

7. CONTRACT SC 1601A/2015: PROPOSED AMENDMENT: PROVISION AND ADMINISTRATION OF ELECTRICITY PRE-PAYMENT VENDING SYSTEM FOR A CONTRACT PERIOD ENDING 30 JUNE 2018

8/2/2

**EM Hooneberg
20 Junie 2018**

(028) 313 8149

Corporate Head Office

1. Executive Summary

The purpose of this report is to provide the necessary information and motivation on the proposed amendment of Contract SC 1601/2015: Provision and Administration of an Electricity Prepayment Vending System for Overstrand Municipality for a Contract Period ending 30 June 2018, in terms of the enabling provisions of section 116(3) of the Local Government: Municipal Finance Management Act, Act No. 56 of 2003 (MFMA), to enable Council to make an informed decision whether to consent to the amendment of the contract.

2. Service Delivery and Budget Implementation Plan - IGNITE

Directorate: Finance
Department: Revenue

3. Compliance with Strategic Priorities

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

4. Delegated Authority

None

5. Legal Requirements

Local Government: Municipal Finance Management Act, 2003(Act 56 of 2003)
Overstrand Municipality Supply Chain Management Policy, as amended
Overstrand Municipality Contract Management Policy, as amended
MFMA Circular No. 73 issued by National Treasury

6. Background/Discussion/Evaluation/Conclusion

Background

Contract SC 1601/2015 for the Provision and Administration of Electricity Prepayment Vending System for a contract period will be ending on 30 June 2018.

Due to the end of the term of the current contract being on 30 June 2018, this tender was advertised again. Tenders were received for the Provision and Administration of an Electricity Pre-payment Vending System for a contract period starting 01 July 2018 and ending 30 June 2021 (SC1851/2018). All tenderers were found non-compliant. A Section 116(3) process in terms of Local Government Municipal Finance Management Act 56 of 2003 is thus now regarded as the applicable approach in this instance, for a further period of 12 months.

Motivation

Approximately 18 400 households (70% of electricity meters), of which 7 400 are indigent households, are using pre-paid electricity meters in the Overstrand Municipal area. In order to maintain good service delivery, the current tender will be amended to ensure that customers can buy electricity from 01 July 2018 to 30 June 2019.

The selling of pre-paid electricity is a major source of income for the municipality and should it not amend the current tender the income will be lost. The management of a prepaid vending system is integral to successful provision of services in facilitating selling of pre-paid electricity to residents and collection of amounts in arrears on municipal accounts.

Allocation of free units to indigent customers is furthermore essential. For most of the indigent households this is the only electricity that they will have access to and therefore it is a non-negotiable requirement.

The Revenue Department also make use of the prepaid electricity system to verify the history of electricity use of an indigent applicant in order to make sure that they comply with the criteria set out in the Indigent Policy.

Against this background, with the Section 116(3) of Local Government Municipal Finance Management Act 56 of 2003 now followed, it remains the strategic intent of the Municipality to assimilate similar functionalities from the other business systems deployed in the municipality into the Samras Financial System or at the very least, build the integration of the functionalities to the Samras Financial System where it is cost effective and functionally viable and is mSCOA compliant. Due to the complexities inherent to such business system conversions and integration, a phased approach will be followed.

Section 116(3) process

The proposed amendment of Contract SC 1601/2015 was advertised for public comment as follows:

Date of Advertising	18 May 2018
Method of Advertising	Cape Times, Die Burger & Overstrand Municipality Website
Closing Date for Comments	18 June 2018

No comments were received by the closing date of 18 June 2018.

Conclusion

Contract SC 1601/2015 for the Provision and Administration of an Electricity Prepayment Vending System was awarded for a 3 year period ending 30 June 2018 to Syntell (Pty) Ltd, following a competitive bidding process in terms of the Overstrand Municipality's Supply Chain Management Policy. The amendment of the contract to ensure the continuity of this essential service is recommended.

7. Financial Implications

YEAR	2018/2019
SOURCE OF FUNDING	Operational Budget
SCOA Description	Commission: Prepaid Electricity
SCOA Cost Account	10200221740000
SCOA Business Key	20170525078640
Budget Provision	R 4 327 227
Balance Available	R 4 327 227
Total Expenditure (Excl. VAT)	R 4 071 300
Escalation (if any)	N/A
Escalation date	N/A

Provision has been made in the Finance Operational Budget, Commission: Prepaid Electricity for the expenditure of these services.

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

Supply Chain Management

A compliance check in terms of the Supply Chain Management Policy has been undertaken and verified on 2018/06/13. The Supply Chain Management Unit is

satisfied that Syntell (Pty) Ltd complies in all respects.

Contract Management Office

It is confirmed that contract **SC1601/2015** is still active and the proposed extension of the contract is supported.

This is the first extension to the existing contract and a Section 116(3) amendment as required by the MFMA is being followed.

The successful amendment of this contract is subject to Council's consent to the proposed amendment of the contract.

10. Annexures

- Annexure A: Public notice of intention to amend the Contract
- Annexure B: Addendum to the Contract (intent to amend)
- Annexure C: SCM compliance checklist
- Annexure D: Extract of Bid Adjudication Committee Meeting Minutes, 20 June 2018

RECOMMENDATION TO THE COUNCIL:

1. that **cognisance be taken** that no recommendations or representations were received from the local community by closing date, 18 June 2018; and
2. that **cognisance be taken** of the reasons for the proposed amendment of Contract number SC1601A/2015: Provision and Administration of Electricity Prepayment Vending System to Overstrand Municipality for a contract period ending 30 June 2019, in terms of the enabling provisions of Section 116(3) of the Local Government: Municipal Finance Management Act 2003 (Act 56 of 2003), and that the amendment be consented to.

RESPONSIBLE OFFICIAL :

EM HOONEBERG

TARGET DATE FOR IMPLEMENTATION :

01 JULY 2018



NOTICE IN TERMS OF SECTION 116(3) OF THE LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003 (ACT 56 OF 2003) FOR THE PROPOSED AMENDMENT OF THE EXISTING AGREEMENT WITH SYNTELL (PTY) LTD FOR THE PROVISION AND ADMINISTERING OF AN ELECTRICITY VENDING SYSTEM FOR A CONTRACT PERIOD ENDING 30 JUNE 2019

Notice is hereby given in terms of Section 116 (3) (a) and (b) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) that it is the intention of the Overstrand Municipality to amend the existing contract with Syntell (Pty) Ltd. The proposed amendment of the contract is to provide for the extension of the services and support for a period ending 30 June 2019.

Notice is hereby further given in terms of Section 21 and 21A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) that the local community and affected parties are invited to submit comments or representations on the proposed amendment of the contract. Such comments or representations must be submitted by not later than Monday, 18 June 2018 at 12:00.

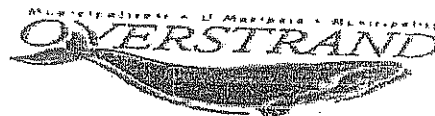
Comments or representations must be submitted in a sealed envelope clearly endorsed "SC1601/2016A: COMMENTS ON NOTICE OF AMENDMENT OF EXISITING AGREEMENT WITH SYNTELL (PTY) LTD" and be deposited in tender box no. 7.

All submissions must be addressed to:

The Municipal Manager
Tender box no.7
Overstrand Municipality
Magnolia Avenue
Hermanus
7200

Persons who are physical disabled or who cannot read or write but wish to participate in the process, may come during office hours to the Municipal Offices, Magnolia Avenue, Hermanus where a staff member will assist that person to transcribe that person's comments or representations.

C Groenewald
Municipal Manager



OFFICE OF THE DIRECTOR:
FINANCE

Enquiries: E Hooneberg
Date: 18 May 2018

ADDENDUM – INTENT TO AMEND A CONTRACT

The parties agree to the following intention to amend the existing contract SC1601/15 with Syntell (Pty) Ltd for the Provision and administration of an electricity prepayment vending system for a contract period ending 30 June 2018, which were signed between them on 01 July 2015 and record this was done freely and willingly, without any coercion whatsoever from any one party.

The parties agree to the amendment of the contract end date, regarding the abovementioned agreement to the 30 June 2019 on the same terms and conditions.

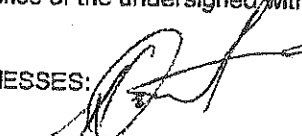
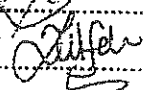
The supplier acknowledges that they do have the capacity to fulfil the obligation as set out in the terms and conditions.

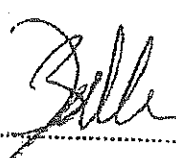
The parties agree that the amendment of the contract is subject to the completion of a Supply Chain Management process, including completing a process as prescribed by section 116(3) of the Municipal Finance Management.

The parties further agree to commit to this amendment of contract after the date of completion of the prescribed Supply Chain Management process.

Thus done and signed at TOLAI this 18 day of May 2018 in the presence of the undersigned witnesses

WITNESSES:

- 1. 
- 2. 



for and on behalf of Syntell (Pty) Ltd: NAME: ZAHIR ULLAH
Director

Thus done and signed at Hermanus on this day of May 2018 in the presence of the undersigned witnesses

WITNESSES:

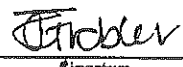

- 1.
- 2.

for and on behalf of Overstrand Municipality: Santie Reyneke-Naude, Director: Finance

Overstrand Municipality
 Evaluation in terms of the Preferential Procurement Regulations
 Compliance Check of Tender No. SC 1601A/2015
 Tender Name: PROVISION AND ADMINISTRATION OF AN ELECTRICITY VENDING SYSTEM FOR A CONTRACT PERIOD ENDING 30 JUNE 2018

Rank number of tenders (in opening order)	Name of tenderer	Authority to sign bid	Valid Tax Clearance Certificate (provide expiry date)	TCC Number	VAT Registration (provide number)	Declaration of Interest	Declaration of Past SCM Practices	Certificate for Payment of Municipal Services	Municipal Account	OHASA	WCA Registration Number	WCA Letter of Good Standing/ proof of payment	Suppliers database registration	National Treasury Register for Tender Defaulters	National Treasury Database for Restricted Suppliers	WCSD "in the service of the state"	E-Mail address	NOTES
	Syntel (Pty) Ltd	Authorised	2018/08/22	07001/2017/A001230869	4190209181	Declared	Declared	Declared	In order	Completed & Signed	9900001196416	2019/04/30	219	Not Listed	Not Listed	Not Listed	zahir@syntell.co.za	

Certification:
 It is hereby certified that the abovementioned information have been compiled from the applicable tender documents and that verifications required in terms of the Supply Chain Management Policy have been undertaken and that the recommended tenderer(s) comply in all respects, except if and where specifically indicated otherwise.

Compiled by: (SCM Office)	J Grobler		2018/06/13
	Name	Signature	Date
Verified by: (SCM Office)	L du Preez		2018/06/13
	Name	Signature	Date

Minutes of the Proceedings of a special meeting of the Bid Adjudication Committee held in the SCM Committee Room, Hermanus, on Wednesday, 20 June 2018 at 08:00.

4.2 CONTRACT NO. SC 1601A/2015: PROPOSED AMENDMENT: PROVISION AND ADMINISTRATION OF ELECTRICITY PREPAYMENT VENDING SYSTEM FOR A CONTRACT PERIOD ENDING 30 JUNE 2018

The Director: Finance, Ms. SG Reyneke-Naude vacated the chair as chairperson and as a member of the Bid Adjudication Committee and the Director: Infrastructure & Planning, Mr. S Müller acted as chairperson for the duration of the adjudication of tender no. SC 1601A/2015.

Upon a proposal by the Director: Economic Development & Tourism, Mr. S Madikane duly seconded by the Acting Director: Protection Services, Mr. L Smith, it was

RESOLVED TO RECOMMEND TO ACCOUNTING OFFICER:

- 1.1 That it be noted that no representations were received from the local community against the intention to amend contract SC1601/2015;
- 1.2 That the reasons provided for the proposed amendment of contract SC1601/2016 be regarded as acceptable and valid and it be recommended to Council to consent to the amendment of the said contract, and
- 1.3 That Contract no. SC 1601/2015, for the Provision and Administration of an Electricity Prepayment Vending System for Overstrand Municipality for a contract period ending 30 June 2018, be amended as Contract SC 1601A/2015, as summarized in the Schedule of Rates below;

1.4	Service Provider / Supplier:	Syntell (Pty) Ltd		SCM #	219
	Service / Goods Provided:	Electricity Prepayment Vending System			
	Vote:	Operational Cost : Commission: Prepaid Electricity		10200221740000	
	Unique Key:	20170525078640			
	Amount (Excl. VAT):	Rates – refer to Schedule of Rates below			
	Escalation Percentage:	N/A	Escalation Date:	N/A	
	Contract Owner:	S Reyneke-Naude		Contract Champion:	EM Hooneberg
	CONTRACT PERIOD:				
	Implementation date (Amendment):	01 July 2018	End date:	30 June 2019	Period: 12 months

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1.5

SCHEDULE OF RATES	
	Price (Excluding VAT)
(a) Once off costs	
Item description	
1. System set-up and training cost	
1.1 System set-up (including training)	Included in transaction fee
1.2 Interface with DB4	Included in transaction fee
(b) Variable costs	
Item description	
2. Software (a rate per month, including monthly management and back-up vending fee)	
2.1 Total Monthly Licence Fee	Included in transaction fee
2.2 Back-up vending disaster management, including reports	Included in transaction fee
3. Vending	
3.1 Transaction Fee – per cash vending transaction	3.98%
3.2 Transaction Fee – per credit/debit card vending transaction	3.98%
3.3 Transaction Fee – per internet vending transaction	3.98%
3.4 Free Basic (50 kWh) Electricity Transaction Fee (per vending transaction)	3 cents per unit
4. Bank Charges	
4.1 Banking Fees	Up to 1%
4.2 Credit Card	up to 2.5%
Instant EFT (SID)	up to 1.5% of transaction value
5. Support Costs	
5.1 Rate per call out – all inclusive	R 650

1.6 In accordance to Clause 51 of the Supply Chain Management Policy the following cap on commission paid in respect of tariffs 3.1 – 3.4 in the pricing schedule above have been agreed with Messrs. Syntell (Pty) Ltd.

Financial Year	Capped amount (escalation calculated at 6%)	Escalation
2015/2015	R3 200 000.00	
2016/2017	R3 392 000.00	Plus: Escalation equal to the Consumer Price Index on the anniversary of contract
2017/2018	R3 595 520.00	Plus: Escalation equal to the Consumer Price Index on the anniversary of contract
2018/2019	R3 811 252.00	Plus: Escalation equal to the Consumer Price Index on the anniversary of contract

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4.2 CONTRACT NO. SC 1601A/2015:

PROPOSED AMENDMENT: PROVISION AND ADMINISTRATION OF ELECTRICITY PREPAYMENT VENDING SYSTEM FOR A CONTRACT PERIOD ENDING 30 JUNE 2018

Certified as correct by:



Mr. C Le Roux
Deputy Director: Finance & SCM

20 June 2018

Date



Mr. S Müller
Director: Infrastructure & Planning (Chairperson)

20/16/2018

Date

Recommendation approved/~~not approved~~:



Mr. C Groenewald
Accounting Officer

20.6.2018

Date