

RETENTION POLICY

2026/2027



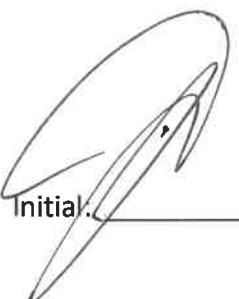
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Initial. 

1. DEFINITIONS

"Council" means a Municipal Council established in Section 18 of the Municipal Structures Act and referred to in Section 157 (1) of the Constitution.

"CIDB" is a national body established by an Act of Parliament (Act 38 of 2000).

"Contract" means the written agreement entered into between the Council and the Contractor, as recorded in the contract form signed by the parties, including all attachments and appendices thereto and all documents incorporated by reference therein.

"Contractor" the firm or person signs the contract and commissioned to construct the work.

"Defects" are aspects of the works that are not in accordance with the contract. The usual occur because of design deficiencies, material deficiencies, specification problems or workmanship deficiencies.

"Defects Liability Period" the period for which the contractor is required to "guarantee" the completed works and to rectify any defects that may be discovered or appear. The defects liability period starts when the Municipality is satisfied that the works are complete and takes delivery or handed over to the Municipality.

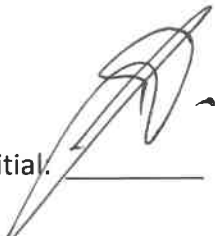
"Municipality" means the Govan Mbeki Municipality established in terms of Section 155 of the Constitution.

"Register" means the official register kept to receipt all unclaimed deposits.

"Retention" this is money, usually from 5% to 10% of the value of the work done, that is held back by the Municipality to correct defective work.

"Subcontractor" appointed by the contractor to perform a part of the construction works under a subcontractor.

"Disputes" dispute is defined as an unresolved matter of dissatisfaction or differences.

Initial. 

2. INTRODUCTION

The purpose of this policy is to ensure sound, uniformity and proper administration of all retention money retained by the Municipality.

3. OBJECTIVE OF THE POLICY

The objectives of the policy are to:

1. To provide a framework on how to deal with retention monies withheld by the Municipality for capital projects
2. To reduce the liability of the Municipality.

4. BACKGROUND

Retention is a percentage usual from 5% to 10%, of the amount certified as due to the Contractor on an interim certificate, that is deducted from the amount due and retained by the Municipality. The purpose of the retention is to ensure that the Contractor properly completes the activities required of them under the contract. Retention can also be applied to nominated sub-contractors.

5. APPLICABLE LEGISLATION

1. The Construction Industry Development Board Act 38 of 2000. This act regulates the construction industry as a whole and publishes standards, directives and regulations to give effect to this objective.
2. General Conditions of Contract (GCC latest Edition) for Construction Works

6. PAYMENT OF RETENTION

1. Once the Municipality has issued a copy of the final completion certificate, he is required to pay the retention money due to the contractor.
2. Half of the amount retained is released on certification of practical completion

3. And remainder or balance is released at the end of the defects liability period.

7. DEFECTS LIABILITY PERIOD

1. The Defects Liability Period starts when the Certificate of Completion is issued and continues for the period agreed to in the Contract.
2. The contractor is responsible for making good items which shows defects during the liability period.
3. During the Defects Liability Period, the Contractor has to obey all written instructions from the Engineer to conduct repairs and fix any defects which appear in the Permanent Works, so that, at the end of the Defects Liability Period, the Permanent Works are in the condition required by the Contract.
4. Near the end of the defect's liability period, the contractor requests the Municipality to inspect the project and identify defective items which the contractor is responsible for making good in terms of the contract.
5. The amount held as retention by the Municipality will only be paid when the contractor has properly and fully completed the list of defects and certified by the Engineer.
6. If the Contractor does not, due to his own fault, finish the repair work or fix the defects by the end of the Defects Liability Period, the Defects Liability Period will continue until all work instructed by the Engineer is done.

8. RETENTION REGISTER

1. The Municipality will keep a retention register
2. The register will be maintained and updated regularly
3. The retention money will be kept in a suspense account per project and per contractor.

9. UNCLAIMED RETENTION

1. It is the responsibility of the contractor to submit a claim for the retention once the defects liability period has lapsed.
2. Unclaimed retention which is over two (2) year after the defect liability period will be written off based on this policy and amount written off from the retention register will be transferred to the accumulated surplus and will form part of the reporting to council on annual basis.

10. DISPUTES AND HOW TO RESOLVE THEM

1. The Municipality standard form contracts will cater for a dispute resolution mechanism which will state the procedure to be followed when a dispute arises with regards to retention.

11. REVIEW

1. This policy will be reviewed annually to ensure that it complies with changes in applicable legislation, reporting framework and the operating requirements of the Municipality.

12. RESPONSIBILITY FOR THE UP KEEP OF THE POLICY

1. The Chief Financial Officer will be responsible for the administration up keep of the policy.



Mr. E.N. Maseko
Municipal Manager

Date



Initial: _____