

SECTION 2.1: SPECIFICATIONS

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A. BACKGROUND

The Municipality wish to establish and document a structured approach to achieve sustainable and robust long-term financial planning to ensure that the Municipality remains financially viable for the foreseeable future while also ensuring that current and future service delivery needs of the community are met.

The main objective is to specifically address, on the basis of scenario planning, a financial model on the financial sustainability of the Municipality, with a 30-year view structured in 10-year intervals, The Long-Term Financial Model must consist of a plan and tool addressing the following principles: -

- Future financial sustainability;
- Optimal collection of revenue, taking into consideration the socio-economic environment;
- Optimal utilisation of grant funding and public donations;
- Continuous improvement and expansion in the quality of service delivery and municipal infrastructure;
- Investment friendly environment; and
- Motivate for the review of Equitable Share allocation where required.

B. THE NEED

In achievement of the above, bids are hereby invited for the appointment of a service provider to:

- (i) Prepare a Long-Term Financial Plan (the "LTFP") from 1 January 2025 – 30 June 2055, with 10-year intervals, which, *inter alia*, applies various modelling and scenario planning mechanisms to determine and advise the Municipality on –
- Future revenue projections based on current and projected revenue streams, as well as those projects required to achieve these projections;
 - Future expenditure frameworks and cost of service delivery based on current and projected expenditure patterns;
 - Level of infrastructure development required to achieve the municipal priorities, within the funding restrictions;
 - External funding requirements required for capital investment; and

- Potential international donor funding, where feasible.
- (ii) Prepare a user-friendly Long-Term Financial Planning Tool (the "TOOL") which, *inter alia*, consists of the following functionality –
- Economic modelling;
 - Financial modelling;
 - Detailed revenue forecasting;
 - Prioritisation Dashboard;
 - Ability to interface with relevant Municipal planning instruments such as the IDP, infrastructure growth plan and infrastructure master plan, spatial information and the Municipal Financial Management System/ ERP system; and
 - Ability to automatically adapt and update when changes are inputted into any model.

The requirement under this tender is that the TOOL and LTFP must be both dynamic and simplistic to ensure that municipal officials can update the various components themselves for future periods (beyond the initial 10-years) without any external assistance.

C. HIGH-LEVEL PROJECT SPECIFICATIONS

The following phases and timelines for the development of a LTFP and TOOL are set out below.

PHASE	HIGH-LEVEL OUTCOME	ESTIMATED TIMELINES
Phase One	Compile a status quo assessment of the Municipality's current financial status and key challenges	6 weeks
Phase Two	Conduct financial modelling to determine financial viability	8 weeks
Phase Three	Analyse outcomes and ratios	2 weeks
Phase Four	Prepare a Long-Term Financial Plan	3 weeks
Phase Five	Customise TOOL	8 weeks
Phase Six	After implementation support: Review, continuous improvement	On an annual basis

Phase One: Status Quo Assessment – **DELIVERABLE: A REPORT**

The objective of the status quo report is to assess the current financial position and to identify the key challenges faced by the Municipality.

Perform a status quo assessment under the following criteria: -

- a) The Municipality's current financial status;
- b) Current revenue sources, internal and external;

- c) Main cost drivers impacting on the sustainability of the Municipality;
- d) Status of municipal infrastructure;
- e) Ability to finance capital expenditure;
- f) Municipal service delivery backlogs;
- g) Comparison against international best practice and similar institutions; and
- h) Key challenges.

The financial overview will be based on actual historic information as well as tabled budgets. The overview should include sections on the following:

- a) Revenue Management;
- b) Expenditure Management;
- c) Debtor and creditor management;
- d) Cash Management;
- e) Asset Management; and
- f) Funding and Reserves.

The financial viability and creditworthiness of the Municipality is measured against a number of nationally recognised key ratios. These key ratios should include, **but are not limited to**, the following:

- a) Cash Coverage Ratio;
- b) Personnel Costs to Total Operating Expenditure;
- c) Repairs and Maintenance to PPE;
- d) Liquidity Ratio (Current Ratio); and
- e) Net Asset Position.

The key challenges should consider elements such as, *inter alia*, socio-economic related government priorities, new forms of energy generation, development charges, valuation roll requirements, integrated financial management system requirements, GIS system capability and requirements, other system requirements, data requirements, information management requirements, etc.

The status quo report will aim to identify issues which impact on the overall financial stability of the Municipality and will include a historical analysis and assessment of financial results (based on financial statements).

Phase Two: Planned Finance and Financial Modelling – DELIVERABLE AGREED MODELLING MECHANISMS AND RATIO'S

Upon completion of the status quo assessment the next phase is to determine the Municipality's financing need over the medium- to long-term. This entails determining what expenditure the Municipality plans to undertake over the short-

, medium- to long-term and what its financing requirements are. As the Municipality evolves and expands its service delivery framework, so do those of the National Government. Long-term community development and economic development projects will therefore also be included under this phase.

Phase Three: Analyse Outcomes and Ratios – *DELIVERABLE AN ANALYSIS REPORT*

- a) Evaluate the short-term financial viability (6 months to 12 months), inclusive of:
 - a. Developing a financial forecast model to identify immediate opportunities and risks;
 - b. Performing scenario planning to identify the optimum balance between revenue collection and municipal spending; taking into account the following: -
 - i. Potential revenue enhancement strategies which may have an immediate impact on the revenue base of the Municipality;
 - ii. Evaluate cost saving mechanisms to minimise the cost of effective service delivery; and
 - iii. Current infrastructure investments and maintenance programs which may influence revenue streams or the cost of service delivery.
- b) Evaluate the medium- and long-term financial viability (1 to 30-years): -
 - a. Develop a financial forecast model to identify future opportunities and risks;
 - b. Perform scenario planning to identify the optimum balance between revenue collection and municipal spending, taking into account the following: -
 - i. The impact each scenario has on the financial viability ratios of the Municipality;
 - ii. Potential revenue enhancement strategies which may have a long-term impact on the revenue base of the Municipality;
 - iii. Cost saving mechanisms to minimise the cost of effective service delivery; taking into account potential infrastructure developments and renewals;
 - iv. The impact of current infrastructure investments and maintenance programs on future revenue streams or cost of service delivery;
 - v. The impact of envisaged future infrastructure investments on the revenue stream and cost of service delivery; and
 - vi. The impact of national and municipal priorities over the medium and long-term.

Phase Four: Develop a Long-Term Financial Plan – *DELIVERABLE A CONSULTED AND APPROVED LTFP*

Once phases one to three have been completed, a comprehensive LTFP will have to be developed to indicate the envisaged impact it will have on the financial status of the Municipality. An overall financial forecast will then have to be done in order to illustrate the projected result of the implementations throughout the 30-year period.

Although a LTFP provides a forecast of potential outcomes, it has to be emphasised that the success of the financial plan remains in continuous revision. As is the case with any forecast model, the financial plan should be seen as a moving target and should be subject to honest and realistic assessments of successes and failures on a regular basis.

A key component in determining future options, potential problems and opportunities is the forecast of revenues and expenditures. The revenue and expenditure plan essentially involves combining the forecasting of revenues and the forecasting of expenditures into a single financial forecast.

Finalisation of the LTFP includes collating all short, medium and long-term financial data and develop a Plan that: -

- (a) Identifies future revenue projections based on current and projected revenue streams, as well as those projects required to achieve these projections;
- (b) Identifies future expenditure frameworks and cost of service delivery based on current and projected expenditure patterns;
- (c) Identifies the level of infrastructure development required to achieve the municipal priorities, within the funding restrictions;
- (d) Identifies external funding requirements required for capital investment;
- (e) Identifies potential international donor funding, where feasible, and
- (f) Identifies investment opportunities and what the Municipality should do to be more investment friendly and - ready.

Phase Five: Customise the TOOL – DELIVERABLE A ROBUST AND FLEXIBLE FINANCIAL PLANNING TOOL

Once the LTFP has been consulted and adopted by the Municipality, it will be expected that the service provider customise a financial modelling tool that will consist of at least the following modules:

- (a) Economic Modelling;
- (b) Financial Modelling;
- (c) Revenue Forecasting; and
- (d) Prioritisation dashboard.

The TOOL should be robust enough to be used as part of the financial management and annual reporting system of the municipality. Therefore, specific financial information that is contained in the budget, the annual financial statements, the IDP and the annual report must be captured in the TOOL. The TOOL must be able to make use of the municipality's geo spatial information (GIS) and must be able to provide all relevant information back to be represented in the GIS system of council. It is estimated that the average support time required after the tool is implemented is 4-8 hours per month.

There may be the option to expand the TOOL to include additional modelling such as 'Infrastructure Planning', 'Investment Planning' and 'Development Planning'. The Municipality will retain the discretion to consider inclusion of these models if found to be feasible.

Phase Six: After implementation support: Quarterly and annual review and continuous improvement – DELIVERABLE REVIEW AND IMPROVEMENT REPORTS FOR BOTH THE LTFP AND TOOL

The LTFP and TOOL must be reviewed on a quarterly and annual basis as part of the annual review of the IDP/Budget and updated with at least the following information: -

- (a) Any direct change in financial status or internal factors, other than previously predicted, which may influence the financial status and viability of the Municipality;
- (b) Any changes in the economic and socio-economic environment, other than previously predicted, which may influence the financial status of the Municipality;
- (c) Any changes in the revenue base or composition which may have an impact on the financial viability of the Municipality;
- (d) Any changes in the national or municipal priorities as previously identified;
- (e) Any factors which impact on the ability to implement previously identified projects; and
- (f) Any customisation and/or adaptation of the architecture or functionality of the TOOL.

D. DETAILED SPECIFICATIONS			
No	Description	Considerations	Comply Yes/No
Phase One: Status Quo Assessment: The bidder must confirm that it will be able to consider and address the following elements when preparing and submitting the status quo report:			
1.	The Municipality's current financial status	<p>The main objective is to address the following 6 elements:</p> <ul style="list-style-type: none"> ➤ Future financial sustainability; ➤ Optimal collection of revenue, taking into consideration the socio-economic environment; ➤ Optimal utilisation of grant funding and public donations; ➤ Continuous improvement and expansion in the quality of service delivery and municipal infrastructure; ➤ Investment friendly environment; and ➤ Motivate for the review of Equitable Share allocation where required. <p>Consideration must therefore be given to the following:</p> <ul style="list-style-type: none"> ➤ The previous 3-year's historical information as per the audited Annual Financial Statements. ➤ The latest 3-year MTREF operating and capital budget. ➤ The current infrastructure status and related backlogs. ➤ Hessequa Municipal Policies, Strategies and related documents such as the Land Disposal Strategy, Spatial Development Framework and Planned Development and the Investment Facilitation SOP. ➤ The Western Cape Provincial Government data and relevant sector plans. ➤ Existing ring-fenced reserves and provisions. ➤ Current situation with regards to informal settlements. ➤ Current municipal accounting policies. 	
2.	Current revenue sources, internal and external		
3.	Main cost drivers impacting on the sustainability of the Municipality		
4.	Status of municipal infrastructure		
5.	Ability to finance capital expenditure		
6.	Municipal service delivery backlogs		
7.	Revenue Management		
8.	Expenditure Management		
9.	Debtor and creditor management		
10.	Cash Management		
11.	Asset Management		
12.	Funding and Reserves		
13.	Cash Coverage ratio		
14.	Personnel Costs to Total Operating Expenditure ratio		
15.	Repairs and Maintenance to PPE ratio		
16.	Liquidity Ratio (Current Ratio)		
17.	Net Asset Position ratio		
18.	Comparison against international best practice and similar institutions		
19.	Key challenges		

Initials of Service Provider's Authority:

D. DETAILED SPECIFICATIONS			
No	Description	Considerations	Comply Yes/No
Phase Two: Planned Finance and Financial Modelling: The bidder must confirm that it is able to prepare finance and financial modelling mechanisms addressing at least the following elements:			
20.	Economic modelling	<p>Economic Modelling, must be developed within the framework of financial management accounting principles and at a minimum address the following:</p> <ul style="list-style-type: none"> i. The economic profile of the municipal area. ii. The historical growth in the municipal economy and the expected growth. iii. Linkage to the IDP. iv. Alignment to the service delivery priorities of Council. v. Spatial alignment. 	
21.	Financial modelling	<p>The financing modelling must at a minimum address the following:</p> <ul style="list-style-type: none"> i. The previous 3-year's historical information (Income Statement). ii. The latest 3-year MTREF operating budget to provide for a basis to project the financial performance of Hessequa Municipality for the next 3 years. iii. Appropriate summary tables must be provided for the capital budget for the next 3 years. iv. Forecasting for the next 10-30 years. v. The following ratios must be provided for and aligned with the formulas in MFMA circular 71: <ul style="list-style-type: none"> ➤ Current ratio; ➤ Debtors collection ratio; ➤ Employee cost ratio; ➤ Cash generated from operations as % of own Revenue; ➤ Cost coverage; ➤ Debt to Revenue; ➤ Gearing ratio; ➤ Water distribution losses; ➤ Electricity distribution losses; ➤ Outstanding services debtors as % of total annual service revenue; ➤ Cost coverage ratio; 	

Initials of Service Provider's Authority:

D. DETAILED SPECIFICATIONS			
No	Description	Considerations	Comply Yes/No
		<ul style="list-style-type: none"> ➤ Revenue growth. vi. A list of financial indicators must be developed in a "dashboard" format. vii. Sensitivity analysis of external funding calculations to indicate the impact on the financial position and future rates and tariffs of future borrowings within the policy framework of Council must be developed. 	
22.	Revenue Modelling	<p>The revenue modelling must at a minimum address the following:</p> <ul style="list-style-type: none"> i. Projection of the financial impact of current and future demand for services offered by the municipality. ii. Estimations of the growth and economic potential of the municipal area and the related vision and strategy of the municipality. iii. Quantification of the financial and non-financial impact of the identified needs and service demand based on detailed economic and financial modelling. iv. Detailed revenue forecasting taking all revenue sources into account in relation to changes in demands, as industries and businesses establish, and communities grow over 10-30 years. This includes the consideration of the growth in revenue base, grants and subsidies, development charges etc. v. Quantification of the development charges (capital contributions) for current and future developments within the municipal area. vi. Built-in assumptions about economic conditions, future spending scenarios, and other salient variables. viii. Scenario planning. ix. Tariff modelling to: <ul style="list-style-type: none"> a. Provide for calculation of cost reflective tariffs for consumer's tariffs such as Electricity, Water, Refuse removal and Sewage. b. Cater for all types of tariff structures. For example - Sewage tariffs: The metrics per unit must be available to calculate it based on erf size, or number of toilets/ urinals per house, or linked to water consumption. 	

Initials of Service Provider's Authority:

D. DETAILED SPECIFICATIONS			
No	Description	Considerations	Comply Yes/No
		<ul style="list-style-type: none"> c. Cater for various scenarios for residential, industrial business, indigents, low, medium, high users, low income consumers, high income consumers. d. Differentiate between different categories for property rates tariffs, as well as between the wards of the municipality. e. Differentiate between basic charges, fixed charges and variable tariffs based on consumption and a combination thereof for services. 	
Phase Three: Analyse Outcomes and Ratios: The bidder must confirm that it is able to conduct an analysis of the outcomes in Phase 1 by applying the modelling and ratio tools designed in Phase 2, addressing at least the following elements:			
23.	Evaluate the short-term financial viability (6 months to 12 months);		
24.	Evaluation the impact of national and municipal priorities over the medium and long-term.		
25.	Applying the financial forecast model to identify immediate opportunities and risks.		
26.	Evaluate the medium- and long-term financial viability (1- to 30-years):		
27.	Perform scenario planning to identify the optimum balance between revenue collection and municipal spending; taking into account the following: - <ul style="list-style-type: none"> i. Potential revenue enhancement strategies which may have an immediate-, medium- and long-term impact on the revenue base of the Municipality; ii. Evaluate cost saving mechanisms to minimise the cost of effective service delivery, taking into account potential infrastructure developments and renewals; i. Current infrastructure investments and maintenance programs which may influence revenue streams or the cost of service delivery. ii. The impact of envisaged future infrastructure investments on the revenue stream and cost of service delivery; and iii. The impact of national and municipal priorities over the medium and long-term 		
Phase Four: Develop a Long-Term Financial Plan: The bidder must confirm that it is able to prepare a LTFP for the short, medium and long-term by applying all elements addressed in phases one-three, inclusive of at least the following:			
28.	Identifies future revenue projections based on current and projected revenue streams, as well as those projects required to achieve these projections	<p>The report must be structured substantively in the following format:</p> <ol style="list-style-type: none"> 1 Index with the appropriate table of contents and where relevant a list of tables used in the document and a list of figures used in the document. 2 Executive summary. 3 Introduction. 4 Objectives of the LTFP. 	

Initials of Service Provider's Authority:

D. DETAILED SPECIFICATIONS			
No	Description	Considerations	Comply Yes/No
29.	Identifies future expenditure frameworks and cost of service delivery based on current and projected expenditure patterns	5 Alignment with the IDP, infrastructure growth plan and infrastructure master plan. 6 A chapter dealing with the current scenario: (i) Financial overview and Budget overview, inclusive of adjustment budgets; (ii) Funding resources; (iii) Cash management; and (iv) Other relevant elements discussed in phase 1.	
30.	Identifies the level of infrastructure development required to achieve the municipal priorities, within the funding restrictions	7 Assessment of the current challenges facing the municipality. 8 Relevant to minimum services, a chapter dealing with each of the following <i>(detailing in each the summary of the current state of infrastructure; the estimated R-value investment required to replace the infrastructure over the next 30 years; and the financing options available for the replacement)</i> : (i) Water, (ii) Sewage, (iii) Electricity, (iv) Roads, and (v) Stormwater and Solid Waste infrastructure planning;	
31.	Identifies external funding requirements required for capital investment <i>[potential international donor funding can also be considered as an optional item]</i>	9 In the "ratio and benchmark analysis" chapter, the following minimum ratios must be discussed: (i) Current ratio; (ii) Debtors collection ratio; (iii) Employee cost ratio; (iv) Cash generated from operations as % of own Revenue; (v) Cost coverage; (vi) Debt to Revenue (vii) Gearing ratio; (viii) Water distribution losses;	
32.	Identifies investment opportunities and what the Municipality should do to be more investment friendly and -ready		

Initials of Service Provider's Authority:

D. DETAILED SPECIFICATIONS			
No	Description	Considerations	Comply Yes/No
33.	Serve as supporting evidence to request the National Treasury to review its Equitable Share allocation (e.g. to compensate for the loss in revenue through the sale of electricity).	<ul style="list-style-type: none"> (ix) Electricity distribution losses; (x) Outstanding services debtors as % of total annual service revenue; (xi) Cost coverage ratio; and (xii) Revenue growth. <p>10 Chapter discussing the development of long term, economic based, sustainable funding models as per Phase 2, specifically addressing the following models:</p> <ul style="list-style-type: none"> (i) Economic; (ii) Financial; and (iii) Revenue; <p>11 The growth estimation and estimated financial impact of informal settlements on the municipality must be addressed as a chapter.</p> <p>12 The municipality considers the potential of various ring-fenced reserves and provisions. A chapter must deal with an estimation of this for a 10-year planning period.</p> <p>13 Recommendations chapter must be in a table format with the following columns:</p> <ul style="list-style-type: none"> > Nr, Recommendation, Responsible director, Date required and Comments from responsible director. > The objective of this is provide for a separate document to assign responsibility to the respective directors for the implementation of these recommendations 	
Phase Five: Customise the TOOL: The bidder must confirm that it is able to prepare a TOOL for use by the Municipality, inclusive of at least the following functionality:			
34.	A customised municipal long-term financial modelling tool that will consist of at least the following modules (the minimum functionality of each module is explained in detail in phase three above):	<ul style="list-style-type: none"> (a) Economic Modelling; (b) Financial Modelling; (c) Revenue Forecasting; and (d) Prioritisation dashboard. 	
35.	The TOOL should be robust enough to be used as part of the financial management and annual reporting system of the municipality.		

Initials of Service Provider's Authority:

D. DETAILED SPECIFICATIONS			
No	Description	Considerations	Comply Yes/No
36.	The TOOL must have the ability to be expanded to include additional modelling such as 'Infrastructure Planning', 'Investment Planning' and 'Development Planning'. The Municipality will retain the discretion to consider inclusion of these models if found to be feasible.		
Specific functionality of the TOOL includes the following:			
37.	Existing financial data interfacing: Financial information that is contained in the budget, the annual financial statements, the IDP and the annual report must be captured in/interfaced with the TOOL.		
38.	<p>Financial Ratio data:</p> <p>(a) The following ratios must be provided for in the TOOL:</p> <ul style="list-style-type: none"> ➤ Current ratio; ➤ Debtors collection ratio; ➤ Employee cost ratio; ➤ Cash generated from operations as % of own Revenue; ➤ Cost coverage; ➤ Debt to Revenue; ➤ Gearing ratio; ➤ Water distribution losses; ➤ Electricity distribution losses; ➤ Outstanding services debtors as % of total annual service revenue; ➤ Cost coverage ratio; ➤ Revenue growth. <p>(b) Each input for these ratios must be separately provided for easy input by municipal officials.</p> <p>(c) These ratios must be provided for the previous 3 years (<i>historical</i>), the next 3 years (<i>as per latest MTREF</i>), plus 7 years thereafter to complete the 10-year planning period.</p>		
39.	A list of financial indicators must be developed and presented in the TOOL in a "dashboard" format. These dashboard items must be developed in consultation with the municipality		
40.	Sensitivity analysis of external funding calculations to indicate the impact on the financial position and future rates and tariffs of future borrowings within the policy framework of Council must be developed and provided in the TOOL for easy input by municipal officials.		

Initials of Service Provider's Authority:

D. DETAILED SPECIFICATIONS			
No	Description	Considerations	Comply Yes/No
41.	GIS data: The municipality make use of ESRI GIS for their corporate GIS environment and assets & infrastructure data. The TOOL must therefore be able to make use of the municipality's geo spatial information (GIS) and must be able to provide all relevant information back to be represented in the GIS system of council. Any additional attributes collected/ created by this tool must be made available in a format which the municipality can use in ESRI GIS.		
42.	Revenue planning and costing: The TOOL must be able to: (a) Project the financial impact of current and future demand for services offered by the municipality. (b) Estimate the growth and economic potential of the municipal area and the related vision and strategy of the municipality. (c) Quantify the financial and non-financial impact of the identified needs and service demand based on detailed economic and financial modelling. (d) Detail revenue forecasting taking all revenue sources into account in relation to changes in demands, as industries and businesses establish, and communities grow over 10-30 years. This includes the consideration of the growth in revenue base, grants and subsidies, development charges etc. (e) Built-in flexibility, using appropriate assumptions about economic conditions, future spending scenarios, and other salient variables.		
43.	Development charges: The TOOL must be able to quantify development charges (capital contributions) for current and future developments within the municipal area.		
44.	In relation to tariffs, the TOOL must be able to: (a) Provide for calculation of cost reflective tariffs for consumer's tariffs such as Electricity, Water, Refuse removal and Sewage. (b) Cater for all types of tariff structures. For example - Sewage tariffs: The metrics per unit must be available to calculate it based on erf size, or number of toilets/ urinals per house, or linked to water consumption. (c) Cater for various scenarios for residential, industrial business, indigents, low, medium, high users, low income consumers, high income consumers. (d) Differentiate between different categories for property rates tariffs, as well as between the wards of the municipality. (e) Differentiate between basic charges, fixed charges and variable tariffs based on consumption and a combination thereof for services.		
45.	The 15 business processes of National Treasury must be considered, specifically the following business processes must be understood and incorporated, where required in the TOOL: (a) Municipal Budgeting; (b) Financial Accounting Costing and reporting; (c) Project Accounting; (d) Customer Care, Credit Control and Debt Control; (e) Valuation Roll Management; (f) Land Use & Building Control; and		

Initials of Service Provider's Authority:

D. DETAILED SPECIFICATIONS			
No	Description	Considerations	Comply Yes/No
	(g) Revenue Cycle Billing.		
46.	Infrastructure project planning and costing: (a) The TOOL must list potential infrastructure projects for a 10-30-year planning period. (b) The TOOL must provide for project costing calculation functionality (e.g. If a water desalination plant is to be developed in year 4, the TOOL must provide to plot the costing of the project and associated funding calculations). (c) The TOOL must have built-in flexibility, using appropriate assumptions about economic conditions, future spending scenarios, and other salient variables		
47.	Generic functionality: (a) The TOOL must link all information to the workings and assumptions that are being used. (b) The TOOL must provide for appropriate graphs, tables and figures to assist with management analysis and reporting. (c) The TOOL must provide for a Net Present Value (NPV) calculator.		
Software requirements:			
48.	All other software must be clearly identified, listed and costed as part of the solution which must include original procurement cost as well as annual license fees and all other related costs. The bidder will be liable for payment of all required software.		
Phase Six: Review and continuous improvement and maintenance: The bidder must confirm that it is able to review the LTFP and TOOL, effect continuous improvements and maintenance, inclusive of at least the following minimum elements:			
Review and continuous improvement:			
49.	The LTFP and TOOL must be reviewed on an annual basis as part of the annual review of the IDP and updated with at least the following information: - (a) Any direct change in financial status or internal factors, other than previously predicted, which may influence the financial status and viability of the Municipality; (b) Any changes in the economic and socio-economic environment, other than previously predicted, which may influence the financial status of the Municipality; (c) Any changes in the revenue base or composition which may have an impact on the financial viability of the Municipality; (d) Any changes in the national or municipal priorities as previously identified; (e) Any factors which impact on the ability to implement previously identified projects; and (f) Any customisation and/or adaptation of the architecture or functionality of the TOOL.		

Initials of Service Provider's Authority:

E. SPECIAL CONDITIONS OF TENDER***In relation to contracting for the services:***

1. Prior to the commencement of the services, the parties will negotiate and agree a Service Level Agreement providing for the following:
 - (i) The detailed project and implementation plan.
 - (ii) The payment schedule providing for:
 - a. Payment linked to phased/milestone delivery;
 - b. Retention arrangements;
 - c. Maintenance payment arrangements;
 - d. Format of invoicing.
 - (iii) Communication arrangements.
 - (iv) Reporting arrangements.
 - (v) Ownership and copyright arrangements.
 - (vi) Contract review arrangements as per MFMA, section 116.
 - (vii) Development, maintenance and use of the TOOL.
 - (viii) Such other arrangements as agreed between the parties.

In relation to the LTFP data:

2. The data collected and all reports developed and submitted will be the property of the Municipality and must be copyright protected to the benefit of the Municipality.

In relation to the TOOL:

3. The Municipality will not become the owner of the customised TOOL and the service provider must make appropriate internal arrangements to host and maintain the TOOL.
4. It is expressly recorded that the Municipality will not pay any user-fees or license-fees during the contract period for having access and use of the TOOL.
5. A separate contract will be negotiated with the service provider prior to the termination of the contract in relation to the future use of the TOOL, if found to be feasible.
6. The parties will agree on an appropriate source-code protection regime in order to protect the access to data by the Municipality.
7. It is estimated that the average support time required after the tool is implemented is 4-8 hours per month.

In relation to the tender document completion:

8. Tender documents must be completed in ink, and prices must include VAT, only where applicable and requested in the schedule of activities.
9. The lowest or any Tender will not necessarily be accepted, and HESSEQUA Municipality reserves the right to accept the whole or any portion of a Tender.
10. Tenders are to remain open for acceptance for a period of one hundred and twenty (120) days from the closing date.

Initials of Service Provider's Authority:

11. All prices and details must be legible / readable to ensure the Tender will be considered for adjudication.
12. Tenderers are requested to furnish the full registered name of the Tendering company/supplier on the Form of Tender and Form of Acceptance.
13. Tenderers are also required to sign each page of the Form of Tender and Form of Acceptance, in the space provided at the bottom of each page.
14. Corrections may not be made by means of a correction fluid such as Tippex or a similar product. In the event of a mistake having been made it shall be crossed out in ink and be accompanied by a full signature at each and every alteration. The Municipality reserves the right to reject the Tender if corrections are not made in accordance with the above.
15. No price increases will be considered in the event of payments made against invoiced prices.
16. Any orders placed within the contract period, will be paid according to the price applicable at the date of order.
17. The Tenderer must submit a comprehensive company profile, for example the founding company statements.

In relation to penalties and delays

18. Penalties may be applied for each calendar day by which the Service Provider fails to meet the prescribed or agreed to dates for submission of the requirements related to various project phases.
19. The quantum of the penalty shall be calculated on a pro-rata basis @ 5% per day against the value approved per phase.

In relation to cost containment measures:

20. As per the Cost Containment prescripts, the service provider must note that the contract price is exclusive of all travel and subsistence costs and if considered to be claimed, such costs will be reimbursed in accordance with the national travel policy of the National Department of Transport.

Documentation that is available for perusal by potential bidders

21. Municipal Financial Statements and Annual Reports (website)
22. Municipal Budget (website)
23. Current financial plan (to be requested)
24. Infrastructure Master Plans (to be requested)
25. Asset register (to be requested)
26. Valuation roll (to be requested)

F. TENDER EVALUATION AND CONTRACTING PROCESS

1. Proposals will be adjudicated in accordance with the relevant Hessequa Municipality SCM Policy, the PPPFA and its Regulations of 2022.

2. The tender will be adjudicated in the following four phases:

Bid Committee Evaluation process following a phased approach	Phase A	Acceptable tender as per PPPFA section 1 - Compliance with conditions and special conditions, legislative and legal requirements and minimum specifications
	<i>If responsive move to</i>	
	Phase B	Functionality scoring – must meet threshold requirements as per PPPFA Regulations 5 and 8, i.e. 75 points out of 100 points
	<i>If responsive, move to</i>	
	Phase C	Price and Preference scoring, as per PPPFA Regulations 6 or 7
	<i>Once scored and listed in order of points, move to</i>	
	Phase D	Consideration of additional objective criteria as per PPPFA section 2(1)(f) read with PPPFA Regulations 11
<i>Highest points = successful Service Provider, unless additional objective criteria exist</i>		

3. A proposal that does not score at least 75 points during functionality scoring will not be regarded as an acceptable bid.
4. In relation to responsive tenders, which progressed to Phase D, 80 points will be allocated in respect of price and 20 points in respect of B-BBEE contribution.
5. The following information will be considered as additional objective criteria, once the preferred Service Providers have been identified (*in this regard please refer to the PPPFA section 2(1)(f), PPPFA Regulation 11 and the judgement of Rainbow Civils CC v Minister of Transport and Public Works, Western Cape 2013 ZAWCHC 3 (6 February 2013)*):
 - i. *Poor track record of the preferred bidder.*
 - ii. *Unrealistic price offering which is not market related.*
 - iii. *Unrealistic own conditions set by the bidder.*
6. Once the preferred bidder is identified, a notification will be sent to Service Providers of the identified preferred Service Provider and the allowance of a 14-day complaint, enquiries, dispute process as contemplated by SCM TR 49 and 50.
7. A final award will made when no valid objections were received.
8. A negotiation of the final terms of the contract will be done as contemplated in SCM TR 24.
9. Execution and Management of the concluded contract.