Hermanus			Store G	Store K	Total
		Store A	Electrical Store	Cartridges & Printing Paper store	Gansbaai Store	Kleinmond Store	All Stores
1	**Stock take date**	**2026/06/26**	**2026/06/26**	**2026/06/26**	**2026/06/25**	**2026/06/25**	
2	Stock value on stock sheets	5 445 537,41	8 397 063,74	499 486,54	2 443 292,68	2 076 885,53	18 862 265,90
3	Total Issues / Receipts after stock take up to 30 June 2026	30 258,40	1786,44		140 468,37	3 973,11	176 486,32
4	**Stock take closing figures as @ 30 June 2026**	5 475 795,81	8 398 850,18	499 486,54	2 583 761,05	2 080 858,64	19 038 752,22
5	Stock Surplus	1 778,00				270,11	2 048,11
6	Stock Deficit	- 1 846,16	- 436,90				- 2 283,06
7	Stock to be written off	- 5 311,87	- 10 481,11		- 44 222,83	- 1 505,89	- 61 521,70
10	**Final stock take closing figures**	5 470 415,78	8 387 932,17	499 486,54	2 539 538,22	2 079 622,86	18 976 995,57
11	Total value of no movement stock; last move 2024-06-30	159 469,35	695 078,26		89 301,39	46 436,39	1 041 325,98
12	No movement stock as a % of closing stock per Store	3%	8%	0%	5%	2%	5%

<u>Store A - Hermanus (General stock)</u>

- The stock value on the date of stock take, 26 June 2026 before adjustments, was R5 445 537,41 as per Annexure A.
- Transactions, Issues / receipts, after stock take: R30 258,40 as per Annexure B.
- Stock surplus: R1 778,00 Annexure C.
- Stock deficit: -R1 846,16 as per Annexure D.
- Stock to be written off: -R5 311,87 as per Annexure E.
- The no movement stock to the value of R159 469,35 must be kept in store to service and repair existing aged infrastructure as per Annexure F.
- The value of the stock to be written off is not part of the value of the no movement stock.

<u>Store E – Hermanus (Electrical stock)</u>

- The stock value on the date of stock take, 26 June 2026 before adjustments, was R8 397 063,74 as per Annexure G.
- Transactions, issues / receipts after stock take: R1 786,44 as per Annexure H.
- Stock deficit: -R436,90 as per Annexure I.
- Stock to be written off: -R10 481,11 as per Annexure J.
- The no movement stock to the value of R695 078,26 must be kept in store to service and repair existing aged infrastructure as per Annexure K.
- The value of the stock to be written off is not part of the value of the no movement stock.

Store R - Hermanus (Cartridge and printing paper stock)

- The stock value on the date of stock take, 26 June 2026 before adjustments, was R499 486,54 as per Annexure L.

Store G (Gansbaai Store)

- The stock value on the date of stock take, 25 June 2026 before adjustments, was R2 443 292,68 as per Annexure M.
- Transactions, Issues / receipts, after stock take: R140 468,37 as per Annexure N.
- Stock to be written off: -R44 222,83 as per Annexure O.
- The no movement stock to the value of R89 301,39 must be kept in store to service and repair existing old infrastructure as per Annexure P.
- The value of the stock to be written off is not part of the value of the no movement stock.

Store K (Kleinmond Store)

- The stock value on the date of stock take, 25 June 2026 before adjustments, was R2 076 885,53 as per Annexure Q.
- Transactions, Issues / receipts, after stock take: R3 973,11 as per Annexure R.
- Stock surplus: R270,11 as per Annexure S.
- Stock to be written off: -R1 505,89 as per Annexure T.
- The no movement stock to the value of R46 436,39 must be kept in store to service and repair existing old infrastructure as per Annexure U.
- The value of the stock to be written off is not part of the value of the no movement stock.

Stock Movement from previous year end

		Store A - Hermanus			Store G	Store K	Total
		General Stock	Electrical Stock	Cartridges & Printing Paper Stock	Gansbaai Stock	Kleinmond Stock	All Stores
1	Stock Value 2025 On Stock sheets	3 014 855,38	4 831 591,91	448 554,89	1 805 177,47	791 794,35	10 891 974,00
2	Stock Value 2026 On Stock sheets	5 445 537,41	8 397 063,74	499 486,54	2 443 292,68	2 076 885,53	18 862 265,90
3	Increase / Decrease	2 430 682,03	3 565 471,83	50 931,65	638 115,21	1 285 091,18	7 970 291,90
4	% Movement	81%	74%	11%	35%	162%	73%

STOCK VALUE VARIANCE REPORT

Background

A review of the current stock value indicates a significant increase when compared to the previous financial year. The increase can be attributed to operational and procurement-related factors that required proactive planning to ensure continuity of service delivery.

Reason for Variance

Certain tenders that were active during the 2025 financial year will no longer be active from July 2026, specifically the Electrical, Plumbing and Clothing Tender.

In consultation with the relevant user departments, additional stock provisions were made to ensure that sufficient quantities of critical items remain available during the transition period and to prevent interruptions in operational activities.

The plumbing stock procured mainly consists of brass and PVC items, which are high-value items and therefore contribute significantly to the increase in the overall stock value.

Furthermore, the Clothing Tender is an RT contract, and provision was made for the annual Personal Protective Equipment (PPE) requirements of user departments. This annual issue requirement also contributed to the increase in stock holdings.

Impact

The increased stock holding has resulted in a higher overall stock value compared to the previous financial year. However, the increase supports operational readiness and ensures that essential items remain available to departments without negatively impacting service delivery.

Recommendation / Conclusion

The increase in stock value should be noted as a planned operational measure implemented to ensure continuity of services, maintain adequate stock availability, and mitigate risks associated with the expiry and transition of existing tenders.
This approach was adopted to support uninterrupted service delivery and ensure that user department requirements continue to be met effectively.

7. Financial Implications

		Store A - Hermanus			Store G	Store K	Total
		General Stock	Electrical Stock	Cartridges & Printing Paper Stock	Gansbaai Stock	Kleinmond Stock	All store
5	Stock Surplus	1 778,00				270,11	2 048,11
6	Stock Deficit	- 1 846,16	- 436,90				- 2 283,06
7	Stock to be written off	- 5 311,87	- 10 481,11		- 44 222,83	- 1 505,89	- 61 521,70

Cognisance should be taken that the necessary adjustments will be done in terms of GRAP policies and procedures. Adjustments in respect of the financial year 2025/2026 need to be processed on the stock system in the 2026/2027 financial year for all stores. The no movement stock will be kept in the stores as emergency stock to service old infrastructure still in operation. Further, stock transfers between stores will be utilised to prevent Overstrand Municipality from procuring new "old infrastructure stock" and maintain minimum stock levels for old infrastructure stock.

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

None

10. Annexures

Annexure	A.	Hermanus:	A store, Hermanus stock sheets.
Annexure	B.	Hermanus:	A store, Hermanus transactions after stock take.
Annexure	C.	Hermanus:	A store, Hermanus stock surplus.
Annexure	D.	Hermanus:	A store, Hermanus stock deficit.
Annexure	E.	Hermanus:	A store, Hermanus stock to be written off.
Annexure	F.	Hermanus:	A store, Hermanus no movement stock.
Annexure	G.	Hermanus:	E store, Electrical store stock sheets.
Annexure	H.	Hermanus:	E store, Electrical store transactions after stock take.
Annexure	I.	Hermanus:	E store, Electrical stock deficit.
Annexure	J.	Hermanus:	E store, Electric store stock to be written off.
Annexure	K.	Hermanus	E store, Electric store no movement stock.
Annexure	L.	Hermanus:	R store, Cartridge & Printing stock sheets.
Annexure	M.	Gansbaai:	G store, Gansbaai stock sheets.
Annexure	N.	Gansbaai	G store, Gansbaai store transactions after stock take.
Annexure	O.	Gansbaai	G store, Gansbaai store stock written off.
Annexure	P.	Gansbaai:	G store, Gansbaai store no movement stock.
Annexure	Q.	Kleinmond:	K store, Kleinmond stock sheets.
Annexure	R.	Kleinmond	K store, Kleinmond store transactions after stock take.
Annexure	S.	Kleinmond	K store, Kleinmond surplus.
Annexure	T.	Kleinmond:	K store, Kleinmond stock to be written off.
Annexure	U.	Kleinmond:	K store, Kleinmond no movement stock.

(A link to the Annexures will be distributed as part of the electronic agenda.)

RECOMMENDATION TO THE COUNCIL:

1. that the deficit stock be accounted against the appropriate vote numbers and permission granted to correct stock values;

2. that the redundant stock as recorded on 30 June 2026 be written off; and

3. that the stock as recorded on 30 June 2026 be taken as the starting balance of the 2026/2027 stock register.

RESPONSIBLE OFFICIAL: C ROETS

TARGET DATE FOR IMPLEMENTATION: 15 AUGUST 2026

4.4
SIGNED PERFORMANCE AGREEMENTS OF THE MUNICIPAL MANAGER AND SECTION 56 (DIRECTORS) APPOINTEES FOR 2026/27

RG Louw **Divisional Manager: Strategic Support Services**
07 July 2026 **(028) 313 8071**

1. **Executive Summary**

   The purpose of this report is for Council to note the signed performance agreements of the Municipal Manager and Section 56 (Directors) appointees for the 2026/27 financial year.

2. **Service Delivery and Budget Implementation Plan - IGNITE**

   Council and Municipal Manager
   Strategic Support Services

3. **Compliance with Strategic Priority**

   Provision of democratic, accountable and ethical governance

4. **Delegated Authority**

   None

5. **Legal Requirements**

   Section 53(3)(b) of the Local Government**:** Municipal Finance Management Act, 2003 (56 of 2003) [MFMA]

6. **Background**

   Section 53 (3)(b) of the Local Government: Municipal Finance Management Act, 2003 states

   “ *The Mayor must ensure-*
   (b) that the performance agreements of the municipal manager, senior managers and any other categories of officials as may be prescribed, are made public no later than 14 days after the approval of the municipality’s service delivery and budget implementation plan. Copies of such performance agreements must be submitted to the council and the MEC for local government in the province.”

   The said signed performance agreements for the 2026/27 financial year **will be distributed as part of the electronic agenda.**

7. Financial Implications

The documents were compiled by the municipal performance management system service provider.

8. Staff Implications

Internal Staff

9. Comments from other Departments, Divisions and Administrations

The Municipal Manager and respective Section 56 (Directors) appointees were involved in the drafting and subsequent signing of their performance agreements.

10. Annexures

Annexure A: Signed performance agreements of the Municipal Manager and Section 56 (Directors) appointees for 2026/27.

(A link to Annexure A will be distributed as part of the electronic agenda.)

RECOMMENDATION TO THE COUNCIL:

that the signed performance agreements of the Municipal Manager and Section 56 (Directors) appointees for 2026/27 **be noted**.

RESPONSIBLE OFFICIAL : RG LOUW

TARGET DATE FOR IMPLEMENTATION : NOTED

4.5
A PORTION OF ERF 830 HERMANUS, KNOWN AS “BIENTANG’S CAVE RESTAURANT”: APPROVING OF WINDING DOWN LEASE AGREEMENT WITH BIENTANG SE GROT (PTY) LTD

A Le Roux **Divisional Manager: Property Management**
1 July 2026 **(028) 316 5623**

1. **Executive Summary**

   To obtain approval from Council to deviate from paragraph 4 (payment of application fee) and paragraph 18 (competitive bidding process) of the Administration of Immovable Property Policy (as approved by Council on 25 November 2015) in order to enter into a direct winding down lease agreement for a period of 3 (THREE) months from 1 July 2026 with Bientang se Grot (Pty) Ltd (hereinafter referred to as “Bientang”) in respect of a portion of Erf 830 Hermanus (±450m^2 in extent) (the “Property”) for the purpose of managing the restaurant known as Bientang’s Cave Restaurant & Wine Bar.

   See the locality map attached hereto marked “Annexure A” and the site layout as “Annexure B”.

2. **Service Delivery and Budget Implementation Plan - IGNITE**

   Planning and Development
   Property Management

3. **Compliance with Strategic Priorities**

   Provision of democratic, accountable and ethical governance
   Promotion of tourism, economic and social development

4. **Delegated Authority**

   None

5. **Legal Requirements**

   - Local Government: Municipal Financial Management Act (Act 56 of 2003) (“MFMA”)
   - Municipal Asset Transfer Regulations (R. 878 of 2008)
   - Administration of Immovable Property Policy of the Overstrand Municipality (2015)

6. Background/Discussion/Evaluation/Conclusion

Background/Discussion

Bientang se Grot (Pty) Ltd ("Bientang") had a lease agreement with the Municipality for the Property, which agreement expired on 30 June 2026. During the currency of the lease, as required by the Municipal Asset Transfer Regulations and the Municipality's Administration of Immovable Property Policy, a new tender for the lease, management and maintenance of a portion of Erf 830 Hermanus, known as "Bientang's Cave Restaurant", for restaurant purposes for a lease period of 9 (nine) years and 11 (eleven) months was advertised, evaluated and subsequently awarded by the Accounting Officer to Tourvest Holdings (Pty) Ltd.

The bidders were informed of the outcome of the tender, whereafter 5 (FIVE) bidders submitted objections against the award of the bid to Tourvest Holdings (Pty) Ltd. These objections were referred to an independent party to assess. The outcome of the objections can however not have any effect on the award of the tender to Tourvest Holdings (Pty) Ltd. Nevertheless, it is worth noting that the objection tribunal has dismissed the objections on the basis that it lacked merit.

During the objection period, Bientang proceeded with a review application in the High Court to challenge the process followed and award made, which matter is currently *sub judice.* They also tried to obtain an interdict against the municipality to prevent the municipality from taking steps to implement the awarded tender and for Bientang to remain in occupation of the Property until the review application is finalised, which application was dismissed by the court. The delay caused by the interdict application has the effect that a lease agreement could not be entered into with Tourvest in order for the latter to take occupation of the Property on 1 July 2026. Bientang has also not vacated the Property. In an attempt to resolve the matter as amicably as possible, the proposal is to offer Bientang a three-month winding down lease agreement to enable them to negotiate with Tourvest with regards to the hand over of the Property and any other related matters. This offer aligns with the relief sought by Bientang, i.e. that a three-month period to vacate the Property and to *"conduct retrenchment procedures of staff or section 197 procedures and negotiations (of the Labour Relations Act 66 of 1995) with the Third Respondent* (Tourvest) *for transfer of staff and disposal of perishable stock"* would be reasonable. Tourvest has indicated in writing that they do not have an objection to the proposed three-month winding down lease with a view of resolving the matter amicably and expeditiously.

Thus, a winding down lease agreement will cater for the period between when the former lease ended (30 June 2026) and when the lease of Tourvest can commence (1 October 2026). This will allow Tourvest sufficient time to become operational and have a fully functioning restaurant during the upcoming peak season.

If the short-term winding down lease is approved, the Municipality will continue to receive a rental income of R72,175.98 (SEVENTY-TWO THOUSAND ONE HUNDRED AND SEVENTY-FIVE RAND AND NINETY-EIGHT CENTS) (VAT excluded) per month. In addition, Bientang will remain responsible for the ongoing maintenance and upkeep of the Property.

Evaluation

The following conditions of the Administration of Immovable Property Policy of the Overstrand Municipality are applicable:

Paragraph 4: "*No application for the purchase, lease of or encroachment on immovable property (save for the instances mentioned in paragraphs 58 to 62 and 64.1 below) shall be processed unless the prescribed application fee as per tariff approved in the annual budget for that financial year has been paid, nor shall any proposed lease or encroachment (save for the instances mentioned in paragraphs 58 to 62 and 64.1 below) be advertised unless the applicant has confirmed, in writing, that he/she will bear all costs involved in such transaction including – but not limited to – legal, survey, re-zoning, sub-division, consolidations, advertisement, relocation or provision of services and, where applicable, a deposit as per prescribed rate to cover incidental costs has been paid*."

The current approved application fee is R3,507.00 (VAT included). As this request is in an attempt to resolve the matter and have a fully functioning restaurant during the upcoming peak season, it is requested that Council deviates from the requirement of payment of the application fee.

Paragraph 17: "*Taking into consideration the nature and duration of the lease to be entered into, the leasing of immovable property may be affected by means of either:*

17.1 a competitive process, which may include a closed or public tender or proposal call, specifically in circumstances listed in paragraph 18 below; or

17.2 a direct lease."

Paragraph 18: *"A competitive process must at all times be followed in circumstances where:*

18.1 the lease is for a long term with an income value in excess of R10 million;

18.2 the lease is for a formal business premises with a market related rental;

18.3 more than one party, in discretion of the municipality, is interested in the lease of the subject property; and/or

18.4 by discretion of the municipality, a competitive process will best serve the interests of the community".

The Property was made available by means of a tender process for the long-term leasing thereof. The request is that a winding down lease agreement for a period of 3 (THREE) months from 1 July 2026 be approved on the reasons provided above.

It is therefore recommended that the Property be leased directly to Bientang without following a competitive process for the short term.

Paragraph 21*: Short term lease of municipal immovable property:*

21.1 The Municipality may grant a short-term lease of municipal immovable property up to three years without the option of renewal only after the Accounting Officer has approved the lease in principle.

21.2 Immovable property let according to paragraph 21.1 above need not be advertised in terms of paragraph 10.1 and 10.2 and need not be subsequently approved by the Executive Mayor, but shall be subject to the following:

- ***(a) the lessee shall be responsible for all costs regarding the connection of services, service fees and any other costs associated with the lease;***
- ***(b) the Municipality shall, if it is not prescribed that market related rental must be charged, determine the rental;***
- ***(c) the lessee shall undertake in writing to compensate the Municipality for damages caused to the immovable property for whatever reason;***
- ***(d) the lessee shall indemnify the Municipality against any claims; and***
- ***(e) the Municipality may request proof of financial viability to honour the lease."***

The Accounting Officer approved the lease to Bientang for a short-term period of three months on 14 July 2026, subject to Council approving the deviation from paragraph 4 (payment of application fee as it is a new lease) and paragraph 18 (competitive bidding process) of the Administration of Immovable Property Policy with regards to the direct lease.

The lease agreement to be entered into will determine that the lessee will be responsible for all cost regarding municipal services provided and any other costs associated with the lease. Bientang still has an open municipal account for the levying of municipal services.

It is recommended that the escalated rental amount of R72,175.98 (SEVENTY-TWO THOUSAND ONE HUNDRED AND SEVENTY-FIVE RAND AND NINETY-EIGHT CENTS) (VAT excluded) per month be charged.

The lease agreement will make provision for an undertaking by Bientang to compensate the Municipality if there are any damages to the Property and will also make provision for an indemnity clause.

The Municipality is in possession of the financial statements of Bientang which confirms that they have the financial ability to honour the lease.

Paragraph 24: ***"The fair market value for the alienation of, the rental amount for the leasing or compensation payable for a servitude over municipal immovable property shall be determined by an independent professional valuer or professional associated valuer registered in terms of the Property Valuers Profession Act, 2000 (Act 47 of 2000), or any ensuing act at the cost of the purchaser (in the case of a direct sale) or lessee (in the case of a direct lease)/servitude holder (in the case of a servitude)."***

The initial lease agreement was approved at a rental amount of R43,000.00 (FORTY-THREE THOUSAND RAND) (VAT excluded) per month, which was deemed to be a market related rental, escalating annually on 1 July by a percentage equal to the Consumer Price Index. The escalated rental amount from 1 July 2026 is currently R72,175.98 (SEVENTY-TWO THOUSAND ONE HUNDRED AND SEVENTY-FIVE RAND AND NINETY-EIGHT CENTS) (VAT excluded) per month. It is recommended that this rental amount be charged for the proposed lease.

Conclusion

Taking the above into consideration, it is recommended that Council approves the deviation from paragraph 4 (payment of application fee) and paragraph 18 (competitive bidding process) of the Administration of Immovable Property Policy in order for the Municipality to enter into a direct winding down lease agreement for a period of 3 (THREE) months from 1 July 2026 with Bientang se Grot (Pty) Ltd in respect of a portion of Erf 830 Hermanus (±450m^2 in extent) for the purpose of managing the restaurant known as Bientang's Cave Restaurant & Wine Bar.

7. Financial Implications

The Municipality stands to gain an income of R72,175.98 (SEVENTY-TWO THOUSAND ONE HUNDRED AND SEVENTY-FIVE RAND AND NINETY-EIGHT CENTS) (VAT excluded) per month as well as municipal service charges.

The Municipality will not receive the once-off non-refundable application fee in the amount of R3,049.57 (THREE THOUSAND AND FORTY-NINE RAND AND FIFTY-SEVEN CENTS) (VAT excluded), if the fee is waived as per the request.

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

Divisional Manager: Expenditure, Fleet & Asset Management - Mr J Vorster

"*As this application is dealt with in terms of the Administration of Immoveable Property Policy and it relates to a revenue generating project, with no intension of disposing of the asset, there is no objection to the application.*"

Principal Legal Advisor- Mr J Wilkinson

"It is hereby confirmed that the municipality is currently involved in ongoing litigation with Bientang se Grot (Pty) Ltd relating to the award, by the Accounting Officer, of tender SC2583/2025 to Tourvest Holdings (Pty) Ltd. Furthermore, as at date hereof, the review portion of the application remains sub judice, while the interdict portion has already been dispensed with by the court in favour of the municipality.

As for the remainder of the discussion under paragraph 6 herein above, the facts set out therein correspond with the factual matrix as set out in the court papers and subsequent discussions between the relevant parties."

The recommendation is supported.

10. Annexures

Annexures A: Locality map
Annexure B: Site Layout

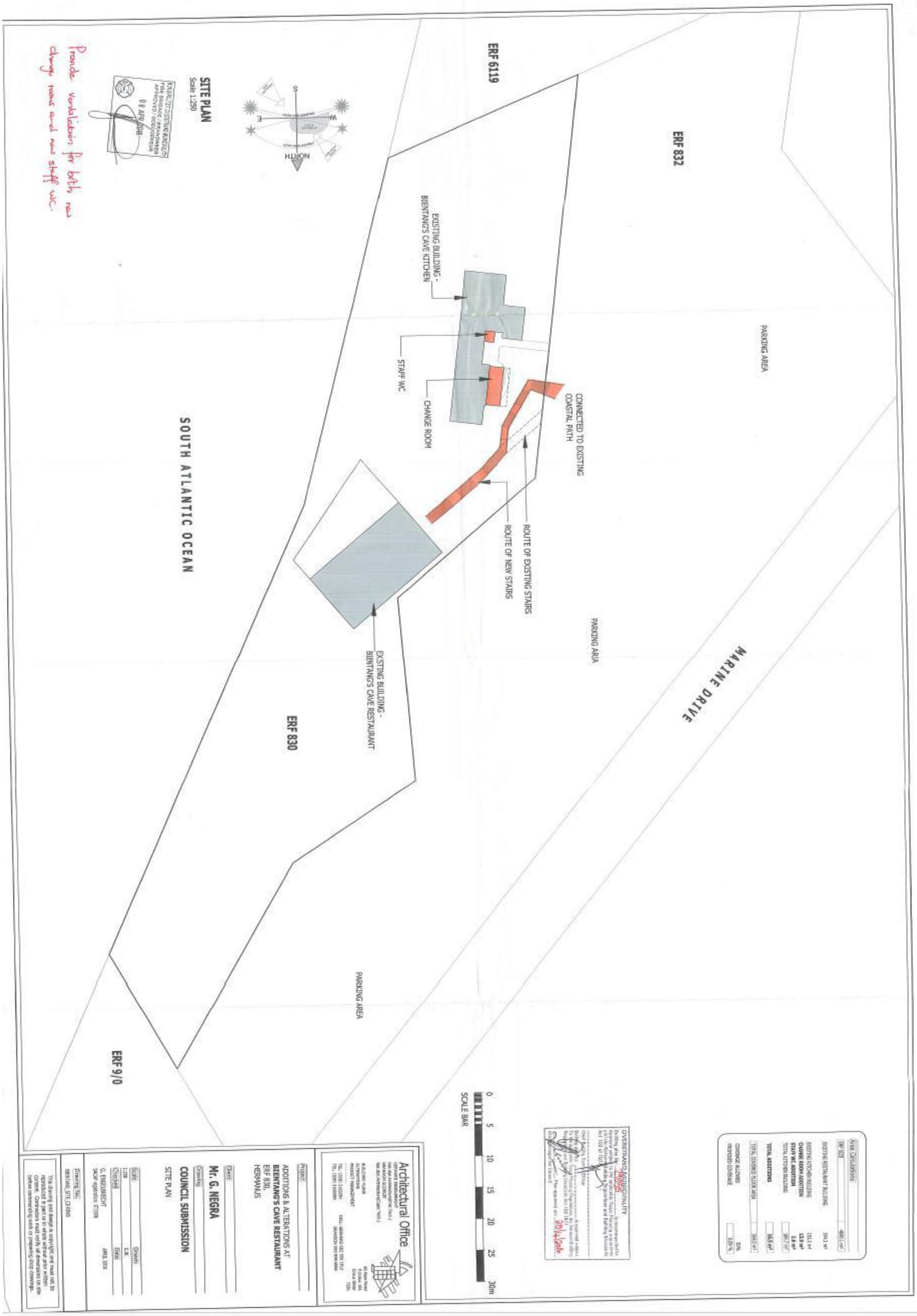
RECOMMENDATION TO THE COUNCIL:

that the deviation from paragraph 4 (payment of application fee) and paragraph 18 (competitive bidding process) of the Administration of Immovable Property Policy in order for the Municipality to enter into a direct winding down lease agreement for a period of 3 (THREE) months from 1 July 2026 with Bientang se Grot (Pty) Ltd in respect of a portion of Erf 830 Hermanus (±450m^2 in extent) for the purpose of managing the restaurant known as Bientang's Cave Restaurant & Wine Bar, **be approved**.

RESPONSIBLE OFFICIAL :	**A LE ROUX** **J WILKINSON**
TARGET DATE FOR IMPLEMENTATION :	**13 AUGUST 2026**
TARGET DATE TO INFORM APPLICANT :	**13 AUGUST 2026**
TARGET DATE TO INFORM OBJECTOR:	**N/A**

ANNEXURE: A

ANNEXURE B- SITE LAYOUT



4.6
AMENDMENT TO THE PREFERENTIAL PROCUREMENT POLICY

C Le Roux **Divisional Manager: Supply Chain Management**
13 July 2026 **(028) 313 8107**

1. **Executive Summary**

   The purpose of this item is to approve the amendments to the Supply Chain Management (SCM) Policy to give effect to the practical application of the SCM Policy.

2. **Service Delivery and Budget Implementation Plan - IGNITE**

   Directorate : Financial Services
   Division : Supply Chain Management

3. **Compliance with Strategic Priorities**

   Provision of democratic, accountable and ethical governance
   Provision and maintenance of municipal services

4. **Delegated Authority**

   None

5. **Legal Requirements**

   Local Government: Municipal Finance Management Act 2003, (Act 56 of 2003)
   Local Government: Municipal Systems Act 2000, (Act 32 of 2000)
   Overstrand Municipality Supply Chain Management Policy dated 25 June 2008, as amended.
   Overstrand Municipality Preferential Procurement Policy

6. **Background/Discussion/Evaluation/Conclusion**

   Background

   The preferential procurement policy was amended by council resolution on 29 May 2026 together with the other budget related policies.

   The major amendment made was to the application of the specific goals. Since 2022, preference points were awarded to bidders for tenders based on their B-BEE rating and their locality with each category getting 50% of the points.

   For 2026/2027, the policy now allocates 25% of the preference points to two out of three of the following categories:

i) Persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of **race**.

ii) Persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of **gender**.

iii) Persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of **disability**.

The remaining 50% of the preference points are to be allocated to the promotion of enterprises located in the local area.

For all procurement under R30 000, 100% of the preference points will be allocated to the promotion of enterprises located in the local area thereby giving local businesses every advantage allowed in terms of the legal framework to do business with the municipality.

When developing the templates for implementation of the above, we realised that the points were not equitably distributed in the tables reflected in the policy. While this does not result in any non-compliance, we believe that it would be unfair to implement it in this manner.

The following amendments are proposed:

GENERAL EXPLANATORY NOTE:

[ ] Words in bold typed in square brackets indicate omissions from the policy.
__________ Words underlined with a solid line indicate insertions in the policy.

OLD

10(**3**)(**a**) Regarding paragraph 10.2 (a), points will be allocated to promote this goal, in terms of the tables below:

b) Two of the three specific goals as listed below must be applied for each tender.

Specific Goals	Achievement Level	Total Number of Points That May Be Claimed	
		80/20	90/10
Persons historically disadvantaged	100% black ownership	5	2.5
	75% - 99% black ownership	4	2
	60% - 74% black ownership	3	1.5

on the basis of **race**	51% - 59% black ownership	2	1
	0 – 50% black ownership	0	0
Persons historically disadvantaged on the basis of **gender**	100% owned by women	5	2.5
	75% - 99% owned by women	3	2
	60% - 74% owned by women	2	1.5
	51% - 59% owned by women	1	1
	0 – 50% owned by women	0	0
Persons historically disadvantaged on the basis of **disability**	100% owned by persons living with disabilities	5	2.5
	75% - 99% owned by persons living with disabilities	3	2
	60% - 74% owned by persons living with disabilities	2	1.5
	51% - 59% owned by persons living with disabilities	1	1
	0 – 50% owned by persons living with disabilities	0	0

10(5)(a)(ii) Gender
Proof of B-BBEE status level of contributor, clearly indicating the percentage black woman ownership; and/or

10(5)(iii)(c) Proof of disability.

NEW

10(**3**)(**a**) Regarding paragraph 10.2 (a), points will be allocated to promote this goal, in terms of the tables below:

a) Two of the three specific goals as listed below must be applied for each tender.

Specific Goals	**Achievement Level**	**Total Number of Points That May Be Claimed**	
		80/20	**90/10**
Persons historically disadvantaged on the basis of **race**	100% black ownership	5	2.5
	75% - 99% black ownership	4	2
	60% - 74% black ownership	3	1.5
	51% - 59% black ownership	2	1
	0 – 50% black ownership	0	0
Persons historically disadvantaged	100% owned by women	5	2.5
	75% - 99% owned by women	**[3]** <u>4</u>	2
	60% - 74% owned by women	**[2]** <u>3</u>	1.5
	51% - 59% owned by women	**[1]** <u>2</u>	1

on the basis of **gender**	0 – 50% owned by women	0	0
Persons historically disadvantaged on the basis of **disability**	100% owned by persons living with disabilities	5	2.5
	75% - 99% owned by persons living with disabilities	**[3]** 4	2
	60% - 74% owned by persons living with disabilities	**[2]** 3	1.5
	51% - 59% owned by persons living with disabilities	**[1]** 2	1
	0 – 50% owned by persons living with disabilities	0	0

10(5)(a)(ii) Gender
Proof of B-BBEE status level of contributor, clearly indicating the percentage **[black]** woman ownership; and/or

10(5)(b) Notwithstanding the requirements of subparagraph 5(a) above, the Municipality may consider any other verifiable document that proves race, gender, disability or locality.

10(5)(iii)(c) Proof of disability in the form of:

i) a medical report completed and signed by a registered medical practitioner
ii) functional assessment

7. Financial Implications

None

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

None

10. Annexures

Annexure A: Amended 2026/2027 Preferential Procurement Policy

RECOMMENDATION TO THE COUNCIL:

1. that the amended Preferential Procurement Policy for 2026/2027 **be approved**; and

2. that the policy **be implemented** with immediate effect.

RESPONSIBLE OFFICIAL : **C LE ROUX**

TARGET DATE FOR IMPLEMENTATION : **IMMEDIATELY**

OVERSTRAND

MUNICIPALITY

Munisipaliteit • U-Masipala • Municipality

OVERSTRAND

PREFERENTIAL PROCUREMENT POLICY

PREFERENTIAL PROCUREMENT POLICY adopted in terms of section 2 of the Preferential Procurement Policy Framework Act, No. 5 of 2000 and the Preferential Procurement Regulations, 2022

PREAMBLE

WHEREAS the Overstrand Municipality aims to improve the quality of life of the local community and to free the potential of each person within a framework of facilitating service delivery, through effective governance and the Council takes into account the need for transparent procedures that give the effect to the principle of preferential procurement.

AND WHEREAS local economic development plays a crucial role in creating a prosperous, equitable, stable and democratic society and the overall national vision of economic development is one of decent work and living standards for all in the context of qualitative improved equality in ownership, skills and access to opportunities.

NOW THEREFORE the Council of the Overstrand Municipality resolves in terms of section 2 of the Preferential Procurement Policy Framework Act, No. 5 of 2000 that the principles embodied in the Preferential Procurement Regulations, 2022 are herewith integrated into the Overstrand Municipality's Preferential Procurement Policy to form the basis of the evaluation criteria for quotations and competitive tenders.

TABLE OF CONTENTS

1 Definitions

In this policy, unless the context indicates otherwise, a word or expression to which a meaning has been assigned in the Act bears the same meaning, and:

"Acceptable Tender"	*mean any tender which, in all respects, complies with the specification and conditions of tender as set out in tender document*
"all applicable taxes"	includes Value-Added Tax, Pay-as-you-Earn, Income Tax, Unemployment Insurance Fund Contributions and Skills Development Levies;
"B-BBEE"	means Broad-Based Black Economic Empowerment as defined in Section 1 of the Broad-Based Black Economic Empowerment Act;
"B-BBEE status level of contributor"	means the B-BBEE status received by a measured entity based on its overall performance using the relevant scorecard contained in the Codes of Good Practice on Black Economic Empowerment, issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;
“black designated groups”	has the meaning assigned to it in the codes of good practice issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;
“black people”	has the meaning assigned to it in section 1 of the Broad-Based Black Economic Empowerment Act;
"Broad-Based Black Economic Empowerment Act" (B-BBEEA)	means the Broad-Based Black Economic Empowerment Act, 2003 (Act No.53 of 2003);
“Comparative price"	means the price after the factors of a non-firm price and all unconditional discounts that can be utilised have been taken into consideration;
"Contract"	means the agreement that results from the acceptance of a tender by the Overstrand Municipality;
“EME”	means an exempted micro enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;
"Firm price"	is the price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the change, imposition, or abolition of customs or excise duty and any other duty, levy, or tax, which, in terms of a law or regulation, is binding on the contractor and demonstrably has an influence on the price of any supplies, or the rendering costs of any service, for the execution of the contract;
“Highest acceptable tender”	*means a tender that complies with all specifications and conditions of tender and that has the highest price compared to other tenders;*
“Large Enterprises”	*is a company with an annual turnover in excess of R50 million.*
“Local area”	*means the local suppliers and/or service providers whose registered business address is within the Overstrand Municipal area, the Overberg district boundaries, and the Western Cape.*
“Lowest acceptable tender”	*means a tender that complies with all specifications and conditions of tender and that has lowest price compared to other tenders;*
“Market Analysis”	means a technique used to identify market characteristics for specific goods or services
“Municipality”	The Overstrand Municipality;
“National Treasury”	has the meaning assigned to it in section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999);
"Non-firm prices"	means all prices other than "firm" prices;
“Objective Criteria”	for the purpose of section of 2(1)f of the procurement Act must be criteria other than the additional to criteria relating to equity ownership by HDI’s or whether or not a bidder was located in a particular province or municipal area
“organ of state”	The definition of organ of state in section 1 of the Act in paragraph (a) to (e) includes- • a national or provincial department as defined in the Public Finance Management Act, 1999; • a municipality as contemplated in the Constitution; • a constitutional institution as defined in the Public Finance Management Act; • Parliament; • a provincial legislature. Paragraph (f) of the definition of organ of state in section 1 of the Act includes any other institution or category of institutions included in the definition of “organ of state” in section 239 of the Constitution and recognised by the Minister by notice in the Government Gazette as an institution or category of institutions to which the Act applies. Government Notice R. 501 of 8 June 2011 recognises, with effect

	from 7 December 2011, all public entities listed in Schedules 2 and 3 to the Public Finance Management Act, 1999, as institutions to which the Act applies. Note should be taken of notices issued from time to time in terms of paragraph (f) of this definition. The application of these Regulations is also subject to applicable exemptions approved in terms of section 3 of the Act.
"Person"	includes reference to a juristic person;
"Policy"	Means the Preferential Procurement Policy of the Overstrand Municipality
"price"	includes all applicable taxes less all unconditional discounts;
"proof of B-BBEE status level of contributor"	means- (a) the B-BBEE status level certificate issued by an authorised body or person; (b) a sworn affidavit as prescribed by the B-BBEE Codes of Good Practice; or (c) any other requirement prescribed in terms of the Broad-Based Black Economic Empowerment Act;
"QSE"	means a qualifying small business enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;
"Rand value"	means the total estimated value of a contract in Rand, calculated at the time of the tender invitation;
"Region"	means the district and/or Overberg District.
"rural area"	means- (a) a sparsely populated area in which people farm or depend on natural resources, including villages and small towns that are dispersed through the area; or (b) an area including a large settlement which depends on migratory labour and remittances and government social grants for survival, and may have a traditional land tenure system;
"Specific goals"	*means specific goals as contemplated in section 2(1)(d) of the Act which may include contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender and disability including the implementation of programmes of the Reconstruction and Development Programme as published in Government Gazette No. 16085 dated 23 November 1994;*
"Tender"	means a written offer in the form determined by Overstrand Municipality in response to an invitation to provide goods or services through price quotations, competitive tendering process or any other method envisaged in legislation;
"Tender for income-generating contracts"	*means a written offer in the form determined by an organ of state in response to an invitation for the origination of income-generating contracts through any method envisaged in legislation that will result in a legal agreement between the organ of state and a third party that produces revenue for the organ of state, and includes, but is not limited to, leasing and disposal of assets and concession contracts, excluding direct sales and disposal of assets through public auctions*
"the Act"	means the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);
"treasury"	has the meaning assigned to it in section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999); and
"Youth"	has the meaning assigned to it in section 1 of the National Youth Development Agency Act, 2008 (Act No. 54 of 2008).

2 Introduction

The Constitution of the Republic of South Africa, 1996, provides in sections 152(1)(c) and 152(2) that local government must promote social and economic development and that the municipality must strive within its financial and administrative capacity, to achieve the objects set out in subsection 152(1).

The Constitution provides in section 217 that an organ of state must contract for goods or services in accordance with a procurement system which is fair, equitable, transparent, competitive, and cost effective and to implement a policy to grant preferences within a framework prescribed by National Legislation.

The Broad-Based Black Economic Empowerment Act, 2003 provides in section 10 that every organ of state and public entity must apply any relevant code of good practice issued in terms of the Act in (b) developing and implementing a preferential procurement policy.

The Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000) was promulgated by the Minister in response to the Constitutional provision and allow for a Municipality to develop a preferential procurement policy and to implement such policy within the PPPFA framework.

Section 2 (1) (d) (i) and (ii) of the Preferential Procurement Policy Framework Act, 2000 refers to specific goals which may include:

(i) contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender or disability.

(ii) implementing the programmes of the Reconstruction and Development Programme (RDP) as published in Government Gazette 16085 dated 23 November 1994.

The RDP (1994), as basis for development in South Africa, was meant to provide a holistic, integrated, coherent socio-economic policy that is aimed at mobilising people and resources to work towards the upliftment of the material and social conditions of local communities to build sustainable livelihoods for these communities.

In terms of Section 2 (1)(d)(ii), the following activities may be regarded as a contribution towards achieving the goals of the RDP, in addition to the awarding of preference points in favour of HDIs (published in Government Gazette No. 16085 dated 23 November 1994):

(i) The promotion of South African owned enterprises.

(ii) The promotion of export orientated production to create jobs.

(iii) The promotion of SMMEs.

(iv) The creation of new jobs or the intensification of labour absorption.

(v) The promotion of enterprises located in a specific province for work to be done or services to be rendered in that province.

(vi) The promotion of enterprises located in a specific region for work to be done or services to be rendered in that region.

(vii) The promotion of enterprises located in a specific municipal area for work to be done or services to be rendered in that municipal area.

(viii) The promotion of enterprises located in rural areas.

(ix) The empowerment of the work force by standardising the level of skill and knowledge of workers.

(x) The development of human resources, including by assisting in tertiary and other advanced training programmes, in line with key indicators such as percentage of wage bill spent on education and training and improvement of management skills; and

(xi) The upliftment of communities through, but not limited to, housing, transport, schools, infrastructure donations, and charity organisations.

3 Application of the policy

1) This policy applies to all procurement of goods and services by means of a tender as defined in paragraph 1 above.
2) This policy does not apply to public auctions or any other sale or lease of assets where it is not practical to apply a system of preference.
3) This policy does not apply to procurement under R2 000.
4) This policy must be applied concurrently with other legislative prescripts and other policies that regulates the procurement of goods and services by the municipality.

4 Purpose, and Objectives

1) The purpose of this policy is to:

   a) Provide for categories of preference in awarding of tenders.
   b) Provide for the advancement of persons or categories of persons disadvantaged by unfair discrimination; and
   c) Clarify the mechanisms how the above items in paragraph 2 (i) and (ii) will be implemented.

2) Objectives

   a) Promote Broad-Based Black Economic Empowerment (B-BBEE) - enterprises providing services and goods.
   b) Promote Small Medium and Micro Enterprises (SMME's), Joint Ventures, Consortiums, and partnerships.
   c) Implement recognised best procurement practises through effective planning, strategic purchasing, and contract management.

5 Identification of preference point system

1) The Municipality shall, in the tender documents, stipulate —

   a) the preference point system applicable; and
   b) any specific goal as envisaged in section 2(1)(d) and (e) of the Preferential Procurement Act.

2) If it is unclear whether the 80/20 or 90/10 preference point system applies—

   a) an invitation for tender for income-generating contracts, that either the 80/20 or 90/10 preference point system will apply and that the highest acceptable tender will be used to determine the applicable preference point system; or
   b) any other invitation for tender, that either the 80/20 or 90/10 preference point system will apply and that the lowest acceptable tender will be used to determine the applicable preference point system.

6 80/20 preference point system for acquisition of goods or services with Rand value equal to or below R50 million

1) The following formula must be used to calculate the points out of 80 for price in respect of an invitation for a tender with a Rand value equal to or below R50 million inclusive of all applicable taxes:

$$Ps = 80 \left(1 - \frac{(Pt - Pmin)}{Pmin}\right)$$

Where;

Ps = Points scored for price of tender under consideration.
Pt = Price of tender under consideration; and
Pmin = Price of lowest acceptable tender.

2) *A maximum of 20 points may be awarded to a tenderer for the specified goals for the tender.*
3) *The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.*
4) *Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.*

7 90/10 preference point system for acquisition of goods or services with Rand value above R50 million

1) The following formula must be used to calculate the points out of 90 for price in respect of an invitation for tender with a Rand value above R50 million, inclusive of all applicable taxes:

$$Ps = 90 \left(1 - \frac{(Pt - Pmin)}{Pmin}\right)$$

Where;

Ps = Points scored for price of tender under consideration;
Pt = Price of tender under consideration; and
Pmin = Price of lowest acceptable tender.

2) *A maximum of 10 points may be awarded to a tenderer for the specified goals for the tender.*
3) *The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.*
4) *Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.*

8 80/20 preference points system for tenders for income-generating contracts with Rand value equal to or below R50 million

1) The following formula must be used to calculate the points for price in respect of an invitation for tender for income-generating contracts, with a Rand value equal to or below R50 million, inclusive of all applicable taxes:

a) $$Ps = 80\left(1 + \frac{Pt - Pmax}{Pmax}\right)$$

Where

Ps = Points scored for price of tender under consideration.
Pt = Price of tender under consideration; and
Pmax = Price of highest acceptable tender

2) A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender.
3) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.
4) Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

9 90/10 preference point system for tenders for income-generating contracts with Rand value above R50 million

1) The following formula must be used to calculate the points for price in respect of a tender for income-generating contracts, with a Rand value above R50 million, inclusive of all applicable taxes:

a) $$Ps = 90\left(1 + \frac{Pt - Pmax}{Pmax}\right)$$

Where

Ps = Points scored for price of tender under consideration;
Pt = Price of tender under consideration; and
Pmax = Price of highest acceptable tender

2) A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender.
3) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.
4) Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

10 Points for specific goals to promote economic development

1. The tendering conditions will stipulate the specific goals, as contemplated in section 2(1)(d) of the Preferential Procurement Policy Framework Act, be attained.
2. A maximum of 20 points (80/20 preference points system) or 10 (90/10) preference points system), will be allocated for specific goals. These goals are:
   a) contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender or disability.
      i) For purposes of this Policy, persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race are black persons.
      ii) For purposes of this Policy, persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of gender are women.
      iii) For purposes of this Policy persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of disability are disabled persons.
      iv) These persons or categories of persons in (i) to (iii) above are hereafter referred as historically disadvantaged persons (HDI).

   b) the promotion of enterprises located in the local area (phased in approach to be applied for other RDP goals)
3. Regarding paragraph 10.2 (a), points will be allocated to promote this goal, in terms of the tables below:
   a) Two of the three specific goals as listed below must be applied for each tender.

Specific Goals	**Achievement Level**	**Total Number of Points That May Be Claimed**	
		80/20	**90/10**
Persons historically disadvantaged on the basis of **race**	100% black ownership	5	2.5
	75% - 99% black ownership	4	2
	60% - 74% black ownership	3	1.5
	51% - 59% black ownership	2	1
	0 – 50% black ownership	0	0
Persons historically disadvantaged on the basis of **gender**	100% owned by women	5	2.5
	75% - 99% owned by women	[3] 4	2
	60% - 74% owned by women	[2] 3	1.5
	51% - 59% owned by women	[1] 2	1
	0 – 50% owned by women	0	0
Persons historically disadvantaged on the basis of **disability**	100% owned by persons living with disabilities	5	2.5
	75% - 99% owned by persons living with disabilities	[3] 4	2
	60% - 74% owned by persons living with disabilities	[2] 3	1.5
	51% - 59% owned by persons living with disabilities	[1] 2	1
	0 – 50% owned by persons living with disabilities	0	0

4. Regarding paragraph 10.2 (b) points will be allocated to promote this goal in terms of the table below:
   a) **Transaction values Above R30 000**

Local area of supplier	Number of Points for Preference	
	80/20	90/10
Within the boundaries of the Overstrand municipality	10	5
Within the boundaries of Overberg District	6	3
Within the boundaries of the Western Cape	4	2
Outside of the boundaries of the Western Cape	0	0
Outside of the boundaries of the Western Cape	0	

b) **Transaction values under R30 000**

Local area of supplier	Number of Points for Preference
Within the boundaries of the Overstrand municipality	20
Within the boundaries of Overberg District	10
Within the boundaries of the Western Cape	6
Outside of the boundaries of the Western Cape	0

5. Any specific goal for which a point may be awarded, must be clearly specified in the invitation to submit a tender.
   a) In order to confirm/verify the specific goals claimed by a tenderer in a specific tender, the following is the only documentation which will deemed as acceptable and which must be submitted with the tender:

      i) **Race**
         a) Proof of B-BBEE status level of contributor, clearly indicating the percentage black ownership; and/or
         b) Company Registration Certification, as issued by the Companies and Intellectual Property Commission, clearly indicating the percentage shareholding of all owners, along with all necessary Identification Documentation; and/or
         c) In respect of a Sole Proprietor or Partnership, a sworn affidavit clearly indicating the owners/partners of the organization and their respective percentage ownership.
      ii) **Gender**
         a) Proof of B-BBEE status level of contributor, clearly indicating the percentage **[black]** woman ownership; and/or
         b) Company Registration Certification, as issued by the Companies and Intellectual Property Commission, clearly indicating the percentage shareholding of all owners, along with all necessary Identification Documentation; and/or
         c) In respect of a Sole Proprietor or Partnership, a sworn affidavit clearly indicating the owners/partners of the organization and their respective percentage ownership.
      iii) **Disability**
         a) Company Registration Certification, as issued by the Companies and Intellectual Property Commission, clearly indicating the percentage shareholding of all owners, along with all necessary Identification Documentation; and/or
         b) In respect of a Sole Proprietor or Partnership, a sworn affidavit clearly indicating the owners/partners of the organization and their respective percentage ownership; and
         c) Proof of disability in the form of:
            i) a medical report completed and signed by a registered medical practitioner
            ii) functional assessment
      iv) **Locality**
         a) The registered address as reflected on the Companies and Intellectual Property Commission (CIPC) report; or
         b) In case of Sole Proprietor / Natural Person, etc.:
            (i) Any verifiable proof of residence / address in the name of the bidder or owner, older than 3 months, which were issued prior to the advertising date of the bid.
            (ii) Verifiable proof of residence / address may include the following but not limited to:
            (iii) Bank statement
            (iv) Municipal account
            (v) Address on Tax Compliance Status Certificate

b) Notwithstanding the requirements of subparagraph 5(a) above, the Municipality may consider any other verifiable document that proves race, gender, disability or locality.

6. A tenderer failing to submit proof of required evidence to claim preferences for specific goals, which is in line with section 2 (1) (d) of the Act.
   a) may only score in terms of the 80/90-point formula for price; and
   b) scores 0 points out of 10/5 of the relevant specific goals where the supplier or service provider did not stipulate.
7. The preference points scored by a tenderer must be added to the points scored for price.
8. The points scored must be rounded off to the nearest two decimal places.
9. The contract must be awarded to the tenderer scoring the highest points.

11 Criteria for breaking deadlock in scoring

1. If two or more tenderers score an equal total number of points, the contract must be awarded to the tenderer that scored the highest points for specific goals.
2. If two or more tenderers score an equal total number of points, the objective criteria in addition to those contemplated in paragraphs section 2(1)(d) and (e) justify the award to the tenderer that scored the highest points in terms in accordance with section 2(1)(f) of the Act.
3. If two or more tenderers score equal total points in all respects, the award must be decided by the drawing of lots.

12 Award of contracts to tenderers not scoring highest points

A contract may be awarded to a tenderer that did not score the highest points only in accordance with section 2(1)(f) of the Act.

13 Remedies

1. If a Municipality is of the view that a tenderer submitted false information regarding a specific goal, it must——
   a) inform the tenderer; accordingly, and
   b) give the tenderer an opportunity to make representations within 14 days as to why the tender may not be disqualified or, if the tender has already been awarded to the tenderer, the contract should not be terminated in whole or in part—
2. After considering the representations referred to in paragraph 12 (1)(b), the Municipality may—
   a) if it concludes that such false information was submitted by the tenderer—
      i) disqualify the tenderer or terminate the contract in whole or in part; and
      ii) if applicable, claim damages from the tenderer.

14 Performance management

The specific goals achieved through the application of the Preferential Procurement Framework Act, 2000 will be monitored in terms of the elements embedded in the Supply Chain Management Policy.

15 Short title and commencement

This part of the policy is called the Preferential Procurement Policy of the Overstrand Municipality. This policy will come into effect on **29 July 2026** and will be reviewed at least annually by way of a Council resolution.

POLICY SECTION:	DIVISIONAL MANAGER: SUPPLY CHAIN MANAGEMENT										
CURRENT REVIEW	2026/07/29										
PREVIOUS REVIEW	2026/05/29		2022/05/31		2017/11/29		2014/05/28		2011/05/04		
PREVIOUS REVIEW	2025/05/29		2021/05/26		2017/05/31		2013/05/29		2010/05/26		
PREVIOUS REVIEW	2024/05/31		2020/05/27		2017/03/29		2012/11/28		2009/05/27		
PREVIOUS REVIEW	2024/02/29		2019/06/26		2016/05/25		2012/06/26				
PREVIOUS REVIEW	2023/05/31		2019/05/29		2016/02/24		2012/05/30				
PREVIOUS REVIEW	2022/12/14		2018/05/30		2015/05/28		2011/11/30				
APPROVAL	2008/06/25										

4.7
MONTHLY REPORT TO COUNCIL ON THE SUPPLY CHAIN MANAGEMENT (SCM) POLICY FOR JUNE 2026

C Le Roux **Divisional Manager: Supply Chain Management**
03 July 2026 **(028) 313 8107**

1. Executive Summary

The purpose of this report is to inform Council of procurement by the delegated authority in terms of the Supply Chain Management Policy for June 2026.

2. Service Delivery and Budget Implementation Plan - IGNITE

Directorate : Financial Services
Division : Supply Chain Management

3. Compliance with Strategic Priorities

Provision of democratic, accountable and ethical governance
Provision and maintenance of municipal services

4. Delegated Authority

None

5. Legal Requirements

Local Government: Municipal Finance Management Act 2003, (Act 56 of 2003)
Local Government: Municipal Systems Act 2000, (Act 32 of 2000)
Overstrand Municipality Supply Chain Management Policy dated 25 June 2008, as amended.
Overstrand Municipality Preferential Procurement Policy

6. Background/Discussion/Evaluation/Conclusion

Background

The purpose of this report is to ensure that Council maintains oversight over the implementation of the Supply Chain Management Policy.

Discussion

A. Deviations - Paragraph 36(1)(a) & (b)

Paragraph 36(1)(a) of Council's Supply Chain Management (SCM) Policy allows circumstances for deviations from the procurement processes. Paragraph 36(1)(b) states that the Accounting Officer may consider ratifying any minor breach of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

Furthermore, the policy requires in Paragraph 36(2), that the reasons for any deviations in terms of sub-paragraph (1)(a) and (b) from the procurement processes must be recorded and be reported to Council.

Deviations approved in terms of Paragraph 36(1)(a) for June 2026 is attached as **Annexure A**.

No minor breaches were recorded in June 2026.

B. Approvals in terms of Paragraph 17(1)(c)

In terms of Paragraph 17(1)(c) of the SCM Policy, where the Formal Written Price Quotation process has been followed for procurement and it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the Chief Financial Officer (CFO) or an official designated by the CFO.

In terms of Paragraph 17(2) of the said policy, the designated official must report all such approvals made by the official in terms of their sub-delegation to the Chief Financial Officer.

A schedule of all such approvals for June 2026 is attached as per **Annexure B**.

C. Awards made in terms of Paragraph 5(2)

All procurement transactions undertaken with regards to tenders, transversal contracts, amendment of contracts, formal written price quotations awarded in terms of the Supply Chain Management Policy for June 2026.

A schedule of these awards for June 2026 is attached as **Annexure C**.

D. Procurement in terms of Paragraph 11(2)

The Municipality must make public the fact that if it procures goods and services contemplated in Section 110(2) of the Act otherwise than through the Municipality's Supply Chain Management system.

A schedule of these awards for June 2026 is attached as **Annexure D**.

E. Disputes, objections, queries and complaints- Paragraph 50(3)

In terms of Paragraph 49 of the SCM Policy, persons aggrieved by decisions or actions taken in the implementation of the supply chain management system, may lodge, a written objection or complaint against the decision or action within 14 days of the decision or action.

These objections must be dealt with and resolved in terms of Paragraph 50(1) of the SCM Policy. In terms of this, the Accounting Officer has appointed an "appeals authority" which must strive to resolve all objections within 60 days of receipt and report to the Accounting Officer on a monthly basis on the objections received, attended to and resolved in terms of Paragraph 50(3) of the Policy.

In terms of Section 62(1) of the Local Government: Municipal Systems Act No. 32 of 2000, a person whose rights are affected by a decision taken by a political structure, political office bearer, councillor or staff member of a municipality in terms of a power or duty delegated or sub-delegated by a delegating authority to the political structure, political office bearer, councillor or staff member, may appeal against that decision by giving written notice of the appeal and reasons to the municipal manager within 21 days of the date of the notification of the decision.

A schedule of all the appeals, disputes, objections, queries, and complaints for June 2026 is attached as **Annexure E**.

F. Incidences of Non-compliance and Irregular Expenditure

In terms of Section 32(4) of the Local Government: Municipal Finance Management, Act No. 56 of 2003, the Executive Mayor, inter alia, must be made aware of all possible irregular expenditure incurred by the municipality.

A register of all incidences of irregular expenditure identified and currently undergoing investigation is attached as **Annexure F**.

G. Social Responsibility Estimated Commitment

A register of the estimated values of the Social Responsibility Commitment recorded during June 2026, is attached as **Annexure G**.

7. Financial Implications

None

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

None

10. Annexures

Annexure A:	Schedule of deviations from the procurement processes approved in terms paragraph 36(1)(a)
Annexure B:	Schedule of approvals in terms of paragraph 17(1)(c)
Annexure C:	Schedule of awards made in terms of paragraph 12(1)(b) & (c)
Annexure D:	Procurement in terms of paragraph 11(2)
Annexure E:	Schedule of appeals, objections, disputes, queries or complaints
Annexure F:	Schedule of irregular expenditure
Annexure G:	Schedule of social responsibility projects

(A link to the Annexures will be distributed as part of the electronic agenda.)

RECOMMENDATION TO THE COUNCIL:

1. that the deviations from the procurement processes, approved in terms of the delegated authority for June 2026, **be noted**;

2. that the awards made in terms of Paragraph 17(1)(c), approved in terms of the delegated authority for June 2026, **be noted**;

3. that the awards made through the Bid Committee system and formal written price quotations for June 2026, **be noted**; and

4. that all other activities undertaken and outcomes achieved in the implementation of the Overstrand Municipality's Supply Chain Management Policy for June 2026, **be noted**.

RESPONSIBLE OFFICIAL : C LE ROUX

TARGET DATE FOR IMPLEMENTATION : TO BE NOTED

4.8
SUPPLY CHAIN MANAGEMENT IMPLEMENTATION REPORT – 2025/2026: 4th QUARTER: 01 APRIL 2026 TO 30 JUNE 2026

C Le Roux **Divisional Manager: Supply Chain Management**
08 July 2026 **(028) 313 8107**

1. **Executive Summary**

   In terms of Paragraph 6(3) of Overstrand Municipality's Supply Chain Management Policy, the Municipal Manager must, within 10 days of the end of each quarter, submit a report on the implementation of the Supply Chain Management Policy to the Executive Mayor.

2. **Service Delivery and Budget Implementation Plan - IGNITE**

   Directorate: Financial Services
   Department: Supply Chain Management

3. **Compliance with Strategic Priorities**

   Provision of democratic, accountable and ethical governance
   Provision and maintenance of municipal services

4. **Delegated Authority**

   None

5. **Legal Requirements**

   Local Government: Municipal Finance Management Act, No. 56 of 2003
   Local Government: Municipal Systems Act 2000, (Act 32 of 2000)
   Overstrand Municipality's Supply Chain Management Policy dated 25 June 2008, as amended.
   Overstrand Municipality's Preferential Procurement Policy

6. **Background/Discussion/Evaluation/Conclusion**

   Background

   The purpose of this report is to ensure that Council maintains oversight over the implementation of the Supply Chain Management Policy, specifically regarding the following:

   a) awards made for the 4th Quarter of the 2025/2026 financial year, 01 April 2026 to 30 June 2026;

b) deviations in terms of Paragraph 36(1)(a) of the Supply Chain Management Policy;

c) minor breaches approved by the Accounting Officer in terms of Paragraph 36(1)(b) of the Supply Chain Management Policy;

d) the status of objections, complaints and appeals lodged; and

e) progress made with incidences of non-compliance and irregular expenditure identified and currently undergoing investigation;

f) procurement in terms of Paragraph 11(2) of the Supply Chain Management Policy

Discussion

a) Bid Awards

Bids are awarded in terms of Overstrand Municipality's Supply Chain Management Policy and the preferential points system prescribed in the Preferential Procurement Policy.

Procurement transactions have been processed through the bid committee system and formal written price quotations in excess of R30 000 within the following timeframes:

Procurement Function	2025/2026 4th Quarter	2025/2026 Year to date	2024/2025
Bids Processed	24	67	114
Bids processed - Average per Quarter	24	17	29
Average days from final evaluation to Bid Adjudication Committee	9	15	10
Average days from initiation to Bid Specification Committee	9	14	13
Estimated Value of Awards (Rand)	**R 71 828 164,72**	**R 449 846 383,43**	**R 310 715 753,69**

Value of all Awards

The total value of tenders, formal written price quotations, contract amendments/expansions and transversal contracts awarded for the 4th Quarter of 2025/2026:

Procurement Type	Income (Excl. VAT)	Operational (Excl. VAT)	Capital (Excl. VAT)	VAT@15%	Total value of Awards (Incl. VAT)
Bid Awards (8)	R 25 418 317,67	R 16 368 130,60	R 8 203 910,00	R 7 498 553,74	R 57 488 912,01
Amendment of Contracts (2)	R -	R -	R 6 779 026,70	R 1 016 854,01	R 7 795 880,71
Transversal Contracts (1)	R -	R 4 450 015,87	R -	R 667 502,38	R 5 117 518,25
Quotations >R30000 (13)	R -	R 598 844,78	R 653 691,31	R 173 317,66	R 1 425 853,76
Quotations <R30000 (366)	R -	R 2 918 316,94	R -	R 354 669,44	R 3 272 986,38
TOTAL	**R 25 418 317,67**	**R 24 335 308,19**	**R 15 636 628,01**	**R 9 710 897,22**	**R 75 101 151,10**

A schedule of these awards above for the 4th Quarter of 2025/2026 are attached as **Annexure A1 and A2**.

b) Deviations – Paragraph 36(1)(a)

Paragraph 36(1)(a) of Overstrand Municipality's Supply Chain Management Policy allows circumstances for deviations from the procurement processes. Furthermore, the policy requires in Paragraph 36(2), that the reasons for any deviations from the procurement processes must be recorded and be reported to Council.

Deviations approved by the Accounting Officer were motivated in terms of the following categories for applications approved for the 2025/2026 year to date is compared to the 2024/2025 financial year as per the following schedule:

SCM Policy	Description	2025/2026 4th Quarter	2025/2026 Year to date	2024/2025
Paragraph 36(1)(a)(i)	Emergency	2	7	19
Paragraph 36(1)(a)(ii)	Sole Provider	0	6	8
Paragraph 36(1)(a)(iii)	Special works of Art	0	0	0
Paragraph 36(1)(a)(iv)	Animals for zoos	0	0	0
Paragraph 36(1)(a)(v)	Impractical / Impossible	11	37	45
Paragraph 36(1)(a)(v)(a)	Ad-hoc repairs/ Strip & Quote	0	0	0
Total		**13**	**50**	**72**

A schedule of Deviations approved in terms of Paragraphs 36(1)(a) is attached as **Annexure B**.

Value of all Deviations awarded

The total value of deviations processed via the Supply Chain Management Unit for the 4th Quarter of 2025/2026, are as follows:

	Operational Amount (Excluding VAT, where applicable)	Capital Amount (Excluding VAT, where applicable)	VAT @ 15%	Value of Awards (Including VAT, where applicable) for Q4
Deviations (13)	R 2 409 825,04	R -	R 361 473,76	R 2 771 298,80

c) **Minor Breaches**

The Supply Chain Management Policy states in Paragraph 36(1)(b) that the Accounting Officer may consider ratifying any minor breach of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

No minor breaches were recorded during the 4th Quarter of 2025/2026:

d) **Objections, Complaints and Appeals**

In terms of Paragraph 49 of the SCM Policy, persons aggrieved by decisions or actions taken in the implementation of the supply chain management system, may lodge a written objection against the decision or action within 14 days of the decision or action.

These objections must be dealt with and resolved in terms of Paragraph 50(1) of the SCM Policy. In terms of this, the Accounting Officer has appointed an Appeal / Objection Tribunal which must strive to resolve all objections within 60 days of receipt and report to the Accounting Officer on a monthly basis on the objections received, attended to and resolved in terms of Paragraph 50(3) of the Policy.

In terms of Section 62 of the Local Government: Municipal Systems Act, No. 32 of 2000, a person whose rights are affected by a decision taken by a staff member of a municipality, may appeal against that decision by giving written notice of the appeal and reasons to the municipal manager within 21 days of the date of the notification of the decision..

A schedule of all appeals, disputes, objections, queries and complaints received or dealt with during the 4th Quarter of 2025/2026, is attached as **Annexure C**.

e) **Incidences of Non-compliance and Irregular Expenditure**

In terms of Section 32(4) of the Local Government: Municipal Finance Management, Act No. 56 of 2003, the Executive Mayor, inter alia, must be made aware of all possible irregular expenditure incurred by the municipality.

A register of all incidences of irregular expenditure identified and currently undergoing investigation is attached as **Annexure D**.

f) **Social Responsibly Estimated Commitment**
A register of the estimated values of the Social Responsibility Commitment recorded during the 4th Quarter of 2025/2026, is attached as **Annexure E**.

g) **Procurement in terms of Paragraph 11(2)**

The Municipality must make public the fact that if it procures goods and services contemplated in Section 110(2) of the Act otherwise than through the Municipality's Supply Chain Management system.

A schedule of these awards is attached as **Annexure F**.

7. Financial Implications

None

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

None

10. Annexures

Annexure A1:	Awards made through the Bid Committee system and formal written price quotations in excess of R30 000
Annexure A2:	Formal written price quotations below R30 000
Annexure B:	Deviations from the normal procurement processes
Annexure C:	Disputes, objections, queries, complaints and appeals received
Annexure D:	Irregular Expenditure
Annexure E:	Social Responsibility
Annexure F:	Procurement in terms of paragraph 11(2)

(A link to the Annexures will be distributed as part of the electronic agenda.)

RECOMMENDATION TO THE COUNCIL:

that the activities undertaken, and outcomes achieved in the implementation of the Overstrand Municipality's Supply Chain Management Policy for the 4th Quarter of 2025/2026 **be noted**.

RESPONSIBLE OFFICIAL : **C LE ROUX**

TARGET DATE FOR IMPLEMENTATION : **TO BE NOTED**

4.9
ANNUAL SUPPLY CHAIN MANAGEMENT IMPLEMENTATION REPORT IN TERMS OF PARAGRAPH 6(2)(a) OF THE POLICY: 2025/2026

C Le Roux **Divisional Manager: Supply Chain Management**
17 July 2026 **(028) 313 8107**

1. Executive Summary

The Local Government: Municipal Finance Management Act, No. 56 of 2003 (MFMA), requires the municipality to have and implement a Supply Chain Management (SCM) Policy which gives effect to the provisions of Part 1 of Chapter 11 of the Act that deals with 'Supply Chain Management'.

On 30 May 2005, the Municipal Supply Chain Management Regulations were promulgated. The Overstrand Municipality's Supply Chain Management Policy was approved in terms of these Regulations by Council on 25 June 2008.

Although the MFMA prohibits a Councilor from being a member of a bid committee or any other committee evaluating or approving quotations or tenders, Council has an oversight role to ensure that the accounting officer implements all supply chain management activities in accordance with this policy. For the purposes of such oversight, Council's Supply Chain Management Policy, Paragraph 6(2)(a) requires that the Accounting Officer must "within 30 days of the end of each financial year, submit a report on the implementation of the policy to the Council of the municipality."

2. Service Delivery and Budget Implementation Plan – IGNITE

Directorate: Financial Services
Section: Supply Chain Management

3. Compliance with Strategic Priorities

Provision of democratic, accountable and ethical governance
Provision and maintenance of municipal services

4. Delegated Authority

None

5. Legal Requirements

Local Government: Municipal Finance Management Act 2003, (Act 56 of 2003) (MFMA)
Local Government: Municipal Finance Management Act 2003, (Act 56 of 2003): Municipal Supply Chain Management Regulations

Local Government: Municipal Systems Act, No. 32 of 2000, (Systems Act)
Overstrand Municipality's Supply Chain Management Policy dated 25 June 2008, as amended.

6. Background/Discussion/Evaluation/Conclusion

Background

6.1. Oversight role of council

The Council must maintain oversight over the implementation of this Policy and for the purpose of such oversight the accounting officer must within 30 days of the end of each financial year, submit a report on the implementation of the Supply Chain Management Policy to the Council of the municipality in terms of paragraph 6(2)(a) of the Policy.

6.2. Supply Chain Management (SCM) Policy

The objectives of the Policy are:

- to give effect to section 217 of the Constitution of the Republic of South Africa by implementing a system that is fair, equitable, transparent, competitive and cost effective; and

- to comply with applicable provisions of the Municipal Finance Management Act including Municipal Supply Chain Management Regulations published under GN868 in Government Gazette 27636, 30 May 2005 and any National Treasury Guidelines issued in terms of the MFMA and regulations pertaining thereto.

- to acknowledge the provisions of:
  a) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003)
  b) the Competition Act 1998 (Act No. 89 of 1998)
  c) the Construction Industry Development Board Act, 2000 (Act No.38 of 2000)
  d) the Local Government: Municipal Finance Management Act, No. 56 of 2003)
  e) the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998)
  f) the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000)
  g) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)
  h) the Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004)

i) the Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000)

6.3. Amendment of Supply Chain Management Policy

In terms of Paragraph 3(1)(b) of the Policy, the Accounting Officer must, when considered necessary, submit proposals for the amendment of the Supply Chain Management Policy.

As part of the annual budget policy review, the 2026/2027 SCM Policy was submitted to Council for consideration and approval on 29 May 2026.

6.4. Supply Chain Management Unit (SCMU)

The Supply Chain Management Unit operates under the direct supervision of the Chief Financial Officer and is led by the Divisional Manager: Supply Chain Management.

The structure of the SCMU covers the following disciplines within Supply Chain Management:

• Demand Management	:	Demand Planning and Specifications
• Acquisition Management	:	Procurement of Goods & Services below R30 000- Purchases Section Procurement of Goods & Services above R30 000- Procurement Section
• Contract Administration	:	Monitoring the performance of contracts procured through the SCM process and

The Municipality underwent an Organisational Restructuring process which affected the staff establishment in the SCMU.
The SCMU consists of a total of 22 posts and 10 posts in Logistics Management. Attached, as **Annexure A**, is the current approved organogram.

• Logistics Management	:	Inventory Management- Municipal Stores

Logistics Management now resorts under the Manager: Fleet & Logistics Management in the Division: Expenditure, Asset, Fleet & Logistics Management.

New appointments and additions to the SCM unit:

#	Designation	Incumbent
1.	Administrator: Bid Committees	October, R
2.	SCM Practitioner	Njuze, S

Vacancies as at 30 June 2026, in terms of the existing organogram:

#	Designation	Previous Incumbent
1.	Senior SCM Practitioner x2	New posts
2.	SCM Practitioner	New post
3.	Assistant SCM Practitioner x 3	New posts
4.	Senior Practitioner: Logistics	New post
5.	Store Attendant	New post

6.5. Contract Administration

Objectives and developments achieved:

a) The Overstrand Contract Administration function reports to the Manager: Purchases.
b) Contract administration procedures and systems are in line with the rest of the SCM department and formalised in the Contract Management Policy
c) All contracts resulting from SCM Paragraph 36 Deviations above a value of R 30,000.00 (Incl. VAT), Formal Written Quotations and Competitive Bids are monitored and captured on the Collaborator system
d) The following reports gets distributed on a monthly basis to all relevant stakeholders:
    i) Active supplier agreements per period (Includes analysis of contracts expiring in the future;
    ii) Expired Supplier Agreements per period; and
    iii) Performance Evaluation of Suppliers per period.

The following table illustrates the contracts registered in the system:

Total contracts Concluded above R30,000 for 2025/2026	77
Contracts that were amended i.t.o Section 116 (3)	3
Contracts that were amended i.t.o Treasury Circular 62	2
Contracts that were cancelled	0
Contracts established out of deviations above R30,000	21

6.6. Training of SCM Officials

6.6.1. Competency Levels of the Supply Chain Management Unit

The Municipal Regulations on Minimum Competency Levels requires certain general competency levels for officials involved in the implementation of the Supply Chain Management Policy.
The following SCM officials are competent and have met the requirements for the Minimum Competency Levels for Supply Chain Management Managers:

#	Designation	Name
1.	Divisional Manager: SCM	Le Roux, C
2.	Principal SCM Practitioner	Du Preez, LS
3.	Manager: Demand and Procurement	Witbooi, I
4.	Manager: Purchases	Aplon, J
5.	Buyer	Grobler, J
6.	Senior SCM Practitioner	Mayekiso, Z
7.	Manager: Fleet & Logistics Management	Roets, CJ
8.	Practitioner: Logistics	Van Der Merwe, JZ

6.6.2. Miscellaneous Training & Education

Overstrand Municipality attends the SCM Forum as scheduled by Provincial Treasury. SCM issues are discussed at these meetings which are regularly attended by officials from CIDB, SARS, National Treasury, the Auditor-General, etc.

During the 2025/2026 financial year, various additional training opportunities were offered by the Provincial Treasury and National Treasury as part of its mandate of ensuring that local government is adequately equipped in the implementation of Supply Chain Management.

Various general short courses or workshops attended by SCM officials, initiated by the Human Resources Department:

#	Name	Training
1.	Aplon, J	Promotion of Administrative Justice Act (PAJA)
2.	Du Preez, LS	Promotion of Administrative Justice Act (PAJA)
3.	Mayekiso, Z	Promotion of Administrative Justice Act (PAJA)
4.	Cornelius, C	Promotion of Administrative Justice Act (PAJA)

5.	Shumi, A	Promotion of Administrative Justice Act (PAJA)

The following officials were involved in relevant further tertiary studies:

#	Designation	Name	Study Area
1.	Principle Clerk: Contract Administration	Liebenberg, N	BCom: General
2.	Buyer	Tsholoba, N	Advance Diploma in Financial Management
3.	Buyer	Notwala, S	Diploma in Public Accountability
4.	Administrator: Bid Committees	October, R	Bachelor: Social Sciences

6.7. The Delegation of Supply Chain Management Powers and Duties

Council has duly delegated the implementation of the Supply Chain Management Policy to the Accounting Officer who is responsible for taking all reasonable steps to ensure that proper mechanisms and separation of duties are in place in the Supply Chain Management System in order to minimise the likelihood of fraud, corruption, favouritism and unfair and irregular practices.

To aid the Accounting Officer in this responsibility, Council has adopted a Delegations of Powers and Duties Policy which assists in maximising the administrative and operational efficiency and is reviewed and updated annually.

6.8. Demand Management

Demand Management is an interactive process to determine the demand levels required to meet the municipality’s objectives. These objectives are reflected in the municipality’s Integrated Development Plan (the ‘IDP’), which is a comprehensive strategy document setting out how the municipality intends to address the development challenges in a specific financial year.

The SCM Unit has, with the support by the Accounting Officer and the Chief Financial Officer, implemented SCM via a Demand Management Plan (DMP) as a strategic tool in order to implement the budget. The DMP assists the SCM Unit with the planning of tender processes and user departments with the planning of the execution and timely completion of projects in alignment with performance targets in the Service Delivery and Budget Implementation Plan.

The Demand Management Plan (Procurement Plan) for the 2025/2026 financial year was approved by the Accounting Officer on 30 June 2025 and was actively promoted and driven to enhance the demand management process in procuring goods and services by means of monthly reporting to budget holders and management involved. The SCM Unit submits reports to the Top Management Team on a monthly basis to measure the success of the implementation of the DMP.

6.9. Purchases Section

The Purchases Section is specifically tasked to perform all procurement related functions for the procurement of goods and services with a value up to R 30, 000 as well as the issuance of orders for procurement with higher values.

The total number of awards made below R30 000 was **1629** with a total amount of **R 12 164 432.81** (Reported to Council – Quarterly SCM Implementation Report).

The number of orders issued for the 2025/2026 financial year totaling to **3677,** has decreased in comparison to the 2024/2025 financial year where the total amount of **3688** orders were issued with **272** requests cancelled. The following table illustrates the number of orders being managed (issued) by the Purchases Section during the 2025/2026 financial year.

	Quantity	Range of procurement	Percentage
1.	741	R 0.01 - R 2,000.00	20.15%
2.	1794	R 2,000.01 - R 30,000.00	48.79%
3.	904	R 30,000.01 - R 300,000.00	24.59%
4.	238	R 300,000.01 - and above	6.47%
Total	**3677**		**100%**

6.10. Accredited Suppliers Database

In terms of Paragraph 14(1)(a) of Council's Supply Chain Management Policy, the Accounting Officer is required to keep a list of accredited prospective providers of goods and services (supplier database). In terms of the municipality's legislative requirement, interested suppliers were requested to register on the database. Current suppliers are requested on a yearly basis to update their registration information.

There are currently **6209** accredited suppliers registered on the supplier database. Initiatives are being done by the Municipality, such as supplier outreach by the SCM and LED officials who continuously advises suppliers that are registered on the Central Supplier Database (CSD) to also register on the Municipal database in order to conduct business with them. Many initiatives are conducted annually in order to assist suppliers with the completion of SCM database forms and to register on CSD, with the assistance of the Socio-Economic Service department.

6.11. Bid Committee System

The Bid Committee system for competitive bids has been actively applied within the municipality. The bid committee system includes a Bid Specification Committee, Bid Evaluation Committee and a Bid Adjudication Committee. These committees have been properly constituted and duly appointed and delegated in order to execute the mandates of each of the committees.

All awards for competitive bidding processes, long term contracts, Amendment of contracts and Transversal Contracts were approved through the bid committee system.

6.12. Awards through the Bid Committee System and Formal Written Price Quotations above R30 000

All awards through the bid committee system and awards above R30 000,00 in terms of the SCM Policy for the 2025/2026 financial year are attached as **Annexure B1**.

Procurement Function	**2025/2026**	**2024/2025**
Tenders Processed	27	64
Amendment of Contracts	5	15
Transversal Contracts	3	2
Formal Written Price Quotations	32	33
Total bids Processed	**67**	**114**
Bids Processed- Average per Quarter	17	29
Average days from evaluation to Bid Adjudication Committee	19	10
Average days from initiation to Bid Specification Committee	13	14
Estimated Value of Awards (R)	**449,846,383**	**310,715,753**

Awards below R30 000 totalling R 12 163 797,57 were reported in the quarterly SCM implementation reports and is attached as **Annexure B2**.

6.13. Deviations and Minor Breaches from Procurement Processes

6.13.1 Deviations

The Supply Chain Management Policy states in Paragraph 36(1)(a): “The accounting officer may dispense with the official procurement processes established by this policy and may procure any required goods or services through any convenient process, which may include direct negotiations, but, amongst others, only –

(i) in an Emergency;
(ii) if such goods or services are produced or available from a single provider only;
(iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
(iv) for the acquisition of animals for zoos and/or nature and game reserves;
(v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes, including but not limited to:
   (a) ad-hoc repairs to plant and equipment where it is not possible to ascertain the nature or extent of the work required in order to call for bids;

The Accounting Officer and his delegates approved a total of **50** deviations attached as per **Annexure C** during the 2025/2026 financial year to the value of **R 16 013 624,91** compared to the **72** deviations with a total value of **R 10 382 180,19** for the 2024/2025 financial year.

SCM Policy	Description	2025/2026	2024/2025
Clause 36(1)(a)(i)	Emergency	7	19
Clause 36(1)(a)(ii)	Sole Supplier	5	8
Clause 36(1)(a)(iii)	Special works of Art	0	0
Clause 36(1)(a)(iv)	Animals for zoos	0	0
Clause 36(1)(a)(v)	Impractical Impossible	38	45
Clause 36(1)(a)(v)(a)	Ad-hoc repairs/Strip & Quote	0	0
	TOTAL	**50**	**72**

6.13.2 Minor Breaches

The Supply Chain Management Policy states in Paragraph 36(1)(b) that the Accounting Officer may consider ratifying any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

The Accounting Officer approved **two (2)** minor breaches of the Supply Chain Management Policy in the 2025/2026 financial year:

SCMMB #	Date approved	Description
SCM023/2025	2025/10/09	Unauthorised communication with bidders - Tender No. SC2584/2025
SCM024/2025	2026/01/05	Unauthorised communication with bidders - Tender No. SC2587/2025

6.14. Irregular Expenditure - MFMA Section 32

Irregular Expenditure is defined as expenditure incurred in contravention of the Municipal Finance Management Act, Municipal Systems Act, Public Office Bearers Act or the Municipality's Supply Chain Management Policy.

In terms of Section 32(4) of the MFMA the Executive Mayor, the MEC for Local Government and Auditor-General must be informed of all possible irregular expenditure incurred by the municipality. A register of Irregular Expenditure as at 30 June 2026 is attached as **Annexure D**.

6.15. Value of all Awards, Deviations and Irregular, Fruitless and Wasteful Expenditure

The total value of bids, extensions of contracts, deviations and irregular expenditure processed via the Supply Chain Management Unit for the period 01 July 2025 to 30 June 2026 are as follows:

	Income Generating	Operational (Excluding VAT)	Capital (Excluding VAT)	VAT	Total Value of Awards (Including VAT)
Bid Awards	R 36 719 842,76	R 183 521 686,50	R 171 417 917,22	R 58 186 936,95	R 449 846 383,43
Deviations	R -	R 13 924 891,23	R -	R 2 088 733,68	R 16 013 624,91
Quotations below R30 000	R -	R 10 845 101,39	R -	R 1 318 696,18	R 12 163 797,57
Irregular Expenditure	R -	R 7 181 252,95	R -	R 1 075 592,67	R 8 256 845,62
Total	R 36 719 842,76	R 215 472 932,06	R 171 417 917,22	R 62 669 959,49	R 486 280 651,53

6.16. Logistics Management

Logistics management is a key part of Supply Chain Management and primarily aims to control the movement and storage of materials within a warehouse and process the associated transactions, including, receiving, safeguarding and issuing.

When properly managed and appropriately stocked a warehouse provides a consistent supply of material when it is needed.

OM operates three municipal stores situated throughout the area of jurisdiction, being Hermanus, Kleinmond and Gansbaai, with a combined closing stock value at the end of June 2026 of R18 862 265.90.

Stock value for the different stores as at 30 June 2026.

Store	Store name	Value	Value %
Store A	Hermanus General Store	5 445 537.41	29%
Store E	Hermanus Electrical Store	8 397 063.74	45%
Store G	Gansbaai General Store	2 443 292.68	13%
Store K	Kleinmond General Store	2 076 885.53	11%
Store R	Hermanus Stationery Store	499 486.54	3%
Total Stock value		**18 862 265.90**	**100%**

Stock issues: number of transactions during the 2025/2026 financial year:

Store	Store name	Value	Value %
Store A	Hermanus General Store	6 427 206.91	37%
Store E	Hermanus Electrical Store	3 775 933.76	22%
Store G	Gansbaai General Store	3 883 511.14	23%
Store K	Kleinmond General Store	2 475 921.81	14%
Store R	Hermanus Stationery Store	715 451.89	4%
Total		**17 278 025.51**	**100.00%**

6.17. Conclusion

The Overstrand Municipality has been implementing the Supply Chain Management Regulations diligently through the Supply Chain Management Policy.

Contract Management, Demand Management and the combating of Irregular Expenditure will once again be key focus areas in the implementation of supply chain management within the municipality.
Overstrand Municipality continuously strives to not only ensure compliance to legislative frameworks, but also to improve administrative and procedural efficiency, thereby giving effect to its Constitutional mandate in terms of Section 152 of the Constitution.

7. Financial Implications

None

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

None

10. Annexures

Annexure A : Organogram: SCM Unit
Annexure B : Schedule of Awards
Annexure C : Deviations from the normal procurement
Annexure D : Schedule of Irregular Expenditure
Annexure E : Schedule of Appeals, Objections, Complaint and Queries
Annexure F : Schedule of Minor Breaches
Annexure G : Procurement in terms of paragraph 11(2)
Annexure H : Social Responsibility

(A link to the annexures will be distributed as part of the electronic agenda.)

RECOMMENDATION TO THE COUNCIL:

1. that the Supply Chain Management Implementation Report for the 2025/2026 financial year submitted in terms of Paragraph 6(2)(a) of the Supply Chain Management Policy, **be noted**;

2. that, following the provisions of Paragraph 6(2)(a) of the Supply Chain Management Policy, **the report be made public** in accordance with Section 21A of the Local Government: Municipal Systems Act, No. 32 of 2000; and

3. that the schedules of Deviations, Minor Breaches and Irregular Expenditure **be disclosed** as a note to the Annual Financial Statements for the 2025/2026 financial year.

RESPONSIBLE OFFICIAL : C LE ROUX

TARGET DATE FOR IMPLEMENTATION : 31 AUGUST 2026

4.10
QUARTERLY BANK ACCOUNT WITHDRAWALS IN TERMS OF SECTION 11(4) OF THE MFMA FOR THE QUARTER ENDED JUNE 2026

BA King **Divisional Manager: Financial Accounting**
20 June 2026 **(028) 313 8154**

1. **Executive Summary**

   Report prepared as part of the financial reporting obligations arising from section 11(4) of the Local Government: Municipal Finance Management Act, 2003 (MFMA).

2. **Service Delivery and Budget Implementation Plan - IGNITE**

   Directorate Finance
   Financial Services

3. **Compliance with Strategic Priority**

   Provision of democratic, accountable and ethical governance

4. **Delegated Authority**

   None

5. **Legal Requirements**

   Section 11(4) of the Local Government: Municipal Finance Management Act, No. 56 of 2003 (MFMA)

6. **Background/Discussion/Evaluation/Conclusion**

   Background

   On a quarterly basis a consolidated report of all withdrawals made in terms of section 11(1) (b)-(j) of the MFMA must be compiled and submitted to Council, the relevant Provincial Treasury and the Auditor General.

7. **Financial Implications**

   None

8. **Staff Implications**

   None

9. Comments from other Departments, Divisions and Administrations

None

10. Annexures

Annexure A: Consolidated report for the quarter ended June 2026

RECOMMENDATION TO THE COUNCIL:

that the consolidated quarterly report, as per Annexure A, in respect of Bank Account Withdrawals in terms of Section 11(4) of the MFMA for the quarter ended June 2026, **be noted**.

RESPONSIBLE OFFICIAL : **BA KING**

TARGET DATE FOR IMPLEMENTATION : **TO BE NOTED**

WC032 - OVERSTRAND MUNICIPALITY
BANK ACCOUNT WITHDRAWALS IN TERMS OF SECTION 11(4) OF THE MFMA

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Municipal Finance Management Act, section 11(4)

Consolidated Quarterly Report for period 01/04/2026 - 30/06/2026

D

Date	Payee	Amount in R	Description and Purpose (including section reference e.g. sec 11(f))	Authorised by (name)
30/06/2026	Varoius charities	R540 940	Section 11(d) Payments fom a trust, charitable or relief fund	Municipal Manager
			without budget appropriation in terms of section 12(4).	
30/06/2026	SARS	R3 185 082	Section 11(e) - Payments to a person or organ of state of money	Financial Managers
30/06/2026	Provincial Government (Licence Fees)	R6 033 874	received by the municipality on behalf of that person or organ	Financial Managers
30/06/2026	Overberg District Municipality	R1 129	of state.	
30/06/2026	Various consumers	R3 051 275	Section 11(g) - Refund guarantees, sureties and security deposits	Financial Managers
30/06/2026	Various investments	R200 090 000	Section 11(h) - Payments for cash management and investment	Municipal Manager
			purposes in accordance with section 13	

Instructions for completing this report:

The Accounting Officer must include information motivating the non-budgetted withdrawals, action taken to rectify the breach and identify how funding will be sourced through an Adjustments Budget. This motivation can be an additional report to council or incorporated into the table above by inserting additional space.
This report must be tabled in Council within 30 days after the end of each quarter where a withdrawal occurs.

Withdrawals that must be reported each quarter:

1. Section 11(b) - Expenditure authorised by the MEC for finance in terms of section 26 (4) when a municipality has failed to approve a budget by 30 June;
2. Section 11(c) - Unforeseeable and unavoidable expenditure authorised by the mayor in terms of section 29 (1);
3. Section 11(d) -Payments from a trust, charitable or relief fund without budget appropriation in terms of section 12(4);
4. Section 11(e) - Payments to a person or organ of state of money received by the municipality on behalf of that person or organ of state, including
   (i) money collected by the municipality on behalf of that person or organ of state by agreement; or
   (ii) any insurance or other payments received by the municipality for that person or organ of state;
5. Section 11(f) - Refund money incorrectly paid into a bank account;
6. Section 11(g) - Refund guarantees, sureties and security deposits;
7. Section 11(h) - Payments for cash management and investment purposes in accordance with section 13;
8. Section 11(i) - To defray increased expenditure on a multi-year capital project in terms of section 31;
9. Section 11(j) - Payments for such other purposes as may be prescribed from time-to-time.

Distribution:

1. Table this report in a full council meeting, including additional motivation on action taken to rectify,within 30 days after the end of each quarter (section 11(4))
2. Submit a copy to the relevant National Treasury, provincial treasury and the Auditor-General

ANNEXURE A

4.11
BUDGET REPORT AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP) FOR THE QUARTER ENDED JUNE 2026

BA King **Divisional Manager: Financial Accounting**
21 July 2026 **(028) 313 8154**

1. **Executive Summary**

   Report prepared as part of the reporting obligations arising from section 52(d) of the Local Government: Municipal Finance Management Act, 2003 (MFMA).

2. **Service Delivery and Budget Implementation Plan - IGNITE**

   Directorate: Financial Services
   Financial Accounting

   Directorate: Office of the Municipal Manager
   Strategic Support Services

3. **Compliance with Strategic Priorities**

   Provision of democratic, accountable and ethical governance
   Provision and maintenance of municipal services
   Encouragement of structured community participation in the affairs of the municipality
   Creation and maintenance of a safe and healthy environment
   Promotion of tourism, economic and social development

4. **Delegated Authority**

   None

5. **Legal Requirements**

   Section 52(d) of the Local Government: Municipal Finance Management Act, (Act 56 of 2003) [MFMA]

6. **Background/Discussion/Evaluation/Conclusion**

   Background
   This report has been prepared as part of the reporting obligations arising from the MFMA. The MFMA requires the Executive Mayor to report to Council on a quarterly basis on the state of the Municipality's budget and SDBIP.

Discussion

Legislation requires that certain financial and performance information is disclosed in the quarterly monitoring report. The report has been prepared according to the standard reporting formats issued by National Treasury.
The SDBIP report, included as Appendix 1 of the quarterly budget report, is a layered plan comprising the Top Level SDBIP.

The top level SDBIP measures the achievement of the strategic performance indicators of the municipality. These include the prescriptive performance indicators prescribed by Section 10 of the Local Government: Municipal Planning and Performance Regulations of 2001.

The following additional reporting information is also included:

The Executive Mayor's special fund report is attached as Annexure B.

The Cost Containment Regulations, 2019 report, attached as Annexure C, represents the status up to the end of December 2025 (Quarter 2).

The quarterly post implementation status of the mSCOA Project & Roadmap is attached as Annexure D.

7. Financial Implications

None

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

The contents of the SDBIP reflects the information submissions from the relevant responsible officials.

10. Annexures

Annexure A:	Budget Report and SDBIP for the quarter ended March 2026
Annexure B:	Executive Mayor's special fund – March 2026
Annexure C:	Status report on the Cost Containment Regulations, 2019 – March 2026
Annexure D:	Municipal Regulations on the Standard Chart of Accounts (mSCOA): Post Implementation Status of the mSCOA Project: mSCOA ROADMAP AND mSCOA IMPLEMENTATION – June 2026

(A link to the Annexures will be distributed as part of the electronic agenda.)

RECOMMENDATION TO THE COUNCIL:

that the budget report and service delivery and budget implementation plan for the quarter ended June 2026, prepared as part of the reporting obligations arising from the Local Government: Municipal Finance Management Act, 2003 and additional information, **be noted**.

RESPONSIBLE OFFICIALS :	**BA KING** **RG LOUW**
TARGET DATE FOR IMPLEMENTATION :	**TO BE NOTED**

4.12
APPOINTMENT OF A SELECTION PANEL FOR THE RECRUITMENT AND SELECTION PROCESS FOR THE APPOINTMENT OF A CHIEF ENGINEER: INFRASTRUCTURE SERVICES

D Arrison **Director: Corporate Services**
13 July 2026 **(028) 313 8001**

1. **Executive Summary**

The purpose of this report is for Council to appoint a selection panel for the recruitment and selection process and for recommendations in the appointment of a Chief Engineer: Infrastructure Services.

2. **Service Delivery and Budget Implementation Plan - IGNITE**

Director: Corporate Services

3. **Compliance with Strategic Priority**

Provision of democratic, accountable and ethical governance

4. **Delegated Authority**

None

5. **Legal Requirements**

- Section 160(1)(d) of the Constitution of the Rep ublic of South Africa, 1996
- Sections 56, 57A, 60, 67, and 72 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) [Systems Act]
- Chapter 3 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000): Local Government Regulations on Appointment and Conditions of Employment of Senior Managers (GN 21 dated 17 January 2014)
- Local Government: Municipal Systems Amendment Act, 2022

6. **Discussion**

The recruitment and selection process for the appointment of a Chief Engineer: Infrastructure Services, has commenced.

Sub-regulation 12(1) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000): Local Government Regulations on Appointment and Conditions of Employment of Senior Managers, (GN 21 dated 17 January 2014), provides for

a municipal council to *appoint a selection panel to make recommendations for the appointment of candidates to vacant senior manager posts.*
Sub-regulation 12(2) further prescribes that *in deciding who to appoint to a selection panel, the following considerations must inform the decision:*
(a) the nature of the post;
(b) the gender balance of the panel; and
(c) the skills, expertise, experience and availability of the persons to be involved.

Sub-regulation 12(4) provides that the selection panel for the appointment of a manager directly accountable to a municipal manager must consist of at least three and not more than five members, constituted as follows:

(a) The municipal manager, who will be the chairperson
(b) *A member of the mayoral committee or councillor who is the portfolio head of the relevant portfolio; and*
(c) At least one other person, who is not a councillor or staff member of the municipality, and who has expertise or experience in the area of the advertised post.

This item is thus brought before Council to seek approval for the appointment of a selection panel in the recruitment process for the abovementioned position.

The post has been advertised and will close on 7 August 2026.

7. Financial Implications

Sufficient funds are available on the 2026/2027 salary budget for the funding of this post and for subsistence and travel allowances for visiting members of the panel.

8. Staff Implications

Vacancy of the position of Chief Engineer: Infrastructure Services.

9. Comments from other Departments, Divisions and Administrations

Not applicable.

10. Annexures

None

RECOMMENDATION TO THE COUNCIL:

that a selection panel for the recruitment and selection process and for recommendations to Council in the appointment of a Chief Engineer: Infrastructure Services, be constituted as follows:

- Dr Dean O'Neill, Municipal Manager – Chairperson;
- Cllr Clinton Lerm, MMC for Infrastructure Services; and
- A visiting Specialist from a Municipality in the Western Cape, to be approached by the Municipal Manager.

RESPONSIBLE OFFICIAL :	**D ARRISON**
TARGET DATE FOR IMPLEMENTATION :	**IMMEDIATELY**

4.13
SECONDMENT : DR DEAN O'NEILL TO GEORGE MUNICIPALITY AS ACTING MUNICIPAL MANAGER

This item is distributed under separate cover.

In terms of Section 20(1) of the Local Government: Municipal Systems Act, No 32 of 2000, read with Rule 17 of the Overstrand Municipality's By-law on Rules of Order for Internal Arrangements, this item must be considered "in committee".

4.14
WRITE-OFF OF SEWER CHARGES

This item is distributed under separate cover.

In terms of Section 20(1) of the Local Government: Municipal Systems Act, No 32 of 2000, read with Rule 17 of the Overstrand Municipality's By-law on Rules of Order for Internal Arrangements, this item must be considered “in committee”.

4.15
REPORT ON THE PROPOSED ADJUSTMENTS BUDGET (ROLL-OVERS) FOR 2026/2027

This item will be distributed in due course as a supplementary item.