

# *Infrastructure Delivery Management System (IDMS)*

*Pilot roll out in selected municipalities  
through stakeholder engagement and  
training*

## ***Training Module 1:***

***Overview,  
Legislative  
Requirements and  
Enablers***

***Participants  
Manual***



**MISA**

Municipal Infrastructure Support Agent  
REPUBLIC OF SOUTH AFRICA



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*Section 1:*  
*About this*  
*module*



# Section 1: About this module

## Purpose of this module

This training module is the first of three training modules aimed at assisting officials of selected District Municipalities (DM) to implement the Infrastructure Delivery Management System (IDMS). The purpose of this training module is to provide guidance on the following:

- An overview of the IDMS and the IDMS Core Legislative Requirements
- Infrastructure planning and budgeting
- Supply chain management with specific focus on infrastructure procurement
- IDMS Enablers namely, IDMS's institutional system and Performance and Risk Management

An additional Training Module has been created aimed at Executive Management. This Module is named Module Ao.

## Learning outcomes

By the end of the training on this module you:

- Will understand the context of the IDMS
- Will have a high level knowledge of the key concepts and components of the IDMS
- Will have a high level knowledge of the Infrastructure Delivery Management Control System
- Will have a high level knowledge of the infrastructure delivery management processes, namely portfolio, programme, project and operations and maintenance management
- Will have an understanding of the IDMS Placemat and its processes showing how to plan and deliver infrastructure
- Will have an understanding of the Core Legislative Requirements
- Will have an understanding infrastructure Planning and Budgeting
- Will have an understanding of key requirements for supply chain management, with focus on infrastructure procurement
- Will have an understanding of the Institutional System of the IDMS, and the institutionalisation of the IDMS.
- Will understand the Performance and Risk management requirements and processes

## Audience for this module

The target audience for this module are municipal officials who are either directly or indirectly involved in the planning and delivery of infrastructure in Municipalities. The audience will include heads of departments, senior management, middle managers, and project managers:

The target officials would typically include:

- Municipal Managers Office
- Technical services (roads, electricity, water, sanitation, community and health services, etc)
- Project Management Office (PMO)
- Strategic Planning
- Budget and treasury and CFO's office
- Supply Chain Management
- Human Resources (as required in the process of staffing and retention of infrastructure personnel)
- Internal audit office



### Who's responsible

Note: the participants may vary from DM to DM depending on the structure

## Context of this module

National Treasury is the custodian and driver of the development and roll out of the IDMS. They have also introduced the associated Standard on Infrastructure Procurement and Delivery Management (SIPDM) (recently revised to FIPDM and effective of 1 October 2019). Training on both of these standards for government officials at National and Provincial has taken place over recent years, but with limited training at local government level.

With this in mind, the Municipal Infrastructure Support Agent (MISA) has been tasked with the roll out and implementation of the IDMS at local government level. Given the fact that MISA are already engaged in providing technical support on infrastructure delivery to municipalities, MISA has identified three District Municipalities (DM's) in the Eastern Cape, namely Alfred Nzo, Amathole and OR Tambo as initial target municipalities for the roll out of the IDMS. These DM's are pilot Municipalities for potential further rollout in due course.



### Tip

Since your DM is part of the pilot you have the opportunity to be in the forefront of new developments. Also when compliance requirements are established, your DM will have a head start

This pilot roll out will take place via training and stakeholder engagement. MISA have appointed PwC to provide this training and stakeholder management over a period of 14 months, ending at the end of March 2020. The expectation is that Municipalities will institutionalise the IDMS as a standard set of processes and tools to plan and implement infrastructure moving forward.

The training and support to the Municipalities includes:

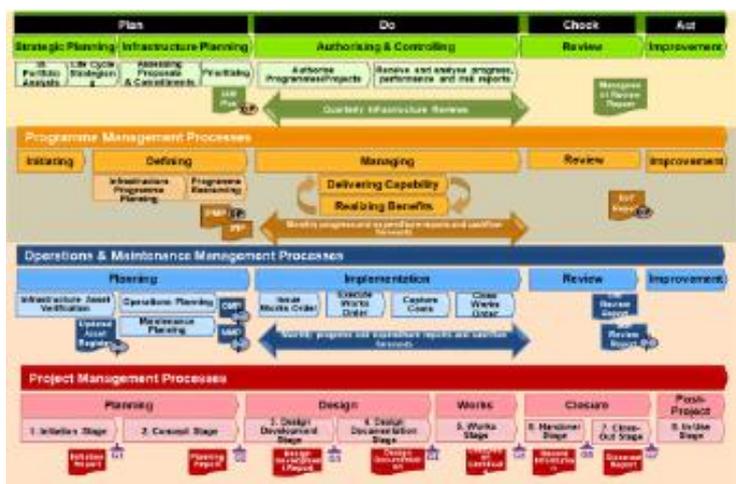
- Formal training - four modules, of which this module is the second.
  - Module A0 – a one day intensive Executive Overview, aimed at Municipal Executives
  - **Modules 1 to 3 –Two-day training sessions per module.** This Module 1 is the first of these the three modules focused specifically on Municipal Officials
- Formal Skills Transfer – Skills transfer contact sessions that provide intensive focus on key plans and documents required in the IDMS.
- Ad hoc support – support to provide day-to-day assistance in the institutionalisation of the IDMS

MISA is already providing technical support in two of the three municipalities, namely Alfred Nzo and OR Tambo, through the Regional Management Support Contract programme (RMSC). Collaboration between the two initiatives will take place as appropriate to limit duplication of work.

## How to use this module

This module can be used in conjunction with notes and presentation material during your classroom session.

### IDMS Placemat



A standalone version of the IDMS Placemat is included in the **annexure** for ease of reference. This placemat is designed as a quick reference guide for Officials and executives.

Figure 1: IDMS Placemat (see annexure)

**Icons used in this manual:**

This manual will include the following icons:



These icons will highlight particular issues of interest and practical tips on how to implement IDMS processes and source materials.

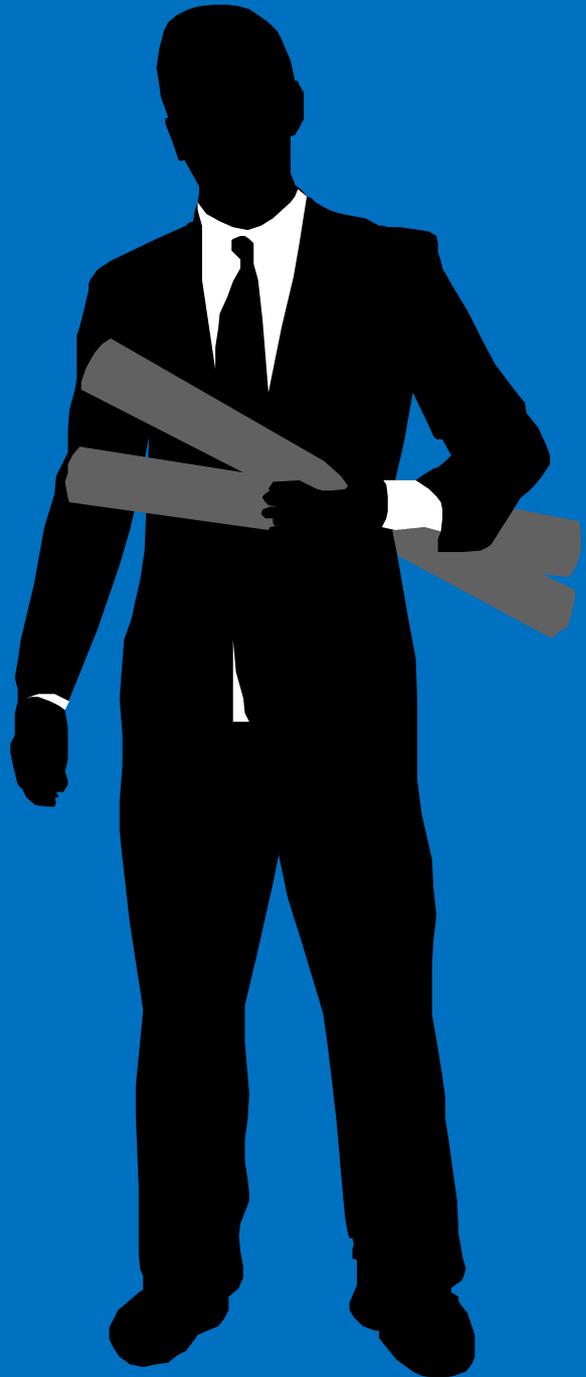
*Figure 2: List of icons used in manual*

**Exercises:**

Multiple exercises are included in this training module. The exercises allows an opportunity to practice IDMS concepts within a classroom context.



*Section 2:*  
*Introduction to*  
*the IDMS*



# 2.1 Background

## Section 2: Introduction to the IDMS

### Subsection 2.1: Background

#### *Background*

The IDMS has evolved over a number of years. In 2002, National Treasury commissioned an independent assessment to understand the reason for infrastructure underspending and constant needs for rollovers by provincial departments. The assessment report identified several gaps and blockages in the infrastructure delivery management processes. The report identified the following root causes, amongst others:

- Poor planning,
- Lack of skills and inappropriate skills in technical positions,
- Lack of uniformity in procurement procedures,
- Poor reporting and monitoring.



#### Good practice

“Learning and leadership are indispensable to each other.”

*John F. Kennedy*

The report recommended that a standard, uniform set of processes be developed to guide and structure the delivery and management of infrastructure within the public sector. From that review, the IDMS and its associated IDM Toolkit was developed, with a number of updates, culminating in the latest update in 2018. The diagram below shows the journey in the development of the IDMS.

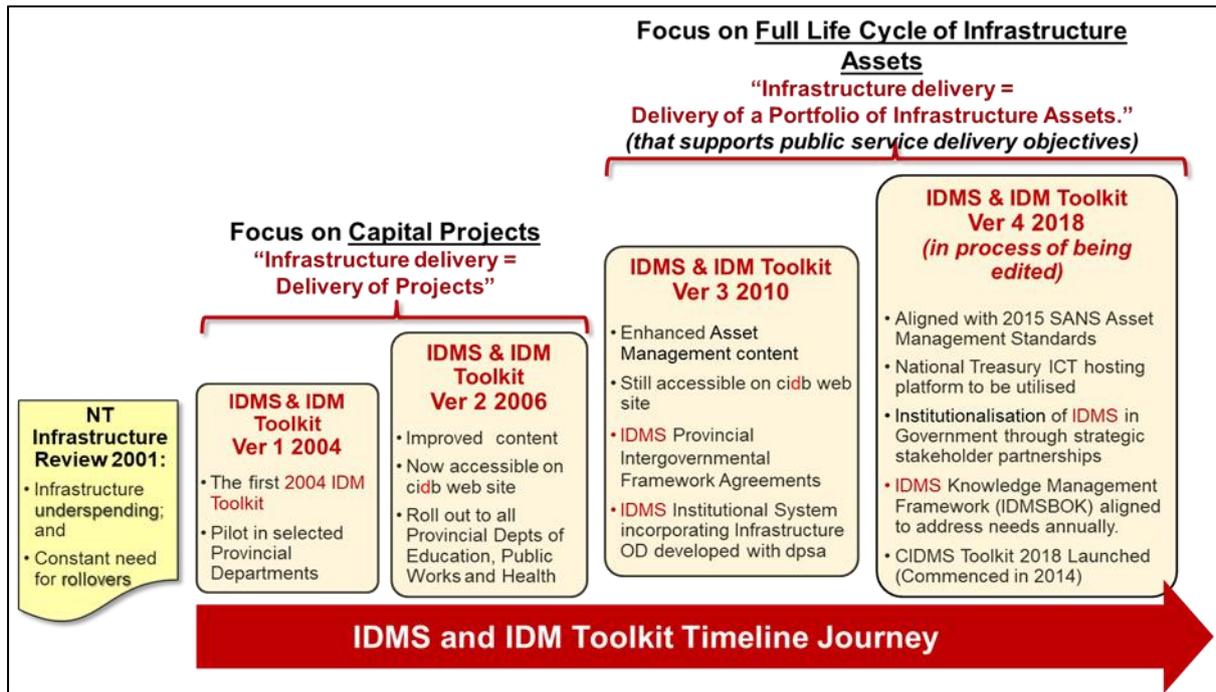


Figure 3 : The IDMS and the IDM Toolkit Journey

In addition, South African Public-Sector legislation, standards and best practices have all had influence on the evolution of IDMS and the IDM Toolkit, as depicted in the figure below.

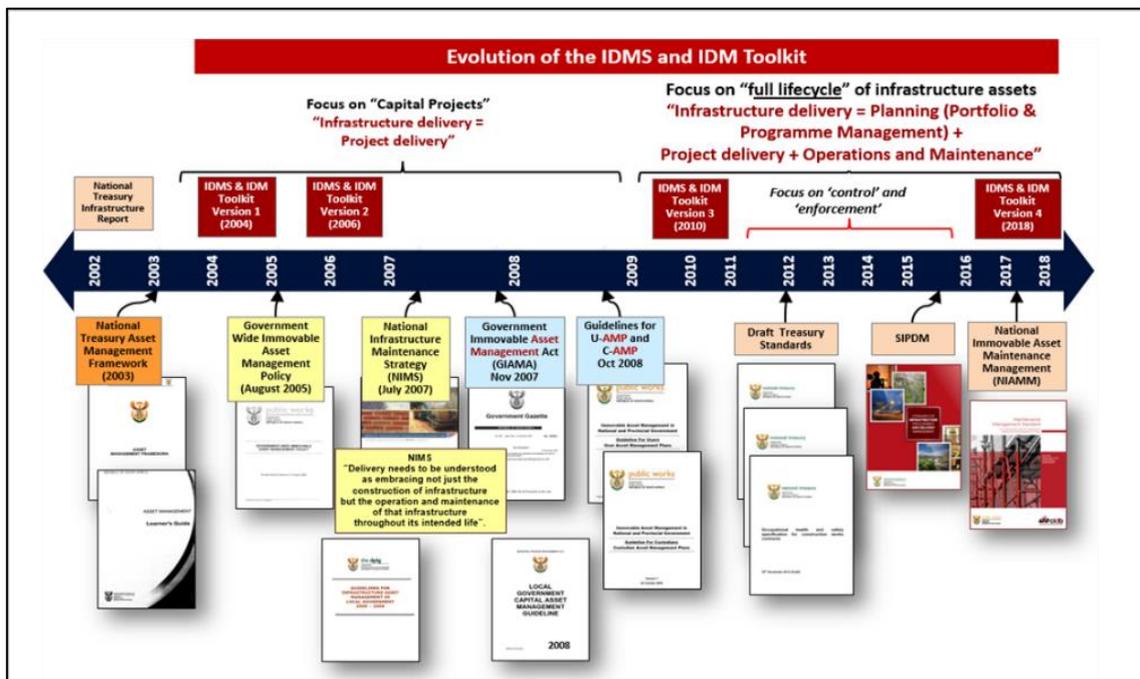


Figure 4: Influences and Evolution of the IDMS and the IDM Toolkit

## *IDMS Support Interventions*

The legality of the IDMS for application in all spheres of government is endorsed by:

- The 9 Provincial IDMS Framework documents, which have been approved by Provincial EXCO's (thereby endorsing IDMS in each Province);
- Sections within the annual issue of the Division of Revenue Act (DoRA);
- Endorsement of the IDMS by the Presidential Infrastructure Coordination Committee (PICC);
- The Standard for Infrastructure Procurement and Delivery Management (SIPDM) issued by National Treasury in November 2015. [Note: The SIPDM is under review but the current version is applicable until an update is approved and released by National Treasury].

## 2.2 What is the IDMS

### Subsection 2.2: What is the IDMS?

The IDMS is Government's policy for implementing its strategy to enhance socio-economic growth and development through infrastructure delivery. The IDMS and the Infrastructure Delivery Management (IDM) Toolkit, developed by National Treasury, provides a set of processes and a body of knowledge for infrastructure delivery management in the public sector.

***The IDMS is a set of processes and a body of knowledge, to set a standard for the management of infrastructure delivery in the public sector.***

### IDMS Concept Diagram

The Infrastructure Delivery Management System, or IDMS, is represented in IDMS Concept Diagram, which depicts the structure and relationships between the concepts, as shown in the figure. The IDMS Concept Diagram inner interconnecting circles represent the Core Legislative Requirements of the IDMS, namely, asset management, planning and budgeting, and supply chain management. Infrastructure Delivery Management comprises portfolio, programme, operations, maintenance and project management processes. Performance and risk management are integrated in the delivery management processes, while the outer circle represents the institutional system that provides organisations with guidance on a generic approach towards building an institutional Infrastructure Delivery Management System (IDMS). Collectively, these two outer circles are referred to as the Infrastructure Delivery Enablers.



Figure 5: IDMS Concept diagram

The IDMS Concept diagram depicts the structure and relationships between the concepts that enable the generic application of the infrastructure delivery management principles to all of Government.

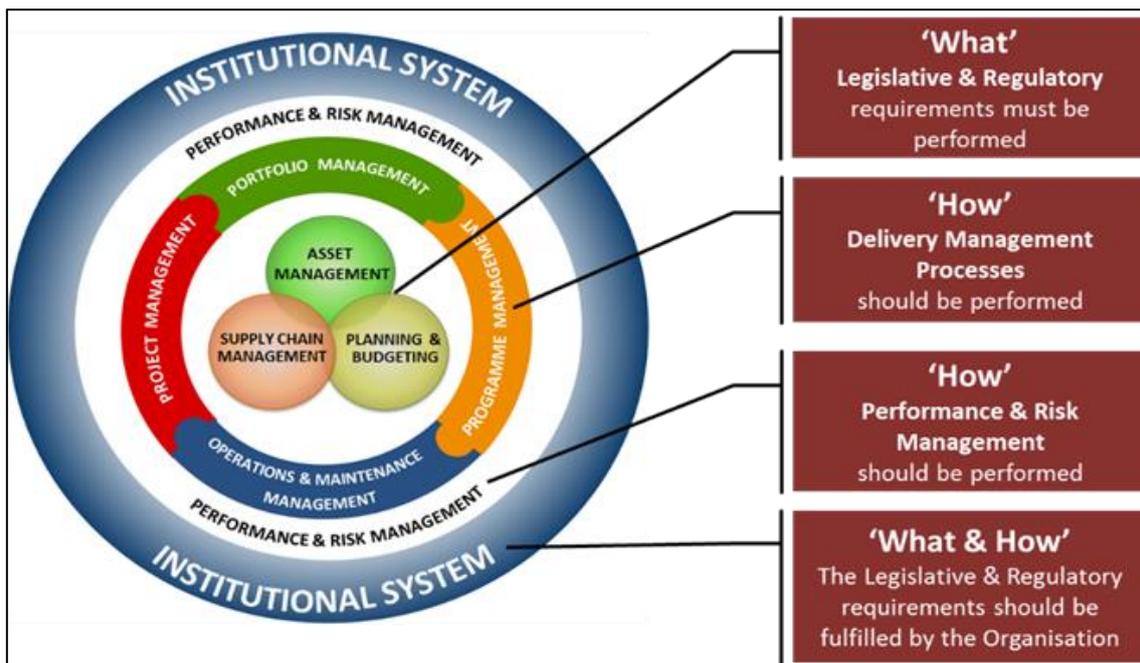


Figure 6: The IDMS 2018 concept diagram explained

The IDM Processes Placemat in the figure below provides high-level processes that need to be followed in relation to the portfolio, programme, operations and maintenance and project management. The required deliverables are reflected as control points and control gates.

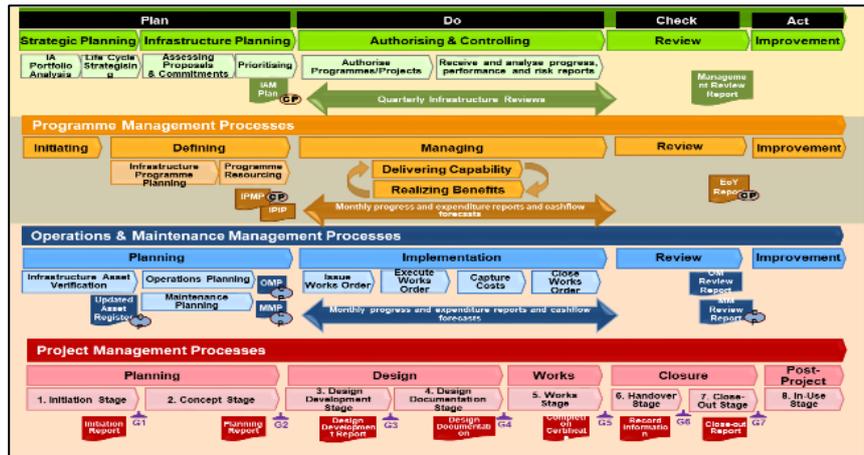


Figure 7: IDMS placemat

The IDMS is informed by Policy, Standards and Best Practices and has a substantial area of impact within the hierarchy of policy, strategy and planning, aligned across the three spheres of Government shown in the figure below.

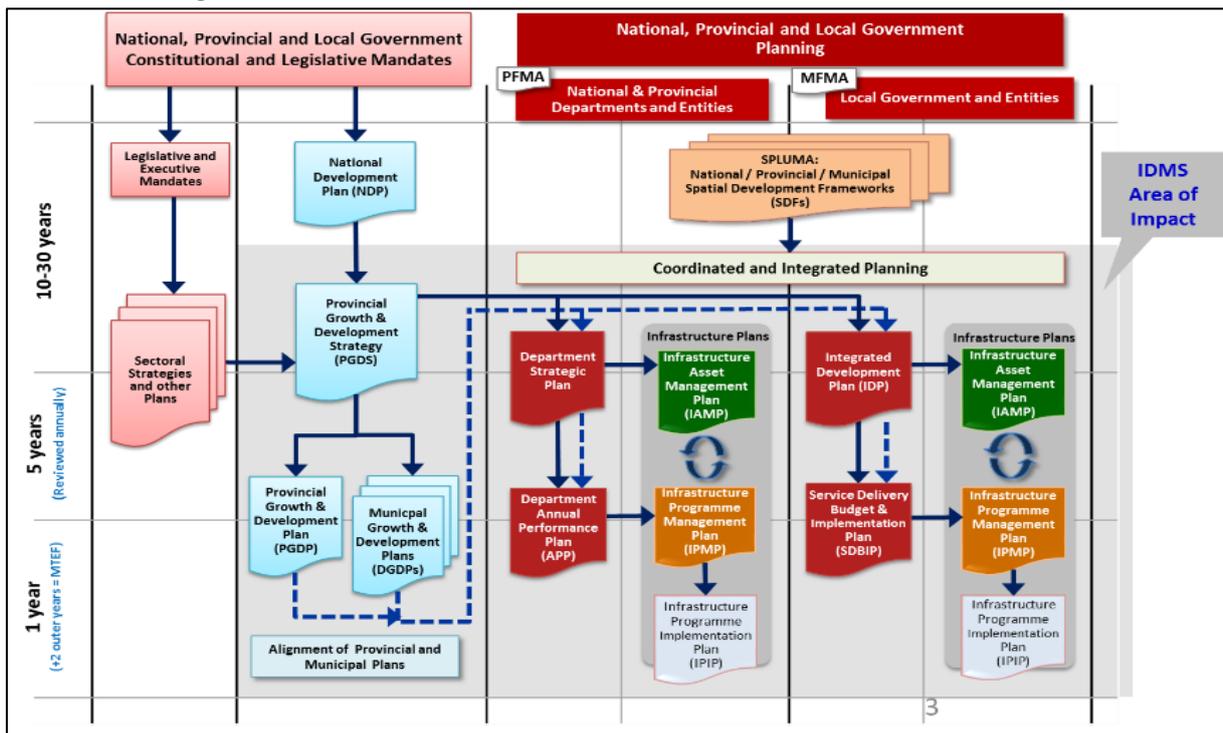


Figure 8: The Hierarchy and Alignment of Policy, Strategy and Planning in Government

**Tip**  
The IDMS, when applied, will assist organisations in complying with applicable legislation.

## *The IDMS target audience*

The target audience of the IDMS and IDM Toolkit is primarily South African government personnel, across all spheres of government, working within the infrastructure planning and delivery space, and operating as the Client / infrastructure budget holder and/or Implementer / Implementing Agent. The target users include both technical and non-technical managers, and infrastructure practitioners in the public and private sector. Typically, these would include Heads of Department (HoD's), Municipal Managers (MM), Chief Directors (CD's), Directors, Deputy Directors (DD), Chief Financial Officers (CFO's), Portfolio Managers, Programme Managers and Project Managers, or the equivalent.



### Good practice

"Education is the most powerful weapon which you can use to change the world."  
*Nelson Mandela*

## *Objectives of the IDMS*

The primary objectives of the IDMS are to:

- Contribute to a transformed society, through improving infrastructure delivery and achieving developmental objectives;
- Promote reliable, repeatable, predictable Infrastructure Delivery Management (IDM) processes, based on best practice and legislative requirement;
- Create long term certainty in planning and delivery of IDM processes, using the five Life Cycle Strategies, which lead to the development and implementation of the 5 Life Cycle Programmes;
- Promote standardisation and uniformity on how infrastructure assets must be delivered and managed throughout the three spheres of government

## *IDMS Principles*

The effective development and implementation of infrastructure strategies depends on the ability to build unity in action, through the application of the following seven principles of the IDMS:

- Broad ownership;
- Policy consistency;
- Planning alignment;
- Clarity of responsibility and accountability;
- Evidence-based decision making;
- Continuous Improvement and scalability;
- Continuous capacity and capability building;
- Full integrated system with a structured hierarchy of interdependencies and sequence of impacts within subsets.

## *IDMS Benefits*

### **Benefits to Accounting Officers:**

- Improved alignment of national and sector strategies with the infrastructure asset strategies, as well as the organisation strategies;
- Understanding of delivery and procurement management processes;
- Improved control of infrastructure delivery, due to appropriate decision points within the delivery and procurement management processes;
- Consistent, reliable reporting, based on the full life cycle costs of infrastructure, through to infrastructure asset disposal;
- Understanding of governance obligations.

### **Benefits to infrastructure delivery managers:**

- Understanding of delivery and procurement management processes and identification of the specific actions associated with such processes;
- Identification of appropriate delivery options;
- Development of programme plans, using simple templates and guides;
- Alignment of the allocated budgets to infrastructure programmes;
- Identification and prioritisation of projects;
- Improved operations and maintenance management;
- Improved management of the procurement of supplies, services and engineering and construction works;
- Improved management of the planning and design of projects;
- Improved management of procurement and project delivery processes;
- Improved oversight of the implementation of projects and performance of the contract administration functions;
- Improved performance and risk management

### **Organisational benefits:**

- Organisations will be better empowered with good practice guidelines, within a simple structured system, based upon well-defined processes that are necessary to achieve effective infrastructure delivery;
- Greater level of uniformity of infrastructure project implementation, across different organs of state;
- Greater level of certainty achieved within the construction industry of how programmes and projects are rolled out by the public sector; including specific knowledge of process steps and RASCI;

- The Toolkit will provide a structured environment for inexperienced delivery managers to thrive and gain understanding well beyond their years of experience, using templates formulated from years of distilled good practice;
- Senior management will have a tool to hold delivery managers accountable for performance;
- Reporting of progress, performance and impact will be uniformly documented;
- The quality and value for money of service delivery will improve.

## *Critical Success Factors*

The critical success factors for the implementation and institutionalisation of the IDMS include the following:

- Establishment of **strategic partnerships**
- Clearly mapped out **roles and responsibilities** between the relevant departments as well as between the different spheres of government as per the provincial protocols for the implementation of the IDMS;
- **Buy-in** by both political and departmental executive management
- **Continuous training and capacitation** of both executive and infrastructure delivery practitioners;
- **Leadership Alignment** and effective **stakeholder management** and communication; and
- Effective **integration, monitoring and coordination** functions by both leaders and Executive management.

# 2.3 Infrastructure Delivery Management Toolkit

## Subsection 2.3: Infrastructure Delivery Management Toolkit

### *Governance and structure*

The following principles were selected to enable good governance performance, and to achieve sustained success in the organizations.

- **Authenticity** - Confidence that users are genuinely dealing with government information and services that are current.
- **Consistency** - Trustworthiness of the information provides informed decision-making.
- **Reliability** - Trust that information is protected, and that it is complete, accurate and trustworthy.
- **Accessibility** – Access to all parts of the toolkit that hold the information or services to users, is seamless and a pleasant experience.
- **Scalability** – The IDM Toolkit supports infrastructure delivery managers and practitioners at all levels of understanding, from a novice right through to an advanced level of expertise. The IDM Toolkit is also structured to assist all sizes of organisations, ranging from a small Local Municipality to a National Department. As the IDM Toolkit website covers all life cycles ranging from a 30-year NDP to a quarterly budget update, it is scalable for a wide range of life cycles.
- **Uniformity** – Promotes uniformity in the various spheres of government in the interpretation and application of government’s Infrastructure Delivery Management Systems and processes.

The structure of the IDM Toolkit, which provides guidelines, templates, supporting information and examples is shown in the figure below.



Figure 9: The Structure of the IDM Toolkit

### Key Concepts

The key concepts of the IDM toolkit is summarised below:

- The PDCA (Plan, Do, Check Act) cycle:** The PDCA cycle enables an organization to ensure that its processes are adequately resourced and managed and those opportunities for improvement are determined and acted on.



Figure 10: The PDCA Cycle

2. **Risk-based thinking:** Risk based thinking makes preventive action part of the activity in the all the processes applied throughout the PDCA cycle. Risk-based thinking enables an organization to determine the factors that could cause its processes and its quality management system to deviate from the planned results, to put in place preventive controls to minimize negative effects and to make maximum use of opportunities as they arise.
3. **Continuous improvement:** Maturity models are widely used as a best practice for ‘**continual improvement**’ of asset and other management processes, i.e. improvement actions based on the (usually) annual maturity assessments of asset management processes. Maturity is strongly linked to one of IDMS principles namely ‘scalability’ aimed at making the IDMS implementable in all spheres of government, and in all organisations within government, whether, big or small.
4. **Value for money: Value for money** may be regarded as the optimal use of resources to achieve the intended outcomes and most of all achievement of public value ensuring that the communities realise the benefits intended through infrastructure delivery programmes and projects.
5. **IDMS Control System:** The **IDMS Control System** provides controls for the implementation of the IDMS and can be readily used as a checklist to monitor IDMS compliance by various stakeholders responsible to provide oversight roles on infrastructure delivery and management such as the Auditor General, National and Provincial Treasuries and some national departments
6. **Line of Sight: Line of Sight** refers to ensuring that activities in strategic, tactical and operational levels are integrated and contributing to the broader achievement of the organisation’s mandate and strategic goals.
7. **Systems Thinking approach:** The IDMS is based on **systems thinking** and therefore the elements of the IDMS and their processes cannot operate on their own or in isolation from each other. They are interrelated, interdependent and mutually reinforcing.

## 2.4 IDM Control System

### Subsection 2.4: The IDM Control System

The Infrastructure Delivery Management (IDM) Control System is a specific governance control of the IDMS that is aligned to the IDM Processes Placemat.

The IDM Control System comprises of:

- **Control Cycles** that are specific to portfolio, programme, operations and maintenance management processes. The Control Cycles produce Control Points (CP) Deliverables, each of which must be signed off but are not seen as pre-requisites for moving to another process as these processes are generally cyclical in nature and inform, or are informed by, each other. A CP Deliverable supports legislative requirements, including DoRA, PFMA, MFMA, GIAMA and IGRFA.
- **Control Stages** are specific to Project Management Processes. Control Stages outline and describe the stages in the life of a project, from start to end. The specific stages are determined by the specific project's governance and control needs. The stages follow a logical sequence with a start and an end, the latter normally being accompanied by a deliverable. When this deliverable is approved and signed off, it is considered to have passed through the relevant stage gate, and the project then moves on to the next sequential stage.



**Good practice**

Infrastructure procurement must be used as a vehicle to drive socio-economic and developmental objectives of a developmental state such as South Africa .

## Portfolio Management Processes:



Figure 11: Portfolio Management Processes:

Table 1: Portfolio Management Control Cycle

Process	Control Cycle	
Name	Control Point  Deliverable	Description
Infrastructure Planning	Infrastructure Asset Management Plan (IAMP)  Note: In National & Provincial Government the CP Deliverable is a UAMP & RAMP	The IAMP is a description of the current and expected role infrastructure assets play in the organisation’s service delivery offering, how risks to service delivery using infrastructure assets will be managed and an assessment of the financial implications of using and managing infrastructure assets to deliver services. The IAMP includes a list of programmes and projects over the prescribed planning period as well as a prioritised list to be implemented against a forecasted infrastructure budget. Minimum contents of the IAMP include: <ol style="list-style-type: none"> <li>1. Executive Summary</li> <li>2. Introduction</li> <li>3. Levels of Service</li> <li>4. Future Demand</li> <li>5. Lifecycle Management Plan</li> <li>6. Management Risks</li> <li>7. Financial Summary</li> <li>8. Plan Improvement and Monitoring</li> <li>9. Resourcing Strategy</li> <li>10. Appendices</li> </ol>

## Programme Management Processes



Figure 12: Programme Management Processes

Table 2: Programme Management Control Cycle

Process	Control Cycle	
Name	Control Point 	Description
	Deliverable	
Defining	Infrastructure Programme Management Plan (IPMP)	<p>The IPMP is a formally approved document prepared by an organisation that specifies how its infrastructure programme will be executed, monitored and controlled over the planned MTEF period. The IPMP documents the deliverables to be achieved by each party in accordance with the designated roles and responsibilities defined in the agency agreement.</p> <p>Minimum contents of the IPMP include:</p> <ol style="list-style-type: none"> <li>1. Programme Objectives</li> <li>2. Programme Scope Management</li> <li>3. Programme Cost Management</li> <li>4. Programme Time Management Plan</li> <li>5. Key success factors and the performance indicators</li> <li>6. Review Programme and Project Quality requirements</li> <li>7. Review health, safety, socio-economic and environmental risks</li> <li>8. Review Communication plan</li> <li>9. Review Internal and external resources</li> <li>10. Programme Resources</li> </ol> <p>The programme governance framework is also developed during this process, by defining the strategies for quality, stakeholder engagement, risks and issues, benefits, resources, planning and control and information management.</p>
Review	End of Year (EoY) Report	The EoY report assesses the performance of the organisation against its annual objectives and goals and the completeness of delivery of the

		<p>IPMP, Delivery Management Strategy and an Infrastructure Procurement Strategy.</p> <p>The EoY Report forms an integral part of other planning and reporting documents, thus there should be consistency and alignment between the different reports as prepared in terms of different stages of the IDMS. The main purpose of the EoY Evaluation is to assess:</p> <ul style="list-style-type: none"> <li>• Progress made by the end of financial year by the Programmes against the objectives and outcomes.</li> <li>• Past financial and non-financial performance of the infrastructure delivery of the Department.</li> <li>• Impact that the previous year’s performance will have on planning and implementation on the next and subsequent year’s delivery.</li> <li>• Monitoring and the key competencies deployed to track and report on progress.</li> <li>• Risks on Programme and Project Management levels.</li> <li>• Overall management of the Programme.</li> <li>• Organisation capability and individual capacity to manage infrastructure.</li> </ul> <p>Minimum contents of the EoY Report include:</p> <ol style="list-style-type: none"> <li>1. Introduction</li> <li>2. Description of Funding Source</li> <li>3. Financial Allocation and Expenditure Overview</li> <li>4. Nature of Investment, Commitments, Rollovers and State of Readiness</li> <li>5. Programme Management</li> <li>6. Operations and Maintenance</li> <li>7. Project Management</li> <li>8. Infrastructure Results</li> <li>9. Conclusion and Way Forward</li> <li>10. Glossary</li> </ol>
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## Operations and Maintenance Management Processes



Figure 13: Operations and Maintenance Management Processes

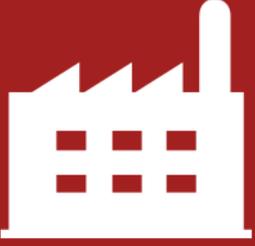
**Good practice**

The Operations and Maintenance team must be brought on board as early as the initiation process to contribute towards the handover strategy and to undergo training

Table 3: Operations and Maintenance Control Cycle

<b>Process</b>	<b>Control Cycle</b>	
<i>Name</i>	<i>Control Point</i>	<i>Description</i>
	<i>Deliverable</i> <span style="border: 1px solid blue; border-radius: 50%; padding: 2px;">CP</span>	
Infrastructure Asset Verification	Updated Asset Register (for a Facility or IA Network)	Updated record of infrastructure asset information and data attributes, preferably quarterly, but at a minimum annually. These updates are required on completion of work carried out on the infrastructure assets i.e. acquisition, construction, renewal, maintenance and disposal.  Minimum contents: As prescribed by National Treasury and the National Immovable Asset Maintenance Management (NIAMM) Standard.
Operations Planning	Operations Management Plan (OMP)	The OMP contains the Operations Work Schedules with the organizational structure and institutional arrangements for the planning, implementation, monitoring and controlling of all operational activities.  Minimum contents: (Annual Operations Management Plan describing operations requirements) includes: <ol style="list-style-type: none"> <li>1. Operating procedures.</li> <li>2. Scheduling activities.</li> </ol>

		<ol style="list-style-type: none"> <li>3. Emergency procedures.</li> <li>4. Resource (staff, funding, equipment, materials, etc.) requirements.</li> <li>5. Performance and quality requirements.</li> <li>6. Risks and OHS provisions</li> </ol>
Maintenance Planning	Maintenance Management Plan (MMP)	<p>Annual Maintenance Management Plan describing the actions required to keep infrastructure assets in as near as is practical to their original condition (without renewal) and to ensure their minimum availability and reliability.</p> <p>Minimum contents:</p> <ol style="list-style-type: none"> <li>1. Maintenance procedures and activities.</li> <li>2. Scheduling of activities.</li> <li>3. Resource (staff, funding, equipment, materials, etc.) requirements.</li> <li>4. Performance and quality requirements.</li> <li>5. Risks and OHS provisions.</li> </ol>
Management Review	Maintenance Management Review Report (MMRR)	<p>Management reviews provide top management with an opportunity to evaluate the continuing suitability, adequacy and effectiveness of the assets, asset management, and asset management system.</p> <p>Minimum contents:</p> <ol style="list-style-type: none"> <li>1. Achievement of the O&amp;M objectives</li> <li>2. O&amp;M performance in terms of the pre-determined performance measures</li> <li>3. Review of the O&amp;M risks as documented in the Risk Register</li> </ol> <p>The Management Review Report should be presented to and signed-off by the accounting officer of the facility or network.</p>





**Checklist**  
 Operations and Maintenance activities (often referred to as 'Jobs' and initiated via 'Job Cards' / 'Works Orders') are:

- Generally ongoing (though objectives might be re-defined from time-to-time), and repetitive in nature;
- Focussed on sustaining levels of service;
- Much smaller in scope than projects;
- Much shorter in timespan than projects;
- Generally, not comprised of stages and associated deliverables.

## Project Management Processes:

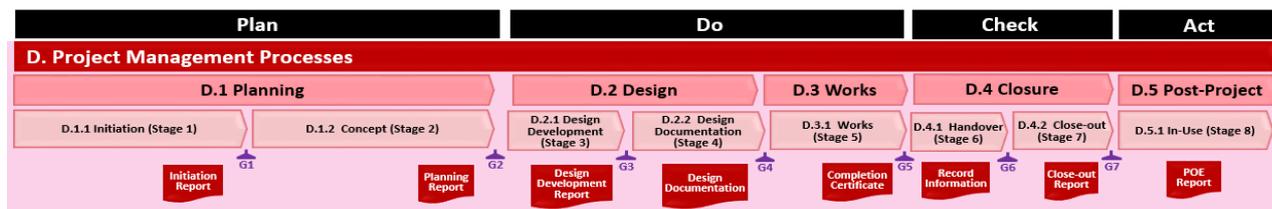


Figure 14: Project Management Processes:

Table 4: Project Management Control Framework

Stage		Control Gate	
No	Name	Stage Deliverable	Description
1.1	Initiation (Stage 1)	Initiation Report: Strategic Brief / Prefeasibility Report, Handover Strategy v1 Project Charter, Project Baseline Plan v1	Prepare Project Charter, Handover Strategy v1; Risk Assessments; Establish 1st version of the Control Budget; Conduct preliminary investigations, stakeholder consultations, site visits, desk top studies; Identify procedures, organizational structure, key constraints, statutory permissions & utility approvals etc. to take project forward; Prepare Project Baseline Plan v1
1.2	Concept (Stage 2)	Planning Report: Concept Report / Feasibility Report, Handover Strategy v2, Project Baseline Plan v2	Review & update Handover Strategy, Risk Assessments; Obtain site studies & specialist advice; Establish feasibility of satisfying strategic brief; within control budget – if not feasible, establish 2nd version of Control Budget; Determine initial design criteria & design options to carry out the work; Investigate alternative solutions, recommend preferred solution; Establish detailed brief, scope, scale, form & cost plan; Develop indicative schedule; Produce site development plan / schematic layout of works; Obtain statutory permissions, funding or utility approvals to proceed with works; Prepare Project Baseline Plan v2
1.3	Design Development (Stage 3)	Design Development Report, Handover	Review & update Handover Strategy, Risk Assessments; Produce final detailing, performance definition, specification, sizing & positioning of all

		Strategy v3, Project Baseline Plan v3	systems & components enabling construction (except in certain instances, the Manufacture, Fabrication and Construction Information for specific components of the work that the contractor might only need to provide once construction has begun); Project Baseline Plan v4
1.4	Design Documentation (Stage 4)	Design Documentation, Handover Strategy v4, Project Baseline Plan v4	Review & update Handover Strategy, Risk Assessments; Produce final detailing, performance definition, specification, sizing & positioning of all systems & components enabling construction (except in certain instances, the Manufacture, Fabrication and Construction Information for specific components of the work that the contractor might only need to provide once construction has begun); Project Baseline Plan v4
1.5	Works (Stage 5)	Completed Works capable of being used or occupied; Handover Strategy v5; Project Baseline Plan v5; completion certificates (Certificate of Practical Completion, Completion Certificate etc.)	Produce the Manufacture, Fabrication and Construction Information for approval by implementer; Provide temporary works; Provide permanent works; Manage risks wrt OHS & environment; Administer contract in accordance with the terms and provisions of contract and ensure compliance with requirements, incl: <ul style="list-style-type: none"> <li>- Conducting of site meetings</li> <li>- Quality assurance</li> <li>- Issuing of Site Instructions</li> <li>- Monitoring of construction quality and progress</li> <li>- Control of scope and cost</li> <li>- Payment certification</li> </ul> Review & update handover strategy; Prepare Project Baseline Plan v5
1.6	Handover (Stage 6)	Works which have been taken over by user or owner; completed training; Record Information; Handover Strategy implemented, final version of Project Baseline Plan	Complete and implement Handover Strategy, including, as appropriate, signing of, handover certificate; Complete training for personnel for both operation and maintenance; ensure receipt of compliance certificates; prepare & finalise Record Information; Correct defects; Prepare final version of Project Baseline Plan & Handover Strategy

1.7	Close-Out (Stage 7)	Defects Certificate or Certificate of Final Completion; Final Account; Close-Out Report, Section 42 Transfer to Asset Register	Correct final defects (where applicable); issue relevant Defects Certificate or Certificates of Final Completion, in terms of the contract; certification and payment of Final Accounts; Record updated asset information on Asset Register; Prepare Close Out Report
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*Section 3:*  
*Planning and*  
*budgeting*



# 3.1 Overview

## Section 3: Planning and budgeting

### Subsection 3.1: Overview

#### Purpose of this section

The purpose of this Section is to introduce the IDMS Planning and Budgeting Module to the District Municipal Management. This module provides guidance on IDMS planning and budgeting processes and deliverables that the municipality are accountable for, and provides guidelines on the roles and responsibilities of the officials responsible for implementing these processes.

#### Learning outcomes

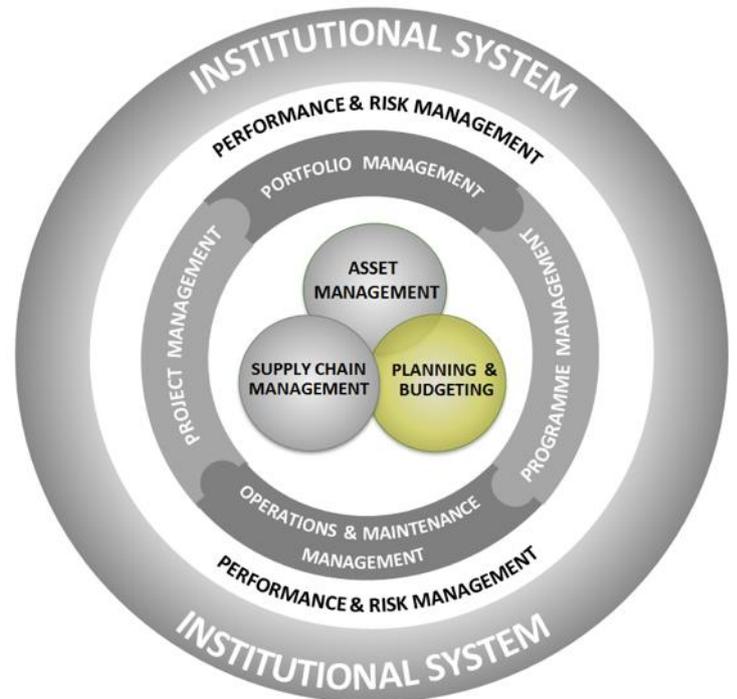
By the end of the Section you:

- Will understand the **context** of the Planning and Budgeting module of the IDMS;
- Will have knowledge of the **key concepts** and components of best practice planning and budgeting;
- Will understand the alignment between infrastructure planning and budget cycles;
- Will have knowledge on the performance management elements that relate to infrastructure planning and budgeting;
- Will understand the monitoring and controlling requirements for infrastructure planning and budgeting; and
- Will know what is expected of Executives to **institutionalise** the IDMS across your Municipality.

## *IDMS Concept Diagram: Planning and budgeting*

The legality of the IDMS for application in all spheres of government is endorsed by:

- The 9 Provincial IDMS Framework documents, which have been approved by Provincial EXCO's (thereby endorsing IDMS in each Province);
- Sections within the annual issue of the Division of Revenue Act (DoRA);
- Endorsement of the IDMS by the Presidential Infrastructure Coordination Committee (PICC); and
- The Standard for Infrastructure Procurement and Delivery Management (SIPDM) issued by National Treasury in November 2015. [Note: The SIPDM is under review but remains applicable as currently published until an update is approved and released by National Treasury].



*Figure 15: IDMS Concept Diagram: Planning and Budgeting*

## *What are the benefits?*

The benefits arising from effective infrastructure planning and budgeting include:

- Greater certainty in terms of budget allocation and utilisation, as more accurate longer-term projections benefit all role players within the infrastructure delivery sector, given that infrastructure provision is a major source of employment;
- Improved alignment of service delivery with Infrastructure Plans;
- Increased ability to deal with unexpected demands (both physical and financial);
- Better financial planning, certainty and accountability;
- Optimal utilization of available human resources (especially in terms of the professional built environment and managers to provide leadership); and
- Strategic utilisation of limited resources in achieving a balance between providing new infrastructure and ensuring existing infrastructure remains fit for purpose.

The demand to speed up service delivery and ‘fast track’ projects is often at the expense of adequate planning. This short-sighted approach frequently results in the unintended consequences of significant cost and time overruns or poor quality of new infrastructure. Cutting corners at the infrastructure planning stage is a false economy. It is generally accepted that the later any change is addressed in a project, the greater the cost, risk and duration of that project. Accordingly, it is essential that proper planning is undertaken to minimise the need for changes during the project implementation phase.

## *3.2 The Alignment model*

### **Subsection 3.2: The Alignment Model**

To improve planning and efficiency in the delivery of infrastructure, the Alignment Model was developed, which called for the amendment of the timeframes of the Infrastructure Delivery Cycle to include appropriate due processes in the cycle, as well as to create the critical linkages that are necessary between the Infrastructure Delivery Cycle and the MTEF Budget Cycle. Longer timeframes for the Infrastructure Delivery Cycle also means that the start of the infrastructure planning process leads the start of the budget planning process, by at least one year. Allowing for this lead time adds immense value to the budget planning process, as projects identified and prioritised during infrastructure planning, can now also become an input into the budget planning process, which will be strengthened with the inclusion of actual project/works estimates.

The Budget Cycle and the Infrastructure Delivery Cycle are multi-year cycles, with a new cycle started each financial year. Consequently, the cycles overlap each other, and in any one-year, officials are busy with activities relating to a number of different infrastructure delivery cycles, each of which is in a different phase of delivery.

The figure below shows the alignment of the two cycles, and clearly indicates the dependence of the MTEF Budget Cycle on the Infrastructure Delivery Cycle.

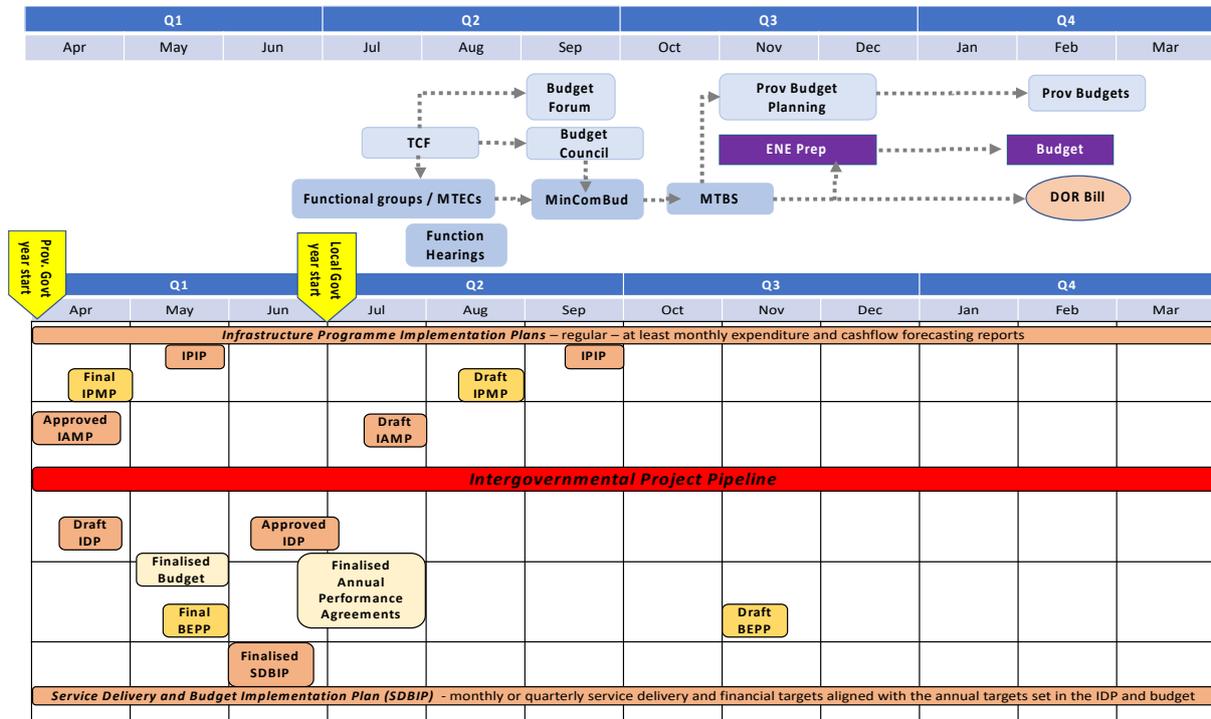


Figure 16: Alignment of the Planning and Budgeting Cycles

The overall objective of the Alignment Model is to ensure that projects are identified early enough to allow sufficient time to effectively implement the infrastructure delivery cycle; and to ensure that organisation budgets are informed by actual projects/works estimates. In the model, submission dates for budget purposes are specified in DoRA each year, and project/programme planning needs to impose these timeframes on any project. The Model strives to instil good practice for infrastructure delivery by allowing for multi-year planning

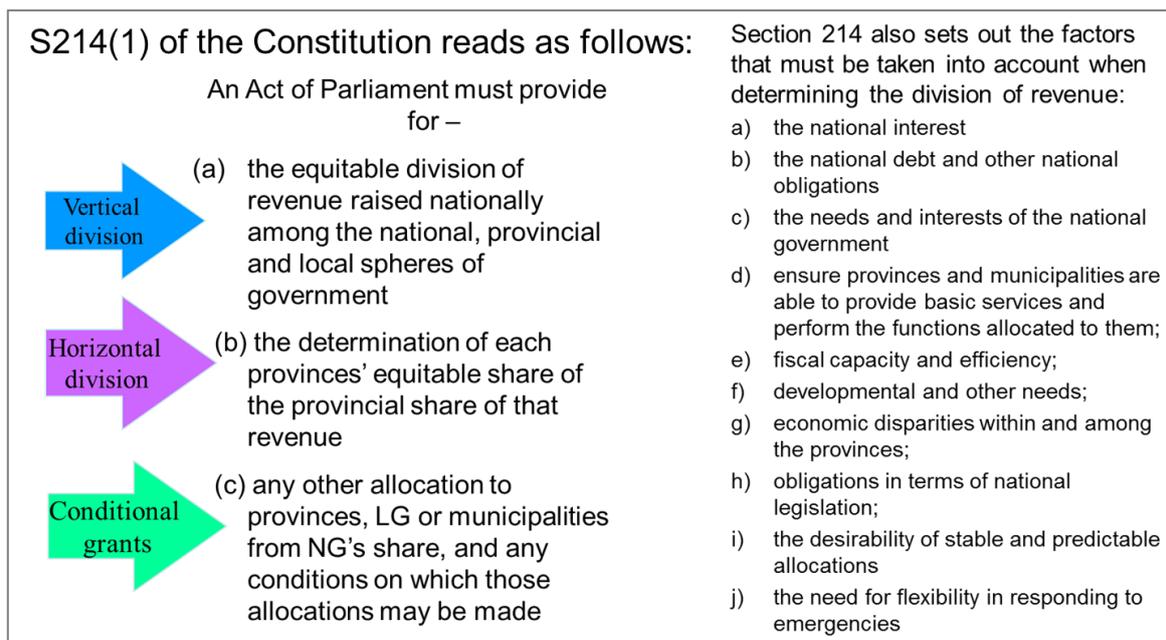
# 3.3 Legislative requirements

## Subsection 3.3 Legislative Requirements

### The Constitution

Chapter 13 of the Constitution of the Republic of South Africa, (Act No. 108 of 1996), includes:

- Section 213, that limits exclusions and withdrawals from the National Revenue Fund, through an Act of Parliament;
- Section 214(1), that requires that every year the Division of Revenue Act determines the equitable division of nationally raised revenue between national government, the nine provinces and 278 municipalities. This budget process considers the powers and functions assigned to each sphere of government. The division of revenue process fosters transparency and is at the heart of constitutional cooperative governance;
- Section 215, which notes that budgets and the budgetary process "must promote transparency, accountability and the effective financial management of the economy, debt and the public sector" and for national legislation to "prescribe" budget formats for all the spheres of government;
- Section 217, that procurement be "in accordance with a system which is fair, equitable, transparent, competitive and cost-effective";
- Section 218, deals with the conditions for the issue of guarantees by a government in any sphere;
- Section 226, that limits an exclusion from a provincial revenue fund through an Act of Parliament; and
- Sections 100 and 216, which deal with intervention by the national government when an organ of state fails to perform an executive function related to financial management, and circumstances under which funds may be withheld.



*Figure 17: Division of Revenue - Constitutional Principles for Distribution of Equitable Shares*

Chapter 13 of the Constitution further outlines the requirements for national legislation to, amongst others:

- Establish a national treasury;
- Introduce uniform treasury norms and standards;
- Prescribe measures to ensure transparency and expenditure control in all spheres of government by introducing generally recognized accounting practice, and uniform expenditure classifications; and
- Set the operational procedures for borrowing, guarantees, procurement and oversight over the various national and provincial revenue funds.

National Treasury's primary objective is to secure sound and sustainable management of the financial affairs of national, provincial and local government, and to lead policies and reforms.

## **Municipal Finance Management Act (MFMA)**

The National Treasury has played a pivotal role in the introduction of financial management reforms across government since 1994, and in local government since 1996. One of the cornerstones of the reform initiative is that implemented through the Municipal Finance Management Act No. 56 of 2003 (MFMA), which became effective in July 2004, and is supported by the annual Division of Revenue Act. This piece of legislation has been aligned with other local government legislation - such as the Structures Act, Municipal Systems Act, Property Rates Act and their regulations, to form a coherent package.

The National Treasury has developed an implementation strategy of financial and technical support for local government structured around the MFMA, which includes conditional grants, subsidies, technical guidelines and policy advice. This strategy considers the diverse capacity of municipalities to implement the reforms, and the requirement for institutional strengthening, building municipal capacity and improving municipal consultation, reporting, transparency and accountability. The implementation of the strategy requires close co-operation with sector departments in the national and provincial spheres.

The MFMA:

- Aims to establish budget, accounting and financial management practices by placing local government finances on a sustainable footing to maximise the capacity of municipalities to deliver services to communities. It also aims to put in place a sound financial governance framework by clarifying and separating the roles and responsibilities of the council, mayor and officials;
- Is required by the Constitution, which obliges all three spheres of government to be transparent with respect to their financial affairs. It also forms an integral part of the broader reform package for local government, as outlined in the 1998 White Paper on Local Government. Section 153 of the Constitution requires that “a municipality must structure and manage its administration, budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community”; and
- Together with the Municipal Systems Act (2000), aims to facilitate compliance with this constitutional duty by ensuring that municipalities’ priorities, plans, budgets, implementation actions and reports are properly aligned.

## **Appropriation Act**

Section 213(2) of the Constitution, 1996 determines inter alia, that money may only be withdrawn from the National Revenue Fund in terms of an appropriation by an Act of Parliament. It is also a money bill in terms of section 77 of the Constitution. The Appropriation Act is therefore the legal framework by which departments obtain funds from the National Revenue Fund to finance their activities.

The Appropriation Act contains the expenditure information of all national departments at programme level, as well as short descriptions of the aims, outputs and targets of the departments and their programmes. In addition to the allocations per department and programme, the expenditure is also divided between current and capital expenditure, as well as transfers.

## **Division of Revenue Act (DoRA)**

The purpose of DoRA is to provide for the equitable division of revenue raised nationally, among the national, provincial and local spheres of government for the current financial year, and the responsibilities of all three spheres pursuant to such division; and to provide for matters connected therewith.

Section 214 of the Constitution (Act 108 of 1996) requires that an Act of Parliament be promulgated annually to provide for:

- (a) the equitable division of revenue raised nationally among the national, provincial and local spheres of government;
- (b) the determination of each province's equitable share of the provincial share of that revenue; and
- (c) any other allocations to provinces, local government or municipalities.

The Division of Revenue Act is primarily directed at supporting the principles of co-operative government, and strengthening inter-governmental relations, as stipulated in the Constitution.

The Minister of Finance motivates and tables the national budget in parliament. The Division of Revenue Bill is tabled annually and passed as the Division of Revenue Act (DoRA) for that fiscal year. In addition to the equitable distribution of revenue, the DoRA also provides for other allocations to provinces and municipalities.

Where there are conditional grant funds allocated for infrastructure, the conditions and requirements for the successful application are included in DoRA, National Sector Departments are required to annually review and finalize the Frameworks and the Frameworks are then attached to DoRA. It is therefore imperative that all officials involved in infrastructure procurement and delivery have a detailed knowledge of the Act and the conditions of the grants, and that they adhere to these requirements.

# 3.4 Planning

## Subsection 3.4 Planning

The Constitution assigns exclusive and concurrent powers and functions to each sphere of government. National government is exclusively responsible for functions that serve the national interest and are best centralised. National and provincial government have concurrent responsibility for a range of functions. **Provincial and local government receive equitable shares and conditional grants to enable them to provide basic services and perform their functions (which may shift between spheres of government), which is then reflected in the division of revenue.** Changes continue to be made to various national transfers to provincial and local government to improve their efficiency, effectiveness and alignment with national strategic objectives.

The Constitution gives provincial governments **and municipalities the power to determine priorities and allocate budgets.** National government is responsible for developing policy, fulfilling national mandates, setting national norms and standards for provincial and municipal functions, and monitoring the implementation of concurrent functions. It also ensures that baseline reductions do not affect important obligations that are already funded through existing provincial and local government allocations. Infrastructure strategy should always emanate from the more comprehensive macro government strategies which exist within each sphere of government, and of which infrastructure delivery is a smaller component.

Examples of these comprehensive government strategies include the National Development Plan (NDP), which is a national strategy, the nine Provincial Growth and Development Strategies (PGDS), and the Provincial Spatial Development Frameworks, which are province specific strategies, as well as the Integrated Development Plan (IDP), which is a comprehensive developmental strategy for each local authority. These macro strategies cascade from the national, to the provincial and local spheres of

government. Similarly, a set of infrastructure strategies should be aligned to these comprehensive strategies, that cascade from the national, to the provincial and to the local spheres of government.

## Planning Framework

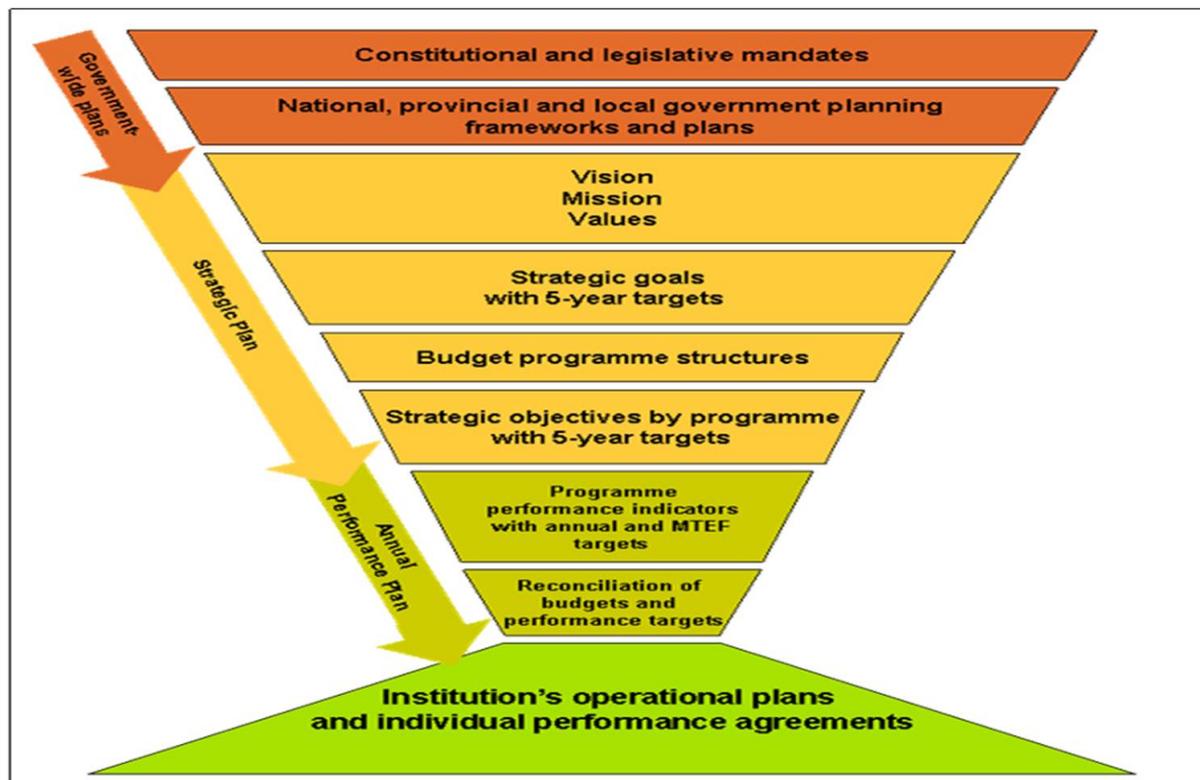


Figure 18: Government's Planning Framework Diagram

1. The Constitutional and legislative mandates direct operations and service delivery obligations.
2. The government's programmes and policies are set out at the beginning of each term of office in a medium-term strategic framework (MTSF), approved by Cabinet and published by the Presidency. Government's approach to planning is intended to target the achievement of results and outcomes, to ensure that government is focused on achieving the expected real improvements in the lives of South Africans. This approach has a direct impact on the budget process. Elements of the planning approach, as reflected in the Planning Framework diagram (see Figure 4-4), are discussed below.
3. Provincial planning frameworks – Provincial Premiers and the Executive Committees develop provincial development strategies, aimed at translating the election manifesto into a programme of action for the provincial government. In addition, there are other province-wide plans that provincial departments need to consider in their own planning processes.
4. Sectoral strategies – National ministers of concurrent function departments, in consultation with provincial MECs, are expected to develop a set of strategic outcome oriented goals and objectives for performance in their sectors.

5. Local government integrated development plans – Institutions planning the roll-out of new infrastructure and the location of new services, must ensure that their plans are aligned to, or informed by, local governments' integrated development plans (IDPs), and individual performance agreements.
6. Vision – Serves as a foundation for all policy development and planning, including strategic planning. It should be specific to the institution, but linked to the overall vision of a particular sector or cluster.
7. Mission – The mission statement is based on its legislative mandates, functions and responsibilities. In the budget documentation, the stated mission of the department should be the same as the aim of the Vote.
8. Values – Identify the principles in the institution carrying out its mission. These values should define a citizen-oriented approach for producing and delivering government services, in line with the *Battho Pele* principles.
9. Strategic outcomes-oriented goals – Identify areas of institutional performance that are critical to the achievement of the mission. They must be realistic and achievable. **Strategic outcomes-oriented goals should focus on impacts and outcomes**, but in exceptional circumstances, may deal with other aspects of performance. A strategic outcomes-oriented goal should ideally be written as a statement of intent that is specific, measurable, achievable, relevant and time-bound (SMART).
10. Budget programmes and purposes – Aligned to the main areas of service-delivery responsibility within the institution's mandate. A programme purpose, as captured in the annual budget, is a statement that sets out in broad terms, the main areas of delivery for which funds are allocated.
11. Strategic objectives – Clearly state what the institution intends doing (or producing), to achieve its strategic outcomes-oriented goals. The objectives should generally be stated in the form of an output statement, although in exceptional circumstances institutions might specify them in relation to inputs and activities or outcomes.
12. Programme performance indicators and targets in the Annual Performance Plans – Used to track on-going performance. These indicators also reflect equity concerns and value for money in the use of resources.

## Legislative References

A list of the relevant regulatory requirements governing planning and budgeting is given below:

### **Constitution of the Republic of South Africa, 1996:**

*Section 153 states that a municipality must structure and manage its administration and budgeting and planning processes, to give priority to the basic needs of the community, and to promote the social and economic development of the community and participate in national and provincial development programmes.*

### **Municipal Finance Management Act No 56 of 2003:**

**MFMA S19** specifies the conditions for a municipality to spend money on capital projects, which include:

- The money for the project feasibility studies cost, has been appropriated in the capital budget, and the total cost of the project has been approved by the municipal council;
- The projected cost is available, covering all financial years;
- The implications for future operational costs and revenue on the project, including municipal tax and tariffs, are available; and
- A municipal council may approve capital projects below a prescribed value, either individually, or as part of a consolidated capital programme.

**MFMA S63** specifies that the responsibility of the accounting officer of a municipality as;

- the management of the assets of the municipality, including the safeguarding and the maintenance of those assets;
- maintenance of a management, accounting and information system that accounts for the assets and liabilities of the municipality; and
- that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register.

**MFMA S21** requires the mayor to consider the integrated development plans and consult relevant local and district municipalities, provincial treasury and national or provincial organs of state.

**MFMA S53** requires that the municipality's Service Delivery Budget Implementation Programme (SDBIP) be approved by the mayor, within 28 days of the budget being approved, with annual performance agreements linked to the SDBIP.

**Municipal Systems Act, Act 32 of 2000:**

**Sections 23 to 37** establish requirements for an Integrated Development Plan (IDP), which according to section 24, “must be aligned with, and complement, the development plans and strategies of other affected municipalities and other organs of state, so as to give effect to the principles of cooperative government contained in section 41 of the Constitution”.

**Section 35** describes the status of the IDP as being “the principal strategic planning instrument which guides and informs all planning and development, and all decisions with regard to planning, management and development, in the municipality”.

**Sections 78 and 79** address aspects of infrastructure investment planning. These sections require that the cost of ownership be known, and the appropriate delivery mechanism identified, ahead of implementation.

**Municipal Planning and Performance Management Regulations, August 2001**

The regulations are issued in terms of Section 37 of the Municipal Systems Act, which includes regulating “criteria municipalities must take into account when planning, drafting, adopting or reviewing their integrated development plans”.

The regulations pay particular attention to ensuring that the municipality’s spatial planning is aligned to the spatial planning of neighboring municipalities.

**Regulation 6(a)** states that “A municipality’s IDP must inform the municipality’s annual budget...”.

**Regulation 9** requires the municipality to set key performance indicators, in respect of each of the development priorities.

**Regulation 13** requires the municipality to implement a performance monitoring system that, inter alia:

- “provides for reporting to the municipal council at least twice a year, and is designed in a manner; and
- that enables the municipality to detect early indications of under-performance”, which includes “measurement of costs, resources and time used to produce the outputs in accordance with the indicators referred to in regulation 9”.

## Infrastructure Planning Requirements

Improved processes for municipal infrastructure planning and budgeting, empower a council to make better informed decisions, and are fundamental to sustainable and efficient service provision.

### Full cycle of budgets – from planning to implementation

A municipality is required to cover the whole budget-cycle, from planning and approval through to implementing budget plans and annual reporting. The first objective is to achieve quality and credible multi-year budgets.

The key elements of budgeting are:

- Multi-year budgets for capital and operating budgets;
- Tabling and approving budgets within the prescribed timetable;
- Integrating IDPs with budgets;
- Service Delivery and Budget Implementation Plans (SDBIPs); and
- Consultations with communities, national and provincial government.

The planning through to the budget phase is illustrated in the National Treasury figure 9 below, and described in the section that follows:

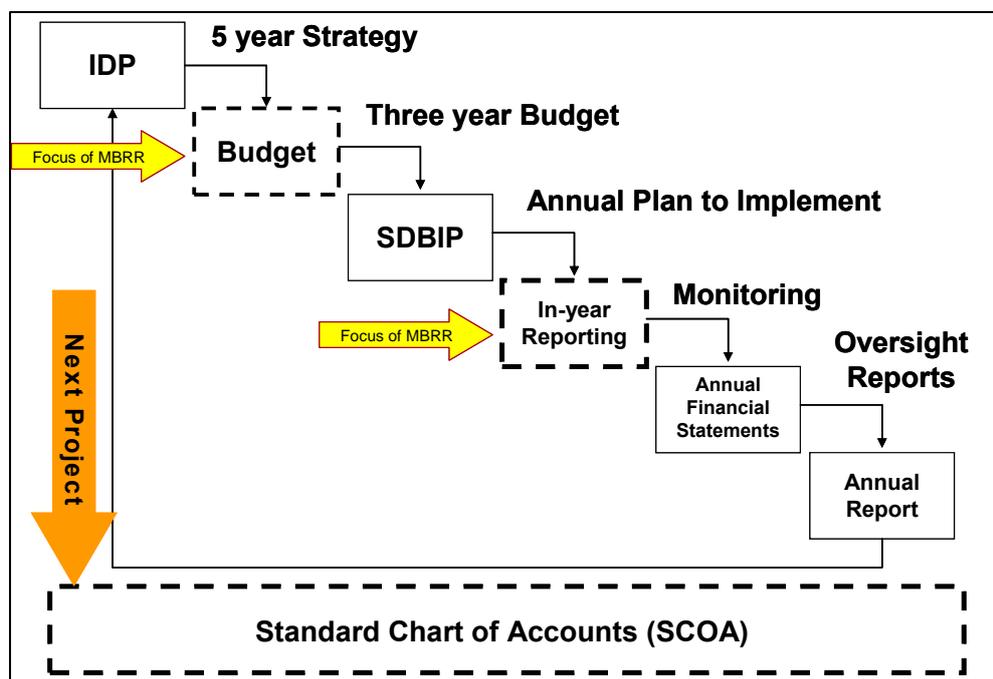


Figure 19: Main components of the financial management and accountability cycle

**Integrated Development Plan (IDP):** This sets out the municipality’s goals and development plans, which need to be aligned with the municipality’s available resources. Council adopts the IDP and undertakes an annual review and assessment of performance, based on the annual report.

**Budget:** The three-year budget (MTEF) sets out the revenue raising and expenditure plan of the municipality for approval by council. The allocation of funds needs to be aligned with the priorities in the IDP.

**Service Delivery and Budget Implementation Plan (SDBIP):** The SDBIP sets out monthly or quarterly service delivery and financial targets, aligned with the annual targets set in the IDP and budget. As the municipality’s ‘implementation plan’, it lays the basis for the performance agreements of the municipal manager and senior management.

**In-year reports:** The administration reports to council on the implementation of the budget and SDBIP through monthly, quarterly and mid-year reports. Council uses these reports to monitor both the financial and service delivery performance of the municipality’s implementation actions.

**Annual financial statements:** These report on the implementation of the budget, and reflect the financial position of the municipality. They are submitted to the Auditor-General, who issues an audit report indicating the reliance council can place on the statements, in exercising oversight.

**Annual report:** This is the primary instrument of accountability, in which the mayor and municipal manager report on implementation performance in relation to the budget and the SDBIP, and the progress being made in realising the IDP priorities.

**Oversight report:** Council produces an oversight report based on outcomes highlighted in the annual report and actual performance.

Figure 10, taken from the Guidance Note for the Built Environment Performance Plan (BEPP) 2016/17 – 2018/19 published by National Treasury, also highlights how the level of Local Government Planning must be aligned with governments budget process’s.

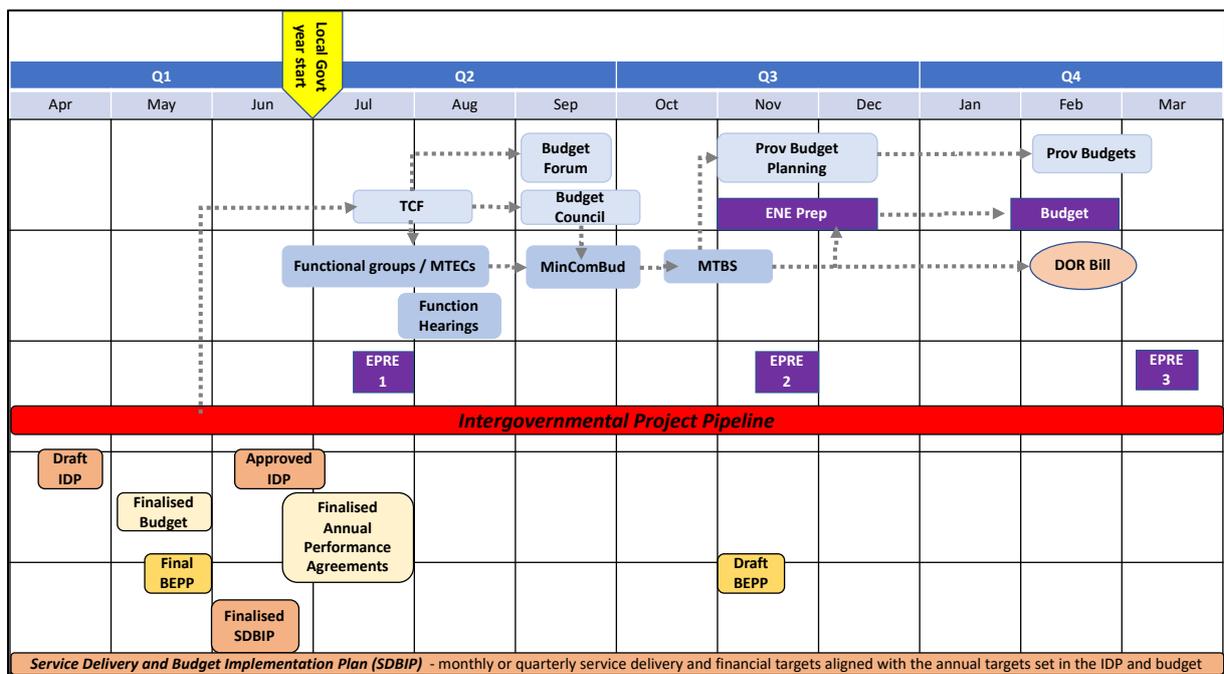


Figure 20: Local Government Planning Alignment

## Infrastructure Asset Management

The Department of Provincial and Local Government (DPLG) developed “GUIDELINES FOR INFRASTRUCTURE ASSET MANAGEMENT IN LOCAL GOVERNMENT 2006 – 2009”, to support improvement in the strategic management of municipal infrastructure assets.

The guideline provides a framework to facilitate the preparation of sector-specific Infrastructure Asset Management Plans (IAMPs) and the aggregation of these into a Comprehensive Municipal Infrastructure Management Plan (CMIP). These processes aim to improve strategic and tactical planning of infrastructure; performance management; risk management; financial management and capacity building; and are aligned with existing statutory municipal processes.

The guidelines draw on the concepts and approach portrayed in the International Infrastructure Management Manual (IIMM). The guidelines are an interpretation of the IIMM for application in South Africa, given the specific legislative, institutional, financial and technical environment, and intend to strengthen baseline competence in the country.

These guidelines propose that an Infrastructure Asset Management Plan (IAMP) is prepared for each sector (such as potable water, roads etc). These plans are used as inputs into the CMIP, that presents an integrated plan for the municipality, covering all infrastructure.

The CMIP provides a capital works programme (new works, upgrading, and renewals) and operations and maintenance strategies, risks and priorities, required budgets, funding arrangements and tariff implications now and into the future, and how management practice can be improved, as shown in figure below:



Figure 21: How the CMIP provides the infrastructure inputs for the IDP

The preparation of these plans will enable municipalities to:

- rank projects and determine budgets based on a holistic view of local needs and priorities;
- assess optimum funding arrangements; and
- demonstrate their ability to effectively manage and maintain infrastructure investments.

## *Comprehensive Municipal Infrastructure Plan (CMIP)*

The Department of Co-operative Governance and Traditional Affairs (COGTA), who is the custodians of the Municipal Systems Act, considers the preparation of a Comprehensive Municipal Infrastructure Plan (CMIP) to be a key mechanism to make known the cost of ownership, and to identify the appropriate delivery mechanism ahead of implementation, as required by the Municipal Systems Act of 2000. The COGTA Guidelines for Infrastructure Asset Management in Local Government define a CMIP as "a plan that provides a holistic overview of existing service performance, a vision of future performance scenarios, the risks, priorities, funding and tariff implications, as a strategic input to the Integrated Development Planning process".

In terms of the constitutional responsibility placed on COGTA, and in partnership with all other sector departments (particularly DWA, Department of Human Settlements, and DME) and layers within government, COGTA have developed a collaborative strategy for comprehensive infrastructure planning and management, to ensure sustainable service delivery.

The approach recognises the statutory development planning framework, that exists through the IDP process, the principles of life cycle Infrastructure Asset Management, and the links into the Municipal Infrastructure Investment Framework. It creates a basis for planning interventions to ensure sustainable municipal service delivery, by addressing the relevant spatial development, infrastructure, financial and institutional issues, required for sustainable service delivery.

The development of a CMIP at a municipal level serves as a clear business model, providing strategically focused actions for implementing the key initiatives identified in the IDP, while addressing sustainability. This is achieved by ensuring that efficient operations and maintenance is performed, that dilapidated assets are refurbished, that the necessary skills are provided, and by ensuring that funding is available.

It is proposed that municipalities draw their IAMPs together into one consolidated plan, known as the CMIP. The CMIP contains summarised key information from the IAMPs and provides the core infrastructure inputs to the IDP. This process is illustrated in the figures below, which are taken from the DPLG's Guidelines for Infrastructure Asset management in Local Government, 2006-2009.

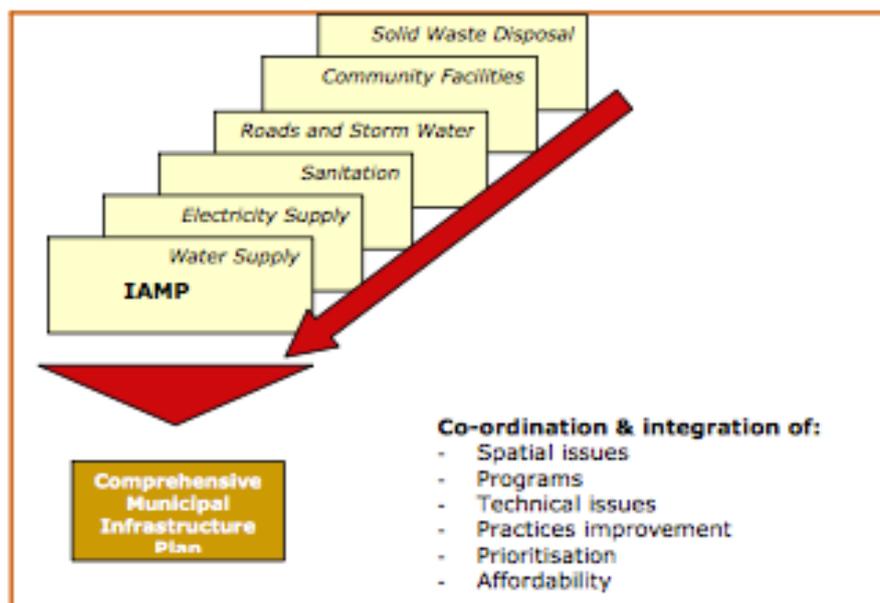


Figure 22: Integration of IAMPs into the CMIP

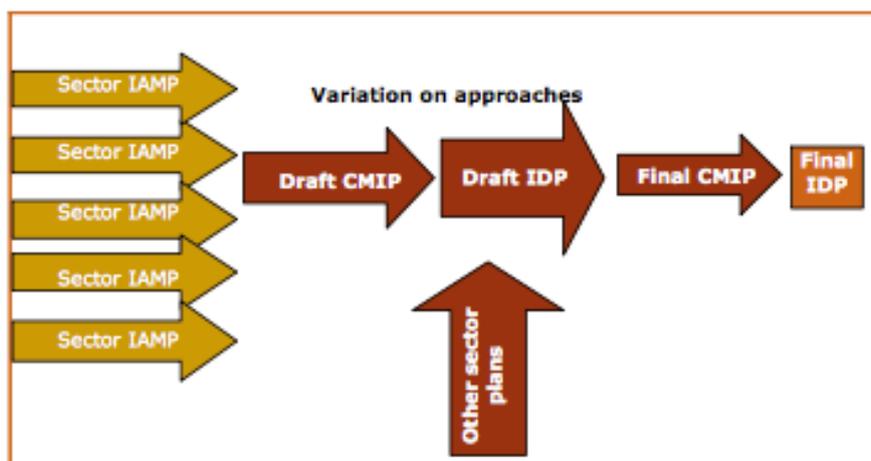


Figure 23: CMIPs feeding into the IDP's

There are several reasons for consolidating the IAMPs into one summarised document. Firstly, the CMIP will provide a big picture view of the state of infrastructure in the municipality, and the key issues and strategic options. It is difficult to make decisions on level of service and funding for one sector in isolation from the others. The CMIP also provides an opportunity to demonstrate that the municipality is considering the priorities for infrastructure development between sectors, as well as within sectors; for example, the opportunity to review whether limited funds may be better spent upgrading water treatment plants versus building a new library.

These multi-dimensional CMIP's provide an enabling mechanism that bridges the gap between municipal and sector strategies and integrates the plans between different sectors; thereby creating conducive inter-governmental relationships in support of a cooperative government environment.

Finally, CMIP's create a business model for balancing costs and revenues for sustainable service delivery, taking cognisance of actual costs for services, whilst balancing affordability versus appropriateness. As such, the CMIPs form an ideal basis for the development of the necessary capacity in a municipality, for planning and managing infrastructure services.

## *Integrated Development Plan (IDP)*

The IDP is the principal strategic planning instrument which guides and informs all planning, budgeting, management and decision making, in a municipality. The IDP clarifies and quantifies the performance outcomes and indicators of identified core functions, by linking them to performance targets. It also incorporates institutional performance and targets into performance plans, that can be used for managing and measuring municipal performance. Integrating an organisation's performance management system with the strategic planning process is vital, as good performance information is a critical input into the strategic planning process.

Key elements that must form part of the IDP, as a strategic plan of the municipality, include:

- A clear definition of the service delivery requirements and how it operates;
- A setting out of major goals and objectives; and
- Setting targets that guide operational execution and allow progress to be tracked against the overall goals and objectives.

The development of a performance management system starts with the IDP, as it quantifies the performance that must be achieved through indicators and targets. The setting of the indicators and targets forms the basis for performance monitoring and evaluation of the IDP.

An IDP consolidates the work of local and other spheres of government, in a coherent plan to improve the quality of life for all the people living in an area. Such a plan considers the existing conditions and problems, resources available for development, and addresses economic and social development for the area as a whole. It sets a framework for how land should be used, what infrastructure and services are needed, and how the environment should be protected.

Integrated Development Planning is an approach to planning that involves the entire municipality, and its citizens, in finding the best solutions to achieve effective long-term development.

All municipalities are required to produce an IDP and are responsible for the co-ordination of the IDP, and the drawing in of other stakeholders in the area who can impact on and/or benefit from development in the area. All municipal planning and budgeting needs to flow out of the IDP.

The IDP is reviewed, and revised or updated annually, to allow for necessary changes to be made. The IDP has a lifespan of 5 years, which is linked directly to the term of office for local councilors. After every local government elections, the new council is required to decide on the future of the IDP. The council can adopt the existing IDP or develop a new IDP that takes into consideration existing plans.

The executive committee or executive mayor of the municipality needs to manage the IDP, though they may assign this responsibility to the municipal manager. In most municipalities, an IDP coordinator is

appointed to oversee the process. This coordinator reports directly to the municipal manager and the executive committee, or the executive mayor.

The IDP needs to be drawn up in consultation with forums and stakeholders and must be approved by the council.

### *The Service Delivery Budget Implementation Plan (SDBIP)*

The Municipal Finance Management Act 56 (Republic of South Africa, 2003), Section 1, defines the Service Delivery Budget Implementation Plan (SDBIP) as “a detailed plan approved by the mayor of a municipality in terms of Section 53(1)(c)(ii), for implementing the municipality's delivery of municipal services and its annual budget. Which must indicate service delivery targets and performance indicators for each quarter”. It can be concluded that the development of the service targets and performance indicators imply that the budget of a municipality must be aligned to the IDP objectives, and key performance indicators and targets.

The MFMA requires all municipalities to compile a SDBIP for submission to the Executive Mayor, in line with Circular No. 13. This circular outlines the measures and ways in which the SDBIP must be developed and implemented. It defines the SDBIP as “the management and implementation tool which sets in-year information, such as quarterly service delivery and monthly budgets targets, and links each service delivery output to the budget of the municipality”. As a management and implementation tool of the municipality, the SDBIP provides a platform for monitoring, reviewing and evaluating the performance of a municipality on an annual basis.

One of the significant performance management requirements is that monitoring and reporting should be done on a rolling quarterly basis, rather than on a traditional annual cycle. In the municipal environment, the SDBIP is used as a single-year operational plan that shows the anticipated performance of a municipality for a specific financial year, and depicts how IDP objectives and targets are going to be met. The process of developing the SDBIP requires that the municipality develop quarterly targets against the targets set in the IDP. It is therefore important that municipalities develop the annual plan with quarterly targets that depict how the annual target will be achieved.

From the above, it can be concluded that the SDBIP must be clear, simple and easy to implement as a management tool; and it must be aligned to the IDP of the municipality. Where annual objectives and targets are developed, their alignment to the long-term objective must be clearly depicted.

The SDBIP details the implementation of service delivery and the budget for the financial year, in compliance with the MFMA.

The SDBIP serves as a contract between the administration, the Council and the community, expressing the objectives set by the Council as quantifiable outcomes that can be implemented by the administration over the following twelve months. It facilitates the process of holding management accountable for their performance and provides the basis for measuring performance in the delivery of services.

The MFMA requires the following to be included in the SDBIP of a municipality:

- Monthly projections of each source of revenue to be collected;
- Monthly projections of each vote's expenditure (operating and capital) and revenue;
- Quarterly projections of each vote's service delivery targets and performance indicators;
- Information on expenditure and service delivery in each ward; and
- Detailed capital works plans, allocated by ward, over three years.

# 3.5 Integrated planning

## Subsection 3.5: Integrated Planning

### *Legislative References*

Co-operative governance means that the three spheres of government should work together (co-operate) to provide citizens with a comprehensive package of services.

**Cooperative governance** is important to ensure that government delivers on its mandate to provide services for its people, addresses challenges such as poverty and unemployment, and, promotes investment, development and growth. It is necessary that all three spheres of government ensure that their policies, strategies and programmes are aligned, working together in a spirit of mutual cooperation and support.

Inter-governmental relations is the organisation of the relationships between the three spheres of government. The Constitution states that "the three spheres of government are distinctive, interdependent and interrelated". Although the three spheres of government are *autonomous*, they exist in a unitary South Africa, meaning that they must work together on decision-making, co-ordinate budgets, policies and activities, particularly for those functions that cut across the spheres.

The important principles that guide intergovernmental relations are service delivery, public accountability, coordination and integration, effective implementation, conflict resolution and sustainable development.

All of the legislation listed in this section complement each other, and work together to ensure good governance and effective and efficient service delivery to the communities.

## **The Intergovernmental Relations Framework Act (IGFRA)**

**The Intergovernmental Relations Framework Act (IGFRA) – No.13 of 2005** – provides a framework for the establishment of intergovernmental forums and mechanisms to facilitate the settlement of intergovernmental disputes.

The object of this Act is to provide, within the principle of co-operative government set out in Chapter 3 of the Constitution, a framework for the national government, provincial governments and local governments, and all organs of state within those governments, to facilitate co-ordination in the implementation of policy and legislation, including:

- (a) Coherent government;
- (b) Effective provision of services;
- (c) Monitoring implementation of policy and legislation; and
- (d) Realisation of national priorities.

## **Spatial Planning and Land Use Management Act (SPLUMA)**

**Spatial Planning and Land Use Management Act (SPLUMA) No.16 of 2013** - Provides for a uniform, effective and comprehensive system of spatial planning and land use management, to

- Ensure promotion of socio-economic growth and inclusion;
- Provide for development of principles and norms and standards;
- Promote cooperative government and intergovernmental relations; and
- Redress past spatial and regulatory imbalances to ensure equity in the application of the spatial development and land use management systems.

The Act requires the development of National, Provincial and Municipal Spatial Development Frameworks by the Minister, Premier and Executive Authority respectively. The Act is applicable to all spheres of government, and is legislated in terms of the Constitution, as far as it regulates municipal and provincial planning.

## **The Municipal Structures Act**

**The Municipal Structures Act (1998)** – This Act provides for the establishment of different types of municipalities and the division of powers and functions between local and district municipalities. It also regulates the internal systems, structures and roles of office bearers of municipalities.

## **The Municipal Systems Act**

**The Municipal Systems Act (2000)** – This Act sets out detailed requirements in relation to community participation, integrated development planning, performance management,

administration, service provision and debt collection. It also regulates the publication of by-laws and determines the role of national and provincial government in setting standards and monitoring local government. The Act also governs the assignment of functions to a municipality from another sphere of government.

## Background

Integrated planning is a process that ensures participation of all stakeholders. Its objective is to examine all economic, social, and environmental costs and benefits, to determine most appropriate option, and to plan a suitable course of action.

“Integration” is considered broadly to ensure maximisation of opportunities to improve the value and sustainability of infrastructure services.

Opportunities that should be considered for infrastructure integration include:

- Linkages between national and provincial sector departments and local municipalities on:
- New and existing infrastructure;
- Maintenance strategies;
- Optimal use of natural resources (water etc.);
- Communications (roads, rail, electronic etc.); and
- Making optimal use of existing resources (human and logistical) to sustain existing infrastructure for cost effectiveness.

Each province, sector and local municipality should develop an overall integrated planning model that will:

- Develop systems and procedures, which could include the use of GIS and other tools to illustrate all main infrastructure projects currently being implemented and planned;
- Update systems regularly (at least annually), to be simple and easily replicated;
- Have tools that should clearly illustrate all projects at a district, sub-district, local or even development nodes that all sectors are planning or implementing. This should then foster some inter organisational communication and common developmental strategies, to optimally and effectively engage resources available in that region; and
- Identify all resources that are engaged to develop an integrated model and plan, between all spheres of government.

## *Benefits of Integration*

There are many benefits to infrastructure integration of roads, telecommunications lines, water supplies, waste systems, schools, health facilities etc. Possibly the most important benefit is the fostering of integrated local economic development.

An ongoing challenge is the need for sustainable development, and thus ‘sustainable infrastructure’; to ensure the long-term social and economic viability of infrastructure. Sustainability is about using our resources efficiently.

Infrastructure integration includes -

1. National infrastructure policy strategic requirements and imperatives, including integration of NHI, Strategic Infrastructure Projects (SIPs), containing 18 integrated projects, Spatial Development Frameworks (SDF), transport, energy supply, major dams for water supply etc.
2. Each type of infrastructure (roads, health facilities, housing, municipal services, schools etc.) which has its own features and each poses a particular set of challenges. Despite these specificities, their integrated development planning and design can significantly optimize the overall development of infrastructure.
3. Coordinated and integrated infrastructure planning and management has numerous benefits including:
  - a. Easier and cheaper maintenance and operations;
  - b. Intelligent transport systems;
  - c. Integrated infrastructure performance monitoring systems;
  - d. Disaster relief strategies;
  - e. Better land occupation efficiencies;
  - f. More efficient use of existing infrastructure;
  - g. Reduced overall detrimental environmental impacts arising from construction and maintenance of infrastructure; and
  - h. More effective development of green infrastructure
4. Integrated planning requires the meeting of minds by many different stakeholders, reflecting diverse interests that need to be reconciled, to meet their differing needs.
5. Different, mainly ageing and not sufficiently efficient infrastructural sectors and subsectors, are unequally developed throughout the country. For example, municipalities are focused on basic levels of service to communities, whereas health is focused on service delivery to meet NHI needs, which puts a demand on municipal services. Differing objectives, needs and focus areas result in a lack of coordination and integration.
6. A province needs to:
  - a. Extend the service life of existing infrastructure;
  - b. Build, rehabilitate, and rebuild infrastructure;
  - c. Coordinate construction activities to achieve greater efficiencies (a main focus of this document);

- d. Optimize the overall cost/benefit for the improved infrastructure; and
- e. Facilitate better planning to accommodate future demands.

Effectively addressing these integration challenges requires a versatile, multi-disciplinary, and collaborative approach that should be endorsed by, and in many cases, include the active involvement of, the provinces' highest executive levels.

The prioritised project lists from MTEF allocations will need to commit different sector departments, municipalities and stakeholders to this integrated approach, and it is important that these projects are implemented in a disciplined manner. There is a requirement for a more proactive approach towards strategic infrastructure planning, where all levels of government cooperate and develop a system wide view.

Integrated development planning is initiated through the defining of economic, social and environmental goals.

The next step is to determine infrastructure needs, by considering a variety of scenarios, based on relevant factors, such as:

- Socio-demographic change – total population, ageing, population distribution;
- Economic change – size and mix of the economy, growth, globalization, labor markets;
- Probabilities on the demand for infrastructure and the maintenance of existing infrastructure networks;
- Energy – secure, sustainable and competitive energy leading towards a low-carbon economy; and
- Technological change – whether change in technology will reduce or increase the demand for certain infrastructure systems, create entirely new demands, and/or change the way infrastructure systems are built, managed and operated.

Integrated planning creates scope for greater efficiency and more beneficial outcomes in the planning and delivery of infrastructure service strategies.

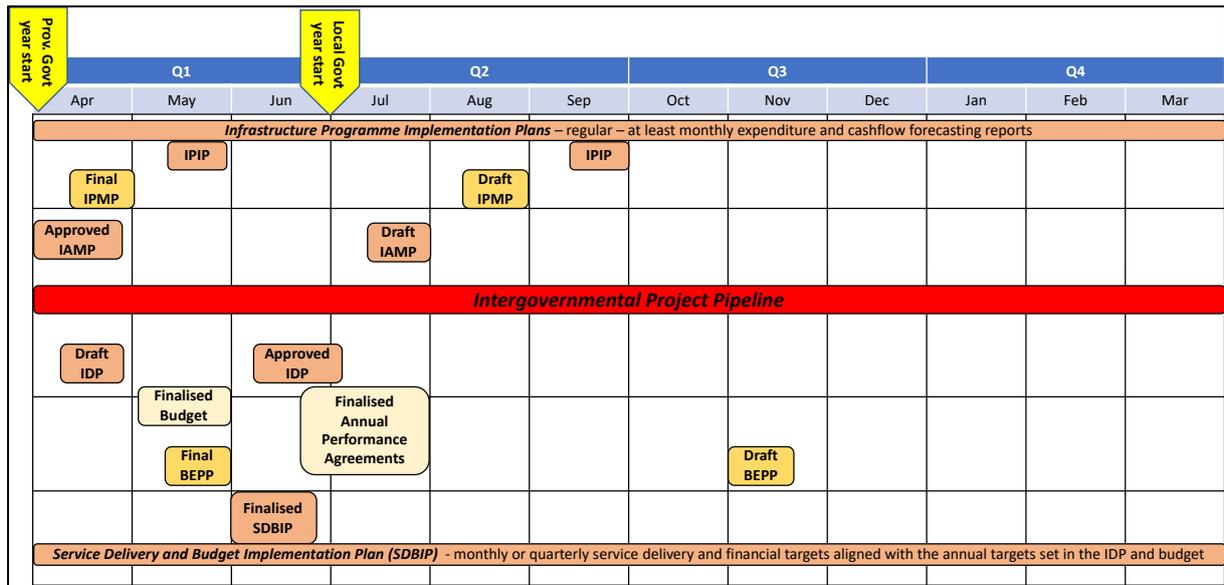


Figure 24: Relationship between local and provincial government infrastructure planning documents

The IDMS is informed by Policy, Standards and Best Practices and has a substantial area of impact within the hierarchy of policy, strategy and planning, aligned across the three spheres of Government shown in the figure below.

**Tip**  
The IDMS, when applied, will assist organisations in complying with applicable legislation.

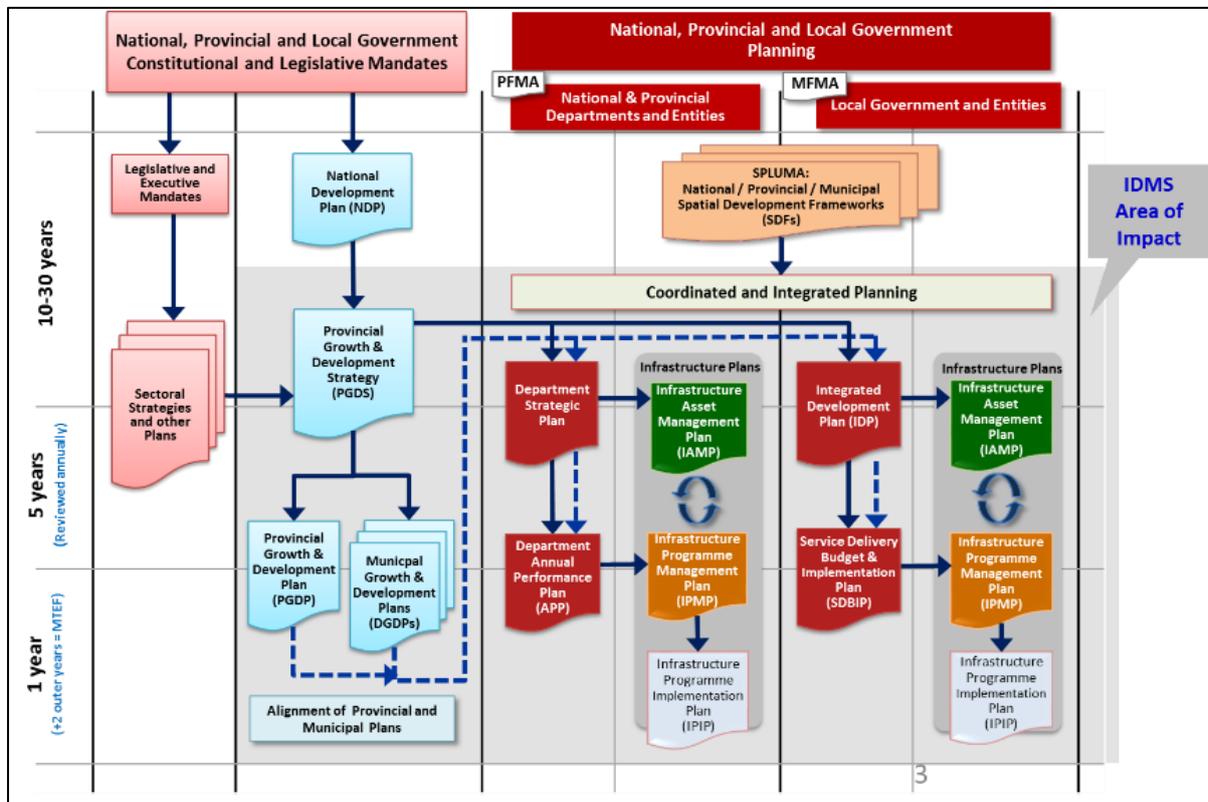


Figure 25: The Hierarchy and Alignment of Policy, Strategy and Planning in Government

# 3.6 Budgeting

## Subsection 3.6: Budgeting

### *Legislative Requirements*

#### **Municipal Finance Management Act No 56 of 2003**

**MFMA S17.** Indicates the prescribed formats for municipal annual budget schedules, which includes anticipated revenue for the budget year; appropriating expenditure for the budget year under the different votes of the municipality; and dividing budget into capital and operations.

**MFMA S21.** Specifies the municipal mayor's requirements for preparing the budget, which includes (in summary):

1. Annual budget must be consistent and credible with the municipality's integrated development plan and budget-related policies;
2. Take into account the municipality's IDP, realistic revenue and expenditure projections for future years, the national budget, the relevant provincial budget, the national government's fiscal and macro-economic policy, the annual Division of Revenue Act and any agreements reached in the Budget Forum;
3. Consult the relevant district municipality and all other local municipalities within the area;
  - a. if the municipality is a local municipality; all local municipalities within its area; and
  - b. if the municipality is a district municipality; the relevant provincial treasury, and when requested, the National Treasury; and any national or provincial organs of state, as may be prescribed.
4. Provide, on request, any information relating to the budget, which includes for the national departments responsible for water, sanitation, electricity and any other service as may be

prescribed; and any other national and provincial organ of states, or another municipality as may be prescribed; and

5. Conditional grant funding targets delivery of national government's service delivery priorities. It is imperative that provincial sector departments and municipalities understand and comply with the conditions stipulated in the Division of Revenue Act (DoRA) to access this funding.

**MFMA S24** requires the annual budget to be approved at least 30 days before the start of the financial year, failure of which will trigger intervention by the relevant provincial executive.

**MFMA S30** states that the appropriation of funds in an annual budget lapses, to the extent that those funds that are unspent at the end of the financial year, except in the case of an appropriation for expenditure made for a period longer than that financial year.

## Conditional Grants

Conditional grants are important in the financing of infrastructure projects. These projects tend to be once-off expenditures rather than recurring ones and generally they involve the creation or sustaining of assets of ongoing use. Conditional grants are supplementary to equitable share funding to provinces and municipalities. These grants are important for building up the capacity to provide social service delivery of infrastructure of national importance (schools and hospitals), or for providing assets that build up the economic capacity of a jurisdiction so that it will be less dependent on future grants (for example, roads, communications facilities, and utilities).

The grant frameworks are published in order to provide more information on each grant to Parliament, legislatures, municipal councils, officials in all three spheres of government and the public. The Division of Revenue Act (DoRA) provides a brief description of the framework for each conditional grant in an appendix. The following are key areas considered for each grant:

- Purpose and measurable objectives of the grant;
- Conditions of the grant (additional to what is required in the Act);
- Criteria for allocation;
- Rationale for funding through a conditional grant;
- MTEF allocation;
- The payment schedules;
- Responsibility of national transferring department;
- Grant review process; and
- Review of business plans.

Transfers take two forms - the equitable share, which is a direct charge on the National Revenue Fund, and conditional grants. Conditional grants are used to support compliance with national norms and standards, to compensate provinces and municipality's for providing services to ensure that national priorities are adequately provided for in provincial and local government budgets.

## Division of Revenue Act (DORA)

### Conditional allocations to municipalities

**DORA S8.** Indicates all conditional allocations to municipalities in terms of;

- Schedule 4 (Part B) Grants, which specify allocations to municipalities to supplement the funding of programmes or functions funded from municipal budgets;
- Schedule 5 (Part B) Grants, which specify specific purpose allocations to municipalities; and
- Schedule 6 (Part B) Grants, which specify allocations-in-kind to municipalities for designated special programmes.

### Duties of municipalities

#### **DORA S29.**

A category C municipality must, within 10 days after the DORA takes effect, submit to the National Treasury and all category B municipalities within that municipality's area of jurisdiction, the following:

- the equitable share and conditional allocation budget; and
- a municipality that is providing a municipal service must, before implementing any capital project for water, electricity, roads or any other municipal service, consult the category B municipalities within whose area of jurisdiction the project will be implemented, and agree in writing which municipality is responsible for the operational costs and the collection of user fees.

This clause also caters for a category C municipality that has duplicate functions that are currently performed by a category B municipality, and the transfer funds for the provision of these services, which must be captured in a service delivery agreement.

## The Municipal Budget and Reporting Regulations (MBRR) July 2009

These regulations establish the processes to be followed in preparing the budget and reporting on performance throughout the financial year.

**Regulations 11** states that “The total budgeted capital funding by source must equal the total budgeted capital expenditure”.

In respect of capital projects, **Regulation 13** requires public disclosure of the municipal resolution approving the capital project, and details of the nature, location and total projected cost of the project, in accordance with Section 21A of the Municipal Systems Act.

**Regulation 14** suggests that “for effective planning and implementation of the annual budget the draft SDBIP may form part of the budget documentation and be tabled in the municipal council”.

The requirements of **Regulation 27**, which establishes the reporting requirements in terms of capital expenditure, includes:

“The disclosure on capital expenditure details must include:

- (b) a summary of the financial implications of the capital expenditure budget, including:
- i. the total capital cost;
  - ii. the costs that will be incurred until the item of property, plant and equipment, investment property or intangible asset is operational; and
  - iii. the future financial implications of the capital expenditure ... over the estimated useful life of the item of property, plant and equipment, investment property or intangible asset.
- (c) a list of capital programmes and projects grouped by municipality and each municipal entity aligned to the goals of the Integrated Development Plan of the municipality.”

These regulations make provision for additional breakdowns on both capital and maintenance expenditure and provides a mechanism to assist with life cycle budgeting, thus facilitating budgeting, infrastructure asset management, and budget reporting.

## Municipal Budget Cycle Legislative References

The relevant regulatory references are listed in the table below:

*Table 5: Municipal budget cycle legislative reference*

Stage in budget cycle	Legislative references
<b>Planning and preparation</b>	<ul style="list-style-type: none"> <li>• Planning (MFMA Sec 21);</li> <li>• Strategizing - IDP must be reviewed and revised annually following a consultation process (Municipal Systems Act Sec 34); and</li> <li>• Preparing/developing - The budget contents must comply with MFMA Section 17.</li> </ul>
<b>Tabling (march to may)</b>	<ul style="list-style-type: none"> <li>• Tabling the budget for consultation:               <ul style="list-style-type: none"> <li>○ Must be tabled 90 days before the start of the budget year (no later than 31<sup>st</sup> March);</li> <li>○ Once the budget has been tabled, local communities, and key stakeholders <u>must</u> be invited to make written submissions. This includes other spheres of government, business and public-sector institutions – see MFMA Sec 23(1); and</li> <li>○ Where necessary revise the budget – see MFMA Sec 23(2).</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>• Publication of the budget tabled for consultation: <ul style="list-style-type: none"> <li>○ Documents to be made publicly available must be as per Sec 17(3) (a – m) of the MFMA (as per Schedule A);</li> <li>○ Must be submitted to National Treasury both in electronic format and as a printed copy – see MFMA Sec 22(b)(i); and</li> <li>○ Copies must be submitted to other affected municipalities and prescribed organs of state – see MFMA Sec 22(b)(ii).</li> </ul> </li> <li>• Submission of the tabled budget: <ul style="list-style-type: none"> <li>○ Must be submitted to National Treasury both in electronic format and as a printed copy – see MFMA Sec 22(b)(i); and</li> <li>○ The submission to NT and relevant Provincial Treasury must include a draft SDBIP in both electronic and printed formats.</li> </ul> </li> </ul>
<b>Approval</b>	<ul style="list-style-type: none"> <li>• Consideration of the budget for approval: <ul style="list-style-type: none"> <li>○ If the budget is not approved by 31<sup>st</sup> May, it must be resubmitted to the council within 7 days MFMA Sec 25 (1); and</li> <li>○ Failure to approve the budget could trigger intervention by the provincial administration in terms of Sec 139 (4) of the Constitution all as per MFMA Sec 26;</li> </ul> </li> <li>• Publication of the approved budget: <ul style="list-style-type: none"> <li>○ Budget must be published within 5 days of approval.</li> </ul> </li> <li>• Submission of the approved budget: <ul style="list-style-type: none"> <li>○ Once approved it must be immediately submitted to NT, Provincial Treasury and other affected municipalities.</li> </ul> </li> </ul>
<b>Finalising</b>	<ul style="list-style-type: none"> <li>• SDBIP: <ul style="list-style-type: none"> <li>○ The finalisation of the SDBIP should start as early as April;</li> <li>○ The SDBIP must be approved by mayor no later than 28 days after the approval of the budget;</li> <li>○ The SDBIP must be made public within 5 days of being approved by the mayor; and</li> <li>○ The SDBIP must be submitted to National Treasury and relevant provincial treasuries in both electronic and printed formats within 5 days of being approved by the mayor (This aligns with the timelines for publication).</li> </ul> </li> </ul>

- |  |  |
|--|--|
|  | <ul style="list-style-type: none"> <li>Annual performance agreements of senior managers must be finalised before the end of July (1 month after start of financial year) (MSA Sec 57(2)), although it is recommended that they be tabled and approved at the same time as the budget.</li> </ul> |
|--|--|

## Municipal Standard Chart of Accounts (mSCOA)

The Municipal Standard Chart of Accounts is aimed at improved transparency, accountability and governance, through uniform recording of transactions at posting account level detail.

The minimum business process and system requirements of the mSCOA Regulation is stated in MFMA Circular no 80 as, " a system of financial management and internal control capable of providing for the uniform recording and classification of both municipal budget and financial information, at a transaction level, in the prescribed municipal standard chart of accounts, for both municipalities and municipal entities".

The *mSCOA* Regulations apply to all municipalities and municipal entities, with effect from 01 July 2017.

Technically, for a municipality to have been regarded as *mSCOA* compliant on 01 July 2017, it must have been able to transact across all the *mSCOA* segments, and its core system and all sub-systems (including that of its municipal entities) must have been able to seamlessly integrate with each other. All municipalities must therefore now accommodate seamless integration of the Integrated Development Plan (IDP), Service Delivery and Budget Implementation Plan (SDBIP) and Budget facilities, into the core financial system, as these documents create a point of departure for the transactional environment.

This means that the compilation of the Medium-Term Budget and Expenditure Framework (MTREF) must be compliant with the *mSCOA* classification framework. National Treasury has a dedicated website to support municipalities with their *mSCOA* readiness efforts.

## The Financial year

The financial year of South African municipalities runs from 01 July of each year to 30 June the following year. Municipalities must prepare budgets for each financial year. Council must approve these budgets before the new financial year begins, after proper planning and consultation with ward committees and other stakeholder groups in the area. The draft budget should be prepared well in advance, so that it can be used in the consultation process by the end of March.

The approval of the budget is one of the most important tasks undertaken by councilors, after consultation with ward committees and other stakeholders.

For municipalities, National Treasury publishes MFMA Budget Circulars each year, in terms of the Municipal Finance Management Act No. 56 of 2003

The Municipal Budget and Reporting Regulations, formats and associated guides are available on National Treasury's website at:

<http://mfma.treasury.gov.za/RegulationsandGazettes/Pages/default.asp>

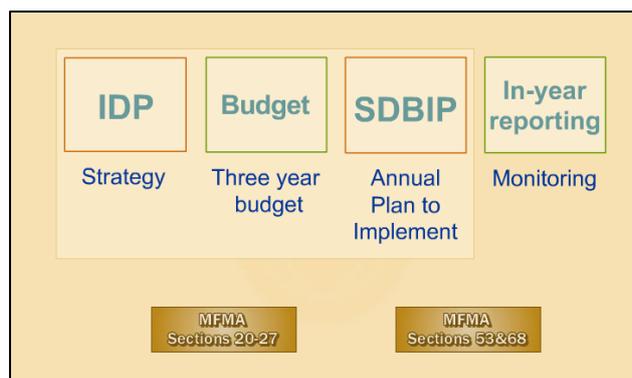


Figure 26: Elements of a Municipal Budget

## Medium Term Revenue and Expenditure Framework (MTREF)

The MTREF is a three-year capital and operating budget that takes into account, and is linked to, the municipality's current and future development priorities (*in accordance with the IDP*), and other finance-related policies (*such as those relating to provision of free basic services*).

These budgets must clearly set out revenue by source and expenditure by vote, over the three-year Medium Term Strategic Framework, and must be accompanied by performance objectives for revenue and expenditure, a cash flow statement and particulars on borrowing, investments, municipal entities and service delivery agreements, grant allocations and details of employment costs.

The budget may be funded only from reasonable estimates of revenue, and cash-backed surplus funds from the previous year and borrowings (*the latter for capital items only*).

The MTREF must meet the following requirements:

- Give effect to national and/or provincial priorities;
- Align to the IDP and the budget;
- Include real and effective community consultation;
- Have comparable growth rates to the estimated outcome for the previous financial year (with the exclusion of once-off expenditure items);
- Affordable, credible and sustainable; and
- Comply with formats and budget reforms.

## Budgeting Cycle

Municipal councils must consider approval of their annual budgets at least 30 days before the start of the budget year.

The generic municipal budget cycle is set out in the MFMA and described in MFMA Budget Circulars published annually. The cycle involves:

1. **A planning phase**, which starts with the mayor tabling, in council, a budget process schedule, by August. This schedule sets key target dates for the budget process. The planning phase involves the strategic review of the IDP, setting service delivery objectives for the following three years, consultation on tariffs, indigent policy, credit control and free basic services, and reviewing the previous year's performance, and current economic and demographic trends.
2. **A preparation phase**, which involves the analysis of revenue and expenditure projections (based on the mid-year budget and performance assessment), revising budget related policies, and considering local, provincial and national priorities. Province and municipalities should jointly review IDP's, to ensure alignment and integration before budgets are finalised.
3. **Tabling and public consultation phase**, which requires the mayor to table, in council, a proposed budget, IDP revisions and budget policies by the end of March. Thereafter, during April and May, the municipality is required to conduct public budget consultations, as well as solicit input from National Treasury (benchmarking exercise), the relevant provincial treasury, and other organs of state and municipalities.
4. **A revision and debate phase**, which gives the mayor the opportunity to revise the tabled budget in response to inputs received, and then to table the budget in council for consideration before 01 June.
5. **Approval of the budget** by council before 01 July (the start of the municipal financial year).
6. **Publishing the budget**, the SDBIP and annual performance agreements of the municipal manager and senior managers on the municipal website.

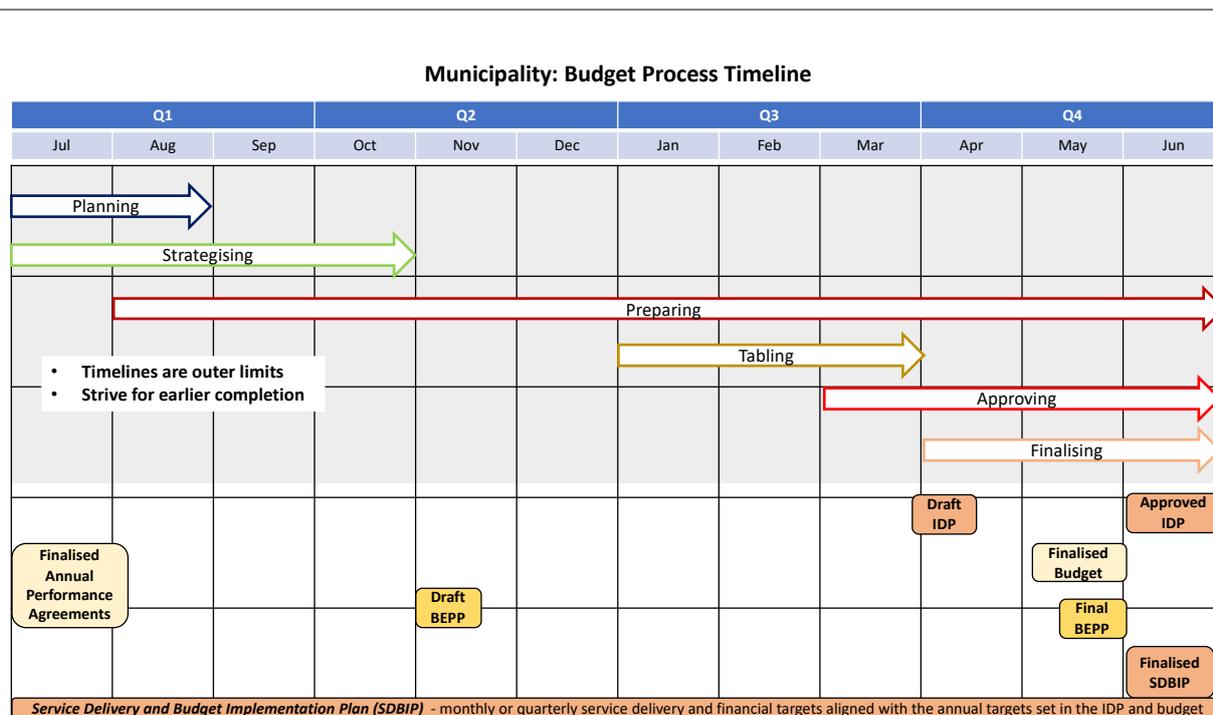


Figure 27: Budget Process Timeline

	Jan	Feb	Mar	Apr	May	June
<b>Previous Year Budget</b>	Annual Report					
<b>Current Year Budget</b>	Mid-year review	Adjustment budget		Third quarter report		
<b>Next Year Budget</b>	Preparation		Tabled budget	Consultation		Approved budget

Figure 28: Key Steps in the Budget Process

### Submitting budget documentation and schedules MTREF

The following sections of the Municipal Budget and Reporting Regulations (MBRR), are applicable for **accounting officers**:

- Section 22(b)(i) of the MFMA requires that, **immediately** after an annual budget is tabled in a municipal council, it must be submitted to the National Treasury, and the relevant provincial treasury, in both printed and electronic formats. This includes the submission of the mSCOA data string; and
- Section 24(3) of the MFMA, read together with regulation 20(1), requires that the approved annual budget must be submitted to both National Treasury, and the relevant provincial treasury, **within ten working days** after the council has approved the annual budget.

The municipal manager must submit:

- The budget documentation as set out in Schedule A (version 6.1) of the Municipal Budget and Reporting Regulations, including the main tables (A1 - A10) and ALL the supporting tables (SA1 – SA38), in both printed and electronic formats;
- The draft service delivery and budget implementation plan in both printed and electronic format;
- The draft service delivery standards;
- The draft integrated development plan;
- The council resolution;
- Signed Quality Certificate as prescribed in the Municipal Budget and Reporting Regulations;
- Schedules D, E and F specific for the entities; and
- The budget locking certificate.

Municipalities are required to send electronic versions of documents and the A1 schedule to [lgdocuments@treasury.gov.za](mailto:lgdocuments@treasury.gov.za).

## Sources of information on municipal budgets

### Information on municipal budgets:

- Division of Revenue Act;

<http://www.treasury.gov.za/legislation/acts/2010/Default.aspx>

- Individual municipalities' budgets – in new formats;
- Consolidated budget information – published by National Treasury;

[http://mfma.treasury.gov.za/Media\\_Releases/mbi/Pages/default.aspx](http://mfma.treasury.gov.za/Media_Releases/mbi/Pages/default.aspx)

### Information on in-year spending

- Monthly budget statements – should be published by Provincial Treasuries;
- Section 71 reports – published quarterly by National Treasury;

[http://mfma.treasury.gov.za/Media\\_Releases/s71/Pages/default.aspx](http://mfma.treasury.gov.za/Media_Releases/s71/Pages/default.aspx)

### Information on end-year spending

- Municipalities' annual financial statements and annual reports;

<http://mfma.treasury.gov.za/Documents/Forms/AllItems.aspx>

- Consolidated expenditure information – published by National Treasury;

<http://www.treasury.gov.za/publications/igfr/2008/lg/default.aspx>

### Information on the flow of funds

[http://mfma.treasury.gov.za/Media\\_Releases/Municipal%20Payment%20Schedule/Pages/1011.aspx](http://mfma.treasury.gov.za/Media_Releases/Municipal%20Payment%20Schedule/Pages/1011.aspx)

# 3.7 Reporting

## Subsection 3.7: Reporting

### *Legislative References*

**MFMA S71.** Specifies the reporting responsibilities and the timeframes of submissions of the accounting officer of a municipality.

**MFMA S72.** States that by 25 January of each year, the accounting officer of a municipality must assess the performance of the municipality, during the first half of the financial year, taking into account the municipality's service delivery performance and the service delivery targets and performance indicators, as set in the service delivery and budget implementation plan. Reporting on a municipality's performance in the first half of the financial year is important, as the progress reported will enable the municipality to know whether it is performing as required, or not.

**MFMA S74.** Specifies the responsibilities of the accounting officer of a municipality with respect of the submissions that must be made to the National Treasury, the provincial treasury, the department for local government in the province, or the Auditor-General. Submission requirements include returns, documents, explanations and motivations, as may be prescribed, or as may be required.

## **Reporting**

The Municipal Budget and Reporting Regulations came into effect on 01 July 2009. The regulations apply to all municipalities and municipal entities. Their primary purpose is to regulate the format and content of annual budgets, adjustment budgets and in-year reports, to promote greater transparency and facilitate the alignment of policy priorities, plans, budgets and reports. The regulations also require the establishment of a budget steering committee, regulate the disclosure of budgets for capital projects, and specify the purposes and amounts that mayors may approve as ‘unforeseen and unavoidable expenditure’.

National Treasury has issued a range of documents to facilitate the implementation of the regulations. These include MSeExcel schedules of the prescribed budget tables, the Budget Formats Guide, the Funding Compliance Guideline and the annual MFMA budget circulars 48, 51, 54 and 55 (all of which are available on National Treasury’s website).

### **Meeting deadlines for tabling and approving budgets**

The deadlines set out in the MFMA for tabling and approving budgets are minimum compliance requirements; municipalities may table and approve their budgets earlier. The budget must be tabled for consultation at least 90 days before the start of the financial year (01 July). It must be considered for approval at least 30 days (01 June) before the start of that year, and it must be approved before the start of the financial year (01 July).

### **Funding compliance and benchmarking municipal budgets**

Section 18 of the MFMA requires that a municipality’s annual budget be ‘funded’, and identifies three possible funding sources:

1. realistically anticipated revenues to be collected;
2. cash-backed accumulated funds from previous years’ surpluses not committed for other purposes;  
and
3. borrowed funds (but only for the capital budget).

The regulations require the presentation of all the information needed to evaluate whether a municipality’s operating and capital budgets are ‘funded’ or not. The ‘funding compliance process is described in MFMA circular 42 and the Funding Compliance Guideline.

As municipal officials draft a municipal budget, they must assess whether the budget is funded or not, in accordance with the funding compliance procedure. It is a self-assessment process. To strengthen compliance with this process, in 2010, National Treasury introduced the ‘budget benchmark hearings for some municipalities. The aim of the benchmarking is to check whether a municipality’s revenue

assumptions are realistic, whether its budget is ‘funded’, and whether the budget allocations are aligned with the IDP.

## **In-year reporting**

Publication of key financial information on municipalities is important. The information is drawn from data supplied by municipalities, through standard in-year, monthly and quarterly reports. Municipalities are required to ensure that data are available on time, are complete and accurate.

## **Annual reporting**

Preparation and publication of quality annual reports is a high priority. The two main elements of annual reporting are the annual financial statements and the annual performance report. The MFMA requires that these reports, together with the audit report, are tabled in council no later than 31 January of each year. Council must then adopt an oversight report within two months.

To support municipalities in the preparation of quality annual reports, the National Treasury has issued circulars and guidelines in this regard.

## **Annual financial statements**

Annual financial statements are to be submitted to the Auditor- General, by 31 August each year, by all municipalities. Municipalities with entities need to consolidate their annual financial statements, and submit them by 30 September to Auditor- General.

Timely submission of the annual financial statements is of critical importance to ensure that audits are completed in time for insertion in Annual Reports. Improvement in the quality of the statements and supporting explanations submitted to the Auditor-General, are two areas being addressed to resolve this issue.

## **Improving the oversight role of councilors**

The MFMA requires a council oversight report. This report is required to be adopted by all councils following their consideration of the annual reports of municipalities and municipal entities.

The purpose of the annual oversight procedure is to provide councilors, ward committees and communities with opportunities to review the performance of their municipalities over the previous year, and to promote and reinforce democratic practice and accountability.

Councils are also involved in oversight through the consideration of in-year reports, which mayors are required to table. The oversight afforded by the mid-year assessment plays a key role in subsequent budget deliberations.

Guidance circulars have been issued that encourage councils to form oversight committees to conduct public hearings on the annual reports, and to draft oversight reports for consideration by councils. These committees should also utilise the audit committees to provide expert, independent advice.

## **Improving accountability, measuring performance**

Section 72 of the MFMA obliges municipalities to assess service delivery performance against predetermined targets, performance indicators and community needs, as set out in the municipal Service Delivery and Budget Implementation Plans and the IDPs. To accomplish this, municipalities are required to formally establish service delivery targets and performance indicators. These must be derived from analysing a sound knowledge base that accurately represents the demand characteristics of the local community. Municipalities must assimilate this information in their planning, management, monitoring and evaluation systems.

## **Performance Monitoring**

It is important that municipalities monitor performance against the agreed performance objectives and targets set in the SDBIP. Performance monitoring in municipalities should be designed to:

- Enable the municipality to detect early signs of under-performance;
- Provide corrective measures where underperformance has been identified; and
- Facilitate comparison between current performance and the performance during the previous financial year.

Municipalities must compile performance monitoring reports quarterly, to illustrate the progress to date of achieving the SDBIP quarterly targets, that are linked to the annual target of the IDP. The quarterly performance monitoring reports are developed to periodically observe performance over time, in order to detect underperformance timeously and undertake corrective action to reach the desired performance developed in the SDBIP.

## Exercise 1:



Step 1:- Google search “Division of Revenue Bill 2019”

Step 2:- Search PDF file for “municipality name” and complete the table below:

Grant Name	Allocations		
	2019/20	2020/21	2021/22
Municipal Infrastructure Grant			

Step 3:- Search MIG and complete the following table below:

Frameworks for Conditional Grants to Municipalities:

Date	Deliverables for MIG

*Section 4:*  
*Supply Chain*  
*Management*



# 4.1 Overview

## Section 4: Supply Chain Management

### Subsection 4.1: Overview

The purpose of this section is to introduce the Infrastructure Delivery Management System (IDMS) Supply Chain Management (SCM) to the District Municipal Management. This section provides guidance on IDMS legislative and regulatory requirements coupled with best practise that the municipality are accountable for and provides guidelines on the roles and responsibilities of the officials responsible for implementing the IDMS.

The primary purpose of this section is to provide an overview of Supply Chain Management in the public sector, in order to realise the following benefits for the reader:

- Creating an understanding of Supply Chain Management, with specific reference to Infrastructure Procurement;
- Providing guidance on Infrastructure Procurement as a supportive function to Infrastructure Delivery Management.

SCM is one of the core legislative requirements that the IDMS draws its mandate from when dealing with the procurement of infrastructure. Figure 1 below highlights the position of SCM within the IDMS context and shows that it is inter-linked and connected to other legislative requirements of planning and budgeting and asset management.

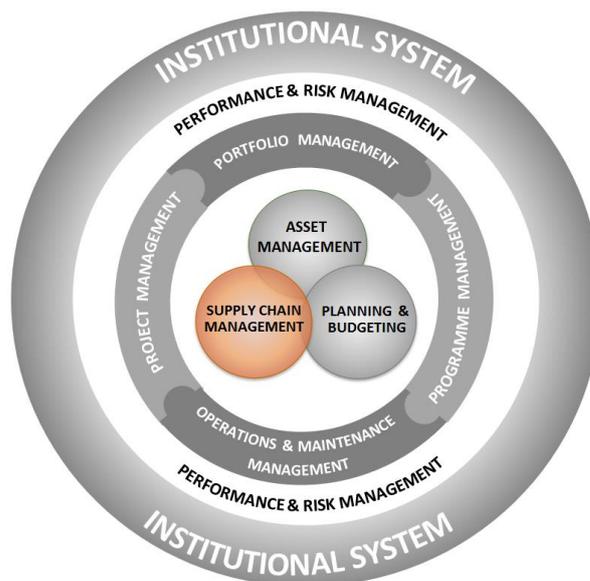


Figure 29: Supply Chain Management in the IDMS Concept Diagram

## Learning outcomes

By the end of the training, you will:

- Understand the **context** of the Supply Chain Management module of the IDMS
- Have knowledge of the **key concepts** and components of best practice Supply Chain Management
- Have knowledge on the performance management elements that relate to infrastructure Supply Chain Management;
- Know what is expected of Executives to **institutionalise** the IDMS across your Municipality

## Background

The Constitution / PFMA and the MFMA states that procurement practices must be fair, equitable, transparent, competitive and cost-effective. The following challenges and practices are generally experienced in infrastructure procurement:

- procurement and provisioning procedures are rule driven, and value for money is almost always equated to the lowest price tendered – the emphasis is on monitoring inputs;
- procurement and provisioning activities are not linked to budgetary planning;
- asset management is limited to control of inventory, rather than on ensuring a satisfactory return to the community for the funds invested;
- bid documentation is not uniform, causing uncertainty for bidders and practitioners;
- the Preferential Procurement Policy Framework Act, No 5 of 2000 (PPPFA) and its associated updated Regulations are complex and difficult to implement correctly, and procurement practitioners are not adequately trained in their application;

- the costs and outcomes of the PPPFA are not fully quantified, hence it is impossible to evaluate the merits of the system.

Accounting officers / authorities / Municipal Managers are to fulfil all their responsibilities in terms of the following legislature:

- Public Finance Management Act, the 1999 (Act 1 of 1999 as amended by Act 29 of 1999) (PFMA),
- Municipal Finance Management Act No. 56 of 2003 (MFMA), which became effective in July 2004,
- Preferential Procurement Policy Framework Act, Act 5 of 2000 (PPPFA).

National Treasury's 2015 Public Sector Supply Chain Management Review expresses the view that supply chain management (SCM) is one of the key mechanisms enabling government to implement policy which traditionally has been misunderstood and undervalued. This Review, which identified the need for SCM reform, suggests that if such reforms are implemented as envisaged in terms of section 217 of the Constitution, the benefits will be enormous, namely that:

- good-quality service delivery will be increasingly possible, with significant improvements in the welfare of South Africa's citizens, and especially the poor who rely heavily on government for support;
- the economy will grow as economic infrastructure is expanded and efficiently maintained;
- goods, services and infrastructure will be bought at lower costs;
- innovation will result in different approaches to the commodities used in some sectors; and for suppliers, the cost of doing business with the state should decrease substantial

## Legislative Framework

Key legislative and regulatory requirements for Supply chain management which impact on the procurement of infrastructure are summarised in the table below:

Table 6: Core SCM Legislative and Regulatory requirements

Act, Regulations, Standards	Description/Requirement
Constitution of the Republic of South Africa, (Act No 108 of 1996, as amended),	<p>217 (1) When an Organ of State in the national, provincial or local sphere of Government, or any other institution identified in national legislation, contracts for goods and services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.</p> <p>(2) Subsection (1) does not prevent the organs of state or institutions referred to in that subsection from implementing a procurement policy providing for:</p> <ul style="list-style-type: none"> <li>• Categories of preference in the allocation of contracts; and</li> </ul> <p>The protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination</p>
MFMA Sections 110 to 119	establish requirements related to supply chain management, including competency levels of officials involved in municipal supply chain management.
MFMA, No. 56 of 2003, Sections 63, 77 and 78	effectively allocate collective responsibility for integrity and maintenance of good corporate governance to all public servants, regarding SCM matters.
The Preferential Procurement Regulations of August 2001	provides a framework for the implementation of procurement policies including guidance on the point system
Preferential Procurement Regulations of 2011	provide for a mechanism to empower certain categories (Small Medium and Micro Enterprises (SMME))
Prevention and Combating of Corrupt Activities Act, Act 12 of 2004	regulates offences in respect of corrupt activities relating to contracts, activities pertaining to acceptance or offering of any gratification and the improper influence of another person, as well as offences in respect of corrupt activities relating to procuring and withdrawal of tenders and auctions

Act, Regulations, Standards	Description/Requirement
CIDB Act, 2000	Promotes and implement policies, programmes and projects aimed at procurement reform, standardization and uniformity in procurement documentation, practices and procedures
SANS/ISO 10845-2 CP, Part 2, 2015	Formatting and compilation of procurement documentation
SANS/ISO 10845-3 CP, Part 3, 2015	Standard conditions of tender
Standard for Infrastructure Procurement and Delivery Management	Provides a control framework for infrastructure procurement management
CIDB: Standard for Uniformity	Provides a uniform and standard compilation of procurement documentation
MFMA Regulations, Gazette No 27636 of May 2005, Chapter 2 section 9	<p>The supply chain management policy of a municipality or entity must describe in detail –</p> <p>a). The supply chain management system that is to be implemented by the municipality or municipal entity and;</p> <p>b). effective system for demand management, acquisition management, Logistics management, disposal management, risk management and performance management</p>

## *Key Definitions*

The Standard for Infrastructure Procurement and Delivery Management (SIPDM) was published in October 2015 and is effective as of July 2016. The SIPDM establishes a supply chain management system for infrastructure procurement and delivery management by organs of state, which are subject to the Local Government: Municipal Finance Management Act, or any institution that implement infrastructure projects on behalf of another organ of state, in terms of section 238 of the Constitution of the Republic of South Africa, 1996.

The SIPDM defines **Supply Chain Management** as “the design, planning, execution, control and monitoring of supply chain activities in the delivery of goods, services or any combination thereof.” This version of the SIPDM is subject to a review process, but remains applicable until the revised standard is released by National Treasury.

The SIPDM further defines:

**Infrastructure** as “immovable assets which are acquired, constructed, or which results from construction operations, or moveable assets which cannot function independently from purpose built immovable assets.”;

**Infrastructure delivery** is defined as “the combination of all planning, technical, administrative and managerial actions associated with the construction, supply, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure.”;

**Infrastructure procurement** is defined as “the procurement of goods or services, including any combination thereof, associated with the acquisition, refurbishment, rehabilitation, alteration, maintenance, operation or disposal of infrastructure.”;

**Procurement** is defined as “the process which creates, manages and fulfils contracts.” Procurement deals with activities enabling the contract. Such processes focus on establishing what is to be procured, developing a procurement strategy, producing procurement documentation, soliciting and evaluating tender offers, awarding of contracts and administering contracts.

The public procurement system in South Africa has been developed within the context of the South African constitutional imperatives for a public procurement system, namely that the system:

- **must be fair, equitable, transparent, competitive and cost-effective;**
- **may provide for categories of preference.**

The SIPDM regulates infrastructure procurement and delivery management and incorporates the SANS 10845 standards for construction procurement. These standards have been developed within the context of the primary and developmental procurement system objectives embedded in the Constitution of the Republic of South Africa (Act 108 of 1996) for a procurement system, which may be expressed in qualitative terms as follows:

- **Fair:** the process of offer and acceptance is conducted impartially without bias, and provides participating parties simultaneous and timely access to the same information;
- **Equitable:** the only grounds for not awarding a contract to a tenderer who complies with all requirements are restrictions from doing business with the organization, lack of capability or capacity, legal impediments and conflicts of interest;
- **Transparent:** the procurement process and criteria upon which decisions are to be made shall be publicized and made publicly available with reasons for those decisions, and with the possibility of verifying that criteria were applied;
- **Competitive:** the system provides for appropriate levels of competition to ensure cost-effective and best value outcomes;
- **Cost-effective:** the processes, procedures and methods are standardized with sufficient flexibility to attain best value outcomes in respect of quality, timing and price, and the least resources to effectively manage and control procurement processes;
- **Promotion of other objectives:** the system may incorporate measures to promote objectives associated with a developmental procurement policy, subject to qualified tenderers not being excluded, and deliverables or evaluation criteria being measurable, quantifiable and monitored for compliance.

## Supply chain management Overview

In September 2003, Cabinet adopted a SCM policy that would form an integral part of financial management and conform to international best practice. The policy promotes uniformity in SCM processes and in the interpretation of government's preferential procurement legislation and policies, which should be seen in the context of other related legislative and policy requirements. Above all, the policy devolved the responsibility and accountability for SCM-related functions to accounting officers / authorities.

A supply chain is commonly regarded as the sequence of activities that provides goods or services to an organ of state. Supply Chain Management, on the other hand, is the design, planning, execution, control and monitoring of supply chain activities in the delivery of goods, services or any combination thereof. SCM Regulations, issued in terms of the PFMA, require that accounting officers and accounting authorities put in place appropriate and effective SCM systems, which provide for at least **demand management, acquisition management, logistic management, disposal management, risk management and the evaluation of supply chain performance.**

SANS/ISO 10845-1 Annex A1 describes two approaches to the establishment of a qualitative procurement system, namely the Guidelines Approach and the Standards Approach. The supply chain is driven by the demands of the institution. Supply chain management introduces commercial practices within an institution.

The SCM policy for infrastructure should enable accounting officers to put in place the necessary governance arrangements to authorise, direct, empower, provide oversight and limit the action of management. This enables management to work within the constraints set by a department, to achieve service delivery objectives.

## The SCM System: MFMA Regulations Gazette No 27636

The MFMA Regulations Gazette No 27636 of May 2005<sup>1</sup> Chapter 2 section 9:-

### ***“Format of supply chain management policy***

**9.** *The supply chain management policy of a municipality or municipal entity must describe in sufficient detail -*

*(a) the supply chain management system that is to be implemented by the municipality or municipal entity; and*

*(b) effective systems for -*

*(i) demand management;*

*(ii) acquisition management;*

*(iii) logistics management;*

*(iv) disposal management;*

*(v) risk management; and*

*(vi) performance management.”*

The supply chain revolves around the concept of supply and demand (Adapted from “Applying the procurement prescripts of the CIDB in the Public Sector - July 2004; Second Edition of CIDB document 1002). The supply chain is driven by the demands of the institution. Supply chain management forms an integral part of an institution’s financial management system and introduces commercial practices within an institution.

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<sup>1</sup> Notice 868 of 2005: Local Government: Municipal Finance Management Act, 2003 Municipal Supply Chain Management Regulations

The figure below shows how the SCM Model and its elements interrelate and cohesively work together. The whole SCM system must be supported by effective and efficient infrastructure systems and policies. The SCM system must be in line with Government’s legislative requirements.

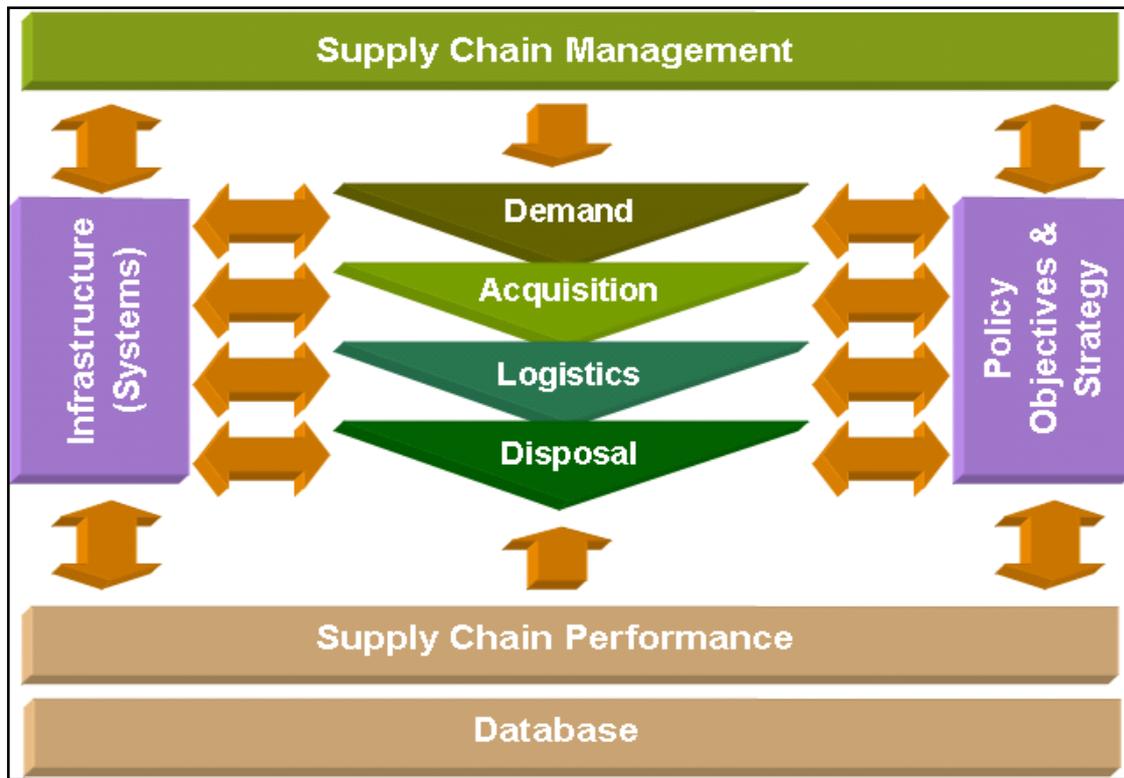


Figure 30: Supply Chain Model

The table below shows some of the activities required for each of the elements of the SCM Model.

Table 7: SCM model: activities required per SCM element

SCM Element	Activities
Demand Management	<p>A comprehensive needs assessment is fundamental to identify the demand, which includes an analysis of the needs, the frequency of need, linking to MTEF</p> <ul style="list-style-type: none"> <li>• establish requirements;</li> <li>• determine needs;</li> <li>• decide on procurement strategies (i.e. contracting, pricing and targeting strategy and procurement procedure).</li> </ul>
Acquisition Management	<ul style="list-style-type: none"> <li>• The secondary objectives reflected in the institution’s preferential procurement policy can be met through the specific contract, are identified.</li> <li>• The strategy of how the market is to be approached is determined.</li> <li>• The total cost of ownership (TCO) principle is applied,</li> </ul>

SCM Element	Activities
	<ul style="list-style-type: none"> <li>• Procurement documents are compiled.</li> <li>• Tender evaluation criteria is determined.</li> <li>• Tenders are evaluated and recommendations tabled.</li> <li>• Contracts are awarded, the contract is compiled, and compliance with the provision of the contract is confirmed.</li> <li>• Major activities include:               <ul style="list-style-type: none"> <li>• acquire supplies / services / engineering and construction works;</li> <li>• take delivery of supplies / project deliverables / engineering and construction works.</li> </ul> </li> </ul>
Logistics Management	<p>The logistics management process integrates with the financial system to generate payments to suppliers. major activities associated with logistics are:</p> <ul style="list-style-type: none"> <li>• codify items;</li> <li>• establish stock levels;</li> <li>• manage warehouse / stores;</li> <li>• issue stores items;</li> <li>• deliver / transport stores items;</li> <li>• take stock.</li> </ul>
Disposal Management	<p>Disposal management focuses on:</p> <ul style="list-style-type: none"> <li>• obsolescence planning;</li> <li>• depreciation;</li> <li>• identifying where all redundant material is kept or located; identification of appropriate strategies relating to the manner in which items are to be disposed of</li> </ul>
Risk Management	<p>Risks pertaining to supply chain must be identified, mitigated and managed on a continuous basis</p>
Performance Management	<p>A monitoring process and a retrospective analysis to determine whether or not the proper process was followed, and the desired objectives achieved</p> <p>Supply chain performance focuses on:</p> <ul style="list-style-type: none"> <li>• achievement of goals;</li> <li>• compliance to norms and standards;</li> <li>• savings generated;</li> <li>• stores efficiency;</li> <li>• cost variance per item;</li> <li>• non-compliance with contractual conditions and requirements;</li> <li>• cost efficiency of procurement process</li> </ul>

## Five Core Pillars of Procurement

To demonstrate a strong commitment to a successful procurement system the government issued General Procurement Guidelines. This is done to enable the emergence of sustainable small, medium and micro businesses and economic growth and is based on five interconnected pillars. The five pillar and their interconnection is shown in table below:

*Table 8: Five Core Pillars of Procurement*

No	Pillar	Description
1	Value for Money	Best value for money means the best available outcome when all relevant costs and benefits over the procurement cycle are considered. VFM is an essential test against which a department must justify a procurement outcome
2	Open and Effective Competition	This requires the following: <ul style="list-style-type: none"> <li>• a framework of procurement laws, policies, practices and procedures that is transparent, i.e. they must be readily accessible to all parties;</li> <li>• openness in the procurement process;</li> <li>• encouragement of effective competition through procurement methods suited to market circumstances; and</li> <li>• observance of the provisions of the Preferential Procurement Policy Framework Act.</li> </ul>
3	Ethics and Fair Dealing	Government Officials dealing with procurement are required to : <ul style="list-style-type: none"> <li>• to recognise and deal with conflicts of interest or the potential therefor;</li> <li>• to deal with suppliers even-handedly;</li> <li>• to ensure they do not compromise the standing of the state through acceptance of gifts or hospitality;</li> <li>• to be scrupulous in their use of public property; and</li> <li>• to provide all assistance in the elimination of fraud and corruption.</li> </ul>
4	Accountability and Reporting	This involves ensuring that individuals and organisations are answerable for their plans, actions and outcomes.  Openness and transparency in administration, by external scrutiny through public reporting, is an essential element of accountability.
5	Equity	'equity' in the context of these Guidelines means the application and observance of government policies which are designed to advance persons or categories of persons disadvantaged by unfair discrimination.

## Key SCM Institutional Stakeholders

The MFMA clarifies the division of responsibilities between the head of department (the accounting officer / Municipal Manager) and the political head (called the ‘executive authority’ – either a Minister or an MEC / Executive Mayor). The executive authority is responsible for policy choices and outcomes, while the accounting officer implements the policy and achieves the outcomes by taking responsibility for delivering the outputs defined in the departmental budget. In this way, the Acts empower accounting officers by unambiguously conferring on them a clear set of responsibilities. In line with the MFMA, departments’ and entities’ accounting officers and accounting authorities are responsible for all day-to-day SCM activities. Their responsibilities include developing their own SCM policies and management systems, as well as staff training and development, in line with the national supply chain framework (SANS/ISO 10845-1, Construction procurement sub-section 4.3: “Procurement policy” lists the minimum requirements of a procurement policy to be established by the employer’s executive). They are also required to adhere to national supply chain norms and standards of reporting and compliance.

The impact on each of the stakeholders in the SCM process is highlighted below.

*Table 9: SCM stakeholders and their roles/ responsibilities*

Stakeholder	Role / Responsibilities
National Treasury	<p>National Treasury is responsible to ensure that all provincial treasuries act in alignment with the implementation of the PFMA and MFMA; and monitors and oversees the implementation of financial management systems and procedures, to ensure success</p> <p>Oversees the South African public procurement system to ensure that the procurement of goods, services and infrastructure related works is conducted in a fair, equitable, transparent, competitive and cost-effective manner, in line with the Constitution and all relevant legislation.</p>
Provincial Treasury	<p>Reconfigure their procurement and provisioning sections to enable them to manage the issues listed under the responsibilities of the national OCPO Office. The standards set by provincial treasuries should complement those set by the national OCPO Office, and align to national objectives;</p> <p>Publish regular practice notes to address relevant SCM topics, such as performance specifications, procurement documentation, targeted procedures, and integrity management.</p>
Public Sector Institutions	<p>It is the responsibility of each accounting officer/authority to determine the detailed implementation of the principles contained in its organisation’s SCM policy. The measurement of progress of implementation against the implementation plan should form an integral part of the performance agreements of accounting officers / authorities</p>

## Governance

BS 13500:2013, Code of practice for delivering effective governance of organizations, “gives recommendations and guidance for the effective delivery of governance. It is applicable to all organizations, whether large or small, public or private, listed or unlisted, not-for-profit or for-profit, and is intended to promote an integrated system for effective governance that encompasses accountability, direction and control.”

**ISO 25005, defines governance as “principles, policies and framework by which an organisation is directed and controlled.”**

Governance is embedded in the supply chain management system of an institution. The decision-making process through control frameworks for infrastructure procurement and delivery management and the organisation’s SCM policy, indicates the responsibilities for approving or accepting deliverables associated with a gate in the control framework. The SCM system should authorise a procurement process or procedure. This enables accounting officers to apply effective governance in the procurement and delivery management. The recently published World Bank Procurement Regulations for IPF Borrowers (July 2016) contains the following provision for governance:

*“3.1 The governance of procurement in IPF operations shall be managed through clear and transparent lines of accountability and clear definition of roles and responsibilities of each party.”*

Governing bodies, executives and senior management have the responsibility for governing their organisation to achieve both accountability and performance. ISO 21505 furthermore states that:

- *Governance authorises, directs, empowers, provides oversight and limits the action of management;*
- *Management should work within the constraints set by the organisation’s governance to achieve the organisation’s objectives;*
- *Governance functions and management functions may be performed at different levels and in different parts of the organisation, but the governing body remains accountable for the performance of the organisation.*

Governance activities need to be linked to the activities / stages in the procurement process, as indicated in the control framework for infrastructure procurement, contained in the SIPDM and the control system promoted in the IDM system.

## SCM Policy

Section 5.1. of the SIPDM states the minimum requirement for a SCM policy is as follows:

**5.1** *“Organs of state who are responsible for infrastructure delivery shall establish a suitable infrastructure procurement and delivery supply chain management policy to implement this standard. Such a policy shall as a minimum:*

- a) assign responsibilities for approving or accepting deliverables associated with a gate in the control framework or authorising a procurement process or procedure;*
- b) establish committees which are required by law, or equivalent quality management and governance arrangements;*
- c) establish delegations for the awarding of a contract or the issuing of an order; and*
- d) establish ethical standards for those involved in the procurement and delivery of infrastructure.”*

SANS/ISO 10845-1, Construction procurement – Processes, methods and procedures, sub-section 4.3: Procurement policy, lists the minimum requirements of a procurement policy to be established by the employer’s executive. A key component of the procurement policy is the developmental (secondary) procurement policy of the employer’s executive (organ of state). Sub-section 4.4, entitled ‘Secondary procurement policy’, then lists the minimum requirements.

Organs of state which are required to apply this standard, are also required to apply applicable Supply Chain Management Regulations and National Treasury Instructions issued in terms of the Public Finance Management Act, as well as other applicable legislation. The Regulations apply to Schedules 2, 3B and 3D entities, and they should ensure alignment of their policies with the regulations.

The **Model Supply Chain Management Policy** for Infrastructure Delivery Management that has been issued as a Treasury guideline, enables the infrastructure procurement and delivery management to be implemented.

## Supply Chain Management Bid Committees

### Establishment of supply chain management units

Regulations issued in terms of the Local Government Municipal Finance Management Act of 2003, require that a committee system be used to approve bid (tender) documents, evaluation reports and make recommendations regarding the award of a contract.

The accounting officer or accounting authority must establish a supply chain management unit within the office of that institution's chief financial officer, unless determined otherwise by the relevant treasury.

The primary responsibilities of the supply chain management unit include the following:

- a) implementation of the approved accounting officer's, or accounting authority's, supply chain management system;
- b) on-going maintenance of the supply chain management system, to improve the effectiveness and efficiency of the system;
- c) regular reporting to the accounting officer, or accounting authority, on the performance of the supply chain management system;
- d) enforcement of the regulatory framework for supply chain management within the institution;
- e) render assistance and administrative support to the line function managers, and other employees, in the performance of their supply chain management responsibilities;
- f) capacity building and training of employees involved in supply chain management processes.

### Establishment of supply chain management bid committees

The accounting officer's, or accounting authority's, supply chain management system must provide for a committee system for competitive bids consisting of at least:

- a) a bid specification committee;
- b) a bid evaluation committee;
- c) a bid adjudication committee.

The appointment of bid committee members must be communicated in writing by the accounting officer, or accounting authority, specifying the member's roles and responsibilities, as well as the period of appointment.

In order to meet their obligations, committee members must be familiar with, and adhere to, all relevant SCM legislation, regulations and instructions.

The proceedings of committees must be recorded mechanically, to enable the preparation of verbatim reports, when required by a court of law. Recordings must be kept in a safe, conducive environment, for a period of no less than five years after the lapse or cancellation of the contract, or in terms of the National Archives of South Africa Act.

The approach in the model SCM policy includes:

- A committee system comprising the documentation committee, evaluation committee and tender committee;
- The accounting officer's, or accounting authority's, may appoint in writing, technical advisors and subject matter experts to attend any committee meeting. Such advisors and experts shall not participate in the decisions making proceedings of such meetings.

Accounting officers / authorities should ensure that a formal set of delegations be issued to tender committees, which should comprise three members, of whom at least one should be a Supply Chain Management Practitioner. All members of the tender committees should be cleared at the level of “CONFIDENTIAL”. The principle should be that no individual official should be in a position to take a decision in isolation, regarding the award of a contract.

### ***Bid specification committee***

A bid specification committee must compile the specifications for each competitive bid invited by the institution, for the procurement of goods and services.

A bid specification committee must consist of at least three employees of the institution, including the manager responsible for the function involved and a supply chain management practitioner of the institution. If deemed appropriate, the bid specification committee may include external specialist advisors.

### ***Bid evaluation committee***

The bid evaluation committee must evaluate each competitive bid in accordance with the criteria stipulated in the bid documentation, the points system as set out in the supply chain management system of the institution, and as prescribed in terms of the PPPFA.

The committee must submit to the adjudication committee, a report and recommendations regarding the awarding of the bid or any other related matter; and re-evaluation of bids, in cases where bid recommendations have been referred back to the bid evaluation committee, by the bid adjudication committee.

A bid evaluation committee must as far as possible be composed of:

- a) employees from the institution;
- b) at least one supply chain management practitioner of the institution, having experience in the evaluation of bids;
- c) the chairperson being a senior employee, who has supply chain management experience in the evaluation of bids.

### ***Bid adjudication committee***

The bid adjudication committee is a governance committee, and in all probability, will be common to the supply chains for infrastructure procurement and delivery management, and general goods and services.

A bid adjudication committee must:

- a) consider the report and recommendations of the bid evaluation committee, and either
  - a. make a recommendation to the accounting officer, accounting authority or to a delegated employee, to make the final award; or
  - b. make an alternate recommendation, with the necessary rationale, to the accounting officer, or accounting authority, on how to proceed with the procurement process.

A bid adjudication committee must consist of at least four senior managers of the institution which must include:

- a) The Chairperson, who should, where possible, be the chief financial officer;
- b) The Vice Chairperson, who should be at least on a director level.
- c) Other Members
  - a. Bid Adjudication members should be composed of cross-functional teams, comprising senior employees, of whom at least one must be a supply chain practitioner;
  - b. Where considered necessary, additional employees may be co-opted on account of their specialised knowledge.

## Specialist Advisors

The SIPDM requires that the approval of procurement documents at Procurement Gates, be based on procurement documentation, such as review reports which must satisfy stipulated technical requirements. Where the procurement relates to the provision of new infrastructure, or the rehabilitation, refurbishment or alteration of existing infrastructure, such a report needs to be prepared by a registered built environment professional. This includes a registered professional architect, professional senior architectural technologist, a professional landscape architect, professional landscape technologist, professional engineer, professional engineering technologist or professional quantity surveyor, project construction manager or construction manager. The PFMA Regulations Section 20.6.5, allows for the inclusion of specialist advisors in the bid specification committee, if deemed appropriate.

The SIPDM also requires that the authorisation for the approval of bid evaluation recommendations, must be based on the contents of an evaluation report. Such a report should to be prepared by one or more build environment registered professionals, or a registered project construction manager, or registered construction manager, who are familiar with the subject matter of the procurement documents. The standard establishes the content of the evaluation reports, which provide all the necessary information for those responsible for approving such reports, to do so.

As a rule, the person designated to take a decision at a gate should be the person best able to do so, based on the information presented in the context of the project or programme of projects.

# 4.2 Infrastructure procurement

## Subsection 4.2: Infrastructure Procurement

### Infrastructure Procurement Processes

Procurement is the process which creates, manages and fulfils contracts. Procurement commences once a need for goods and services, or any combination thereof, has been identified, and it ends when the goods are received, and the services are completed.

There are six basic processes associated with a procurement of goods and services, or any combination thereof, which establish actions and deliverables and / or milestones. These processes can be broken down into three phases, namely:

- a **planning phase**, during which decisions are made as to what, where, how and when goods and services are required, which procurement route is to be pursued, and what is the number, type, nature and timing of the required contracts;
- an **acquisition phase** during which contracts are entered into, following the execution of a selection procedure;
- a **contract management** phase, during which compliance with requirements, changes in requirements, and risk events which manifest during the execution of contracts, are managed.

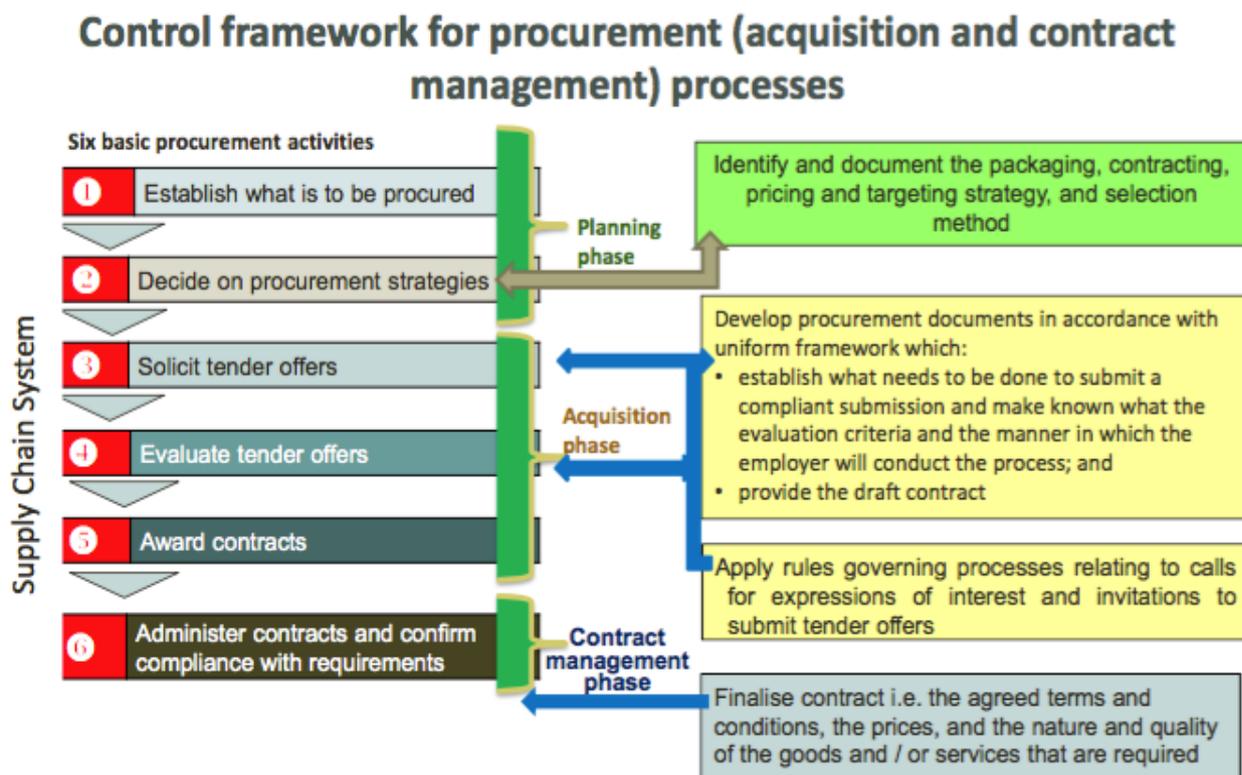


Figure 31: Control framework for procurement processes

Procedures and methods, used in conjunction with organisational policies guiding the selection of options and the application thereof, are required to implement these procurement processes. Procurement documents are needed to communicate to tenderers different contracting and procurement arrangements, to establish the basis for the contract that is entered into with the successful tenderer.

There are a number of contracting and procurement arrangement options available, regarding the nature of the contracts that may be entered into (framework agreements or non-framework agreements), the allocation of design and interface responsibilities, pricing strategies, targeting strategies, selection methods and standard forms of contract for a particular type of procurement. The selection of the right option has an impact on procurement outcomes.

Accordingly, procurement strategies need to be developed that capture the identified choices for a procurement, as well as the development of tactics when drafting procurement documents, to enable strategies to be implemented.

Governance, or quality oversight arrangements, linked to the six basic processes indicated in Figure 5-2, need to be put in place to manage and control procurement processes.

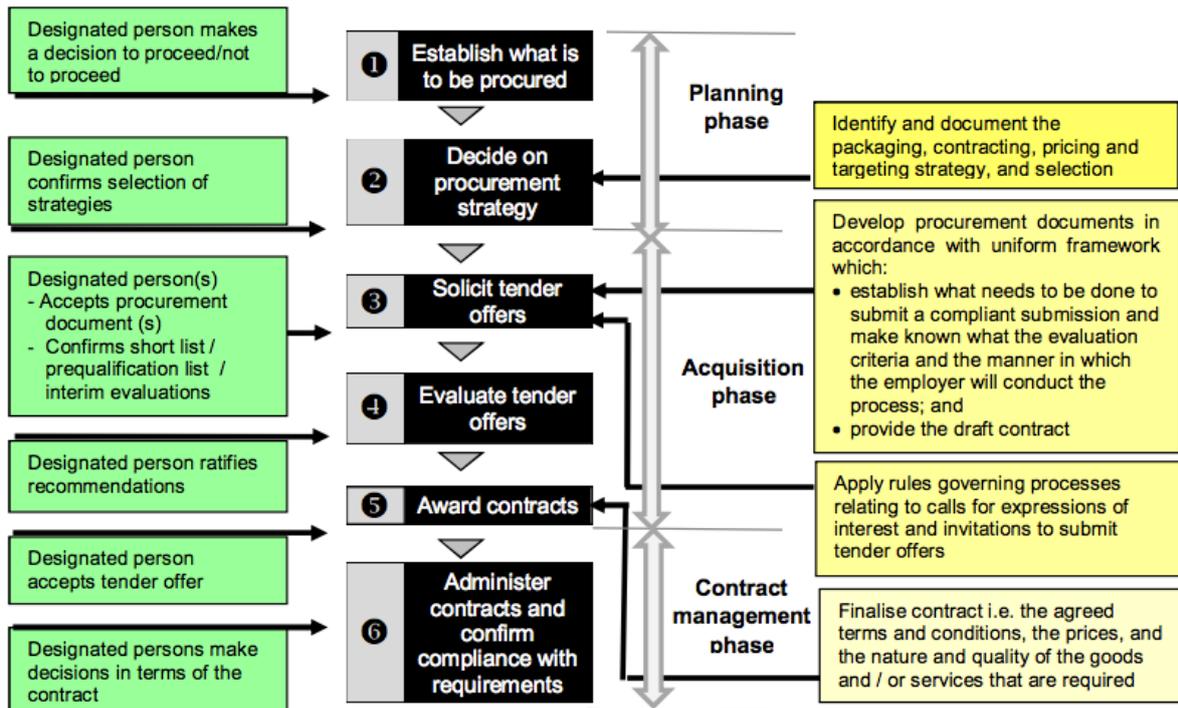


Figure 32: Basic Procurement Activities

Note: A detailed account of the infrastructure procurement strategy and tactics is explained in Module 7, Programme Management, Programme Resourcing section.

## Control System for Infrastructure Procurement

The IDM Toolkit is developed around a Control System. The definition of Control applied in this context is “comparing actual performance with planned performance analysing variance, assessing trends to effect process improvement, evaluating possible alternatives and recommending appropriate corrective action as needed” (A Guide to Project Management Body of Knowledge, 5th Ed 2013 PMI Inc.).

A Control System is defined as the “Procedures designed and established to check, record, regulate, supervise, authenticate, and (if necessary) restrict, the access to an asset, resource, or system”. (Business Dictionary <http://www.businessdictionary.com/definition/control-cycle.html>).

The Infrastructure Procurement system is comprised of **Control Stages and Gates** which outline and describe the stages in the life of a project, from start to end. The specific stages are determined by the specific project’s governance and control needs. The stages follow a logical sequence with a start and an end, the latter normally being accompanied by some kind of deliverable.

When this deliverable is signed off and approved, it is considered to have passed through the relevant stage gate, and the project then moves on to the next sequential stage.

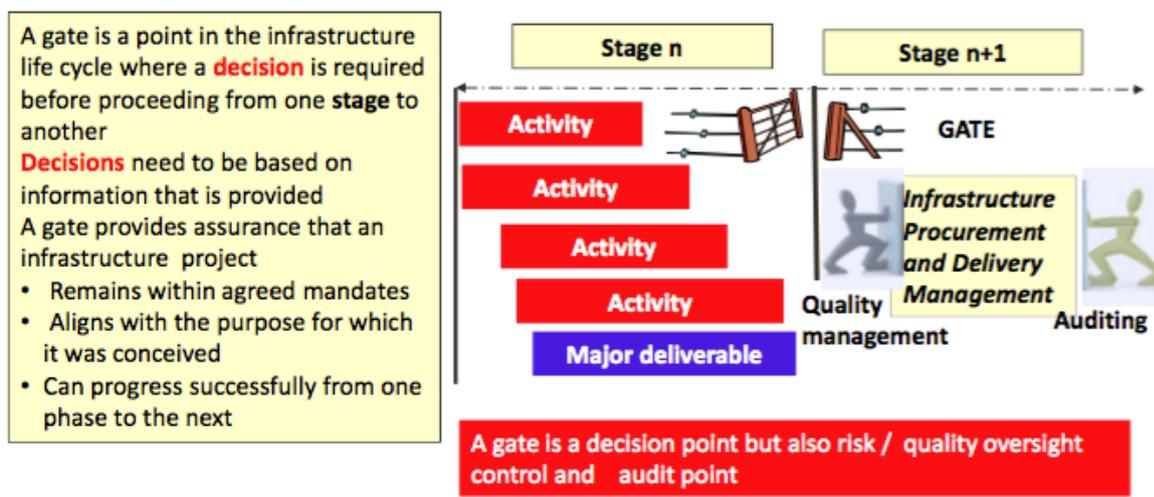


Figure 33: Control Framework - Gates

## Allocations of Responsibilities

The organ of state's SCM policy for Infrastructure Procurement and Delivery Management must assign responsibilities for accepting or approving deliverables associated within the control system (at both the Control Cycle and Framework levels).

Decisions to proceed need to be based on the acceptability (receive as adequate, valid, or suitable, or give an affirmative answer to a proposal) or approval (officially agree to) of the end of each system deliverable. They may also be based on certifications made in terms of a contract, or order issued in terms of a framework agreement.

As a general rule, the person designated to approve or accept a deliverable within the control system, should be the person best able to make an appropriate decision based on the information presented, and who has insights of the potential impact of the decision on the business case, programme or project objectives, as relevant.

## Control Framework for Infrastructure Procurement

Governance activities need to be linked to the activities / stages in the procurement process, as indicated in the control framework for infrastructure procurement, contained in the SIPDM, as shown in Tables 5-1 and 5-2 as well as Figures 5-4 and 5-5 below.

*Table 10: Activities at procurement gates and associated key actions*

Activity		Activity at procurement gate	
1	Establish what is to be procured	PG1	Obtain permission to start with the procurement process.
2	Decide on procurement strategy	PG2	Obtain approval for procurement strategies that are to be adopted, including specific approvals to approach a confined market or the use of the negotiation procedure
3	Solicit tender offers	PG3	Obtain approval for procurement documents.
		PG4	Confirm that budgets are in place.
4	Evaluate tender offers	PG5	Obtain authorisation to proceed with next phase of tender process in the qualified, proposal or competitive negotiations procedure.
		PG6	Confirm recommendations contained in the tender evaluation report.
5		PG7	Award contract.

Activity		Activity at procurement gate	
	Award contract	FS1	Upload data in financial management and payment system.
6	Administer contracts and confirm compliance with requirements	PG8A	Obtain approval to waive penalties or low performance. damages.
		PG8B	Obtain approval to notify and refer a dispute to an adjudicator.
		PG8C	Obtain approval to increase the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at the award of a contract, or the issuing of an order up to a specified percentage.
		PG8D	Obtain approval to exceed the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at award of a contract, or the issuing of an order by more than 20% and 30%, respectively.
		PG8E	Obtain approval to cancel or terminate a contract.
		PG8F	Obtain approval to amend a contract.

Table 11: Activities at procurement gates and associated key actions

Activity		Key action
FG1	Confirm justifiable reasons for selecting a framework contactor where there is more than one framework agreement covering the same scope. of work	Confirm reasons submitted for not requiring competition amongst framework contractors or instruct that quotations be invited.
FG2	Obtain approval for procurement documents.	Grant approval for the issuing of the procurement documents.
FG3	Confirm that budgets are in place.	Confirm that finance is available so that the order may be issued.
FG4	Authorise the issuing of the order.	If applicable, review evaluation report and confirm or reject recommendations. Formally accept the offer in writing and issue the contractor with a signed copy of the order.

The figure below outlines the control framework for the infrastructure procurement system, for the delivery and maintenance of construction works. Each of the activities in the system are linked to the next in sequence activity via a decision gate. The system represents the flow of information from one set of activities to the next, while the decision gate provides the opportunity for ensuring that the proposed

works remain within agreed mandates, align with the purpose for which it was conceived, and can progress successfully.

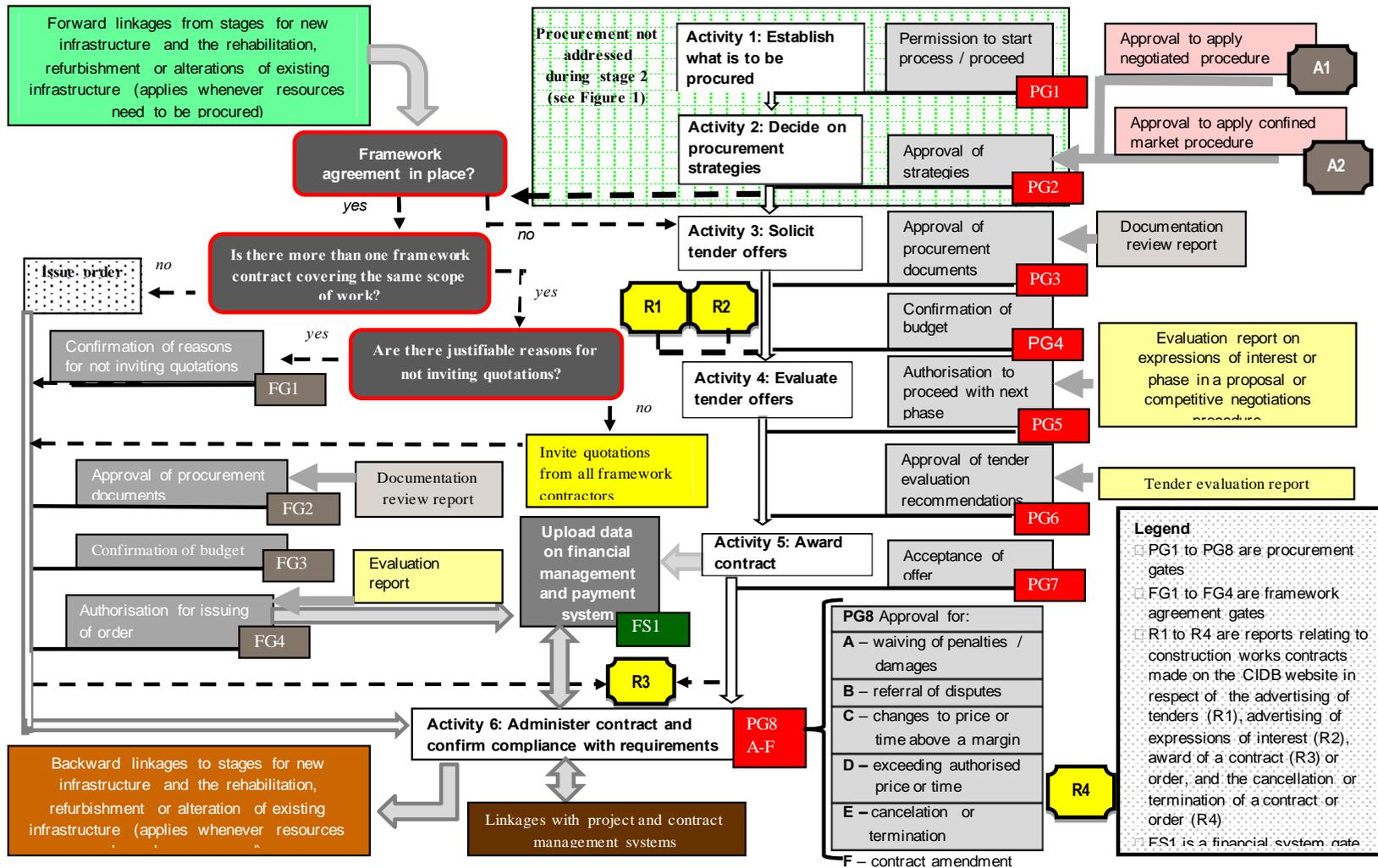


Figure 34: Control framework for Infrastructure Procurement

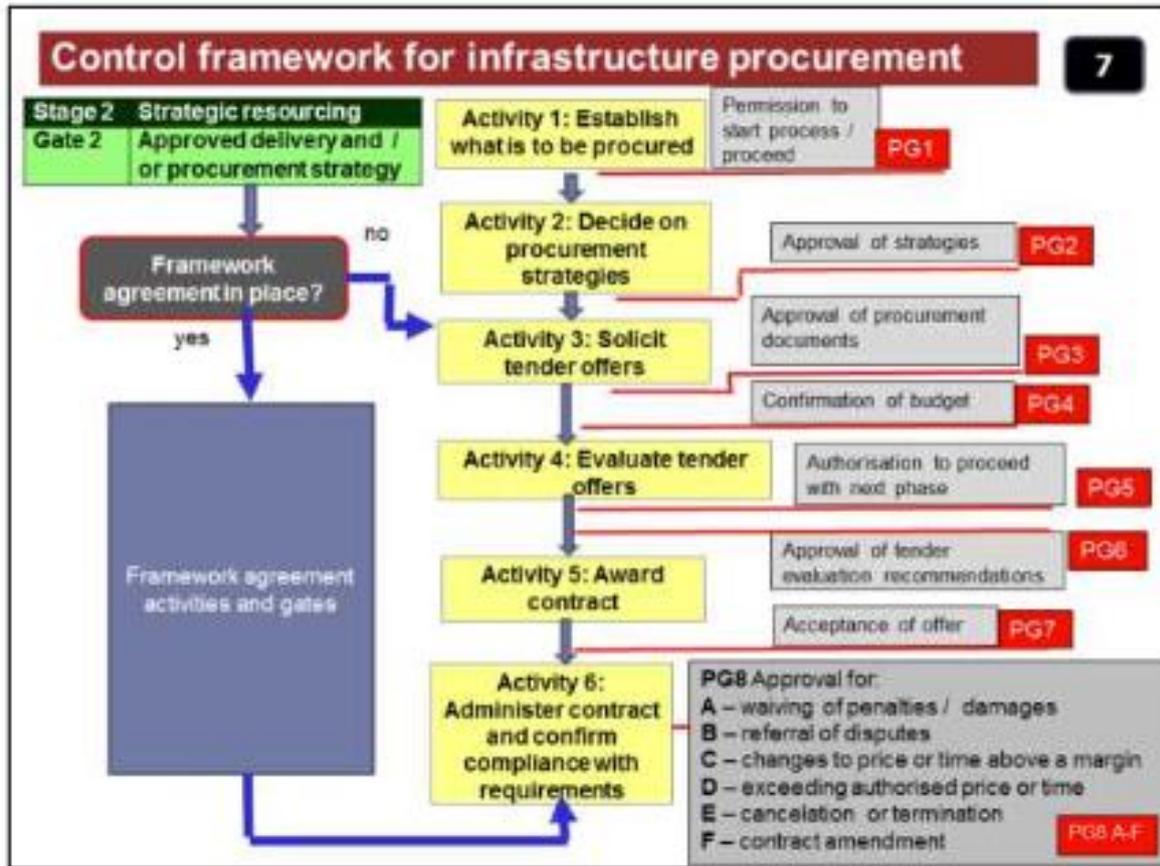


Figure 35: Control framework for the six key activities of procurement

## South African National Standards which impact on Infrastructure Procurement

The objective of the SANS/ISO 10845 series of construction procurement standards (Parts 1 to 4), is to provide a generic and standard set of processes, procedures and methods for a procurement system that is fair, equitable, transparent, competitive and cost effective. This standard may, subject to applicable legislation, promote objectives additional to those associated with the immediate objective of the procurement itself. The main objective of this series is to create a framework for the development and implementation of procurement systems that facilitate fair competition, reduce the possibilities of abuse, improve predictability of outcome and allow the demonstration of best value.

*Table 12: SANS/ISO 10845 Series of Construction Procurement Standards*

<b>Number</b>	<b>Title</b>	<b>Scope</b>
SANS 10845-1 / ISO 10845-1	Construction procurement – Part 1: Processes, methods and procedures.	Describes processes, methods and procedures for the establishment, within an organization, of a procurement system that is fair, equitable, transparent, competitive and cost-effective.
SANS 10845-2 / ISO 10845-2	Construction procurement – Part 2: Formatting and compilation of procurement documentation.	Establishes, in respect of supply, services and engineering and construction works contracts, at both main and subcontract levels, a format for the compilation of calls for expressions of interest, tender and contract documents, and the general principles for compiling procurement documents.
SANS 10845-3 / ISO 10845-3	Construction procurement – Part 3: Standard conditions of tender	Sets out standard conditions of tender which bind the employer and tenderer to behave in a particular manner, establish what a tenderer is required to do to submit a compliant tender, make known the evaluation criteria to tenderers, establish the manner in which the employer conducts the process of offer and acceptance and provide the necessary feedback to tenderers on the outcomes of the process.
SANS 10845-4 / ISO 10845-4	Construction procurement – Part 4: Standard conditions for the calling for expressions of interest.	Sets out standard conditions for the calling for expressions of interest, which bind the employer and respondent to behave in a particular manner, establish what is required for a respondent to submit a compliant submission, make known to respondents the evaluation criteria, and establish the manner in which the employer conducts the process of calling for expressions of interest.

<b>Number</b>	<b>Title</b>	<b>Scope</b>
SANS 10845-5 / ISO 10845-5	Construction procurement – Part 5: Participation of targeted enterprises in contracts.	Establishes a key performance indicator, in the form of a contract participation goal (CPG), relating to the engagement of targeted enterprises on a contract for the provision of goods, services or engineering and construction works.
SANS 10845-6 / ISO 10845-6	Construction procurement – Part 6: Participation of targeted partners in joint ventures in contracts.	Establishes a key performance indicator, in the form of a contract participation goal, relating to the engagement of targeted partners in a joint venture on a contract for the provision of goods, services or engineering and construction works.
SANS 10845-7 / ISO 10845-7	Construction procurement – Part 7: Participation of local enterprises and labour in contracts.	Establishes a key performance indicator in the form of a contract participation goal (CPG), relating to the engagement of local enterprises and labour on a contract for the provision of services or engineering and construction works.
SANS 10845-8 / ISO 10845-8	Construction procurement – Part 8: Participation of targeted labour in contracts.	Establishes a key performance indicator, in the form of a contract participation goal (CPG), relating to the engagement of targeted labour on a contract for the provision of services or engineering and construction works

The SIPDM requires that approved standard forms of contract be used, with minimal contract amendments, which do not change their intended usage, and are only amended when absolutely necessary, to accommodate special needs.

SANS ISO 10845-2 enables ISO 10845-3 and ISO 10845-4 and standard forms of contract listed in the table below, to be readily referenced in procurement documents.

Table 13: National Treasury and CIDB approved standard forms of contract

Contract type	National Treasury approved standard forms of contract
<p><b>Engineering and construction contract:</b></p> <p>contract for the provision of a combination of goods and services arranged for the development, extension, refurbishment, rehabilitation or demolition of a fixed asset, including building and engineering infrastructure.</p>	<p>FIDIC Short Form of Contract;</p> <p>FIDIC Conditions of Contract for Construction for Building and Engineering Works designed by the Employer;</p> <p>FIDIC Conditions of Contract for plant and design-build for electrical and mechanical plant, and for building and engineering works, designed by the contractor;</p> <p>FIDIC Conditions of Contract for EPC Turnkey Projects;</p> <p>FIDIC Conditions of Contract for Design, Build and Operate Projects.</p> <p>JBCC Principal Building Agreement;</p> <p>JBCC Minor Works Agreement.</p> <p>NEC3 Engineering and Construction Contract;</p> <p>NEC3 Engineering and Construction Short Contract.</p> <p>SAICE General Conditions of Contract for Construction Works.</p>
<p><b>Service contract:</b></p> <p>contract for the provision of labour or work, including knowledge- based expertise, carried out by hand or with the assistance of equipment and plant.</p>	<p>CIDB Standard Professional Service Contract</p> <p>NEC3 Professional Services Contract;</p> <p>NEC3 Professional Services Short Contract.</p> <p>CIDB General Conditions of Service.</p> <p>NEC3 Term Service Contract;</p> <p>NEC3 Term Service Short Contract.</p>
<p><b>Supply contract:</b></p> <p>contract for the provision of goods, including materials or commodities made available for purchase and, where relevant, associated services.</p>	<p>CIDB General Conditions of Purchase;</p> <p>CIDB Contract for the Supply and Delivery of Goods.</p> <p>NEC3 Supply Contract;</p> <p>NEC3 Supply Short Contract.</p>

## Standard for Uniformity in Construction Procurement (July 2015)

This standard establishes requirements for procurement within the construction industry, which are aimed at bringing about standardisation and uniformity in construction procurement documentation, practices and procedures.

This standard is issued in terms of sections 4(f), 5(3)(c) and 5(4)(b) of the Construction Industry Development Board Act 38 of 2000, read with Regulation 24 of the Construction Industry Development Regulations, 2004 (as amended) issued in terms of section 33.

The Standard for Uniformity in Construction Procurement was first published in Board Notice 62 of 2004, in Government Gazette No 26427 of 9 June 2004. It was subsequently amended in Board Notice 67 of 2005, in Government Gazette No 27831 of 22 July 2005, Board Notice 99 of 2005, in Government Gazette No 28127 of 14 October 2005, Board Notice 93 of 2006 in Government Gazette No 29138 of 18 August 2006, Board Notice 9 of 2008, in Government Gazette No 30692, of 1 February 2008, Board Notice 11 of 2009, in Government Gazette No 31823 of 30 January 2009, Board Notice 86 of 2010, in Government Gazette No 33239 of 28 May 2010 and Board Notice 136 of 2015, in Government Gazette 38960 of 10 July 2015.

This edition incorporates the amendments made in Board Notice 136 of 2015, in Government Gazette 38960 of 10 July 2015, and the erratum notices issued thereafter.

Comprehensive guidance on the implementation of the requirements of the CIDB Standard for Uniformity in Construction Procurement can be found in the CIDB Construction Procurement Toolbox, contained on the CIDB website [www.cidb.org.za](http://www.cidb.org.za).

## Standard for Infrastructure Procurement and Delivery Management (SIPDM)

The Standard for Infrastructure Procurement and Delivery Management (SIPDM) was published in October 2015 (effective Date: 1 July 2016), and covers the supply chain management system for infrastructure delivery.

It has been framed around the five focus areas, as proposed by the National Planning Commission, for the design of a procurement system, and draws upon the work of the 2015 Public Sector Supply Chain Management Review. It is issued as an instruction in terms of Section 76(4)(c) of the Public Finance Management Act of 1999 (Act No.1 of 1999), and is applicable to the following organs of state:

- a) a national or provincial department, as defined in the Public Finance Management Act;
- b) a constitutional institution entity, as listed in schedule 1 of the Public Finance Management Act;
- c) a public entity, as listed in schedules 2 and 3 of the Public Finance Management Act of 1999;
- d) any organ of state which implements infrastructure delivery projects on behalf of another organ of state;
- e) MFMA Circular 77 (signed 26 Oct 2015), makes the SIPDM applicable to all local government.

This standard also forms an integral part of the Model SCM Policy for Infrastructure Delivery Management, which has been issued as a Treasury guideline, determining a standard for provincial and municipal spheres of government supply chain management policies. Accordingly, the standard applies to a municipality or municipal entity whose council or board of directors, respectively, adopts the guideline standard.

The SIPDM regulates the following through the PFMA and MFMA:

- 1) the decision-making process associated with procurement and delivery management (planning, design and execution of projects), through the control system and policies associated with the assigning of responsibilities for approving or accepting deliverables associated with a gate (control point), or the authorising of a procurement process or procedure;
- 2) aspects of delivery management;
- 3) procurement processes, methods and procedures and procurement documents, linked to parts 1 to 4 of SANS ISO 10845, *Construction procurement*, and a limited range of domestic and international standard forms of contract.

Note: The SIPDM is subject to a review process but remains applicable as currently published until an update is approved and released by National Treasury.

# 4.3 Infrastructure Procurement Strategy

## Subsection 4.3: Infrastructure Procurement Strategy

*“Strategy is all about taking appropriate decisions in relation to available options and prevailing circumstances, in order to achieve optimal outcomes” (Japan International Cooperation Agency (JICA) - Core systems for municipal infrastructure delivery – section 4.3.4.)*

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

Procurement strategy reflects the choices made in determining what is to be delivered through a particular contract, the procurement and contracting arrangements, and how secondary (or developmental) procurement objectives are to be promoted, during the implementation phase of an infrastructure project. Such strategy enables risks to be allocated to the party that is best able to manage them, provides performance incentives, enables fragmentation in design to be addressed, thereby providing higher value and less waste, and can reduce the number of relationships which have to be managed, which in turn can overcome capacity constraints.

Procurement tactics are required to implement procurement strategies. Such tactics relate to the setting up of the procurement documents to solicit tender offers, and to enter into contracts i.e. the formulation of submission data, tender data, contract data, the pricing and the scope of work associated with a contract, or order, issued in terms of a framework contract.

Procurement strategy and tactics accordingly have the potential to contribute to ‘efficiency’ during implementation, and to reduce the gap between achieved and projected outcomes.

Infrastructure procurement activities commence with the initial and subsequent recurring updating of planning processes, at a portfolio level, to support an organisation’s business objectives. Thereafter it involves, in the case of new construction works, or the renewal of construction works:

- planning at a programme and project level;
- detailed design processes;
- the procurement and management of a network of suppliers, including subcontractors, to deliver, rehabilitate, refurbish or alter construction works on a site.

The infrastructure procurement for the delivery and maintenance of construction works, is linked to an asset management and a planning & budgeting system. The asset management system informs demand management, which is a component of the SCM System. The planning and budgeting system prioritises projects and releases funding for projects. Consequently, there are forward and backward linkages between these three core systems.

## Programme Resourcing

The procurement process for the delivery of infrastructure involves the initial and subsequent recurring updating of planning processes at a **portfolio management level**, flowing out of an assessment of public sector service delivery requirements. Thereafter, a Delivery Plan and a corresponding Infrastructure Procurement Strategy is formulated at a **programme management level**.

This is followed by detailed planning at a **project management level**, and the procurement and management of a network of suppliers, including professional service providers, contractors and subcontractors, that enable the provision of the desired service and/or infrastructure asset e.g. a school building etc.

Similarly, the Delivery Plan and Infrastructure Procurement Strategy inform and facilitate activities at an **operations and maintenance (O&M) management level**, as Facility/Network O&M Baseline Plans are communicated to O&M teams for implementation.

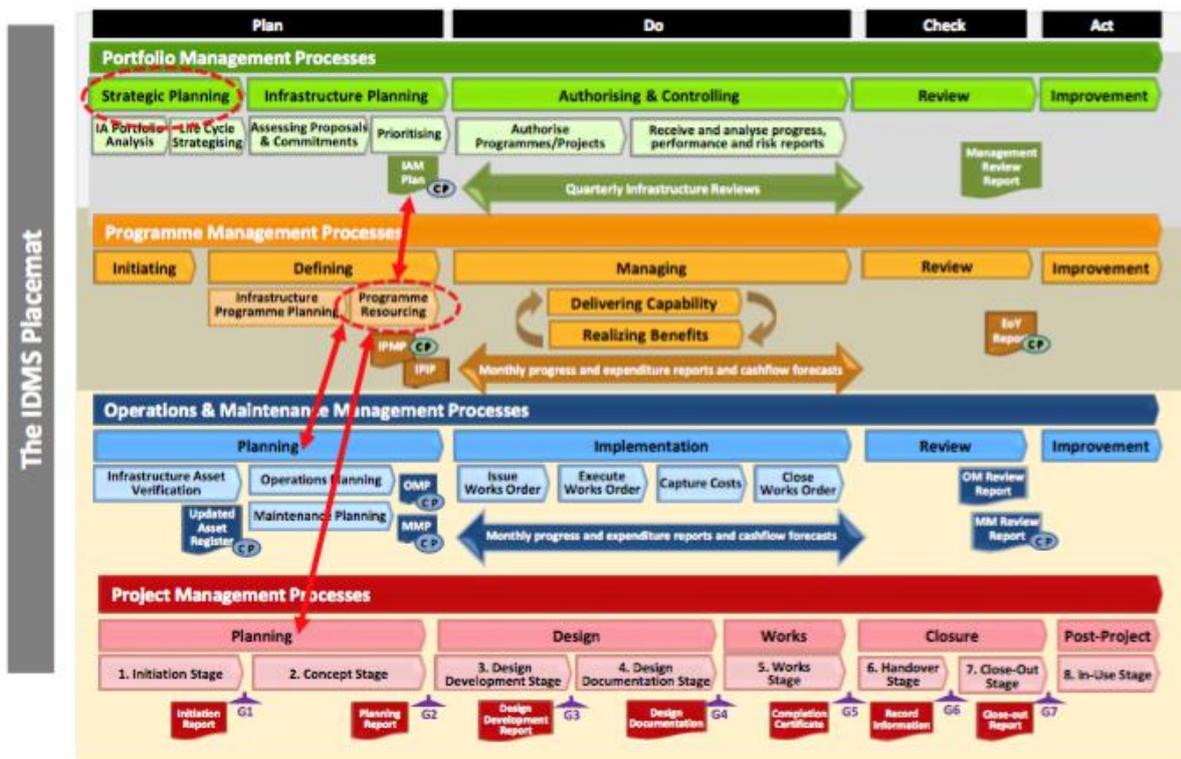


Figure 36: Programme resourcing in IDMS placemat

## Portfolio Level Requirements

Although the Delivery Plan and IPS are formulated at an organisation’s programme management level, they both draw on the organisation’s strategic decisions taken at a portfolio management level. For example, the Delivery Plan and IPS are directed and aligned to the contents of the organisation’s **Infrastructure Asset Management Plan (IAM Plan)**. The IAM plan which is the Portfolio Management Control Cycle deliverable for Infrastructure Planning.

Specific alignment is to the Procurement Policy and Delivery Management Strategy, which includes a: Demand Strategy, Risk Management Strategy, Funding Strategy and Resourcing Strategy. The Procurement Policy includes the organisation’s Developmental Procurement Policy.

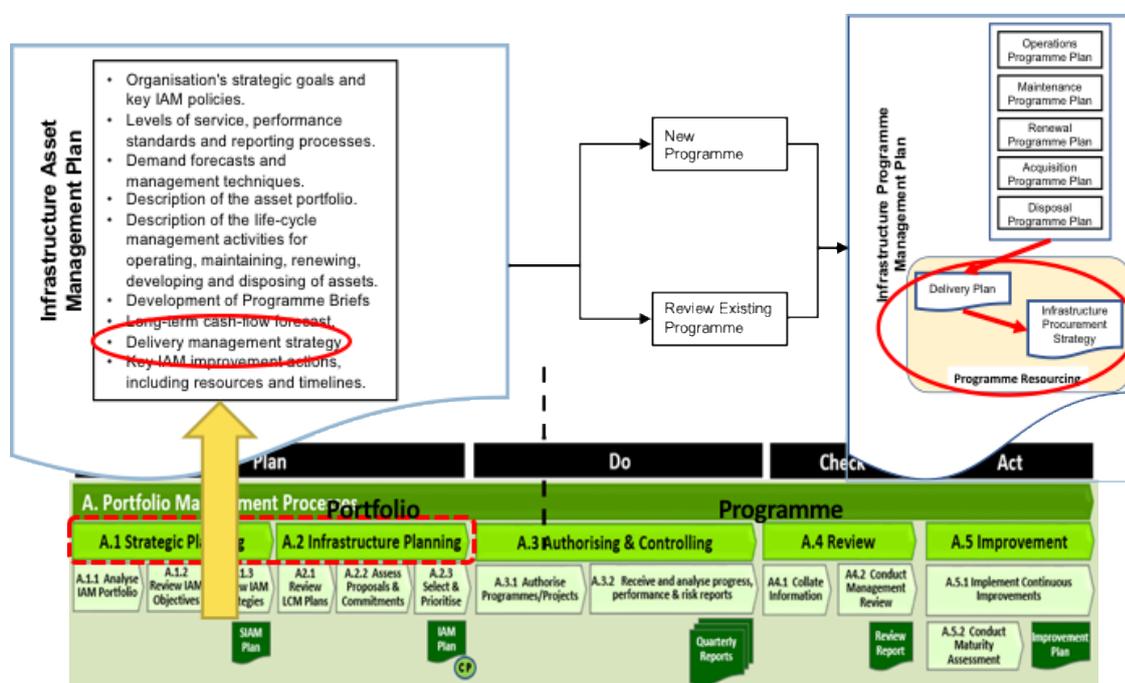


Figure 37: SCM during Portfolio Management

### Developing a Delivery Management Strategy

Key Portfolio Level inputs –

- IAM Plan developed at portfolio management level contains:
- Review of the Resourcing Strategy
- Review of Procurement policy (see SANS 10845-1)
- Programme Brief and Prioritised project list linking needs to a forecasted budget over the MTEF
- Lifecycle management strategies for infrastructure: Operations, Maintenance, Renewals, Acquisitions, Disposals

## Output -

A Delivery Management Strategy indicates how these needs are to be met for each category of expenditure and lifecycle management strategies (in form of infrastructure programmes).

The Delivery Management Strategies (DMS) are aimed at:

- Providing guidance on the management of the demand for infrastructure assets
- Providing guidance on the management of strategic infrastructure risks
- Ensuring the availability of funds for infrastructure delivery
- Ensuring the timely identification of suitably capacitated human resources for the design, construction and management of the infrastructure asset related projects and operational works

The DMS is an important input into delivery planning at programme management level.

## Demand management

*“The processes an organisation uses to both assess and influence the demand for, and level of service from, an organisation's assets.”* The process requires :-

1. thorough analysis and understanding of the demand factors. There are several elements of demand analysis that should be considered:
  - Historic demand;
  - Drivers for demand;
  - Future demand and change in demand over time;
  - Current and future utilisation and capability of assets; and
  - Impact on the future performance, condition and capability.
2. forecasting the service delivery needs and the capacity to meet them on a short, medium and long-term basis.
3. responsive to the community's needs within the constraints set by available resources.
4. also consider the use of non-asset solutions to reduce the demand or reduce the required level of service.

## Risk management

Risk is the possibility of events or activities impeding the achievement of an organisation's strategic and operational objectives.

This integrated planning approach is generally referred to as “risk-based thinking”. Risk based thinking makes preventive action part of the planning routine – a key principle of the IDMS.

The establishment of “*service delivery and other performance objectives*” is a core element of strategic planning.

The “*identification of the risks inherent in the chosen objectives*” implies integration of the performance and risk planning processes.

## Funding Strategy

The asset management strategy requires a 15 to 20-year planning horizon. The funding strategy must consider the options available for funding capital (capex) and operational (opex) asset expenditure.

The funding plan should be based on an analysis of all available possibilities (e.g. infrastructure grants, equitable share, sponsor contributions, etc.), including the utilisation of private sector funding (e.g. borrowed funds) where appropriate.

The funding plan must address:

- total life cycle costs of infrastructure assets;
- the proposed sources of funding asset acquisition and maintenance, including funding of annual cash flow requirements;
- the proposed use of funds retained from the sale of infrastructure assets; and
- the potential costs to be incurred as result of the disposal of infrastructure assets.

## Resourcing Strategy

The focus of the Resourcing Strategy is on the

- organisational arrangements;
- the human resources;
- procurement requirements; and
- the Information Systems required to manage the workload as reflected in the Consolidated Lifecycle Plan.

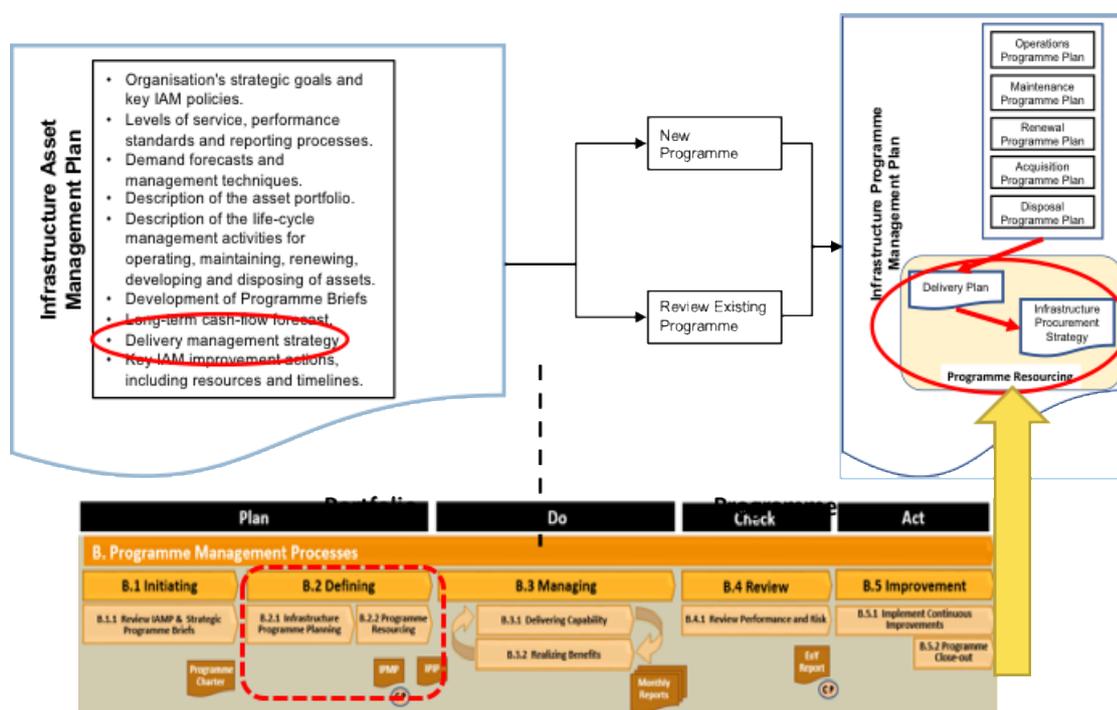
The Resourcing Strategy is of specific importance in that it provides guidance to the Programme Management function on the delivery management arrangements and the procurement of service providers that needs to be considered when undertaking the Programme Resourcing. This includes a **market analysis** and the **organisational capability and resourcing**.

It informs the process of preparing the Delivery Plan and the Infrastructure Procurement Strategy.

## Programme Level Requirements

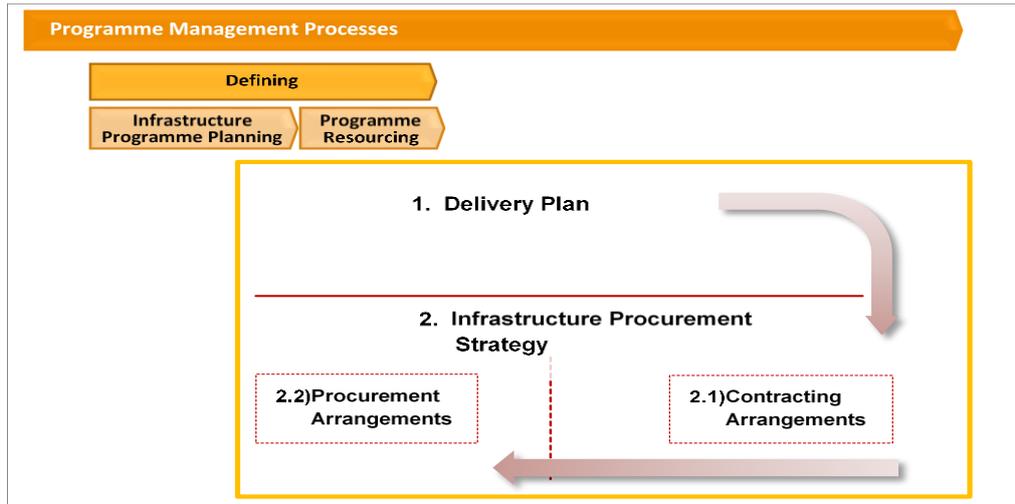
The IDM Toolkit 2018 describes **Programme Resourcing** as the identification of current and future resource needs, for the organisation to achieve its infrastructure programme goals. The output of the Programme Resourcing process is a **Delivery Plan** and an **Infrastructure Procurement Strategy**, which are process deliverables in the Programme Management Control Cycle.

The Delivery Plan and an Infrastructure Procurement Strategy are documented in a descriptive and tabular format and included as components of the **Infrastructure Programme Management Plan (IPMP)**.



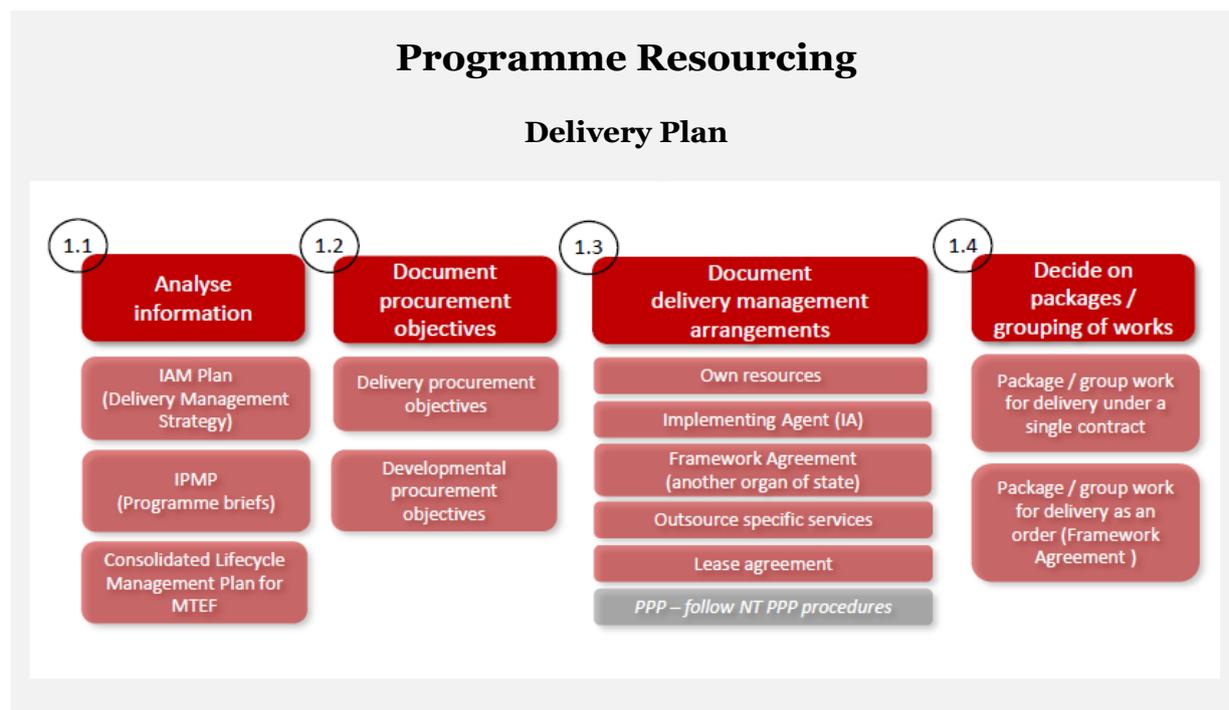
Before embarking on developing a Delivery Plan and an Infrastructure Procurement Strategy, in accordance with the Framework in the IDM Toolkit 2018, it is important to be cognisant of the key concepts and documents especially relevant for the application of this Framework for a Delivery Plan and an Infrastructure Procurement Strategy, namely:

- CIDB Standard for Uniformity in Construction Procurement (July 2015).
- SANS 10845-1:2015 Construction procurement: Part 1 - 4, South African Bureau of Standards, with specific reference to the following parts:
  - Part 1: Processes, methods and procedures
  - Part 2: Formatting and compilation of procurement documentation
  - Part 3: Standard conditions of tender
  - Part 4: Standard conditions for the calling for expressions of interest



## Delivery Plan

The goal of developing the **Delivery Plan** is to define procurement objectives, delivery management arrangements and package/group work, so as to enable the development of a corresponding Infrastructure Procurement Strategy (IPS) for the complete list of approved programmes, sub-programmes and projects to be delivered in the MTEF. This approach aims to elicit value-for-money in the procurement and delivery of infrastructure, by achieving the best results possible from the money spent, or maximum benefit derived from the resources available.



No.	Process	Definition	Description
	Delivery Plan	The goal of developing the Delivery Plan is to define procurement objectives, delivery management arrangements and package/group work, so as to enable the development of a corresponding Infrastructure Procurement Strategy (IPS) for the complete list of approved programmes, sub-programmes and projects to be delivered in the MTEF. This approach aims to elicit value-for-money in the procurement and delivery of infrastructure, by achieving the best results possible from the money spent, or maximum benefit derived from the resources available.	
1	Prepare a Delivery Plan	A Delivery Plan documents decisions related to	A Delivery Plan is developed in 4 steps, namely:

No.	Process	Definition	Description
		<p>procurement objectives, delivery management and the packaging/grouping of work for delivery under a single contract or an order (framework contract).</p> <p>Contract: “legally enforceable agreement to supply goods, execute work or provide services”. (SANS/ISO 10845-1:2015).</p> <p>Order: “An instruction to provide goods, services or any combination thereof under a framework agreement (contract)” (SIPDM, 2015).</p> <p>Framework Agreement: “An agreement between an employer and one or more contractors, the purpose of which is to establish the terms governing orders to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged”.</p>	<ul style="list-style-type: none"> <li>• Analyse information in organisation’s approved plans,</li> <li>• Document procurement objectives,</li> <li>• Document delivery management arrangements,</li> <li>• Package / group works for delivery in the MTEF.</li> </ul>
1.1.	Analyse information	<p><b>Analyse information</b> in the organisation’s IAM Plan and IPMP, to understand the strategic decisions taken and identify objectives and parameters within which the Delivery Plan may be prepared and documented.</p>	<p>Consider the organization’s Delivery Management Strategy in the IAM Plan;</p> <p>Review the IPMP and analyse new and existing Programme briefs.</p> <p>Review the Consolidated lifecycle management plan, containing the list of approved programmes, sub-programmes and projects to be delivered in the MTEF.</p>

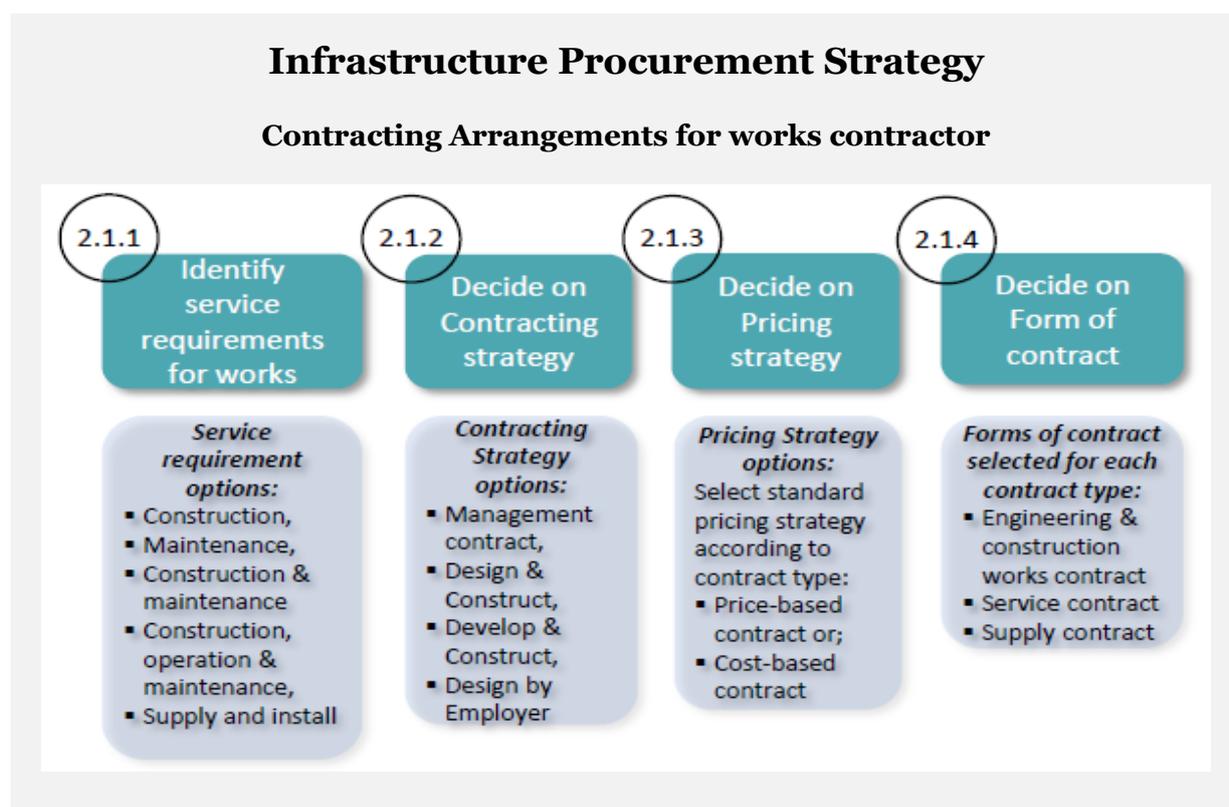
No.	Process	Definition	Description
1.2	Document procurement objectives	<p><b>Procurement objectives</b> are categorised as:</p> <ul style="list-style-type: none"> <li>• Delivery procurement objectives which relate to the procurement of the product e.g. building.</li> <li>• Developmental procurement objectives which are additional to the delivery procurement objective and relate to what can be promoted through the delivery of the product e.g. job creation.</li> </ul> <p>Procurement objectives must be aligned to the organisation's Procurement Policy and Developmental Procurement Policy, which are referenced in the IAM plan (Delivery Management Strategy). Developmental procurement objectives tend to be focused on social, economic and environmental goals.</p>	<p>The Programme manager must refer to the organisation's Delivery Management Strategy and balance delivery and developmental procurement objectives for the programmes, sub-programmes and projects to be delivered in the MTEF.</p> <p>Delivery objectives (tangible) include: budget/cost of works, time/schedule, quality and performance, rate of delivery (how quick).</p> <p>Intangible delivery objectives include: Buildability (ease of construction), partnering/relationships, client involvement, end-user satisfaction, maintenance and operational responsibilities.</p> <p>Developmental objectives in accordance with organisation's Procurement Policy and Developmental Procurement Policy.</p>
1.3	Document delivery management arrangements	<p><b>Delivery Management</b> is defined in the IDM Toolkit as <i>“the application of the infrastructure delivery management processes of portfolio, programme, operations, maintenance and project management to plan, implement and control the work required to sustain the performance of infrastructure assets for public service delivery”</i>.</p>	<p>The Programme Manager must refer to the organisation's Delivery Management Strategy and document the delivery management arrangements, in accordance with organisation's strategic decisions documented in the IAM Plan, for the work to be delivered in the MTEF, from options:</p> <ul style="list-style-type: none"> <li>• Own resources - refers to an organization's decision to deliver/implement specific work, through it's own Framework</li> </ul>

No.	Process	Definition	Description
			<p>Agreement(s) or through in-house resources and own capacity or delivery mechanisms;</p> <ul style="list-style-type: none"> <li>• Implementing Agent (IA) - another organ of state which implements infrastructure work on behalf of another organ of state (Client organisation). See Section 238 of the Constitution of Republic of South Africa, Act 108 of 1996;</li> <li>• Another Framework Agreement - An organ of state may use another organ of state’s framework agreement, in accordance with SIPDM 2015 (section 14.3) and the Model SCM Policy for Infrastructure Procurement and Delivery Management (section 7.9);</li> <li>• Outsource specific services;</li> <li>• Lease agreement;</li> <li>• Private Public Partnership (PPP) - delivery management procedures to be in accordance with National Treasury regulations and guidelines.</li> </ul>
1.4	Decide on packages / grouping of works	<p>A “<b>package</b>” is defined as “<i>work which is grouped together for delivery under a single contract or an order</i>” SIPDM, 2015</p> <p>Under a NEC3 Framework Contract (agreement), the definition of a “<i>package order – is an instruction to carry out a Work Package</i>”. “A Work Package is</p>	<p>The Programme Manager is required to identify work in the Delivery Plan with either unique or common characteristics to enable:</p> <p>i). Package/grouping of works together for delivery under a single contract.</p> <p>ii). Package/grouping of works together for delivery as an order, through own or</p>

No.	Process	Definition	Description
		<i>work which is to be carried out under this (Framework) contract”.</i>	another organ of state’s Framework Agreement

## Infrastructure Procurement Strategy

SANS 10845-1:2015, Part1 defines a “*procurement strategy*” as the “*selected packaging, contracting, pricing and targeting strategy and procurement procedure for a particular procurement*”. The IDM Toolkit 2018 is aligned with this definition and broadly describes an **Infrastructure Procurement Strategy** (IPS) as the combination of the Contracting Arrangements and Procurement Arrangements for a particular procurement. The goal of developing an IPS is to confirm the optimal combination of Contracting Arrangements and Procurement Arrangements for each contract and order in the Delivery Plan. The IPS is formulated to identify the best way of achieving procurement objectives and value for money, whilst considering risks and constraints. The SIPDM defines “value for money” as “the optimal use of resources to achieve intended outcomes”.



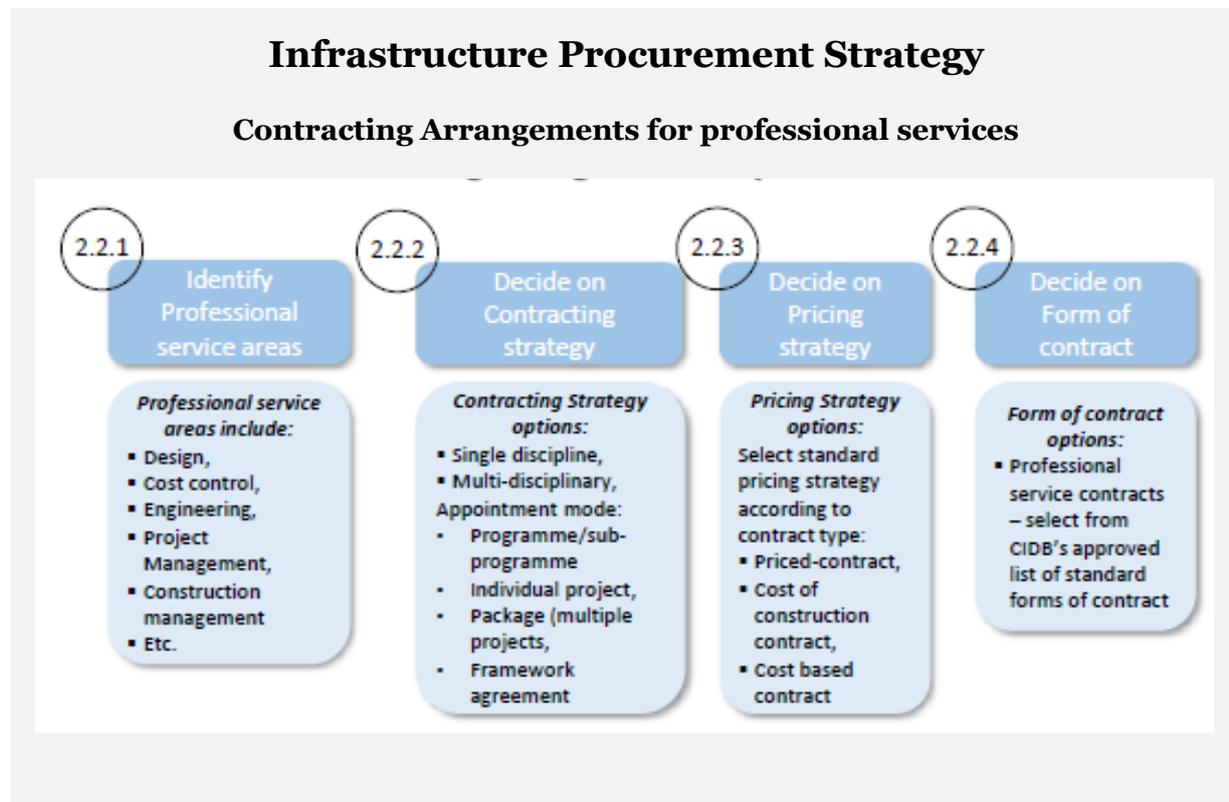
No.	Process	Definition	Description
	Infrastructure Procurement Strategy (IPS)	The goal of developing an IPS is to confirm the optimal combination of Contracting Arrangements and Procurement Arrangements for each contract and order in the Delivery Plan. The IPS is formulated to identify the best way of achieving procurement objectives and value for money, whilst considering risks and constraints.	

No.	Process	Definition	Description
2.	Prepare an Infrastructure Procurement Strategy	<p>The Infrastructure Procurement Strategy documents the Programme Manager’s decisions related to the Contracting Arrangements and Procurement Arrangements for a particular procurement in the Delivery Plan.</p> <p>SANS 10845-1 defines a “procurement strategy” as the “selected packaging, contracting, pricing and targeting strategy and procurement procedure for a particular procurement”, refer to: "Procurement Strategy" ("Civilition" magazine, p.49-55 published by SAICE, February 2016. An organisation’s Accounting Officer system must include delegation arrangements for officials responsible for preparing a Delivery Plan and an Infrastructure Procurement Strategy.</p>	<p>Decide on:</p> <p>Contracting arrangements for the works contractor and professional services;</p> <p>Procurement arrangements for the works contractor and professional services.</p>
2.1	Establish Contracting Arrangements for works contractor	<p>Contracting Arrangements for the works contractor involves selecting complementary / appropriate contracting strategies, pricing strategies and forms of contract to meet the service requirements of the works in the Delivery Plan.</p>	<p>Decide on appropriate allocation of responsibilities and risks for the service requirements of the works, and the methodology by which the works contractors are to be paid, by selecting a:</p> <ul style="list-style-type: none"> <li>• Contracting strategy that will determine the nature of the relationship between the Employer and works contractor:</li> <li>• Pricing strategy from the options or categories available.</li> <li>• Standard form of contract from the approved contract options.</li> </ul>

No.	Process	Definition	Description
2.1.1	Identify service requirements for the works.	<p>The Programme Manager is required to identify the service requirements for the works in each contract and order in the Delivery Plan, to inform decision making when formulating the Contracting Arrangements for the works contractor.</p> <p>For each service requirement (i – v) there are appropriate/suitable Contracting Arrangements consisting of a: Contracting strategy, Pricing strategy and Form of Contract.</p> <p>Note: ‘Works’ can include “construction works” and/or non-construction works such as design, supply and installation of engineering plant and equipment. The CIDB Act defines “construction works” as “The provision of a combination of goods and services arranged for the development, extension, installation, repair, maintenance, renewal, removal, renovation, alteration, dismantling or demolition of a fixed asset including building and engineering infrastructure”.</p>	<p>For each contract and order, identify the service requirements for works or combination thereof as:</p> <ol style="list-style-type: none"> <li>i. Construction service only;</li> <li>ii. Maintenance service only;</li> <li>iii. Construction and Maintenance service;</li> <li>iv. Construction, Operation and Maintenance service;</li> <li>v. Supply and Install service.</li> </ol>
2.1.2	Decide on Contracting strategy for works contractor	<p>A contracting strategy governs the nature of the relationship between the Employer and the Contractor.</p> <p>The JBCC Principal Building Agreement defines ‘Employer’ as “the party contracting with the Contractor for the execution of the works”.</p>	<p>Decide on appropriate allocation of responsibilities and risks by selecting a typical contracting strategy from options, as follows:</p> <ol style="list-style-type: none"> <li>i. Management Contract</li> <li>ii. Design and Construct</li> <li>iii. Develop and Construct</li> <li>iv. Design by Employer</li> </ol> <p>For further guidance on the contracting strategy, refer to</p>

No.	Process	Definition	Description
			IDM Toolkit Module 9: Project Management, section 9: Contracting Strategies in Project Management. CIDB's SFU 2015, Table 3: Standard methods for procuring different classes of construction contracts.
2.1.3	Decide on Pricing strategy for works contractor	“A pricing strategy is the strategy which is adopted to secure financial offers and to remunerate works contractors in terms of the contract. The contracting and pricing strategy collectively allocate risks between the employer and the works contractor for a package” (Watermeyer, R B July, 2016. Framework for the development of procurement strategy and tactics in the delivery of construction works)-.	Decide on pricing strategy from the options available under the category of either: <ul style="list-style-type: none"> <li>i. Price-based (e.g. lump sum, activity schedule, price list/rates, bill of quantities).</li> <li>ii. Cost-based (e.g. cost reimbursable, target cost).</li> </ul>
2.1.4	Decide on Form of contract for works contractor	Form of contract refers to National Treasury's approved range of standard forms of contract that provide fixed terms and conditions which are deemed to be agreed, and are not subject to further negotiation or amendment, when applied to a particular tender.	Select a standard form of contract from the approved list of contract options, under the following categories: <ul style="list-style-type: none"> <li>i. Engineering and construction works contract</li> <li>ii. Service contract</li> <li>iii. Supply contract</li> </ul> <p>For approved forms of contract, refer to SIPDM 2015 sub-section 14.5.3 “Standard forms of contract”, and the CIDB Standard for Uniformity in Construction Procurement 2015, sub-section 4.4.4 “Contract data”.</p>

## Contracting arrangements for professional services



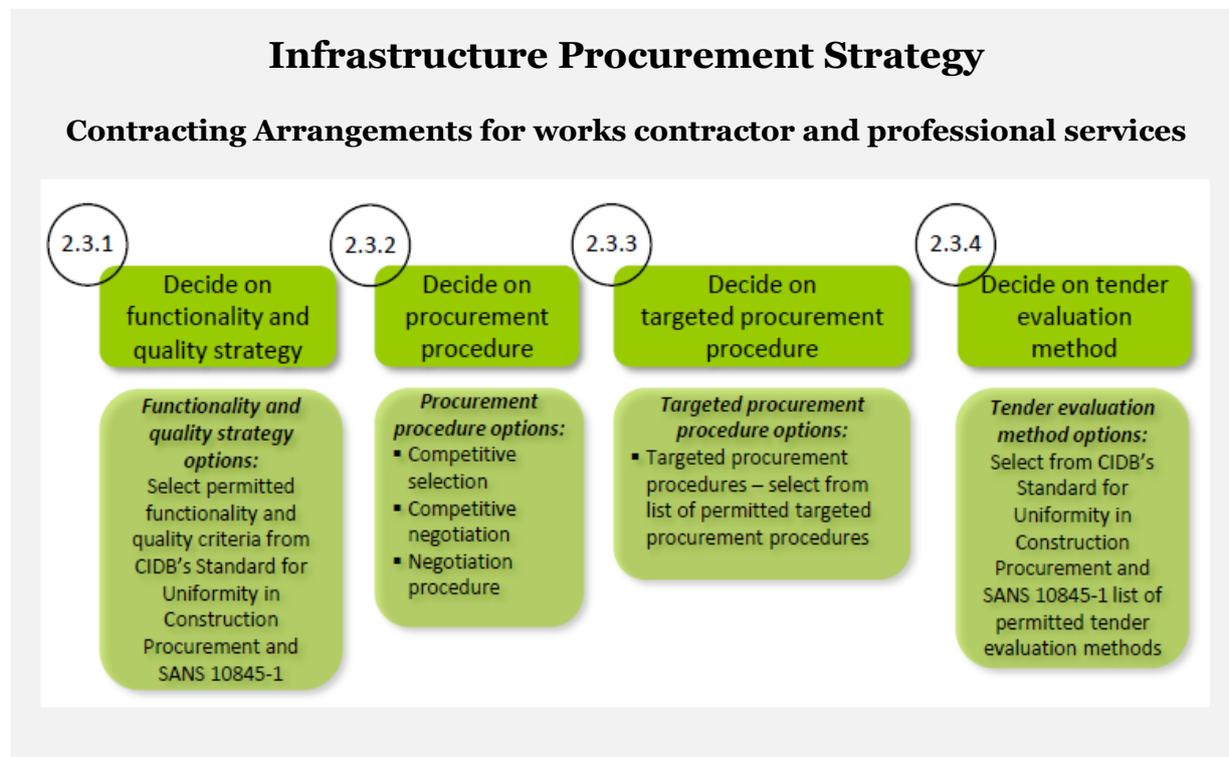
No.	Process	Definition	Description
2.2	<b>Establish Contracting Arrangements for professional services</b>	Contracting Arrangements for professional services involves selecting complementary / appropriate contracting strategies, pricing strategies and forms of contract for the professional service areas that are needed to deliver the works in the Delivery Plan.	Decide on appropriate allocation of responsibilities and risks for the professional service areas identified, and the methodology by which the professional services are to be paid, by selecting a: <ul style="list-style-type: none"> <li>• Contracting strategy that will determine the nature of the relationship between the Employer and professional services;</li> <li>• Pricing strategy</li> <li>• Standard form of contract</li> </ul>
2.2.1	Identify professional service areas	The <b>professional service areas</b> are typical services offered by the built	The Programme Manager is required to identify the professional service areas needed to deliver each contract

No.	Process	Definition	Description
		<p>environment professions, who are governed and regulated by their respective Councils (statutory bodies), such as The Engineering Council of South Africa (ECSA).</p> <p>Professional service areas, include e.g. cost control, contract administration, construction monitoring, construction management, design, design lead, environmental, geotechnical, mentorship, OHS, procurement, programme and project management, quantity surveying, client representative, etc.</p>	<p>and order in the Delivery Plan, so as to inform decision making when formulating the Contracting Arrangements for the professional services.</p>
2.2.2	Decide on Contracting strategy for professional services	<p>A <b>contracting strategy</b> governs the nature of the relationship between the Employer and the professional service provider (PSP).</p> <p>The JBCC Principal Building Agreement defines ‘Employer’ as “the party contracting with the Contractor for the execution of the works”.</p>	<p>Decide on appropriate allocation of responsibilities and risks by selecting a contracting strategy for professional services as either:</p> <ol style="list-style-type: none"> <li>i. Single discipline</li> <li>ii. Multi-disciplinary</li> </ol> <p>For guidance, refer to CIDB’s SFU 2015, Table 4: Standard methods for procuring professional services.</p> <p>Identify the optimum mode of appointing the professional service provider(s) by:</p> <ul style="list-style-type: none"> <li>• Programme/sub-programme,</li> <li>• Individual project (single contract),</li> <li>• Package services (multiple projects serviced under a single contract)</li> </ul>

No.	Process	Definition	Description
			<ul style="list-style-type: none"> <li>• Framework agreement (services for delivery of orders).<sup>2</sup> For guidance, refer to: "Unpacking Framework Agreements for the delivery and maintenance of infrastructure", Watermeyer, R.W, Civil Engineering magazine, Jan/Feb 2013, p.21-p.26.</li> </ul>
2.2.3	Decide on Pricing strategy for professional services	<p>“A <b>pricing strategy</b> is the strategy which is adopted to secure financial offers and to remunerate contractors (PSPs) in terms of the contract. The contracting and pricing strategy collectively allocate risks between the employer and the contractor (PSPs) for a package”.</p> <p>(Watermeyer, R B July, 2016. Framework for the development of procurement strategy and tactics in the delivery of construction works).</p>	<p>Decide on pricing strategy from the options available:</p> <ol style="list-style-type: none"> <li>i. Priced-contract (PSP breaks down the scope of work broken into activities and prices as lump sums. PSP is paid on completion of each activity. The total of the activity prices is the lump sum price for the contract work);</li> <li>ii. Cost of construction (PSPs fee is based on percentage of the cost of the construction works);</li> <li>iii. Cost based contract (cost reimbursable - PSP is paid for time expended on project at agreed rates) and target cost - cost is estimated and on completion of the service, the difference between target cost and actual cost is apportioned between employer and PSP/contractor).</li> </ol>
2.2.4	Decide on Form of contract for professional services	<p><b>Form of contract</b> refers to National Treasury’s approved range of standard forms of contract that provide fixed terms and conditions which are deemed to be agreed, and are not subject to further negotiation or amendment, when applied to a particular tender.</p>	<p>Select a standard form of contract for professional services from the approved range of contracts under the category of:</p> <ol style="list-style-type: none"> <li>i. Professional service contract For example: CIDB Standard Professional Service Contract; and NEC3 Professional services contract.</li> </ol>

<b>No.</b>	<b>Process</b>	<b>Definition</b>	<b>Description</b>
		Refer to SIPDM 2015 sub-section 14.5.3 Standard forms of contract (Table 10) and the SFU 2015 sub-section 4.4.4 Contract data.	

## Procurement arrangements for works contractor and professional services



No.	Process	Definition	Description
2.3.	<b>Establish Procurement Arrangements for works contractor and professional services</b>	Procurement Arrangements for the works contractor and professional services includes: <ul style="list-style-type: none"> <li>Quality strategies;</li> <li>Procurement procedures;</li> <li>Targeted procurement procedures;</li> <li>Tender evaluation procedures</li> </ul> Procurement Arrangements formulated at a strategic level, enables the Programme	For each procurement, select the following: <ul style="list-style-type: none"> <li>Quality criteria for inclusion in the procurement documentation (tender data). Refer to CIDB's SFU 2015, sub-section 4.3: Functionality (Further guidance is provided in SANS 10845-1 sub-section 6.2.11: Quality).</li> <li>Standard procurement procedure to solicit tender offers.</li> <li>Select a permitted targeted procurement procedure to</li> </ul>

No.	Process	Definition	Description
		<p>Manager to identify the best way of achieving procurement objectives (delivery and developmental) and value for money, whilst taking into account risks and constraints.</p>	<p>implement the organisation’s developmental procurement policy. Targeted Procurement Procedure permitted in terms of SIPDM 2015, sub-section 14.6.2.</p> <ul style="list-style-type: none"> <li>Select an approved method of tender evaluation.</li> </ul>
2.3.1	<p>Decide on functionality and quality strategy for works contractor and professional services</p>	<p>A <b>quality strategy</b> is determined through the consideration and selection of quality measures for inclusion in the procurement documentation. SANS 10845-1 defines quality as the <i>“totality of features and characteristics of a product or service that bears on the ability of the product or service to satisfy stated or implied needs”</i>.</p> <p>The quality measures should not promote captive markets and should result in quality that is appropriate to comply with user requirements, as opposed to the best quality available.</p> <p>Refer to CIDB’s SFU 2015, sub-section 4.3: Functionality (Further guidance is provided in SANS 10845-1 sub-section 6.2.11: Quality).</p> <p>CIDB 2011. Delivery Management Guidelines</p>	<p>Functionality and quality (objective criteria) are introduced into the evaluation of tender submissions to achieve policy objectives in terms of an organisation’s Procurement Policy. Section 14.1.3. in the SIPDM 2015 states that “Quality may be evaluated in tender submissions as other objective criteria as provided for in the Preferential Procurement Policy Framework Act in accordance with the provisions of SANS 10845-1”.</p> <p>For each procurement, select the following:</p> <ul style="list-style-type: none"> <li>Functionality and quality measures/criteria for inclusion in the procurement documentation (tender data).</li> </ul> <p>Refer to CIDB’s Standard for Uniformity in Construction Procurement FU 2015, sub-section 4.3: <i>“Functionality”</i> for list of suitable quality measures/criteria. (Further guidance is provided in SANS 10845-1 sub-section 6.2.11: Quality).</p>

No.	Process	Definition	Description
		Practice Guide 2 – Construction Procurement Strategy. Construction Industry Development Board and National Treasury (as contained in the IDM Toolkit 2010 version).	
2.3.2	Decide on procurement procedure	A <b>procurement procedure</b> is defined in SANS 10845-1 as the “ <i>selected procedure for a specific procurement</i> ”.	<p>For each specific procurement, select a standard procurement procedure that will be followed to solicit tender offers and to conclude a contract from the options available. Sub-section 14.2.2. of the SIPDM requires that “The standard procurement procedures identified in Table 8 shall be implemented under the stated conditions in accordance with the provisions of SANS 10845-1. Projects shall not be subdivided to reduce the estimated tender value to fall within a threshold applicable to a specific procurement procedure.</p> <p>Options:</p> <ol style="list-style-type: none"> <li data-bbox="986 1352 1378 1877">i. Competitive selection procedure. SANS 10845-1:2015 defines: competitive selection procedure as “any procurement procedure in which the contract is normally awarded to the contractor who submits the lowest financial offer or obtains the highest number of tender-evaluation points”.</li> <li data-bbox="986 1899 1378 2022">ii. Competitive negotiation procedure. SANS 10845-1:2015 defines: competitive</li> </ol>

No.	Process	Definition	Description
			<p>negotiation procedure as a “procurement procedure which, through a series of negotiations, reduces the number of tenderers competing for the contract until the remaining tenderers are invited to submit final offers.”</p> <p>iii. Negotiation procedure. The negotiated procedure (tender offer solicited from a single tenderer), should only be utilised where permitted by legislation, or the organisation’s procurement policy. The competitive negotiations procedure should be utilised where there is a need for those submitting tenders to finalise their submissions following interaction with representatives of the client or implementer, to deliver better value for money.</p>
2.3.3	Decide on targeted procurement procedure	SANS 10845-1 defines <b>targeted procurement procedure</b> as the “ <i>process used to create a demand for the services or goods (or both) of, or to secure the participation of, targeted enterprises and targeted labour in contracts in response to the objectives of</i>	<p>Select a permitted targeted procurement procedure that will aid in balancing the competing delivery and developmental objectives within each contract and order in the Delivery Plan.</p> <p>Targeted Procurement Procedure permitted in terms of SIPDM 2015, sub-section 14.6.2. For guidance,</p>

No.	Process	Definition	Description
		<p><i>a secondary (developmental) procurement policy</i>”.</p> <p>A secondary (developmental) procurement policy is defined in SANS 10845-1:2015 as the “<i>procurement policy that promotes objectives additional to those associated with the immediate objective of the procurement itself</i>”.</p>	<p>refer to SANS/ISO 10845-1:2015, Annex G: <i>Targeted procurement procedures</i> and SANS/ISO 10845-5, 6, 7 and 8 (2015) for further guidance as to how requirements for preferences relating to key performance indicators associated with the participation of target groups can be incorporated in procurement documents.</p>
2.3.4	Decide on tender evaluation method	The National Treasury approved, standard method by which tenders are to be evaluated.	<p>For each procurement, select a standard tender evaluation method from the CIDB’s Standard for Uniformity in Construction Procurement (2015) as either:</p> <p>Method 1: Price and preference. A “<i>preference</i>” defined (noun) as: “<i>favour shown to one person or thing over another or others</i>”. An organ of state must determine its preferential procurement policy and implement it within the framework as specified in the applicable legislation (Framework for implementation of preferential procurement policy);</p> <p>Method 2: Functionality, price and preference. The CIDB’s Standard for Uniformity in Construction Procurement (July 2015) defines functionality as “<i>the measurement according to the predetermined norms of a service or commodity designed to be practical and useful,</i></p>

No.	Process	Definition	Description
			<p><i>working or operating, considering quality, reliability, viability and durability of a service and technical capacity and ability of a tenderer”.</i></p> <p>Note: SANS 10845-1:2015 permits:</p> <p>Method 4: Financial offer, quality and preferences. Refer to Civilution, Feb 2016, “<i>Approaches to dealing with functionality and quality in the evaluation of tender offers</i>”. Note: The views of various courts in South Africa on evaluation of quality alongside price and preference.</p> <p>Method 1 and 2 in accordance with CIDB’s Standard for Uniformity in Construction (2015), Table 2. Please note: SANS/ISO 10845-1: 2015, Annex F contains guidance on standard tender evaluation methods, described as: Method 1: Financial offer; Method 2: Financial offer and quality; Method 3: Financial offer and preference and Method 4: Financial offer, quality and preferences.</p>
3.	<p><b>Document the Delivery Plan and corresponding Infrastructure Procurement Strategy in the Infrastructure Programme Management Plan (IPMP).</b></p>	<p>The goal of documenting the Delivery Plan and IPS is to communicate the logic behind the decisions and choices made at each step so that, where applicable, it can be implemented by others.</p>	<p>The Delivery Plan and IPS are outputs of the Programme Resourcing process, and should be included as components of the Infrastructure Programme Management Plan (IPMP).</p>

No.	Process	Definition	Description
	<p>Refer to Table 8 in section 6.2.3.1.8 below:</p> <p><i>Recommended document headings and sub-headings for a Delivery Plan and an IPS and a generic template (in tabular/list format) as provided for in the IDM Toolkit 2018.</i></p>		

## Exercise 2:



### **Developing an Infrastructure Procurement Strategy**

**Step 1:- Select a Programme or a Project**

**Step 2:- Portfolio Management Process's – Develop a Delivery Management Strategy include the following sections:**

2.1:- Demand management

2.2:- Risk management

### 2.3:- Funding Strategy

### 2.4:- Resourcing Strategy

**Step 3:- Programme Management Process's – Programme Resourcing****3.1 Delivery Plan**

Document procurement objectives	
Document delivery management arrangements	
Decide on packages / grouping of works	

## 3.2:- Infrastructure Procurement Strategy

**Establish Contracting Arrangements for works contractor**

Identify service requirements for the works.	
Decide on Contracting strategy for works contractor	
Decide on Pricing strategy for works contractor	
Decide on Form of contract for works contractor	

**Establish Contracting Arrangements for professional services**

Identify professional service areas	
Decide on Contracting strategy for professional services	
Decide on Pricing strategy for professional services	
Decide on Form of contract for professional services	

*Section 5:*  
*Institutional*  
*system*



# 5.1 Overview

## Section 5: IDMS Institutional System

### Subsection 5.1: Overview

This section seeks to provide guidance on the institutional system of the IDMS, as well requirements for institutionalising of the IDMS within an organisation, with specific emphasis on public sector governance, organisation design and architecture, as well as human resources management and development as the key drivers of a successful IDMS institutionalisation within an institution.

#### **Target Audience for this section**

The targeted groups of officials who are directly responsible for the IDMS institutional system are listed below:

- Line Managers responsible for infrastructure within a specific public organisation, sector and/or those working across sectors;
- Built environment professionals (e.g. architects, engineers, quantity surveyors, town planners, land surveyors and construction project managers) responsible for infrastructure planning and delivery;
- Work Inspectors and artisans responsible for infrastructure operations and maintenance;
- Human Resources practitioners responsible for the recruitment and retention of suitably qualified and capable public officials in infrastructure planning and delivery, and who assist

line managers and professionals with the implementation of the IDMS, and more specifically the IDMS Institutional System;

- Officials involved in infrastructure policy and strategy analysis, development and implementation;
- Officials responsible for the monitoring, evaluation and oversight of infrastructure delivery, and the operations and maintenance of assets;
- Types of leadership roles across the infrastructure delivery value chain, in both the political and executive administrative levels of government. This entails:
  - Strategic leadership and management;
  - Strategic financial management;
  - Operational financial management;
  - Financial and performance reporting management;
  - Performance management;
  - Management of stakeholder relations;
  - Supply chain management;
  - Audit and quality assurance management;
  - Risk, change and knowledge management;
  - Management of ethics and values.

## IDMS institutional system – Context

The South African government is faced with the reality that public assets will continue to be built to the low levels of the required quality, if additional funding allocations are not complimented by improving and building public sector capability to plan and manage the delivery of infrastructure effectively efficiently.

The 2011 Auditor General’s Performance Audit Report on Infrastructure Delivery by the Provincial Education and Health sectors identified the following specific institutional deficiencies in the delivery of infrastructure:

- Poor identification and prioritisation of infrastructure needs;
- Deviations from prescribed legislation and regulations;
- Lack of capacity and specific availability of qualified staff in client departments and implementing agents;
- Challenges associated with the improvement of intergovernmental cooperation and coordination in infrastructure delivery showed that South Africa’s intergovernmental framework lacked maturity.

The *National Development Plan (NDP), 2030*, contextualised these challenges by explaining that in a society with deep social and economic divisions, neither social nor economic transformation is possible without a **capable and developmental state**. The NDP indicates that the primary challenge, which also affects infrastructure delivery, has been the inconsistency in available capacity, which contributes to differing levels of performance in the national, provincial and local spheres of government. This challenge is the consequence of a complex set of contributing factors, including:

- tensions in the political-administrative interface,
- instability of the administrative leadership,
- skills deficits,
- erosion of accountability and authority,
- poor organisational architecture and design, and
- low staff morale.

The content of this section contains a description of, and guidelines for the development of the IDMS Institutional System, which aim to address some of the deficiencies highlighted above.

The IDMS Institutional System is one of the IDMS elements as shown in the figure below. The position of the institutional system within the context of the IDMS concept diagram is shown.

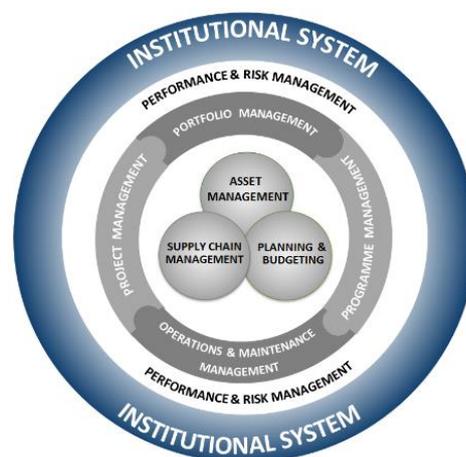


Figure 38: IDMS Concept Diagram: IDMS Institutional System

## Legislative Requirements

The table below contains a list of key legislation, plans; frameworks affecting the IDMS Institutional System is as follows:

*Table 14: Key Legislation, plans and frameworks affecting IDMS Institutional system*

<b>Legislation /Plans / Frameworks / Strategies</b>	<b>Objective</b>
Infrastructure Development Act, No 23 of 2014	Provides for the facilitation and co-ordination of public infrastructure development which is of significant economic or social importance and ensures that infrastructure development in the Republic is given priority in planning, approval and implementation;
Inter-Governmental Relations Framework Act, No 13 of 2005	Provides a framework for the national government, provincial government and local government, and all organs of state within those governments, to facilitate co-ordination in the implementation of policy and legislation, including coherent government, effective provision of services, monitoring implementation of policy and legislation; and realisation of national priorities
Municipal Systems Act No, 32 of 2000	Specifies that municipalities must draw up an IDP as a single, inclusive and strategic development plan that must be aligned with other municipalities and other spheres of government;
Spatial Planning and Land Use Management Act No 16 of 2013 (SPLUMA)	Provides for a uniform, effective and comprehensive system of spatial planning and land use management; Ensure promotion of socio-economic growth and inclusion SPLUMA requires that a municipal spatial development plan must be prepared as part of the Integrated Development Plans in accordance with the provisions of the Municipal System's Act.
National Spatial Development Framework	The NSDF must and align with policies, plans and programmes of public and private bodies that impact on spatial planning, land development and land use management and consider any matters relating to the coordination thereof

Legislation /Plans / Frameworks / Strategies	Objective
Provincial Spatial Development Framework	Coordinate, integrate and align, amongst others, the following: <ul style="list-style-type: none"> <li>○ Provincial plans and development strategies with policies of national government;</li> <li>○ Plans, policies and development strategies of provincial departments, and</li> <li>○ Plans, policies and development strategies of the municipalities.</li> </ul>
Municipal Spatial Development Framework	Guides overall spatial distribution of current and desirable land uses within a municipality in order to give effect to the vision, goals and objectives of the Municipal IDP. It aims to promote sustainable functional and integrated human settlements, maximise resource efficiency and enhance regional identity and the unique character of a place.
New Growth Path Framework (NGP) (2010)	Identifies key areas where job creation and employment can be optimised and achieved. One of the key job drivers identified in the NGP is substantial public investment in infrastructure
National Development Plan, 2030	Aims to ensure that all South Africans attain a decent standard of living through the elimination of poverty and reduction of inequality
National Infrastructure Plan	Identifies 18 Strategic Integrated Projects (SIPs), which constitute related projects required to achieve core outcomes, including Social infrastructure such as schools, universities, sanitation systems, hospitals and clinics.
National Infrastructure Maintenance Strategy	Emphasises the need to also prioritise maintenance of existing infrastructure assets in addition to the focus on the development of new infrastructure.
Provincial Growth and Development Strategy	Guide and coordinate the allocation of national, provincial and local resources, and private sector investment, to achieve sustainable development outcomes;
Integrated Development Plans	Approach to <b>planning</b> that involves the entire <b>municipality</b> and its citizens in finding the best solutions to achieve good long-term <b>development and</b> determines the <b>development</b> needs of the municipality

# 5.2 IDMS Institutional System

## Subsection 5.2: IDMS Institutional System

The IDMS Institutional System provides the ‘**glue**’ which not only attaches the IDMS processes to each other, but also to the broader governance system in which the IDMS must function. The IDMS governance system is broader than only government institutions and includes the interactions between government and the society it governs, as well as the private sector. It is also embedded in the public sector, the Government’s Batho Pele Principles and the public sector service delivery policies, strategies, systems and methodologies.



### Checklist

In creating infrastructure delivery capacity and capability within an institution, Leadership must align to:

- The Municipal Competency Framework that has been issued in terms of the MFMA;
- The National Treasury Competency Regulations covering the major occupational groups in the field of public financial management;
- The DPSA Competency Framework for Senior Management Services

The interrelated and interacting IDMS elements form part of the wider system of government and the country. The IDMS and the supportive IDM Toolkit provides the systemic tools to deliver and manage infrastructure assets. The IDMS Institutional System consists of three interrelated components as depicted the figure below:

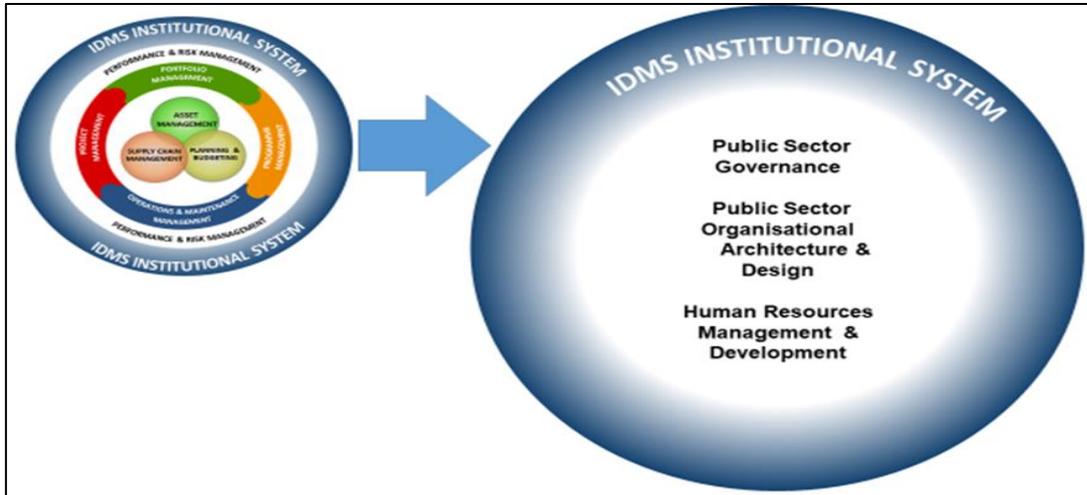


Figure 39: The three core interrelated components of the IDMS Institutional System

The figure above, illustrates that the IDMS Institutional System does not have rigid outer and inner boundaries, demonstrating engagement with the IDMS processes and the linking of the IDMS processes with the broader governance system and requirements. The IDMS Institutional System ensures that infrastructure planning and delivery is viewed as an integral part of the broader planning, service delivery, monitoring, reporting and evaluation systems of government.

The open system boundary of the IDMS is directed and guided by inputs to produce the desired outputs, outcomes and impacts as shown in the figure below:

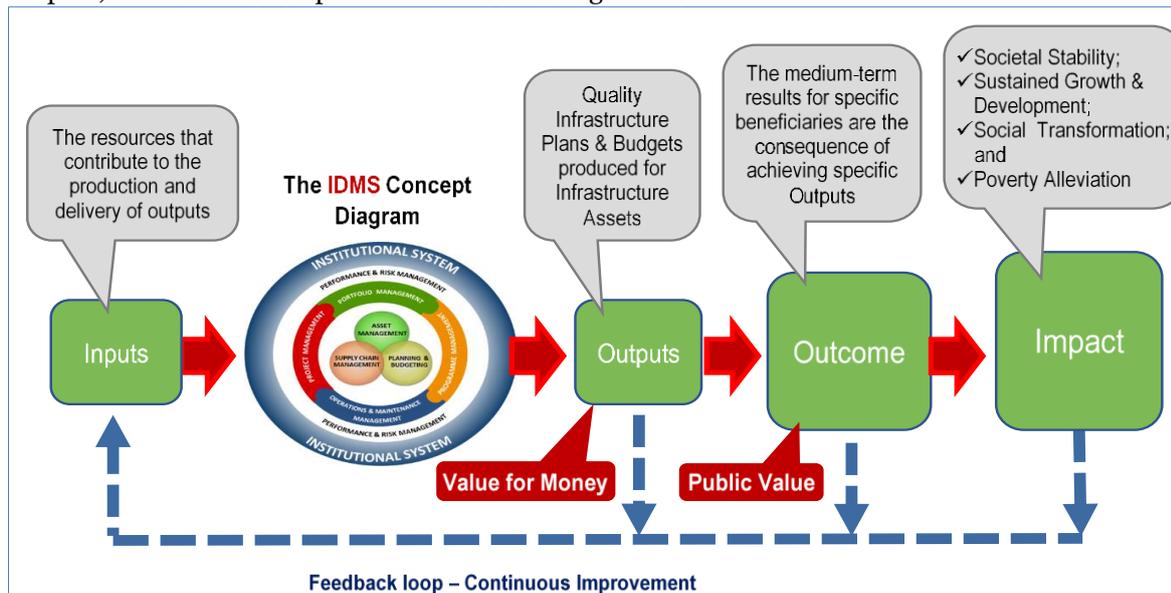


Figure 40: Converting Inputs to Outputs, Outcomes and Impacts

IDMS capacity is seen as the institutions' functional ability to implement and sustain the IDMS. It refers to the availability and access to tangible resources including human, financial, material, technological, logistical and information. Capacity to implement and sustain the IDMS also includes the intangible requirements of leadership commitment, change management, organisational values and culture, as well as other intangible attributes needed to translate the IDMS theory into practice.

It is important to recognise that the IDMS is based on systems thinking and therefore the IDMS processes cannot operate on their own or in isolation from each other. They are interrelated, interdependent and mutually reinforcing.

The IDMS has the long term ability to provide:

**Outputs** - high quality infrastructure asset management plans, the maintenance of assets, infrastructure delivery and value for money;

**Outcomes** - the delivery of infrastructure from which public benefit is derived and it is thus valued by the public;

**Impacts** - societal stability, increased and sustained socio-economic growth and development, social transformation and the alleviation of poverty.

# 5.3 Components of the IDMS Institutional System

## Subsection 5.3: Components of the IDMS Institutional System

The three components of the IDMS Institutional System, these are:

- a. Governance
- b. Organisational Design and Architecture
- c. Human Resources Management and Development

Each of these components consist of sub-components as shown in the figure 4 below:

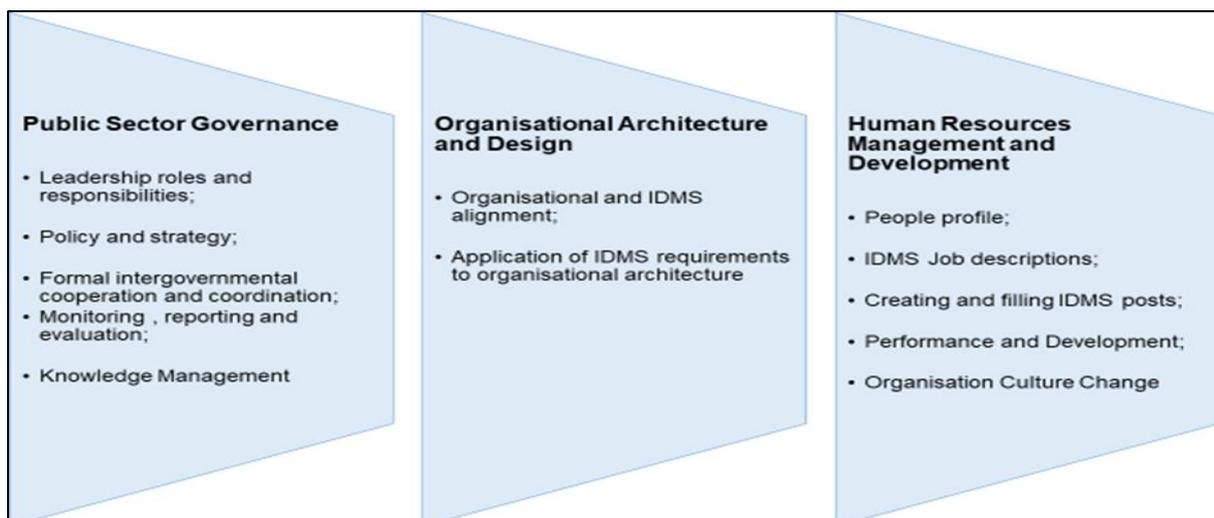


Figure 41: The components and sub-components of the IDMS Institutional System

## Public Sector Governance

Governance is broadly refers to how public institutions conduct public affairs and manage public resources in an effective and efficient manner. It also refers to the process of decision-making and the process by which decisions are implemented.

### Leadership Roles and responsibilities:

In the context of the IDMS, leadership refers to the leadership roles across the infrastructure delivery value chain from the political to the administrative levels. This entails:

- Strategic leadership and management;
- Strategic financial management;
- Operational financial management;
- Financial and performance reporting management;
- Risk and change management;
- Performance management;
- Policy analysis and implementation management;
- Management of stakeholder relations;
- Supply chain management;
- Audit and quality assurance management;
- Risk, change and knowledge management;
- Management of ethics and values.

The buy-in, support and accountability of IDMS leaders across the infrastructure delivery chain is important to set direction, build an inspiring infrastructure delivery vision, and to support the creation and sustainability of the IDMS.

Leaders must ensure that the work needed to deliver the IDMS objectives is properly managed; either by themselves, or by a dedicated manager, or team of managers, to whom this responsibility is delegated.

The IDMS also requires accountable leaders. Two forms of accountability are considered important within the IDMS context, being executive accountability and managerial accountability. The first refers to the accountability of the elected leaders to the voters. The second refers to the accountability of public sector managers to the elected government.

## **Critical success factors for leadership competency, accountability and responsibility in the IDMS**

Without the support of key role-players, especially those in decision-making positions, infrastructure planning and delivery will fail. Leadership should demonstrate buy-in and commitment with respect to the IDMS by:

- Providing a compelling vision for action to implement the IDMS;
- Ensuring that the IDMS is aligned to Government’s policy, strategies and priorities in relation to infrastructure delivery;
- Securing stakeholder support and commitment;
- Ensuring that integrated strategy and planning processes are in place;
- Ensuring that the resources needed for the IDMS are available;
- Communicating the importance of the IDMS, and its society centred and public value focus;
- Ensuring that the IDMS achieves its intended outputs, outcomes and impacts;
- Ensuring that delegations are formalised to enable the effective functioning of the IDMS control system and processes;
- Directing and supporting officials to contribute to the effectiveness of the IDMS;
- Promoting continual improvement of IDMS related inputs and outputs;
- Ensuring the elimination of silo approaches to infrastructure delivery, by promoting intergovernmental cooperation and coordination;
- Aligning IDMS leadership with the competency standards for municipalities that have been issued in terms of the MFMA, the DPSA SMS Competency Framework and National Treasury’s Competency Framework, in relation to financial management that has been issued in terms of the PFMA

## **Policy and Strategy**

Policies articulate the intent of government and establish priorities. South Africa is governed by a set of macro and sector specific policies that define ‘what’ should be done to ensure that infrastructure delivery contributes to socio-economic growth and development, transformation and poverty alleviation. Strategies on the other hand, articulate ‘how’ the policies will be implemented. Strategies have a clear focus on the infrastructure priorities and the respective and shared roles and responsibilities of key public organisations to implement the infrastructure policies. Policy and strategy are therefore like two sides of a coin, policy focuses on the infrastructure delivery intent and vision, whilst strategy focuses on how to achieve and implement infrastructure policies (who should do what, by when, and how much will it cost).

## Critical success factors

Critical success factors for the development of infrastructure strategies that are consistent with IDMS processes:

- The development of long-term infrastructure strategies is a precondition for focussed and consistent infrastructure delivery, especially in structuring consideration of the key questions stated in the figure below:

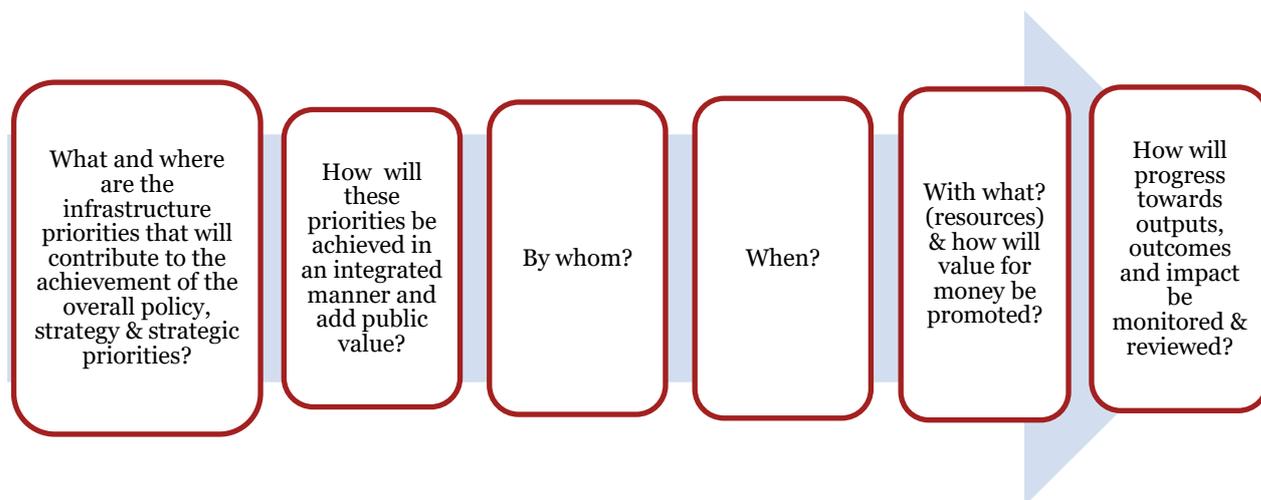


Figure 42: Key questions that guide the development of infrastructure strategy

- An infrastructure strategy should be clear about objectives, priorities and trade-offs;
- An infrastructure strategy should be underpinned by an informed understanding of causes, trends, opportunities, threats, outcomes and impact;
- An infrastructure strategy should be aligned to the different public policies and relevant broader strategies;
- There should be full alignment between infrastructure plans and spatial plans;
- There should be an understanding of the capacities of public organisations to deliver on the infrastructure strategy;
- An infrastructure strategy should be developed with, and communicated effectively to, relevant stakeholders;
- Clearly defined indicators should be used to measure progress with the implementation of the infrastructure strategy and to evaluate its outcome and impact;
- In the context of intergovernmental cooperation and coordination, it is necessary to define both the individual, as well as shared, roles and responsibilities of public organisations that are involved in the implementation of the infrastructure strategy;
- There should be a logical link between infrastructure strategies and each of the end of stage deliverable in the IDMS.

The intended strategic alignment and cascading of public sector infrastructure strategies from the national to provincial and local spheres of government is in the figure below:

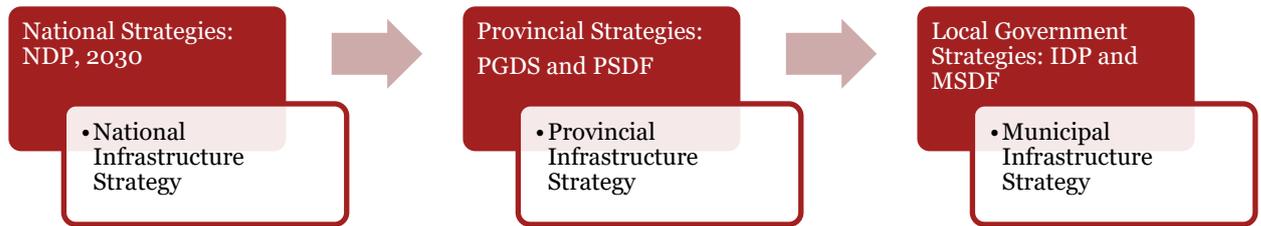


Figure 43: Alignment and cascading of public sector macro and infrastructure strategies

Infrastructure strategies feed into the IDMS internal strategic processes in IDMS Portfolio Management, which are focused on the alignment of operations and maintenance objectives with the IAM objectives and the development of detailed strategies to achieve the objectives. It also provides focus and context to the IDMS tactical and operational processes.

The linkage and alignment between government infrastructure strategies and the IDMS is shown in the figure below.

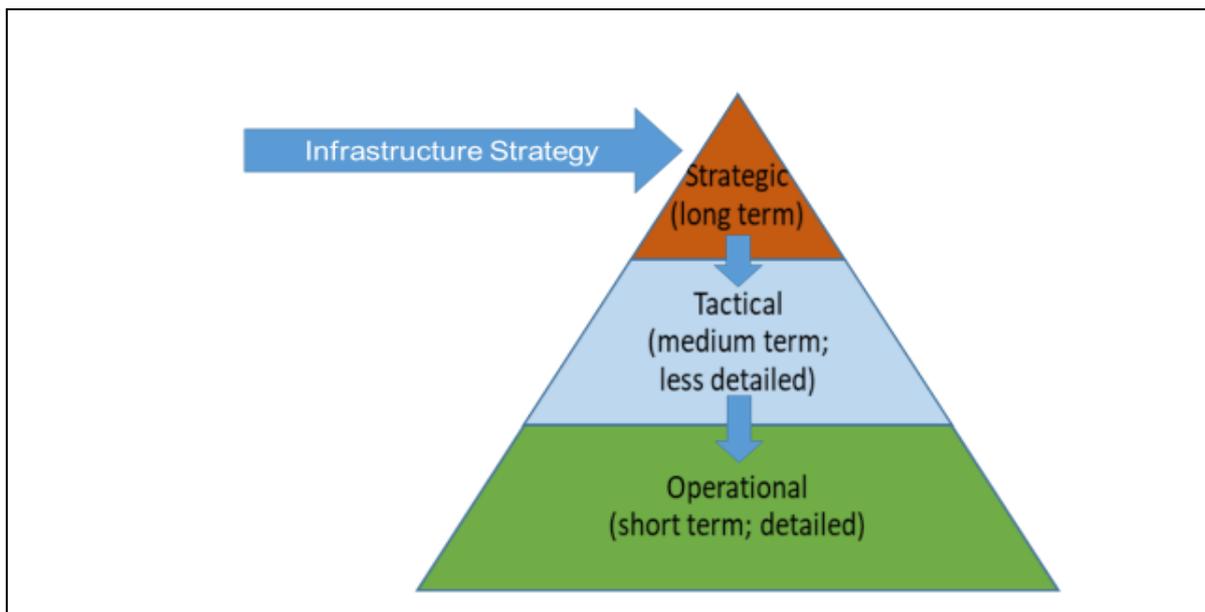


Figure 44: Alignment of Infrastructure Strategies and IDMS

## Formal Intergovernmental Cooperation and Coordination

The IDMS aims to take intergovernmental relationships, for infrastructure delivery, to a higher level than mere informal cooperation between public organisations. It aims to establish formalised coordination between public organisations and between the spheres of government. Intergovernmental coordination entails integrated prioritisation and planning, which is essential for strategy development and for developing long term infrastructure plans and priorities.

In terms of the Intergovernmental Relations Framework Act, 2005, the Premier of a province is responsible for ensuring the co-ordination of intergovernmental relations with national government and local governments in the province. The Act also provides for the establishment of a protocol to formalise intergovernmental coordination. Such a protocol has tremendous potential to assist the different public organisations participating in infrastructure management and delivery to co-ordinate their plans, budgets and actions.

The IDMS works best when intergovernmental cooperation and coordination is formalised in an intergovernmental protocol that is established in terms of the Intergovernmental Relations Framework Act, 2005.

### Critical success factors for intergovernmental cooperation and coordination:

- Formalise inter-governmental collaboration by means of a protocol in terms of both the IDMS and the Inter-Governmental Relations Framework Act;
- Ensure that formal intergovernmental structures are established to operationalise and sustain the IDMS protocol;
- The infrastructure delivery mandates of each partner to a protocol needs to be clarified and formalised;
- Signatories to the protocol function in terms of both their exclusive (legal) and shared (in accordance with the protocol) infrastructure delivery mandates and responsibilities;
- The infrastructure delivery mandates of partners to a protocol need to be clarified and formalised;
- It is important to develop and enforce formal rules of intergovernmental engagement between the IDMS partners.
-

## Monitoring, reporting and evaluation

Monitoring, reporting and evaluation form an IDMS performance management value chain, consisting of monitoring of outcomes, reporting on outputs, and evaluation of impact.

## Knowledge management

Knowledge Management is the process of capturing the tacit knowledge that exists in a group of people, to make the knowledge explicit through documentation, graphs, charts, reports, case studies and lessons learnt. Knowledge Management is therefore, the explicit and systematic management of vital knowledge and its associated processes of creation, the organisation of collated knowledge, verification, quality assurance and screening of assembled knowledge and information, sharing of knowledge and the use of that knowledge.

The knowledge domain consists of tacit and explicit knowledge:

- Tacit knowledge is “personal know-how” that is generated through personal life experience in every individual. When individuals share and combine their tacit knowledge in a structured manner, the knowledge becomes explicit;
- Explicit knowledge is knowledge that is documented and accessible to all people.

## Organisational Design and Architecture

**Organisation architecture** refers to the structure of the organisation, which in the IDMS context, would in most instances be an infrastructure unit in a public organisation, together with their structures lower down in the hierarchy (teams, matrix and projects), which are involved and/or responsible for infrastructure delivery.

**Organisation design** refers to the process of aligning the structure of the infrastructure unit with the objectives, processes and systems of the public organisation in which it is based, and with those of the IDMS, with the aim of improving the efficiency and effectiveness of the public organisation to deliver infrastructure. The IDMS processes trigger the need for aligned organisational design.

Organisational design involves:

- Understanding the imperative for IDMS related change;
- Understanding the IDMS processes, workflows, roles and responsibilities, volumes of work, activity analysis and resources;
- Designing and testing new models or structures;
- Planning and managing the transition from the old structure to the new structure that is aligned to the IDMS;
- Implementing and monitoring the change process.

The DPSA *‘Guide and Toolkit on Organisation Design’* should be used to develop infrastructure units that are aligned to the IDMS. The Guide provides a step-by-step approach to a relatively complex undertaking. It promotes a fundamental principle of organisational structure, namely that the design of the IDMS organisational structure should be preceded by an understanding of the business processes in the public organisation in which the infrastructure unit is based, which in turn should be preceded by an understanding of the public organisation’s specific mandate and strategy in relation to infrastructure delivery.

The following areas need to be well defined in the functional structures, and adequate provision must be made for posts in these areas, to ensure alignment with the IDMS (systems and processes):

- The development of integrated and credible infrastructure plans;
- The development and application of prioritisation models and budgets;
- The development of appropriate procurement strategies in consultation with the implementer;
- The monitoring of and reporting on the reports of the implementers and other roleplayers, and the ability to take appropriate and timely decisions in line with the IDMS control system;
- The ability to interface with all the relevant roleplayers involved in infrastructure delivery;
- The capacity to monitor adherence to criteria applicable to maintenance;
- The capacity to interpret, customise and develop functional norms and standards in line with guidelines issued by national government;

- The capacity to interpret, customise and develop technical norms and standards in consultation with implementers, and in line with guidelines issued by national government;
- The capacity to update and disseminate information on the nationally prescribed systems;
- The capacity to manage leases;
- The facilitation of the development and management of integrated systems to collect, record and use information regarding immovable assets for the public organisation, and the optimal use of data and information across all three spheres of government. Specific attention must be given to systems to support information management, for example, asset registers, accounting systems, Geographic Information Systems (GIS), project management systems and document storage and retrieval systems.

## Human Resources Management and Development

### Critical success factors for IDMS human resources management and development

- It is essential to fit the persons with appropriate qualifications and competencies into the IDMS related jobs, and to continuously train them to ensure that they understand the IDMS processes and the responsibilities that emanate from the IDMS;
- Human Resource Management and Development in relation to the IDMS needs to be aligned to the requirements in the Municipal Systems Act, the Public Service Act and Public Service Regulations, 2016;
- Develop people profiles that are based on:
  - IDMS specific type of professions;
  - Competencies;
  - Experience;
  - Training;
  - Qualifications;
  - Work ethos;
- Align IDMS job descriptions to either Competency Standards for Municipalities which were issued in terms of the MFMA, the National Treasury Competency Regulations (covering the major occupational groups in the field of public financial management), or the DPSA's Competency Framework for SMS;
- It is important that public sector officials in infrastructure units enter into performance agreements that contain:
  - A clear description of the main IDMS related objectives of the employee's job, and the relevant outputs or key responsibility areas and competency requirements which are aligned to the relevant job description;
  - A work plan with clear outputs, activities and resource requirement, and which is clearly linked to the IDMS systems and processes;
  - A personal development plan that identifies the employee's competency and developmental needs in terms of the inherent requirements of the job, as well as methods to improve these;
- The creation of the right ethos and conduct of officials is critical for sustaining the IDMS;
- The changes required to implement the IDMS are not merely administrative or procedural of nature, but are fundamental structural changes that require a well-planned organisational culture change strategy and action plan. The aim should be to identify the cultural attributes that will most contribute to high quality and effective and efficient delivery of infrastructure services;

The IDMS Control System entails procedures designed and established to check, record, regulate, supervise, authenticate and, if necessary, restrict, the access to an asset, resource, or system. This requires the IDMS leaders to compare actual performance with planned performance, to analyse the variance, assess trends to effect process improvement, evaluate possible alternatives and recommend appropriate corrective action, as needed. It is therefore important that leaders and decision makers, as well as the roles, authority and responsibilities that they are expected to exercise, be identified and those delegations of authority be formalised throughout the IDMS.

**Checklist**

A formal IDMS structure must be established by an institution to report on progress relating to the implementation of the IDMS

Organisational design processes must be utilised to align the organisational structure with the roles, functions and activities that emanate from the IDMS. It is only when this alignment has been completed, that the IDMS will be able to achieve its outputs, outcome and impact

## Typical IDMS RASCI matrix for local government

Table 15: typical IDMS RASCI matrix for local government

IDMS function	Responsible	Accountability	Support	Consult	Inform
<i>Core legislative requirements</i>					
Asset Management	CFO Head of IT	Accounting Officer	SCM Head	Strategic Manager Portfolio Manager	
Planning and Budgeting	Portfolio Manager	Accounting Officer	CFO SCM	Programme managers	
Supply Chain Management	Head of SCM	Accounting Officer	Portfolio, programme and project managers		
<i>Infrastructure delivery management</i>					
Portfolio Management	Portfolio managers	Accounting Officer	Programme Managers		
Programme Management	Programme Managers	Head Of Infrastructure	Portfolio managers and project managers		
Operations and Maintenance	Operations Manager Maintenance Manager	Head of Operations and Maintenance	Programme and project managers		Strategic planner/man ager
Project Management	Project Managers Professional service providers Contractors	Accounting Officer		Operations and Maintenance managers	Asset Register Custodianshi p
<i>IDMS enablers</i>					

<b>IDMS function</b>	<b>Responsible</b>	<b>Accountability</b>	<b>Support</b>	<b>Consult</b>	<b>Inform</b>
Performance Management	Programme and Project Managers Performance Manager	Accounting Officer	Portfolio, Programme and project managers	HRD Manager	
Risk Management	Programme and Project Managers	Accounting Officer	Risk Manager		
Institutional System	Head of HRD and Organisational Design	Accounting Officer	Head of Infrastructure Unit	Competency Frameworks custodians Performance Manager	

*Section 6:*

*Performance and  
risk management*

# 6.1 Overview

## Section 6: Performance and Risk Management

### Section 6.1: Overview

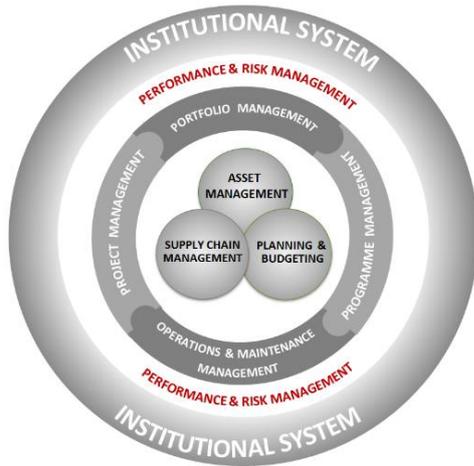
#### About this section

This section provides guidance on the processes for performance and risk management from an IDMS perspective. The section introduces participants to the concepts of performance and risk-based thinking and guides on identifying and implementing management actions as well as continuous improvement.

#### Performance and Risk Management within the IDMS Context

As the principles of the IDMS are understood and applied, the application of continuous improvements is fundamental to ongoing development of the individuals as well as the organisation. To achieve continuous improvements, organisations will need to measure their levels of performance and, assess levels of risk appetite and tolerance.

**IDM Performance Management** determines measurement criteria for the outputs of IDM processes, then evaluates the capability and performance of the processes by comparing the outputs with the measurement criteria, and plans actions to improve the processes when they are not effectively achieving the performance expected by the system.



**IDM Risk Management** is the process of identifying, analysing and then responding to any risk. When starting any of the planning processes, one of the first things to think about is what can go wrong? It may sound negative, but it's not. It is a preventative action, as problems, challenges and issues will inevitably come up, and mitigation strategy is required to be in place to inform the management of risks during implementation.

*Figure 45: Performance and Risk Management System in relation to IDMS Elements*

## Line of Sight

The IDMS integrates service delivery mandates with the acquisition, renewals, maintenance and operations of infrastructure assets, through portfolio, programme and project management, to deliver public services. This effectively creates a 'line of sight', ensuring that activities in operational areas are linked to achieving the organisation's purpose and strategic goals.

Maintaining this line of sight between activities, programme objectives and the organisation's purpose, enables the performance of infrastructure assets to be measured, the risk of service delivery failure due to infrastructure failure to be managed, and infrastructure asset management improvements to be implemented and monitored.

The Infrastructure Delivery Management (IDM) Control System assists with monitoring performance of infrastructure delivery in an organisation.

## Core Legislative and Regulatory Requirements

The legislative policy framework within which performance management and risk management for a municipality must be implemented is contained in the Municipal Systems Act (MSA), as well as the Municipal Finance Management Act (MFMA), read together with relevant regulations, guidelines and circulars.

The table below lists the key pieces of legislation and regulation requirements pertaining to performance and risk management.

*Table 16: Core Legislative and Regulatory Requirements*

<b>Act / Regulations / Standard</b>	<b>Requirements</b>
Municipal Finance Management Act - sections 62(1)(c)(i) and 95(c)(i) Public Sector Risk Management Framework	The Accounting Officers/Authorities to ensure that their Institutions have and maintain effective, efficient and transparent systems of risk management
Municipal Systems Act	Establish a Performance Management System that is in line with the priorities, objectives, indicators and targets contained in the Integrated Development Plan
SANS/ISO 31000, 2009, Risk Management	Provides principles and guidelines for Risk Management
GIAMA	Performance of assets and their condition
DORA	Requirements for reporting on non-financial performance of programmes. The DoRA is unequivocally clear that reporting of performance is expected in accordance with, and in relation to, performance against the requirements of the various grant frameworks.
<i>Public Audit Act No. 25 of 2004</i>	AGSA produces Performance Audit reports and presents to the municipal councils
<i>Framework for Managing Programme Performance Information (FMPPPI)</i> (National Treasury, 2007).	Provides a conceptual framework for performance reporting across three spheres of government and supplies the conceptual foundation for the current results-based approach.

There are various regulations, guidelines and circulars that have been developed for Performance Management at local government in South Africa and these include:

- Municipal Planning and Performance Regulations (2001)
- Municipal Performance Regulations (2006)
- Municipal Budget and Reporting Regulations (2009)
- MFMA Circular 13 – Service Delivery and Budget Implementation Plan
- MFMA Circular 88 – Rationalisation of Planning and Reporting Requirements (Performance Indicators)

# 6.2 Performance management

## Subsection 6.2: Performance Management

Municipalities are required in terms of the Constitution of the Republic of South Africa (1996) to provide democratic and accountable government for the local communities. The White Paper on Local Government (1998), established the basis for a new integrated ‘developmental local government system’. It defined developmental local government as “local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs to improve the quality of their lives”. The White Paper also proposed interrelated approaches which can assist municipalities to become developmental. One of these approaches is the development of Performance Management as a key system for planning and delivery of local government services.

Performance Management can therefore be defined as a strategic approach to management, which equips local governance structures, management, employees and the community with a set of tools, and techniques to plan regularly, continuously monitor, periodically measure and review the performance of the municipality in terms of a set of indicators and targets for efficiency, effectiveness and impact.

Performance Management is a means by which a municipality introduces an understanding of the performance of the institution and its employees in the future, based on past performance and corrective actions. It is a critical planning and control system that makes the municipality and its employees, individually and collectively, accountable to ensure that plans are implemented, that they have developmental impact, and that resources are used effectively.

Within the context of IDMS Performance Management, service delivery is defined as an ongoing systematic approach to improving infrastructure asset management and infrastructure delivery results.

The performance of programmes, projects and operations are mapped to the performance of those individuals responsible for the performance of the work and accountable for the results achieved. The results are accounted via publication of reports, recording actual performance against planned targets. Variances from planned performance are followed by management action after critical reflection in order to rectify, normalise and improve poor or unacceptable delivery performance.

IDMS performance management covers all matters related to financial and non-financial performance of the acquisition, renewal, operation, maintenance and disposal of infrastructure.

Performance management is the responsibility of every manager, starting with the Accounting Officer, and spanning across the whole infrastructure delivery chain and life cycle.

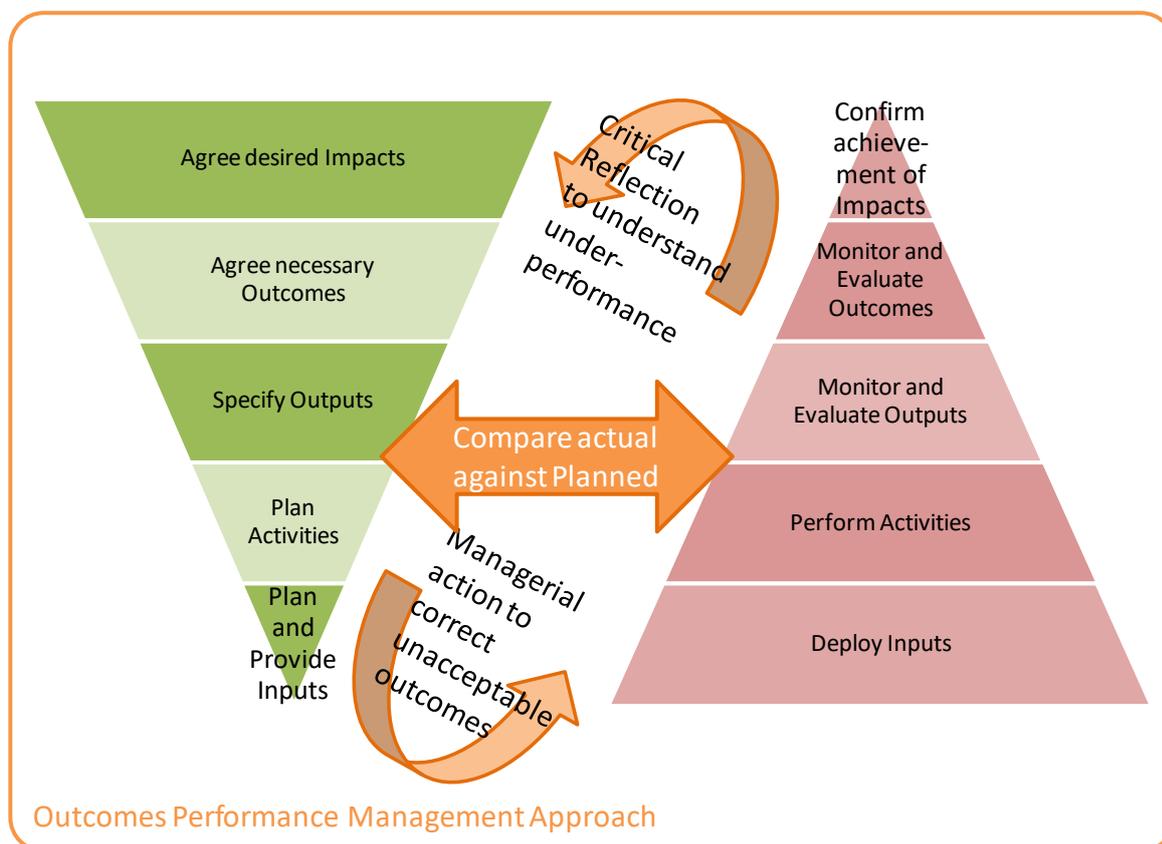


Figure 46: Outcomes Performance Management Approach

**Performance management** for service delivery, as illustrated in the previous figure, requires:

- An ongoing systematic approach to measuring the **improvement** of the organisation's infrastructure asset management system and infrastructure delivery results. Results are defined and categorised as inputs, activities, outputs, outcomes and impacts;

- A clear sequence of events based on **critical reflection and managerial action**, in response to analysis of the relationships between:
  - Agreement on the desired impacts flowing from the agreed planned strategic objectives;
  - The planning of the necessary outcomes and specific inputs, activities and outputs required to achieve those outcomes and associated impacts;
  - The deployment of inputs and the generation of service delivery outputs, through planned activities;
  - The achievement of associated outcomes and impacts, resulting from the outputs delivered;
- The performance of portfolio programmes, operations & maintenance and projects, to be mapped to the performance of those individuals responsible for the performance of the work and accountable for the results achieved;
- The results to be accounted for through the publication of reports and recording actual performance against planned targets.
- The reviewing and appraising of the performance of individuals responsible for the performance of deploying the inputs, performing the activities and measuring the performance, is vital for the success of the performance management system. This step does not only happen once per year, but on an ongoing basis, and must input into, and be part of, management action.
- Variances from planned performance to be followed by management action to rectify, normalise and improve poor or unacceptable delivery performance, of the portfolio, programme, project and individual. Management action must also exploit good performance by rewarding those responsible for achieving excellence and disseminating that learning to continuously improve the organisation.

## Core components of a Performance Management System

The core components of a performance management system may be summarized as follows:

- A municipality must set appropriate key performance indicators as a yardstick for measuring performance, including outcomes and impact, with regard to the municipality's development priorities and objectives as set out in its IDP, SDBIP, Budget and alignment with the National Treasury guidelines.
- Directorates need to focus on strategic objectives and then cascade target setting through the organization at operational levels.
- Measurable performance targets must be set with regard to each of the development priorities and objectives and KPI's should match the level of operational needs.
- The municipality must monitor, measure and at least once a year review its performance against indicators and targets identified for each of its development priorities.
- The municipality must take steps to improve performance where targets are not met.
- The municipality must establish a process of regular reporting to Council, other political structures, political office bearers, staff of the municipality, the community and appropriate organs of state.

The figure below outlines the conceptual framework for performance management and reporting across three spheres of government based on the foundation of the current results-based approach by government (national, provincial and local).

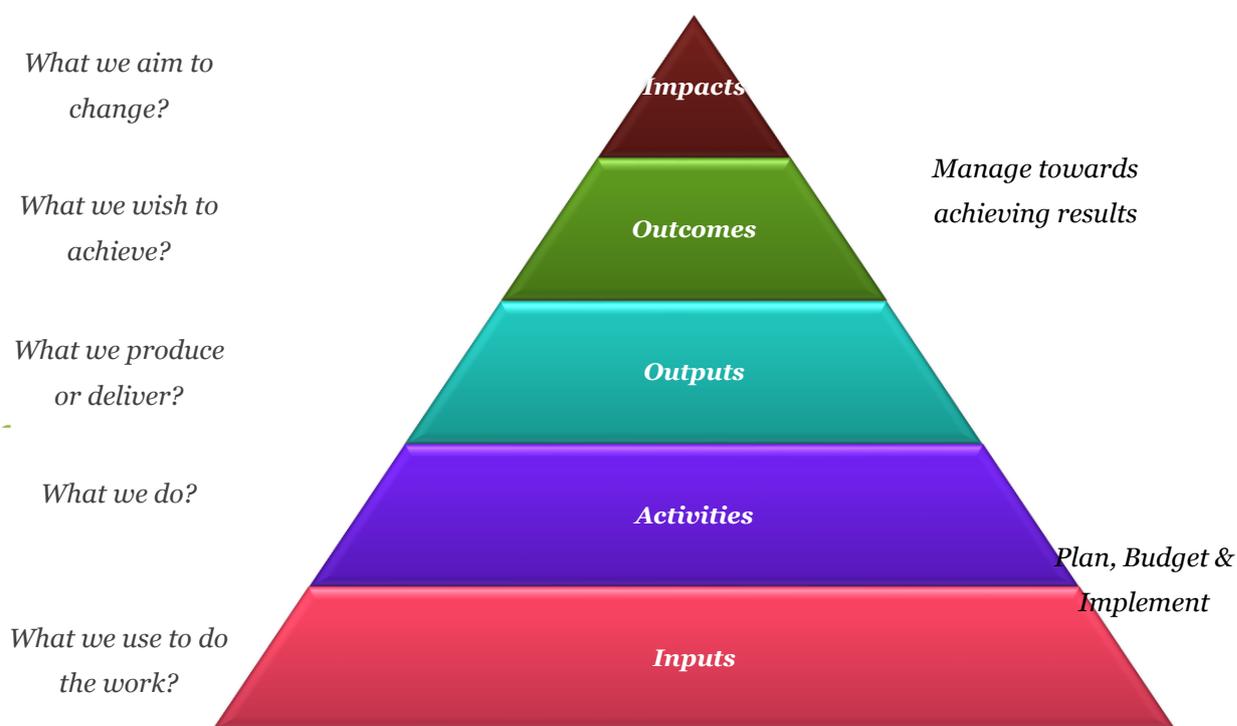


Figure 47: Framework for Managing Programme Performance Information (National Treasury, 2007) (FMPPi)

## Centrality of Performance Management in Municipal Planning and Delivery Processes

All the components of Integrated Development Planning (IDP), whether they are strategies or priority areas, need to be translated into a set of clear and tangible *objectives*. These objectives need to be aligned to the Vision and Mission (Pillars of the organization as documented). Objectives, once aligned to the KPA’s, form the basis for setting key performance indicators within the IDP, SDBIP and Directorates. Therefore, the formulation of objectives should be clear and concise, unambiguous, tangible, realistically attainable and measurable, with clear time-frames attached. These are recorded in the Directorate Scorecards and cascaded throughout the Municipality and aligned to SDBIP and Budget framework.

*Key performance indicators* serve as a yardstick for measuring of performance, including outcomes and impact, with regard to the municipality’s development priorities and objectives as set out in the IDP. They translate objectives into operational variables, and provide a common framework for measurement and reporting. They are adjusted according to the operational needs and must be aligned to the strategic framework of the Municipality.

The figure below provides conceptual clarity with regards to the planning, delivery and reporting instruments appropriate for the respective results-chain levels.

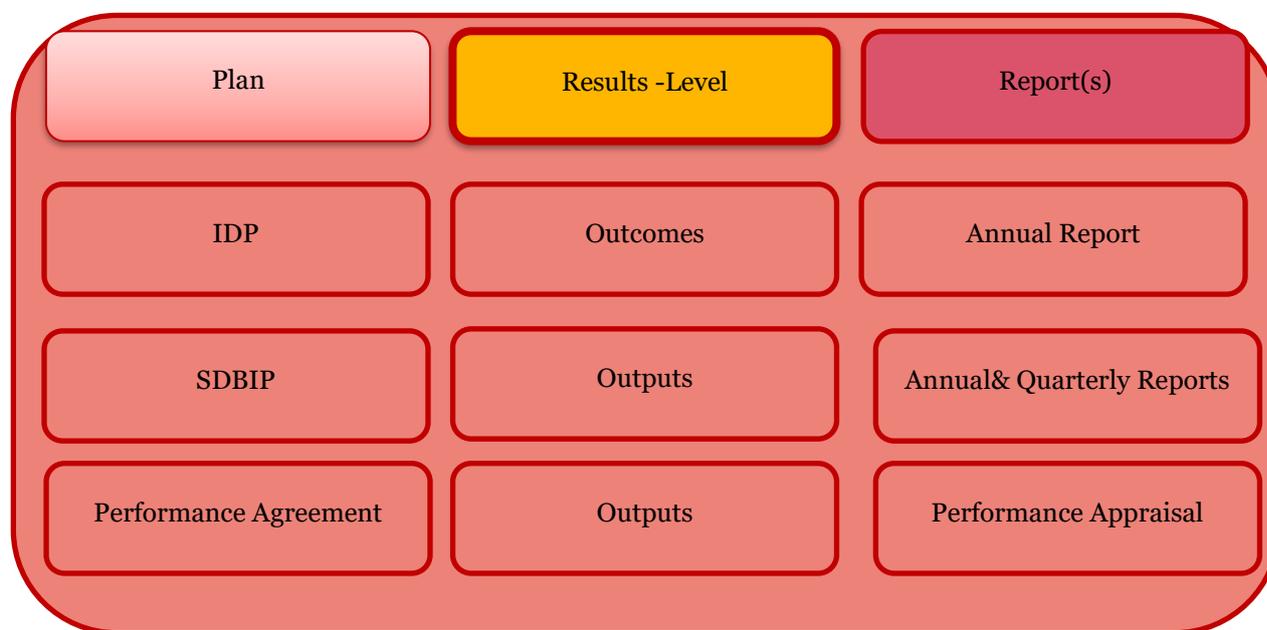


Figure 48: Planning and Reporting instruments and their results-level

The municipal planning, delivery and reporting framework is based on the following key processes:

- Integrated development planning
- Budgeting
- Service Delivery and Budget Implementation Planning
- In –Year Monitoring and Report – monthly (s71), quarterly (s52 d), mid-year (s72), annual (s126 and s127)
- Oversight processes

All the processes mentioned above are informed by performance management activities namely:

- Performance planning
- Performance implementation
- Performance monitoring and reporting
- Performance evaluation
- Performance feedback, corrective action and improvement

The figure below outlines the municipal planning, delivery and reporting framework.

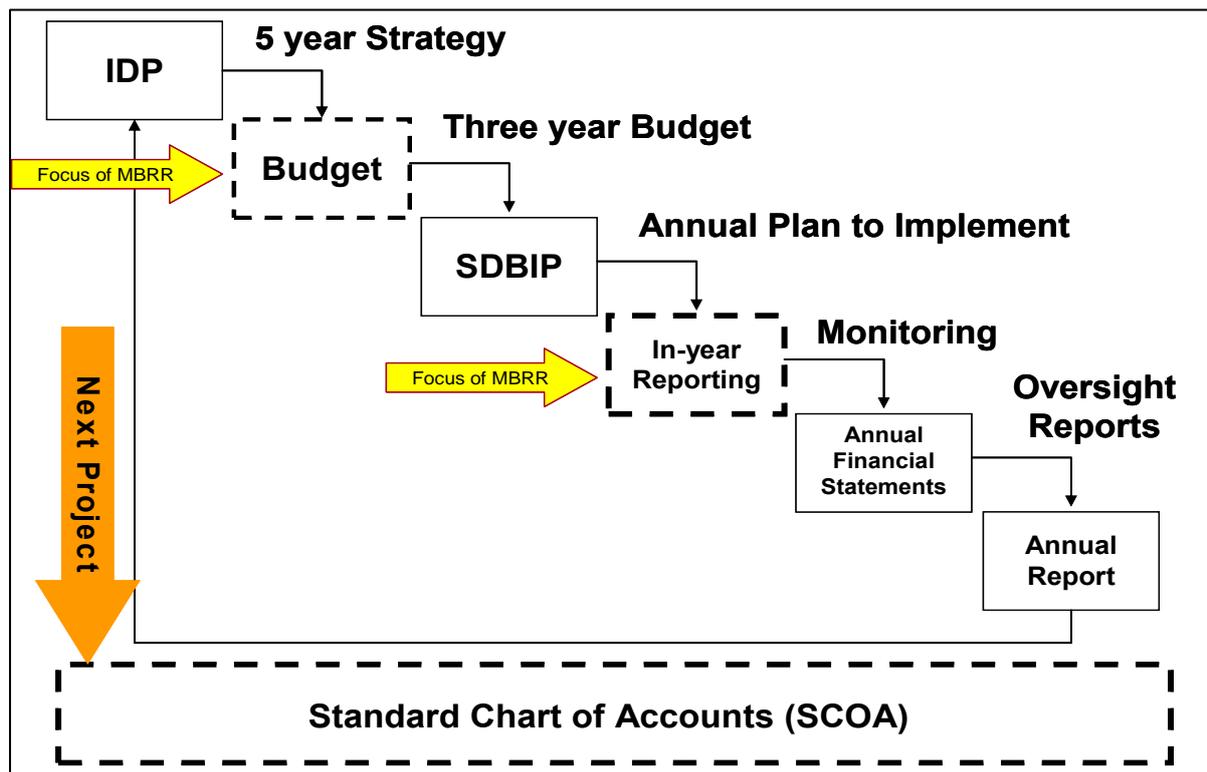


Figure 49: Municipal planning, delivery and reporting framework

## IDMS Performance Management Process

Performance management is the responsibility of every single manager responsible for any part (big or small) of the service delivery value chain in the municipality, from the Municipal Manager down to the most junior manager tasked with the delivery of a specific project or the execution of a specific operational maintenance function.

The process of performance management applicable to an individual municipality is presented in graphical form in the figure below.

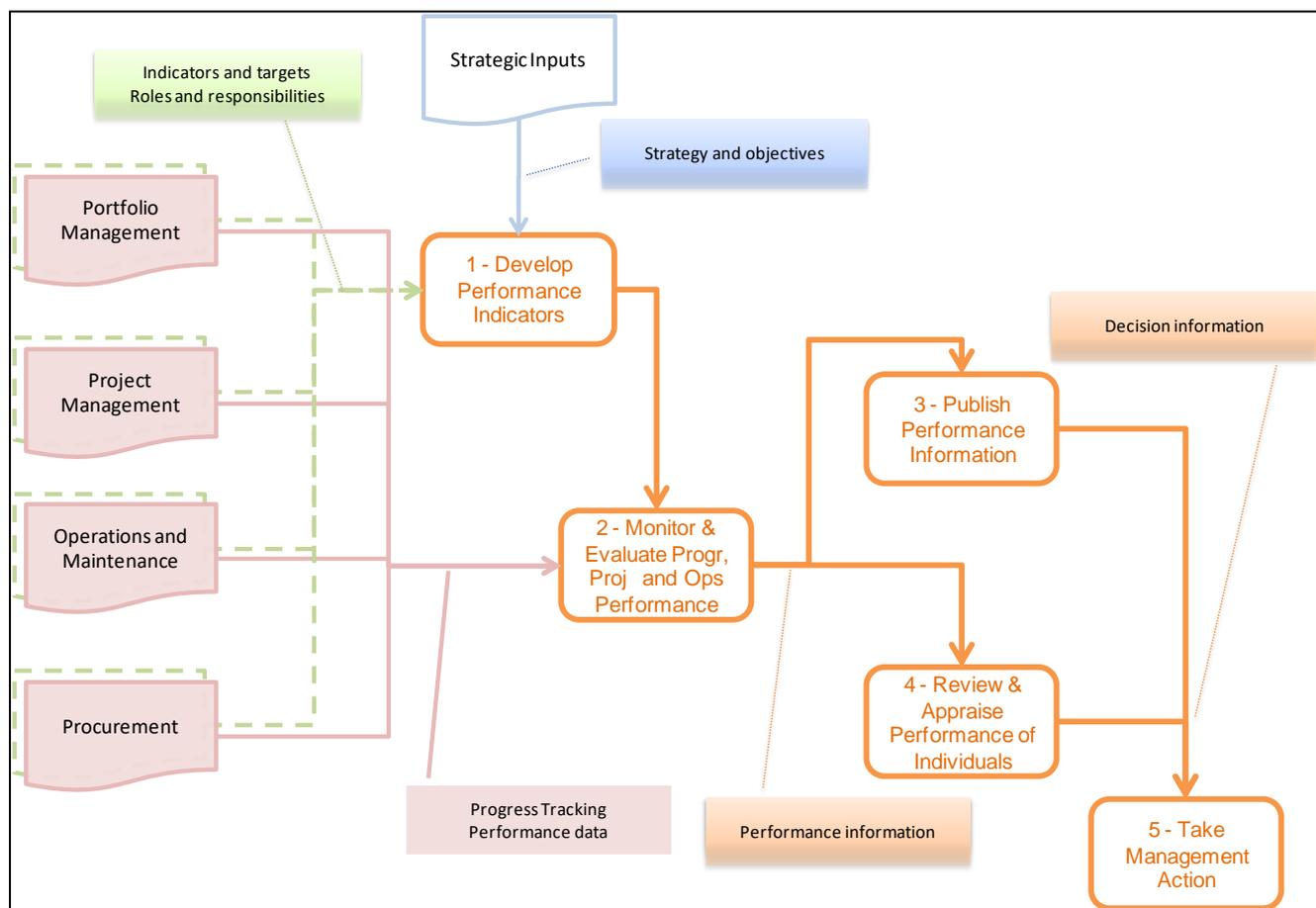


Figure 50: Performance Management - Overview and context of the process

The performance management process consists of only five high level process steps, namely:

1. Develop performance indicators
2. Monitor and evaluate programme, project and operational performance
3. Publish performance information
4. Review and appraise performance of individuals
5. Take management action.

The figure below outlines a typical roadmap that is followed in implementing IDMS performance processes.

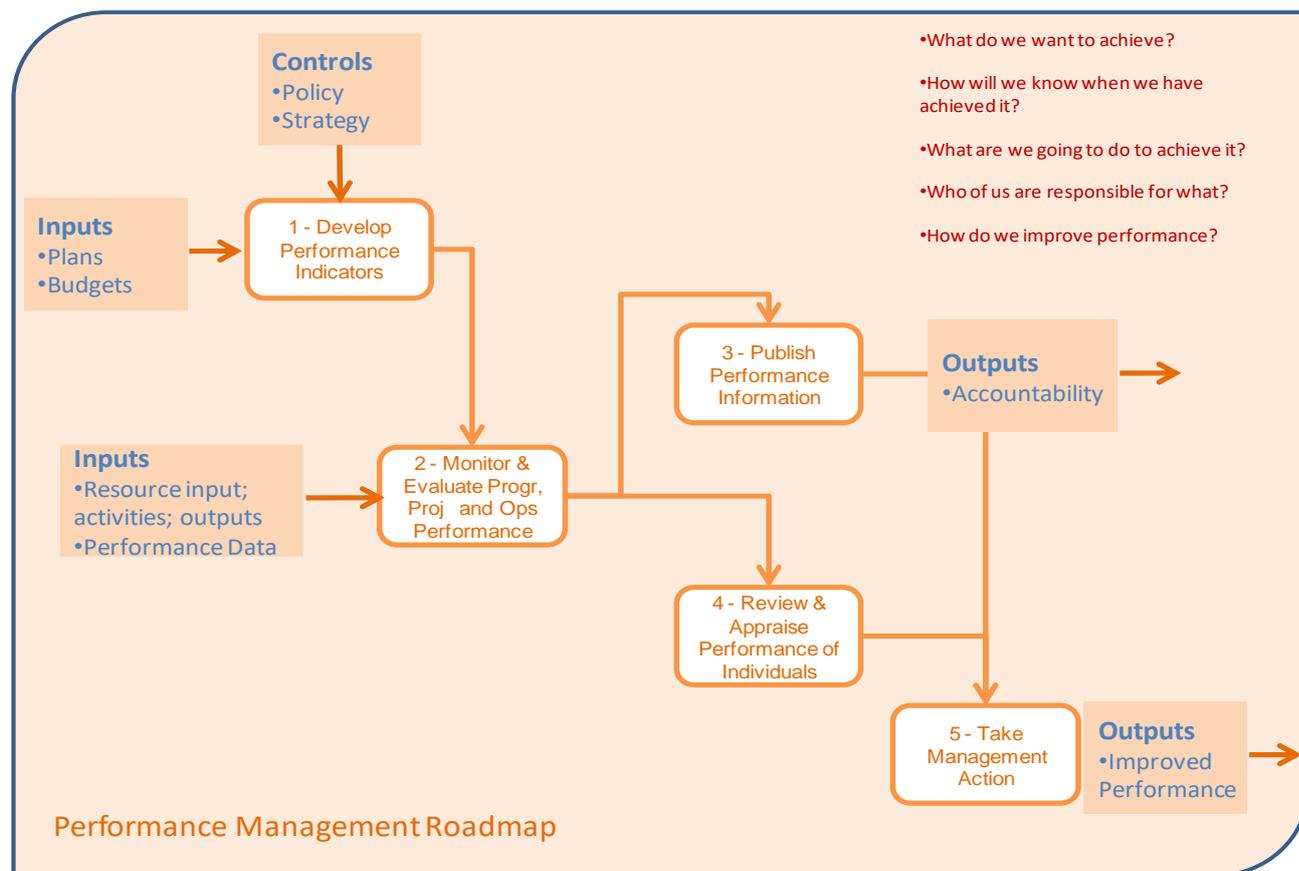


Figure 51: Performance management roadmap

This roadmap shows:

- **Step 1:** policy and strategy and plans and budgets are used to develop indicators complete with targets that can be used to measure performance
- **Step 2:** measures the actual input resources, activities performed and outputs achieved, as well as other performance data sources, as needed, and produces performance information. This step is performed wherever work is performed, be it at strategic management level or down at the coalface where the real work is performed
- **Step 3:** publishes the performance information in a variety of reports and formats as required by various stakeholders. The common factor amongst the reports is that they all report on variances, whether good or bad, between planned and actual performance. This fulfils one element of the concept of accountability, namely disclosure of results in a transparent manner.
- **Step 4:** brings the concepts of corporate or programme performance management together with the concepts of performance management and development of the individual. This is done by using the RASCI or responsibility assignment matrices to identify individuals responsible for work components and by making available reports on the performance of those work components to

managers when appraising the performance of individuals. This step closes the loop on accountability by calling individuals to account and to justify their actions and decisions

- **Step 5:** managers complete the performance management process when they are provided with performance and decision support information showing the variance between planned and actual achieved, and they reflect on the underlying reasons and most importantly take appropriate managerial action to either reward or learn from good performance and sanction or address poor performance.

## Developing Key Performance Indicators (KPIs) for IDMS

Key performance indicators serve as a yardstick for measuring of performance, including outcomes and impact, with regard to the municipality's development priorities. There are different types of key performance indicators applicable in a municipal environment as follows:

**Input indicators** -“an indicator that measures the costs, resources and time used to produce an output”. Input indicators measure economy and efficiency. Efficiency refers to how well resources are used to produce specific outputs and economy refers to the cost effectiveness of obtaining resources as inputs into the municipality. Input indicators therefore measure what it costs the municipality in time, money or people to deliver the service.

**Output indicators** -These are effectiveness indicators that measure whether a set of activities or processes yields the desired products. These indicators are usually expressed in quantitative terms as a number or a percentage. They are “an indicator that measures the results of activities, processes and strategies of a program of a municipality”.

**Outcome indicators** -“an indicator that measures the quality and/or impact of an output on achieving a particular objective”. In terms of quality, they measure whether the products meet the set standards in terms of the perception of the beneficiaries of the service rendered, and in terms of impact, they measure the net effect of the product or service on the overall objective. Outcome indicators are normally developed for each function or sector within a municipality.

**Composite indicators** -Composite indicators are formulated when indicators related to the same function or even across functions are combined. These indicators may be complex and problematic as they are not simplistic. It is therefore best practice, that such indicators are considered once a performance management system is functioning properly and the levels of sophistication of all stakeholders has been increased.

**Baseline indicators** -Baseline indicators are usually utilized in the planning phase, and show the status quo of the current situation. As such, they are important tools because a municipality must use them to establish the basic point of departure and to assess progress of each programme or activity.

During the process of developing key performance indicators for the IDMS, the following approach can be followed:

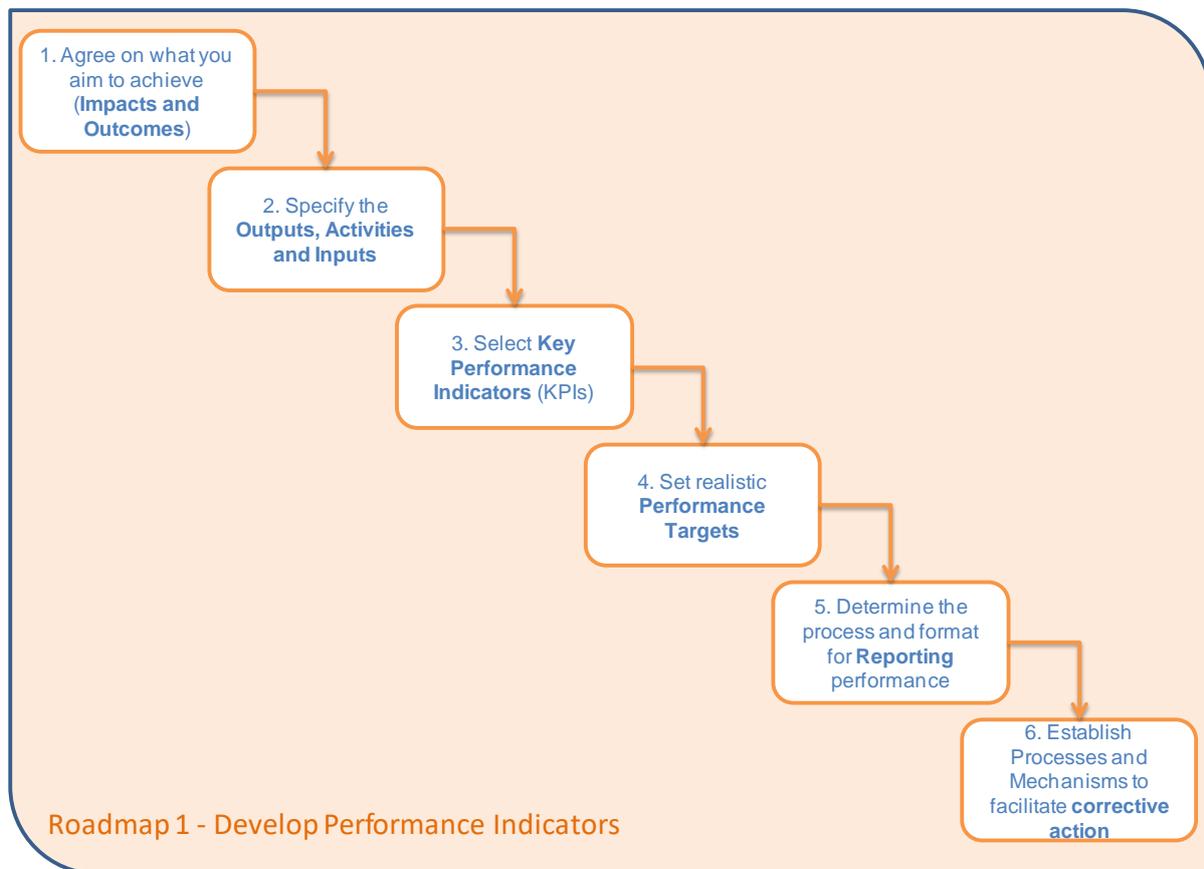


Figure 52: Roadmap 1: Develop Performance Indicators

The following template based on a typical IDP/SDBIP Template can be used in developing and unpacking key performance indicators for IDMS.

Table 17: Typical IDP/SDBIP template for key performance indicators

Impacts and Outcomes	Outputs	Activities	Inputs	Key Performance Indicators (KPI's)	Establish a Baseline	Key Performance Target	Process and format for Reporting performance	Processes and Mechanisms to facilitate corrective action
Define the Outcomes that will allow verification that the medium term results have been achieved for each programme and sub-programme element	What does the institution need to deliver in the short term to achieve the desired impacts and outcomes	What does the institution need to do in order to produce these Outputs	What resources (financial, human, technology) are required by the institution to perform these activities	Key Performance Indicators (KPI) to communicate whether the institution is achieving its strategic objectives	A baseline is the current level of performance whether known or unknown and is the basis of measuring future performance	A realistic performance target must be set for each Key Performance Indicator.	What reporting will be used to monitor KPIs	Monitoring and Evaluation (M&E) functions to take corrective actions
<b>1 Portfolio Level</b>								
Improved strategic and tactical planning of infrastructure, performance management, risk management, financial management and capacity building,	Infrastructure Asset Management Planning (IAMP)	<ul style="list-style-type: none"> <li>• Policy Formulation/ review</li> <li>• Research &amp; Analysis</li> <li>• Strategic Planning</li> <li>• Establishment of Systems</li> <li>• Stakeholder participation</li> <li>• Management &amp; Council approvals</li> </ul>	<ul style="list-style-type: none"> <li>• Human resources</li> <li>• Asset/ Information Management Systems</li> <li>• Budget</li> </ul>	Municipality timeously develops and approves the IAMP in line with dates prescribed in DoRA	<ul style="list-style-type: none"> <li>• IAMP in place (dated)/ IAMP not in place (zero base)</li> </ul>	IAMP formulation and approval by 30 May 2020	IAMP Process Plan (indicating periodic milestones to be achieved towards achieving the target – 30 May 2020)	Institutional IAMP SteerCo Meetings
<b>2 Programme Level</b>								
<b>3 Operations &amp; Maintenance Level</b>								
<b>4 Project Level</b>								

## **MFMA Circular 88 Examples of Key Performance Indicators (based on the key competencies of district municipalities)**

### **Percentage of households with access to basic sanitation**

**Definition** - Percentage of households accessing ("using") a toilet facility that meets minimum standards for basic sanitation out of all households within the municipality. Minimum standards are currently defined as either a flush toilet (sewerage system) and/or flush toilet (septic tank), and/or a pit toilet connected to ventilation (VIP).

**Formula to measure KPI** - (1) Number of households using a flush toilet (connected to sewerage system) + (2) Number of households using a flush toilet (with septic tank) + (3) Number of households using pit toilets with ventilation (VIP) / (4) Total number of households in the municipality x 100.

**Additional notes to measuring KPI** - Basic sanitation (meeting minimum requirements) includes access to either of the following: (1) Flush toilet (sewerage system), (2) Flush toilet (septic tank), and/or (3) VIP. In order to calculate, will need to obtain data for all individual service levels. It is therefore assumed that:

Total number of households with access to sanitation is the sum of: (1) Access to sanitation: Flush toilet (connected to sewerage system) (2) Access to sanitation: Flush toilet (with septic tank) (3) Access to sanitation: Pit toilet with ventilation (VIP) Total number of households without access to sanitation is the sum of: (4) Access to sanitation: Chemical toilet (5) Access to sanitation: Pit toilet without ventilation (6) Access to sanitation: Bucket toilet (7) Access to sanitation: Other (8) Access to sanitation: No sanitation

**Frequency of measuring KPI** – annually

### **Number of new sewer connections meeting minimum standards**

**Definition** - The total number of new sewer connections (defined as connections to a flush toilet connected to the sewerage system or a septic tank or a VIP toilet) made as part of state-subsidised human settlements development. This is inclusive of new sewer connections to communal facilities that meet basic sanitation standards.

**Formula of measuring KPI** - The (1) number of new sewer connections to consumer units + (2) the number of new sewer connections to communal toilet facilities.

**Additional notes to measuring KPI** - Basic sanitation (meeting minimum requirements) includes sewer connections to either of the following: (1) Flush toilet (sewerage system) or (2) Flush toilet (septic tank) or a (3) pit latrine with ventilation pipe.

**Frequency of measuring KPI – quarterly****Percentage of households with access to basic water supply**

**Definition** - Percentage of households with access to basic water supply, defined as the household's main source of drinking water is piped (tap) water inside dwelling/house, piped (tap) water inside yard, and/or piped water to a community stand: <200 m.

**Formula for measuring KPI** - (1) Number of households with the main source of drinking water (1) piped (tap) water inside dwelling/institution + (2) Number of households with the main source of drinking water piped (tap) water inside yard + (3) Number of households with the main source of drinking water piped (tap) water on community stand: distance less than 200m from dwelling/institution / (4) Total number of households in the municipality X 100

**Additional notes to measurement** - Basic water supply (meeting minimum requirements) includes access to either of the following: (1) Piped (tap) water inside dwelling/house (2) Piped (tap) water inside yard, and/or (3) Community stand: <200 m. In order to calculate, will need to obtain data for all individual service levels. It is therefore assumed that: Total number of households with access to water is the sum of:(1) Access to water: Piped (tap) water inside dwelling/house(2) Access to water: Piped (tap) water inside yard(3) Access to water: Piped (tap) water on community stand: distance less than 200m from dwelling/institution Total number of households without access to water is the sum of:(4) Access to water: Piped (tap) water on community stand: distance between 200m and 500m from dwelling/institution(5) Access to water: Piped (tap) water on community stand: distance between 500m and 1000m (1km) from dwelling /institution(6) Access to water: Piped (tap) water on community stand: distance greater than 1000m (1km) from dwelling/institution(7) Access to water: No access to piped (tap) water

**Frequency of measuring KPI – annual**

## Exercise 3:



Using the template on page 17 and following the example of the Portfolio Level, complete the entire template by crafting one example of a key performance indicator applicable at each level (Programme, Project and Operations & Maintenance Level). Unpack the outputs, outcomes, activities, inputs, baselines, targets, performance information (Portfolio of Evidence) and mechanisms for monitoring and evaluation as well as corrective action.

You may refer to your existing IDP/SDBIP/Budget and Infrastructure Master Plan (e.g. Water Services Development Plan) during the process of identifying key performance indicators.

Examples of crafting key performance indicators as prescribed in MFMA Circular 88 are contained on page 19 and 20 for additional reference.

## 6.3 Risk management

### Subsection 6.3: Risk Management

The IDMS approach to the integration of performance and risk management is founded on the requirement specified in National Treasury's "*Public Sector Risk Management Framework*", (April 2010):

***"The Accounting Officer / Authority should establish service delivery and other performance objectives that are consistent with the Institution's Constitutional mandate***

- *ensure that:*
  - (a) *objectives are established through a rigorous analysis of the costs and benefits associated therewith;*
  - (b) *the Institution has and maintains an effective process to **identify the risks inherent in the chosen objectives**; and*
  - (c) *the Institution is able to **manage such risks** effectively, economically and efficiently."*

The establishment of "*service delivery and other performance objectives*" is a core element of planning. The "*identification of the risks inherent in the chosen strategies to deliver the objectives*" implies integration of the performance and risk planning processes. This integrated planning approach is generally referred to as '**risk-based thinking**' and forms the basis of the IDMS Performance and Risk Management System. Risk-based thinking is a SANS/ISO 55000 requirement, and is also prescribed in the National Immovable Asset Maintenance Management (NIAMM) Standard, Section 3.4.10.

**Risk-based thinking** is enabled through the integration of planning and risk management processes, as follows:

- set clear and realistic performance objectives;
- develop appropriate strategies for achieving the objectives;
- understand the risks associated with the chosen strategies, i.e. *events that may impact on achieving the objectives*;
- plan for implementation of the strategies, taking due consideration of the risks, i.e. direct resources towards managing risks based on cost-benefit.

Infrastructure assets are extremely important contributors to public service delivery, and play a major role in the perceived ‘value’ of service delivery and the meeting of transformational goals. The risk-based planning approach, as described in the IDMS, is aimed at:

- finding the right **balance between the cost, performance and risk** of infrastructure asset management activities;
- supporting organisations **to improve and sustain their performance**;
- protecting the organisation against adverse outcomes;
- optimising opportunities.

**Risk-based thinking, PDCA and the process approach:** These three concepts together form an integral part of the ISO 9001:2015 Standard. Risks that may impact on objectives and results, must be addressed by the management system. Risk-based thinking is used throughout the process approach to:

- Decide how risk (positive or negative), is addressed in establishing the processes to improve process outputs and prevent undesirable results;
- Define the extent of process planning and controls needed (based on risk);
- improve the effectiveness of the quality management system;
- maintain and manage a system that inherently addresses risk and meets objectives.

The figure below shows Risk-based thinking applied as continual iterative process during planning, demonstrating that risk management should not be an activity at the end of a planning process, or separate from planning processes.

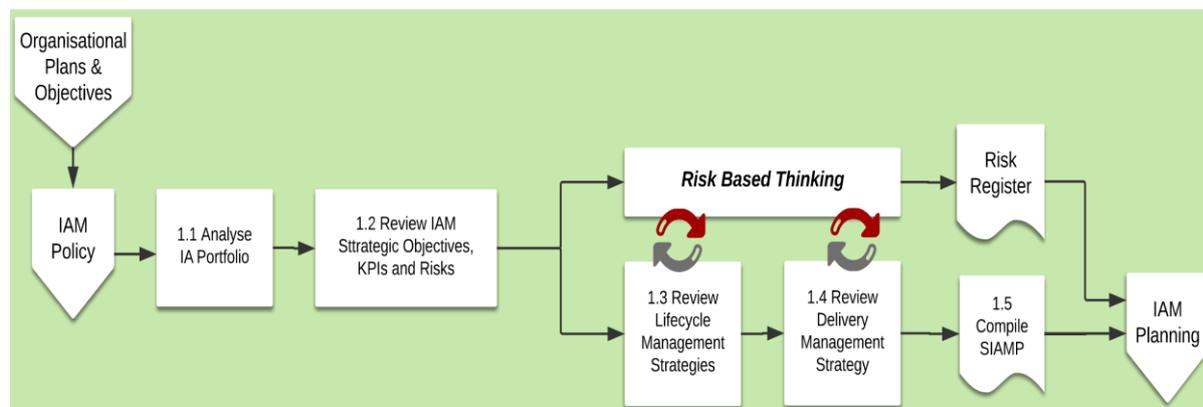


Figure 53: Risk-based thinking applied as continual iterative process during planning

The Public Sector Risk Management Framework (“the Framework”), has been developed in response to the requirements of the Public Finance Management Act and Municipal Finance Management Act, for Institutions to implement and maintain effective, efficient and transparent **systems** of risk management and control.

### Creating an enabling environment for the management of risks

- (1) The Accounting Officer / Authority is responsible for ensuring that the Institutional environment supports the effective functioning of risk management.
- (2) The Institution's environment is the foundation of risk management, providing the underpinning culture, discipline and **structure** that influence how strategy and objectives are established, how Institutional activities are planned and executed, and how risks are identified, assessed and acted upon.
- (3) To give effect to 5(1) of the Framework, the Accounting Officer / Authority should ensure that the Institution:
  - a) operates within its Constitutional mandate;
  - b) adopts a value system founded on a public service ethos;
  - c) possesses the inherent competencies required to execute its mandate;
  - d) adopts management practices that embrace the concepts of delegation of authority, personal responsibility, accountability and performance management;
  - e) has an appropriate organisational structure supported by basic financial and management systems underpinned by risk management and internal controls.

### Setting institutional objectives

(1) The Accounting Officer / Authority should establish objectives that are consistent with the Institution's Constitutional mandate and ensure that its services are appropriate, economical, efficient and equitable.

(2) The Accounting Officer / Authority must ensure that:

- a) objectives are finalised through a rigorous analysis of the costs and benefits associated therewith;
- b) the Institution has and maintains an effective process to identify the risks inherent in the chosen objectives;
- c) the Institution is able to manage such risks effectively, economically and efficiently.

### Risk management policy

(1) The Institution should operate within the terms of a risk management policy approved by the Accounting Officer / Authority.

(2) The risk management policy should:

- a) communicate the Institution's risk management philosophy in the context of how risk management is expected to support the Institution in achieving its objectives;
- b) incorporate a statement committing the Institution to implementing and maintaining an effective, efficient and transparent system of risk management;
- c) define risk and risk management as they apply to the Institution;
- d) spell out the objectives of risk management;
- e) outline the risk management approach;
- f) identify the key role players and their responsibilities.

(3) The risk management policy should be communicated to all incumbent officials and arrangements should be made for communicating the policy to all new recruits.

### Risk management strategy

(1) The implementation of the Institution's risk management policy should be guided by a strategy approved by the Accounting Officer / Authority.

(2) The strategy should include:

- a) a plan of action to improve the Institution's risk management maturity;
- b) a focus on the prevention of fraud and corruption;
- c) the Institution's risk management architecture and reporting lines;
- d) a description of the risk management modality;
- e) user guidelines;
- f) details of review and assurance of the risk management process.

## The IDMS Performance and Risk Management Processes

Performance management is an integral part of every topic covered in all the modules of this IDM Toolkit, as it is an integral part of every activity and process of any organisation in the public or private sector. Performance management is the responsibility of every single manager responsible for any part (big or small), of the service delivery value chain across all spheres of government, from the Director General, Head of Organization or Municipal Manager, down to junior managers tasked with the delivery of a specific project, or the execution of a specific operational or maintenance function.

The performance and risk management process approach aligned to the IDM Processes are presented in graphical form in the figure below:

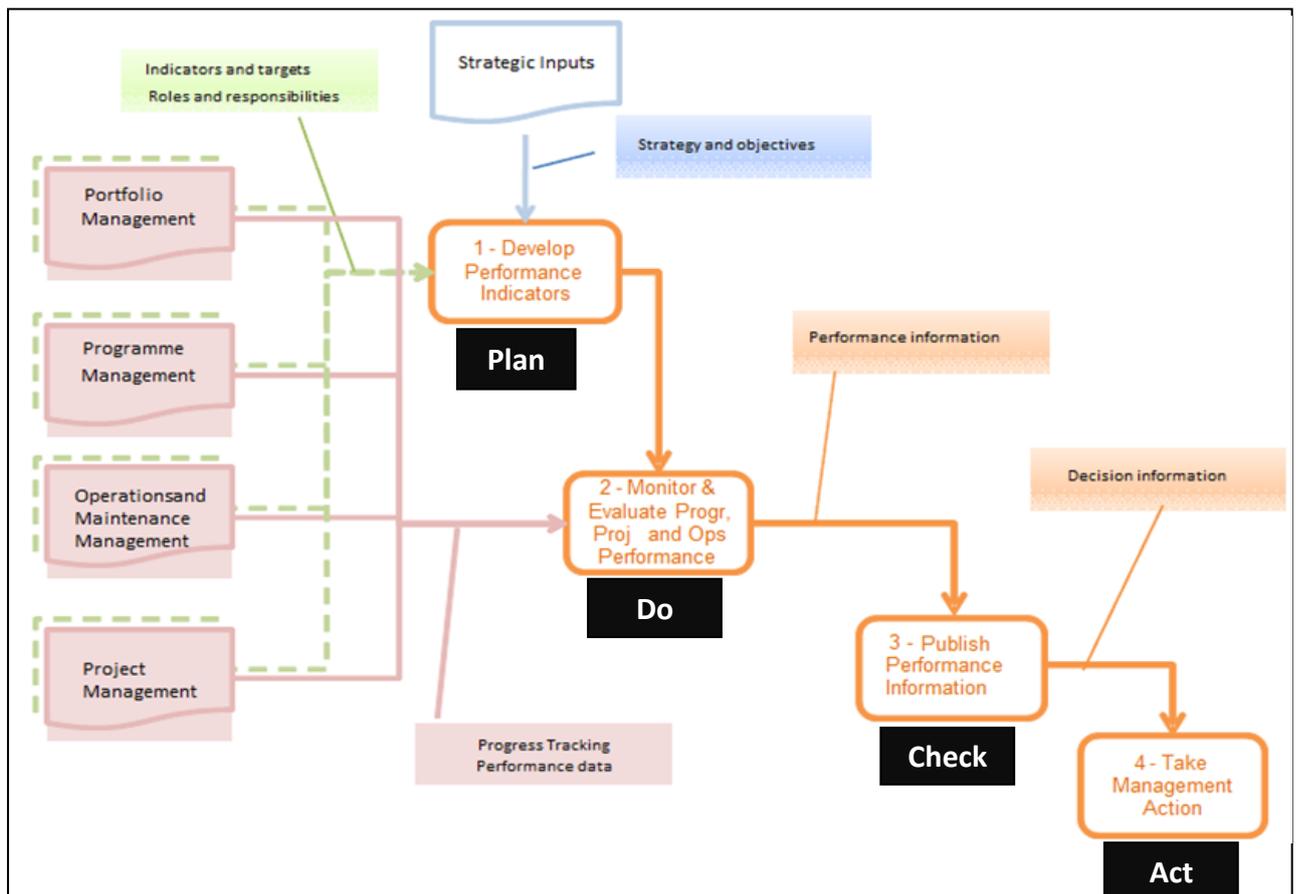


Figure 54: Performance and Risk Management - Overview and context of the process

The figure to follow shows how monitoring and evaluation is performed, in order to measure and compare actual delivery against planned delivery and strategy. This happens simultaneously and continuously across all levels of the organisation. The results of the monitoring and evaluation processes are published in a variety of formats and used by managers to take the necessary corrective action to

address variations from the agreed performance targets/outputs/outcomes. The results of the performance management processes are fed back into the strategy development and planning processes, for the organisation to learn and improve. For individuals, the process culminates annually with the annual performance review, where good performance is rewarded and poor performance is rectified by agreed methods.

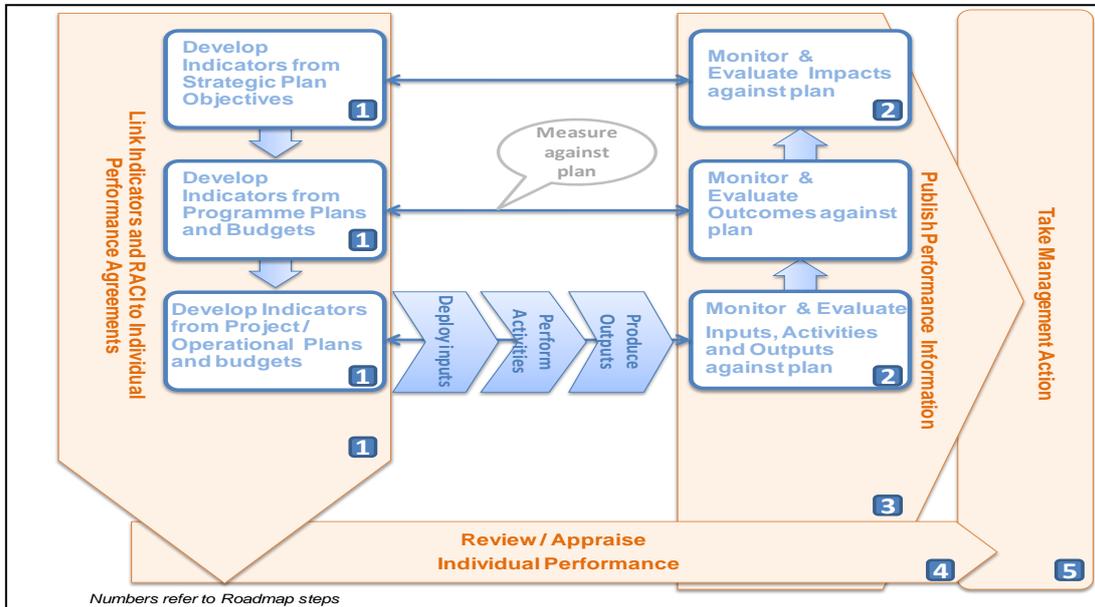


Figure 55: The Performance and Risk Management System for infrastructure management in the Toolkit context

The figure below shows the Performance and Risk Management System alignment with the Plan-Do-Check (Measure)-Act Cycle.

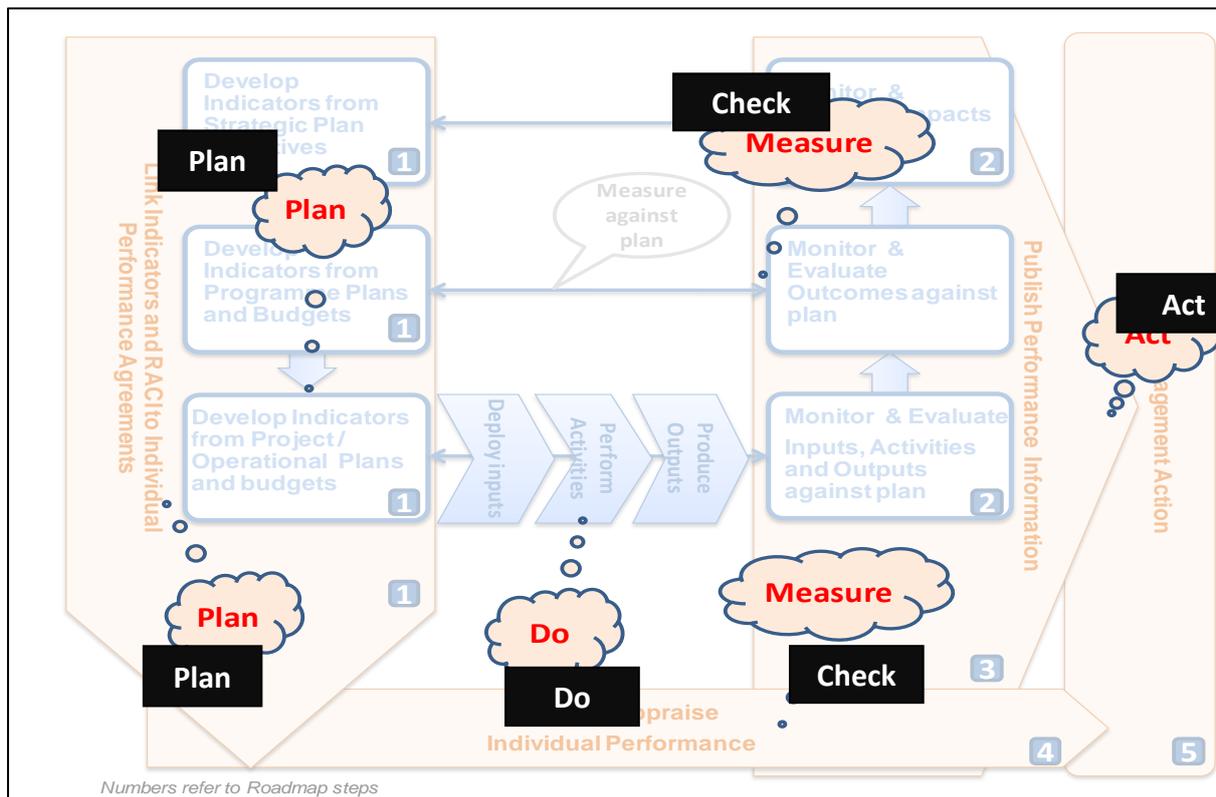


Figure 56: The Performance and Risk Management System alignment with the Plan-Do-Check (Measure)-Act Cycle

At the highest level, performance management should seek to answer the fundamental questions listed below and illustrated in Figure 13.

- What do we want to achieve? This requires an unpacking of our strategy;
- How will we know when we have achieved it? This requires the development of a system of indicators to measure the performance;
- What are we going to do to achieve it? This requires indicators not only measuring deliverables, but also inputs and activities;
- Who is responsible for what? This requires assigning of responsibilities and accountability to individuals;
- How do we improve performance? This requires management action after critical reflection.

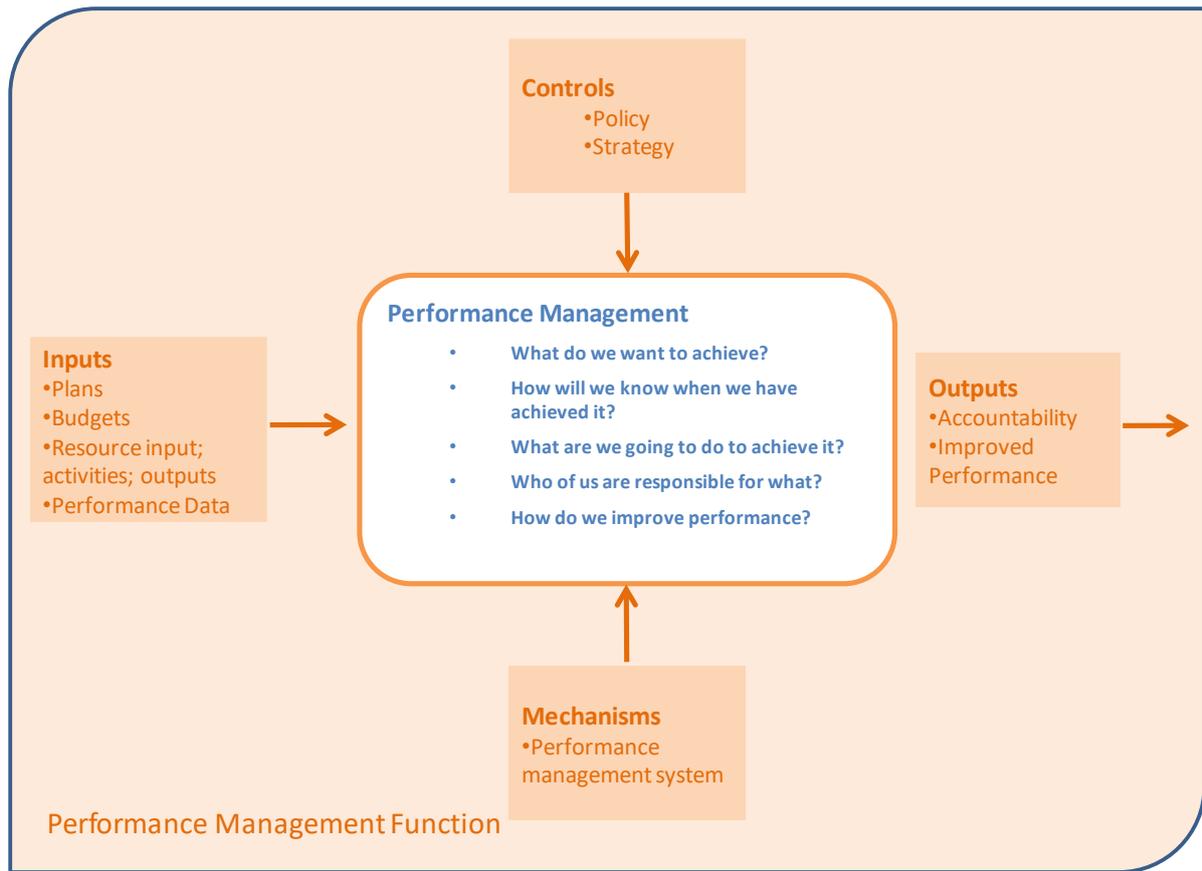


Figure 13: Performance Management Function – The highest-level performance management process

## Monitoring Performance and Risk

Risk monitoring is linked to the performance monitoring steps as described in the figure below.

- (1) Risk Monitoring concerns checking on a **regular basis** to confirm the proper functioning of the entire risk management system.
- (2) Risk Monitoring should be conducted through ongoing activities or separate evaluations to ascertain whether risk management is effectively practised at all levels and across the Institution in accordance with the risk management policy, strategy and plan.
- (3) Risk Monitoring activities should focus on evaluating whether:
  - a) allocated responsibilities are being executed effectively;
  - b) response strategies are producing the desired result of mitigating risks or exploiting opportunities;
  - c) a positive correlation exists between improvements in the system of risk management and Institutional performance.

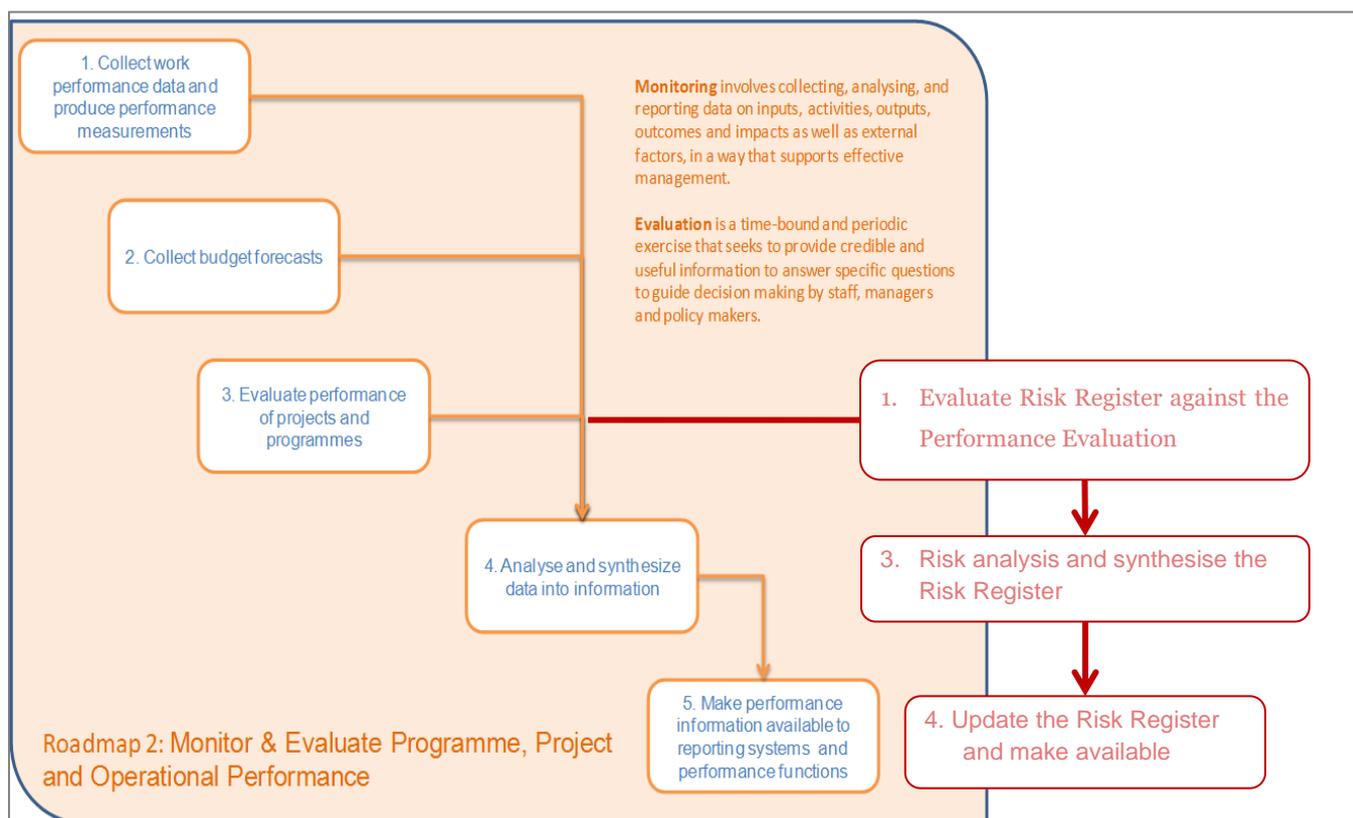


Figure 57: Roadmap 2: Monitor and Evaluate performance and risk

## Publish Performance Information

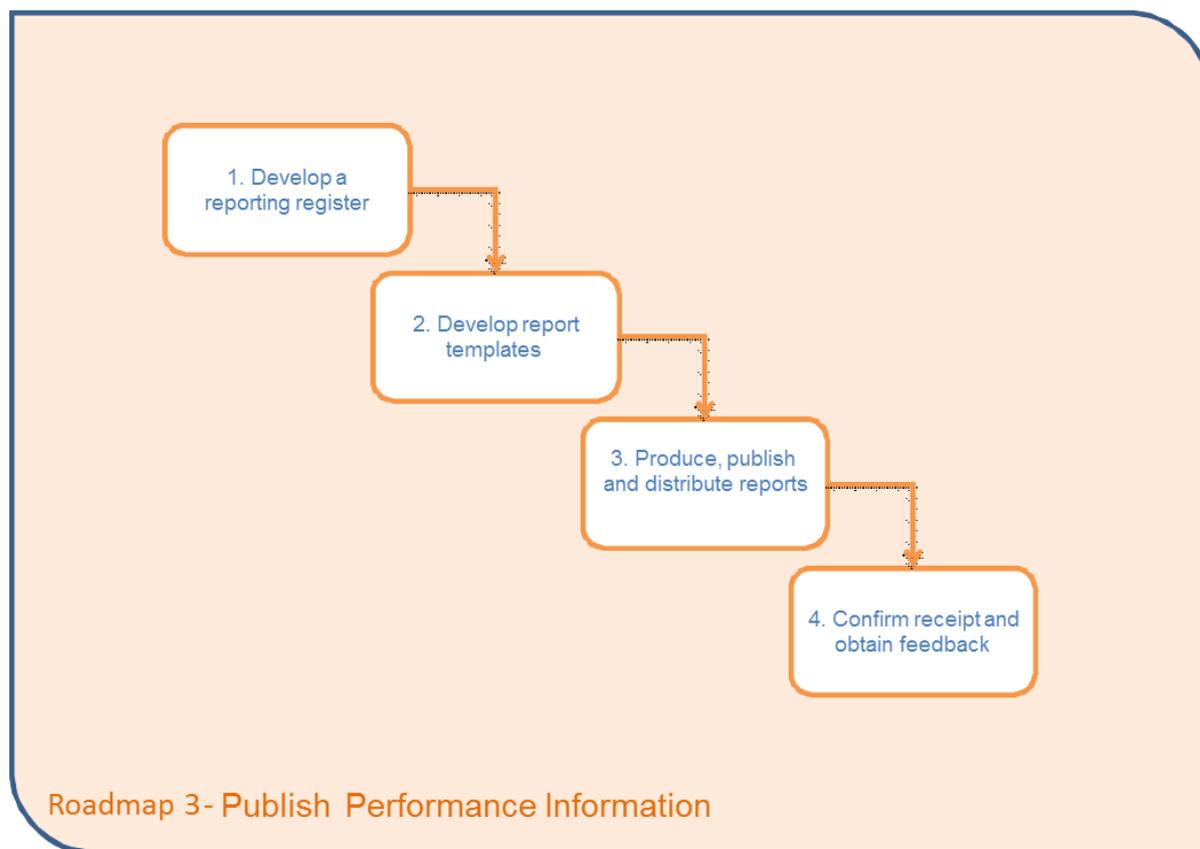


Figure 58: Roadmap 3: Publish Performance Information

### Step 1 - Develop a reporting register

The purpose of this step is to collect reporting requirements to manage the production and publication of reports.

**1.1** Extract reporting requirements from stakeholder management plan and legislated requirements;

**1.2** Record report related information

- Stakeholder details;
- Report details;
- Template requirements;
- Publishing dates;
- Media requirements;
- Delivery requirements;

**1.3** Update Report Register monthly with changes;

**1.4** Record all requests for ad hoc reports on Register. Check whether existing format will suffice. If repeated requests, formalise the report.

## **Step 2. Develop report templates**

The purpose of this step is to develop reporting templates to ensure consistent reporting across the organization as well as alignment with external reporting requirements.

- 2.1** Obtain current prescribed template;
- 2.2** Analyse template and determine any gaps;
- 2.3** Determine whether any new data fields are required and if so modify appropriate monitoring processes;
- 2.4** Modify template if necessary to include local performance data (without affecting required data);
- 2.5** Record any changes in the Report Register;
- 2.6** Make configuration changes to reporting system to produce reports.

## **Step 3. Produce, publish and distribute reports**

The purpose of this step is to take the performance information produced in Roadmap 2, populate and publish the various reporting formats required by various stakeholders.

- 3.1** Confirm reports required from Register;
- 3.2** Produce report from system (corporate system or local system of databases are preferable, while spreadsheets are not recommended);
- 3.3** If ad hoc request – build new report;
- 3.4** Update tracking function on register when complete;
- 3.5** Confirm Template requirements, publishing dates, media requirements and delivery requirements from register;
- 3.6** Publish and distribute reports.

## **Step 4 Confirm receipt and obtain feedback**

The purpose of this step is to communicate with the report recipients to confirm receipt and obtain any feedback.

- 4.1** Confirm receipt in writing and record on report register;
- 4.2** Record any feedback received in writing;
- 4.3** Communicate feedback received to appropriate projects or functional units.

Performance information is essential to focus the attention of the public and oversight bodies on whether public institutions are delivering value for money, by comparing their performance against their budgets and service delivery plans, and to alert managers to areas where corrective action is required.

## Improvement process

The IDMS Methodology entrenches the culture of continuous improvement across all the delivery management processes and encourages maturity assessments and targets to be considered as part of planning, implementation, and monitoring processes of an institution.

The figure below outlines the processes involved in taking management corrective action.

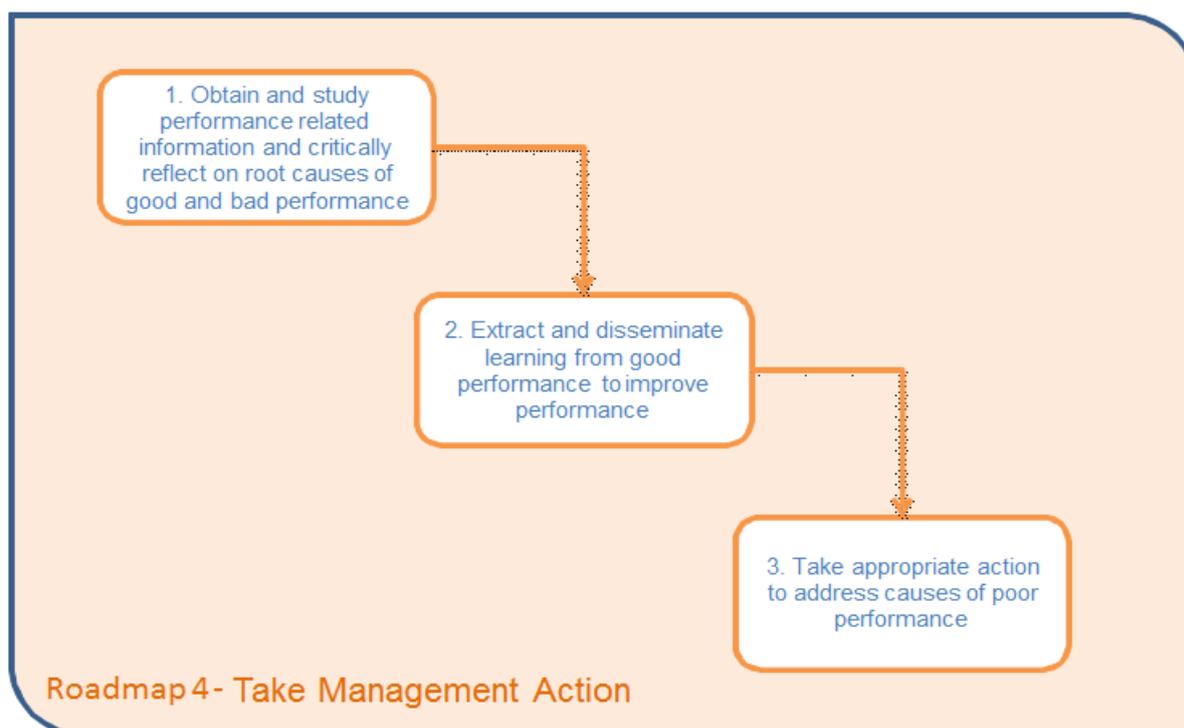


Figure 59: Roadmap 4: Take management action

### **Step 1 - Obtain and study performance related information and critically reflect on root causes of good and bad performance, and risk mitigation performance**

This step describes a key obligation of managers, namely to reflect on the real underlying causes of good or bad performance, to learn from the one and improve the other.

A key consideration is developing understanding of whether the real root causes are people, processes, systems, or external by nature.

**Step 1.1:** Examine, study and scrutinise information provided and request more information, further clarification or different analysis where necessary.

**Step 1.2:** Critically reflect on the real underlying or root causes for poor performance

- What is good and should stay or be improved;
- What is bad and should stop or be changed;
- What is missing.

**Step 1.3:** Categorise the issues and consider whether the problem lies with the:

- Individuals;
- Processes;
- Structure;
- Systems;
- Policy / Strategy.

As an example of critical reflection, if the root causes of poor performance of first year students at universities are not properly understood, management action might be focused on improving and increasing bridging classes at universities, rather than focusing the necessary management action where the literacy and numeracy foundation of learners are being established, namely basic education during the early years of education.

## **Step 2 - Extract and disseminate learning from performance and risk management**

The purpose of this step is to extract learning from both good and bad performance to ensure consistent repetition thereof.

**Step 2.1:** Extract and disseminate learning from both good and bad performance to improve performance in other areas.

## **Step 3 - Take appropriate action to address causes of poor performance and identified risks**

The purpose of this step is to take appropriate action after having determined what the real causes for poor performance are. Such action could be aimed at individuals, or at changing processes, procedures, systems or organisation of work. Three types of actions are identified and discussed.

**Step 3.1:** After reflection, Managers will select one or more of the following actions. (Note these directives are addressed to the individuals accountable and responsible for the performance of the work).

**Corrective Actions** – Documented directive for executing work to bring the expected future performance in line with the relevant programme, project or operational plan.

**Preventative action** – Documented directive to perform an activity that can reduce the probability of negative consequences associated with programme, project or operational risks.

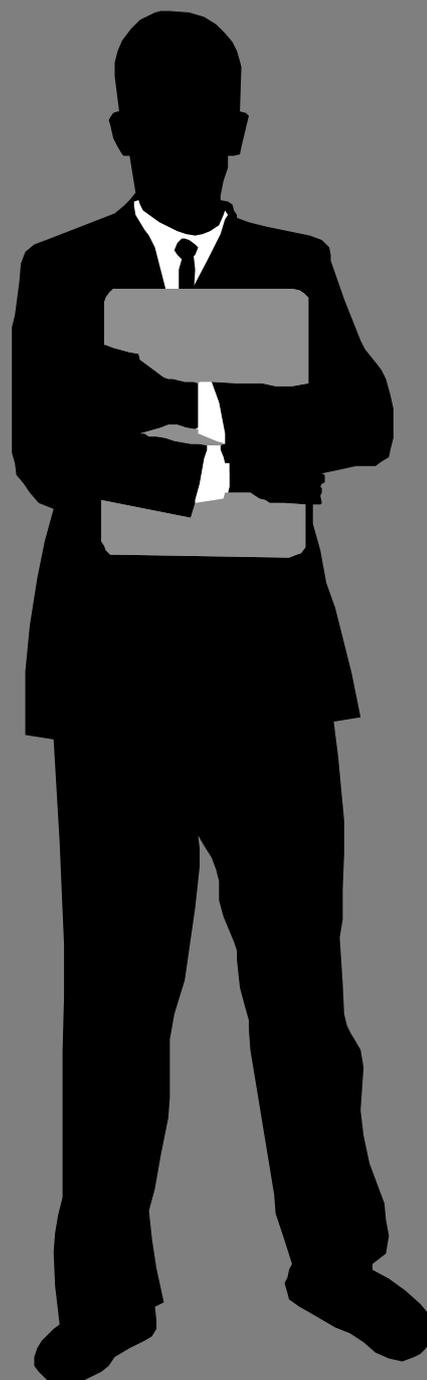
**Defect Repair action** – Formally documented identification of a defect in a programme, or project work component, and a formal recommendation or directive (change order), to either repair (perform re-work), or replace the relevant work component. This might include early termination of contracts, for example.

## Exercise 4:



1. Identify and list 5 infrastructure related risks that have implications on the performance of the municipality.
2. Using the IDMS risk management framework, outline the risk management processes, controls, activities and reports/reporting that can enable effective strategic and operational management of these risks in your municipality.

*Section 7:*  
*Annexures*



# Annexure A: Abbreviations

<b>Abbreviation</b>	<b>Meaning</b>
AMMP	Annual Maintenance Management Plan
C-AMP	Custodian Asset Management Plan
CD's	Chief Directors
CFO	Chief Financial Officer
CP	Control Points
DD	Deputy Directors
DM	District Municipality
DoRA	Division of Revenue Act
EoY	End of Year Report
GIAMA	Government Immovable Asset Management Act
GIAMP	Government-wide Immovable Asset Management Policy
GRAP	Generally Recognised Accounting Practice
HoD	Heads of Department
IAMP	Infrastructure Asset Management Plan
IDM	Infrastructure Delivery Management
IDMS	Infrastructure Delivery Management System
IDMSBOK	Infrastructure Delivery Management System Body of Knowledge
IGRFA	Inter-Governmental Relations Framework Act
IPMP	Infrastructure Programme Management Plan
MFMA	Municipal Financial Management Act
MISA	Municipal Infrastructure Support Agent

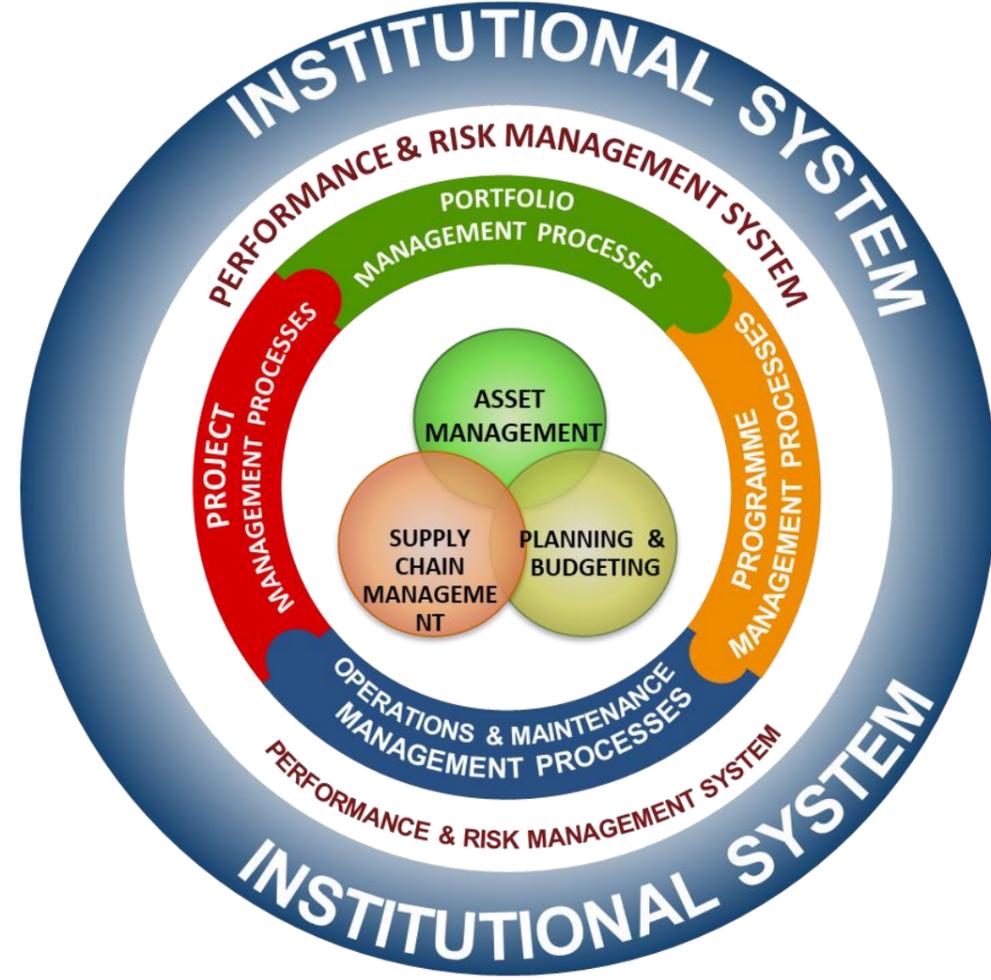
<b>Abbreviation</b>	<b>Meaning</b>
MM	Municipal Managers
MMP	Maintenance Management Plan
MMRR	Maintenance Management Review Report
MTEF	Medium-Term Expenditure Framework
NDP	National Development Plan
NIAMM	National Immovable Asset Maintenance Management
O&M	Operations and Maintenance
OHS	Occupational Health and Safety
OMP	Operations Management Plan
PDCA	Plan, Do, Check, Act
PFMA	Public Finance Management Act
PICC	Presidential Infrastructure Coordination Committee
RAMP	Roads Asset Management Plan
RASCI	A responsibility matrix that assigns responsibilities as follows: Responsible, Accountable, Support, Communicate and Inform
RMSC	Regional Management Support Contract programme
SCM	Supply Chain Management
SIPDM	Standard on Infrastructure Procurement and Delivery Management
SPLUMA	Spatial Planning and Land Use Management Act; No. 16 of 2013
UAMP	User Asset Management Plan
CIDB	Construction Industry Development Board
IDP	Integrated Development Plan
MSCOA	Municipal Standard Chart of Accounts

## Annexure B: List of References

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# Annexure C: IDMS concept diagram and placemat



IDMS concept diagram

