



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 outcome 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 turnkey developer and review consultants appointed to develop 1108 Social Housing Units in Riverside View in the City of Johannesburg Region A (Developer contract no: EOI/001/2020 & Review consultant contract no: RFP/QS/004/2020) from 05 November 2020 the Turnkey Developer was notified of their appointment and signed their agreement on the 20th of January 2021 month ending 16 January 2024 to 31 January 2026, whilst the Review Consultant was appointed 8th June 2021 months ending 03 June 2024 to 28 April 2026.

3. NAME OF THE PROJECT

Development of Social Housing Units at Diepsloot Region A

4. HISTORICAL BACKGROUND OF APPOINTMENT

The Turnkey Developer was notified of the appointment on 05 June 2020

The Review consultant was appointed 8 June 2021

#	Name of Service Provider	Discipline	Date of Appointment	Contract Duration	Contract Expiration Date	Proposed Extension
1	Vaulmax Northern Farms	Developer	20 January 2021	36 months	31 January 2026	31 January 2029
2	Takgalang Consulting	Review Consultant	8 June 2021	36 months	28 April 2026	31 January 2029

Table 1: Project History

5. REASONS FOR CONTRACT DURATION EXTENTION

The project was not completed as planned due to funding constraints. The Developer's plan and the funding model became misaligned, which led to a deceleration of the program. Originally scheduled for 36 months, the project now requires additional time and funding. To manage these challenges, the project was restructured into phases. As of 19 May 2025, Phase 4 has commenced with 320 units on Erf 2869 and 64 units on Erf 2634. Work has also started on the remaining two Erfs.

Additional time is required for the Contractor to complete the remaining 744 units. change the clear-view perimeter fencing to brick walls, allow for defects liability period, provide JOSHCO with all handover documentation, and allow the review consultant to oversee the process and close out the project.

6. BID ADJUDICATION PROCESS

The bid adjudication committee meeting was convened 10 October 2024 and resolved as follows:

1. Approval be granted to acquire comments from the public to extend the contract period for Valumax Northern Farms and Takgalang Consultants.

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

Therefor in terms of the above section, in order for the JOSHCO to extend the contract periods of the professional team 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 confirmation for the financial year 25/26 is **R 53 000 000.00**. There is a grant confirmation by SHRA to partially fund the remainder of the units.

9. FINANCIAL IMPLICATIONS

	Appointed amount	Contract adjustment	New contract value	Percentage increase
Valumax	R531 840 000,00	R141 453 972,31	R673 293 972,31	27%
Takgalang	R24 496 496,76	R13 740 864,10	R38 237 360,86	56%
	R556 336 496,76	R155 194 836,41	R711 531 333,17	28%

10. CONDITIONS OF APPROVAL

None

11. RISK TOLERANCE ASSESSMENT

Risk Category	Potential Risk	Impact Assessment	Residual Rating
UIFW	<ul style="list-style-type: none"> Not completing the project 	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 contractors as per Section 116(3) of the MFMA Bid on the extensions of contract period for Council approval
- This recommendation relates to the extension of the contract period for the development of 1,108 Social Housing Units in Riverside View, City of Johannesburg, Region A, for Valumax Northern Farms and Takgalang Consulting.

AUTHOR: TEBOGO LESHABANE

RECOMMENDED/NOT RECOMMENDED

THABO MTHEMBI (SCM)
SUPPLY CHAIN MANAGER

DATE:

RECOMMENDED/NOT RECOMMENDED

MELUSI NDIMA

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
www.joshco.co.za

CHIEF OPERATING OFFICER

RECOMMENDED/NOT RECOMMENDED

FLOYD RIKHOTSO
CHIEF FINANCIAL OFFICER & BAC CHAIRPERSON

DATE:

APPROVED/NOT APPROVED

THEMBA MATHIBE
ACTING CHIEF EXECUTIVE OFFICER

DATE: