



## SECTION 116 REPORT

18 December 2025

### Annexure A: Motivation

#### 1. STRATEGIC THRUST

An honest, transparent, and responsive local government that prides itself on service delivery.

#### 2. OBJECTIVES

The purpose of this report is to outline to the Johannesburg Social Housing (JOSHCO) Board of Directors (the Board) the out of the Municipal Finance Management Act 56 of 2003 (MFMA Section 116 (3) process and public participation outcomes for the extension of contract for the Refurbishment, Retrofitting and Furnishing of JOSHCO's Student Accommodation Building- Nederburg Building

#### 3. NAME OF THE PROJECT

Refurbishment, Retrofitting and Furnishing of JOSHCO's Student Accommodation Building- Nederburg Building

#### 4. HISTORICAL BACKGROUND OF APPOINTMENT

The projects initial appointment was 2023 financial year and were supposed to be concluded within the one-year financial cycle.

#	Name of Service Provider	Discipline	Date of Appointment	Contract Duration	Contract Expiration Date	Proposed Extension
1	Refurbishment, Retrofitting and Furnishing of JOSHCO's Student Accommodation Building- Nederburg Building	Gohela Construction and Projects- Contractor	25/07/2023 to 25/01/2024	06 Months	25/01/2024 to 08/01/2026	25 months 27 February 2026

**Table 1: Project History**

#### 5. REASONS FOR CONTRACT DURATION EXTENTION:

Gohela Construction and Projects was 'forced' to delay completion period due to additional scope of work and JOSHCO's budgetary constraints. Therefore, an adjustment to the contract period is required to facilitate the finalisation of the project's close-out report and the final account settlement within the contract period.

- The Contractor was requested to bring in new Mechanical Engineer and Electrical Engineer.
- The new professionals had to conduct an assessment and report back the findings.
- The Client added new items to the original scope of works.
- The professional team added new items to the scope of works. It must be noted that the items added by the professional team were mandatory items to achieve the required CoC's, i.e replacing the old water tank on the roof etc.
- An approval of fire drawings took a very long time and there were demands from the Council which proved to be very expensive. This contributed to the time lost as the manufacturing process and transporting the equipment to Johannesburg took months.
- Installation of the fire equipment requires so much time from the supplier, and payment delays from the Client contributed to the time lost for the installation.
- Some of the project instructions were verbal, i.e all the ground floor work, firing of the old professional team etc.
- Some of the new items later included in the project by the Client were not talking to the original mandate of achieving the CoC's. These items were included for the look and feel of the building.
- After the original budget was depleted, a new VO was applied for, and approved by the Client. It must be highlighted that the VO funds applied for had a threshold of 20% of the original contract value. These funds were not enough to complete the project; hence VO number is going to be applied for.

#### 6. BID ADJUDICATION PROCESS

The bid adjudication committee meeting was convened 18 December 2025 and resolved as follows:

1. Approval be granted to acquire comments from the public to extend the contract period for Gohela

## 7. PUBLIC COMMENT PROCESS

Section 116(3) of the MFMA requires that a contract or agreement procured through the supply chain management policy of the municipality entity, should only be amended or extended by the parties under certain circumstances, thus only after

- a) The reasons for the proposed amendment have been tabled by council of the municipality or, in the case of municipal entity and the council of its parent municipality and
- b) The local community
  - i. Having been given reasonable notice of intention to amend the contract agreement and
  - ii. Having been invited to submit representations to the municipality or municipal entity

Therefore, in terms of the above section, in order for the JOSHCO to extend the contract periods of the service provider beyond three years, it is required by legislation to go on public advertisement to request comments from the public on the proposed extensions. It should be noted that during this process the possibility of objects from the public cannot be ignored.

It should be noted that no objections were received from the public.

## 8. BUDGET ALLOCATION

The budget allocation was R 15 875 428.00 for Nederburg Student Accommodation Building and approved Variation Order number 1 was R 3 174 600,59 of which all has been depleted. An additional Variation Order number 2 budget of R 1 973 219,72 is required for respectively to complete the projects.

## 9. FINANCIAL IMPLICATIONS

Name of the contractor	Appointed amount	Contract adjustment	New contract value	Percentage increase
Gohela Construction and Projects	R 15 875 428.00	R 5 147 820.31	R 21 023 248,31	31%

## 10. CONDITIONS OF APPROVAL

None

## 11. RISK TOLERANCE ASSESSMENT

Risk Category	Potential Risk	Impact Assessment	Residual Rating
UIFW	<ul style="list-style-type: none"> <li>Not completing the project</li> </ul>	Critical	20

IMPACT	RATING
Critical	25
Major	20
Moderate	15
Minor	10
Insignificant	5

## 12. INTERNAL AUDIT ASSURANCE

Please see report of Chief Audit Executive

### 13. RECOMMENDATION

In respect of the above, it is recommended that:

- BAC consider and refer the report to the Accounting Officer for consideration taking into account the Section 116 of the Municipal Finance Management Act No. 56 of 2003 which stipulates the requirements of a contract or agreement procured through the Supply Chain Management system as well as the process to be followed for contract amendments.
- MFMA Section 116(3) states that "A contract or agreement procured through the supply chain management policy of the municipality or municipal entity may be amended by the parties, but only after
  - (a) The reasons for the proposed amendment have been tabled in the council of the municipality or, in the case of a municipal entity, in the council of its parent municipality; and
  - (b) The local community
    - (i) has been given reasonable notice of the intention to amend the contract or agreement; and
    - (ii) has been invited to submit representations to the municipality or municipal entity
- Board of Directors recommends contract extensions and associated cost for the contractor as per Section 116(3) of the MFMA Bid for Council approval of the Refurbishment, Retrofitting and Furnishing of JOSHCO's Student Accommodation Building- Nederburg Building.

AUTHOR: **NICO KILIAN**

**RECOMMENDED/NOT RECOMMENDED**

\_\_\_\_\_  
**THABO MTHEMBI (SCM)**  
**SUPPLY CHAIN MANAGER**

\_\_\_\_\_  
**DATE:**

**RECOMMENDED/NOT RECOMMENDED**

\_\_\_\_\_  
**MELUSI NDIMA**  
**CHIEF OPERATING OFFICER**

\_\_\_\_\_  
**DATE:**



a world class African city



61 Juta Street  
Braamfontein  
2094

PO Box 16021  
New Doornfontein  
2028

Tel 0861 JOSHCO  
Tel +27 (0) 11 406 7300  
Fax +27 (0) 11 404 3001  
Email [info@joshco.co.za](mailto:info@joshco.co.za)  
[www.joshco.co.za](http://www.joshco.co.za)

**RECOMMENDED/NOT RECOMMENDED**

\_\_\_\_\_  
**FLOYD RIKHOTSO**  
**CHIEF FINANCIAL OFFICER & BAC CHAIRPERSON**

\_\_\_\_\_  
**DATE:**

**APPROVED/NOT APPROVED**

\_\_\_\_\_  
**THEMBA MATHIBE**  
**ACTING CHIEF EXECUTIVE OFFICER**

\_\_\_\_\_  
**DATE:**