

EM13/2019

KUTLWANONG OUTFALL SEWER: REQUEST FOR BUDGET MAINTENANCE (EDI)

PURPOSE

The purpose of this item is to present before Committee the current status and progress report on the Kutlwanong outfall sewer in compliance with Municipal Systems Act 32 of 2000; Section 73 (1), and to request approval of the budget maintenance.

BACKGROUND

The Kutlwanong outfall sewer project is currently being implemented by the Municipality through MIG funding. The project was registered in 2016/2017 financial year. This project entails the following scope of work:

- Clearing and grubbing
- Earthworks
- Compaction
- Bedding
- Pipe laying
- backfilling
- Manholes
- Testing

DISCUSSIONS

Upon going out on tender the MIG registered value of the project was R 20 787843.77. The successful bidder's tender price is R 22 183 654.79 and professional fees is R 3 327 548.22 which is a total of R 25 511 203.01. The revised total project cost is R 25 511 203.01 due to price escalations:

- The tendered amount is higher than the original project estimate.

LEGAL IMPLICATIONS

Constitution section 152, MSA MFMA section 19's section 116 "The accounting officer of a municipality or municipal entity must (2)(b) Monitor on a monthly basis the performance of the contractor under the contract or agreement. (2)(d) Regularly report to the council of the municipality or the board of directors of the entity, as may be appropriate, on the management of the contract or agreement and the performance of the contractor."

FINANCIAL IMPLICATIONS

ITEM	DESCRIPTION	BUSINESS PLAN	CONTRACT COST	VARIANCE
1	Construction Cost	R 15 718 596,42	R 18 856 106,57	R 3 137 510,15
	SUB TOTAL	R 15 718 596,42	R 18 856 106,57	R 3 137 510,15
2	15% VAT	R 2 357 789,46	R 3 327 548,22	R 969 758,76
	TOTAL	R 18 076 385,88	R 22 183 654,79	R 4 107 268,91
	Professional fees			
3	including VAT	R 2 711 457,88	R 3 327 548,22	R 616 090,34
4	Total Contract Cost	R 20 787 843,77	R 25 511 203,01	R 4 723 359,24
5	Total Business Plan	R 20 787 843,77	R 25 511 203,01	R 4 723 359,24

OTHER IMPLECATIONS

The project will not be completed successfully without cost adjustments, thus affecting it is intended purpose and effective use.

RECOMMENDATIONS

It is hereby recommended as follows:

- That the budget maintenance of an additional amount of **R 4 723 359, 24** be approved to increase the project value to R 25 511 203, 01.

EM14/2019

**THABONG: INSTALLATION OF BULK ZONAL WATER METERS AND VALVES
APPLICATIN FOR BUDGET MAINTANANCE. (EDI)**

PURPOSE

The intention of this report is to effectively motivate for the approval Executive Committee for additional funding amounting to **R1 220 696.95 (incl. Vat)** under the Municipal Infrastructure Grant (MIG), maintenance budget. The funds will be used to by the Matjhabeng Local municipality for the implementation of the water demand management system in Matjhabeng Local Municipality within the central area covering Welkom, Thabong, Bronville and Riebeeckstad, under the project name Thabong: Installation of bulk zonal water meters and valves.

BACKGROUND

Tugelogic Consulting Engineers was appointed to design and supervise the Installation of Zonal Meters. This project was not open to public tender but reserved for the Phase 2 Vuku'phile learner contractors under the EPWP programme as part of their Learnership. Four contractors have been appointed on the project namely Phanda Business Enterprise (Pty) Ltd, Evanciency Marketing (Pty) Ltd, Adell Trading (Pty) Ltd and MYBK Trading (Pty)Ltd. The project is also one of the Municipality's initiatives in saving water by measuring the outflow of water as a means to better manage and quantify water loss and improve service delivery.

DISCUSSION

This project was approved in 2016 under MIG project number MIG/FS1151/W/16/17. There is an approved budget of amount R7 000 000,00 (incl. Vat) The approved budget is 5 830 835,60 MIG funding and R 1 169 164,40 is for counter-funding, both inclusive of Vat. The actual construction costs tendered for and the verification of works amount to R 6 764 690,30 (incl. Vat) for construction and the professional fees are R 1 436 400,00 which leaves a variance of R 1 220 696.95 (incl. Vat). This increase in amount is caused an increase in vat amount from 14% to 15% and the actual cost tendered by the contractors are higher than the estimated costs from the 2016 technical report this is due to escalation. Refer to appointment letters and verification of works.

LEGAL IMPLICATIONS

Municipal Finance Management Act (MFMA) 56 of 2003
Division of Revenue Act (DORA) 3 of 2016

FINANCIAL IMPLICATION

The request for an additional R1 220 969.95 under the maintenance budget of MIG to enable the project to be completed successfully. The table below entails the variance between the original project approved amount, tendered amounts from Learner Contractors and vat at 14% and at 15%.

Description	Total estimates at 14% Vat (2016)	Actual Cost at 15% Vat	Variance
Supply and installation of valves, hydrants and water meters	R 5 830 835,60	R 6 784 569,95	R 953 734,35
Professional fees, vat and other indirect cost	R 1 169 164,40 (Incl Vat)	R 1 436 400,00	R 267 235,60
TOTAL	R 7 000 000.00	R 8 201 090.30	R 1 220 969.95

The additional counter-funding amount will then be **R 1 220 969,95 (Incl. Vat) which is 17,44% of the total 7 000 000,00** cost of project. The intent of this report is to motivate for the approval of R1 220 969.95 (incl. Vat) from Dept. of COGTA under MIG maintenance funds. This is for the success completion of the water demand management system within the zones listed above.

RECOMMENDATION

1. That the Council takes note of the report
2. Council approve the application for additional funding

EM15/2019

**MMAMAHABANE (VENTERSBURG): DEVELOPMENT OF A NEW CEMETERY:
BUDGET MAINTENANCE (EDI)**

PURPOSE

The purpose of this item is to present before Exco meeting the status and progress on the Mmamahabane (Ventersburg): Development of a New Cemetery Project in compliance with Municipal Systems Act 32 of 2000; Section 73 (1), and to request approval of the budget maintenance.

BACKGROUND

The Mmamahabane (Ventersburg): Development of a New Cemetery project is currently being implemented by the Municipality through MIG funding. This project entails the following scope of work: Paved road of 2.240 km, Gravel road of 0.82km, Eskom 22KV overhead line with 50KVA transformer, 2 high mast lights with a 30-meter radius, paved parking area of 4500M² with 80MM blocked paving with kerbs, Concrete Palisade fencing of 1.8M high, a septic tank (15M long, 5M wide & 2.0M deep), Building works include a guardhouse, ablution block, storage area and a restroom, the water supply will be a 50MM diameter pipe from the existing Mmamahabane township feeding to 2 x 5000L tanks. Moreover, the contract was awarded to Oarabile Plant Hire and Civils whom is being managed by JM Professional Services. A request for budget maintenance report was received from JM Professional Services and is attached for ease of reference.

DISCUSSIONS

Once the contractor was appointed it was noticed that the approved project budget is less than the contractor appointed amount. Thus, presenting a shortfall of funds required to successfully complete the project. This shortfall is a result of increased price of materials which were previously priced below the market rate and an additional scope of works. The consultant's estimates which were included in the original business plan and technical report were too low. Therefore, the consultant has submitted a request for budget maintenance in order to address the shortfall amount. This amount will increase the project budget as well as the construction and professional fees for the project. This proposal will ensure sufficient availability of funds required to adequately finish the project.

LEGAL IMPLICATIONS

Constitution section 152, MSA MFMA section 19's section 116 "The accounting officer of a municipality or municipal entity must (2)(b) Monitor on a monthly basis the performance of the contractor under the contract or agreement. (2)(d) Regularly report to the council of the municipality or the board of directors of the entity, as may be appropriate, on the management of the contract or agreement and the performance of the contractor."

FINANCIAL IMPLICATIONS

Item no.	Description	Amount
1	Original Project Budget	R 29 790 388.78
2	Revised Project Budget	R 36 576 729.42
3	Professional Fees	R 5 960 456,44
4	Construction costs	R 30 616 272,98
5	Additional Funding Required	R 6 606 340,64

OTHER IMPLICATIONS

The project will not be completed successfully without approval of the budget maintenance, thus affecting its intended purpose.

RECOMMENDATIONS

1. That the Exco meeting takes note of the report
2. Exco approve the application for additional funding.

EM16/2019

UPGRADING OF THABONG T8 PUMPING STATION: REQUEST FOR ADDITIONAL FUNDING (AF) (EDI)

PURPOSE

The purpose of this item is to present before Executive Committee the current status and progress report on Upgrading of Thabong T8 Pumping station in compliance with Municipal Systems Act 32 of 2000; Section 73 (1), and to request approval of the budget maintenance.

BACKGROUND

The Upgrade of Thabong T8 pumping station is currently being implemented by the Matjhabeng Local Municipality through MIG funds. This project entails the (i) Construction of a new Archimedes screw pump lifting station with emergency by-pass; (ii) Redirection of the existing outfall sewer lines leading towards and from the new screw pump lifting station and (iii) the investigation into viability of replacing the existing T8 pumping station outfall sewer by means of CCTV. A request for budget maintenance report was received from Moedi Consulting Engineers and is attached for ease of reference.

DISCUSSIONS

The approved project budget is R 13,540,602.44 (inclusive of VAT and Professional Fees). The project requires additional funds that amount to R 4 135 157.66 (inclusive of VAT and Professional Fees) in order to successfully complete the outstanding works on site – this amount is 30.54% of the current project budget. The project was assigned a project number MIG/FS1254/S/18/19 under MIG.

During construction stage, the project encountered numerous costly delays which were attributed to strike actions by laborers and community unrests; additions and variations to Construction Designs; Flooding of sewer trenches due to rainfalls and non-functioning of the existing pump station and price escalations during construction (CPA). Therefore, the consultant has submitted a request for budget maintenance in order to address the shortfall amount. This amount will increase the project budget as well as the construction and professional fees for the project. This proposal will ensure sufficient availability of funds required to adequately finish the project.

LEGAL IMPLICATIONS

Constitution section 152, MSA MFMA section 19's section 116 "The accounting officer of a municipality or municipal entity must (2)(b) Monitor on a monthly basis the performance of the contractor under the contract or agreement. (2)(d) Regularly report to the council of the municipality or the board of directors of the entity, as may be appropriate, on the management of the contract or agreement and the performance of the contractor."

FINANCIAL IMPLICATIONS

The request for an additional R 4 135 157.66 under the maintenance budget of MIG to enable the project to be completed successfully. Item no. 4 of the Engineer's report gives a detailed breakdown of the cost estimates that prompted a request for additional funding – the table below gives a summary thereof.

Approved Project Budget (inclusive of VAT and Professional fees)	Revised Project Budget (inclusive of VAT and Professional fees)	Variance (inclusive of VAT and Professional fees)
R 13,540,602.44	R 17,675,760.11	R 4,135,157.66

RECOMMENDATIONS

- a) That the Executive Committee takes note of the attached Engineer's report.
- b) Council approve the application for additional funding.

EM17/2019

THABONG EXTENSION 20 (HANI PARK): EXTENSION OF WATER NETWORK, HOUSE CONNECTIONS AND WATER METERS (180 STANDS): BUDGET MAINTENANCE (EDI)

PURPOSE

The purpose of this item is to present before Exco meeting the status and progress on Thabong Extension 20 (Hani Park): Extension of water network, house connections and water meters (180 Stands) in compliance with Municipal Systems Act 32 of 2000; Section 73 (1), and to request approval of the budget maintenance.

BACKGROUND

The extension of a water network, house connections and 180 water meters in Thabong Extension 20 (Hani Park) project is currently being implemented by the Municipality through MIG funding. This project entails the extension of a water network, house connections and the installation of 180 water meters in Thabong Ext.20. The project was awarded to Kalosi Trading Projects and Lusakho Trading, two vukuphile contractors which are being managed by Epitome Consulting Engineers. A request for budget maintenance report was received from Epitome Consulting Engineers and is attached for ease of reference.

DISCUSSIONS

After the appointment of the contractors, it was noticed that the approved project budget is less than the contractor appointed amounts. Thus, presenting a shortfall of funds required to successfully complete the project. This shortfall is a result of increased price of materials which were previously priced below the market rate. The consultant's estimates which were included in the original business plan and technical report were too low. Therefore, the consultant has submitted a request for budget maintenance in order to address the shortfall amount. This amount will increase the project budget as well as the construction and professional fees for the project. This proposal will ensure sufficient availability of funds required to adequately finish the project.

LEGAL IMPLICATIONS

Constitution section 152, MSA MFMA section 19's section 116 "The accounting officer of a municipality or municipal entity must (2)(b) Monitor on a monthly basis the performance of the contractor under the contract or agreement. (2)(d) Regularly report to the council of the municipality or the board of directors of the entity, as may be appropriate, on the management of the contract or agreement and the performance of the contractor."

FINANCIAL IMPLICATIONS

Item no.	Description	Amount
1	Original Project Budget	R2 599 855,74
2	Revised Project Budget	R4 202 064,08
3	Professional Fees	R548 095,31
4	Construction costs	R3 653 968,77
5	Additional Funding Required	R1 602 208,34

OTHER IMPLICATIONS

The project will not be completed successfully without approval of the budget maintenance, thus affecting its intended purpose.

RECOMMENDATIONS

1. That Exco meeting takes note of the report
2. Exco approve the application for additional funding.

EM18/201**UPGRADING OF THE WELKOM LANDFILL SITE: BUDGET MAINTENANCE (ED)****PURPOSE**

The purpose of this item is to present before Exco meeting the status and progress on the Upgrading of the Welkom Landfill Site in compliance with Municipal Systems Act 32 of 2000; Section 73 (1), and to request approval of the budget maintenance.

BACKGROUND

The Upgrading of the Welkom Landfill Site project is currently being implemented by the Municipality through MIG funding. This project entails the following scope of work: the reconstruction of an access road, provision of access control, provision of two weigh bridges, refurbishment of a cloak room and signage, perimeter fencing, paving and training, carport, street lights and security features, an improvement of the wash bay facility and the provision of two shed buildings. The contract was awarded to Kholeba Construction and Projects whom is being managed by Maragela Consulting Engineers. A request for budget maintenance report was received from Maragela Consulting Engineers and is attached for ease of reference.

DISCUSSIONS

Once the contractor was appointed it was noticed that the approved project budget is less than the contractor appointed amount. Thus, presenting a shortfall of funds required to successfully complete the project. This shortfall is a result of increased price of materials which were previously priced below the market rate and an additional scope of works. The consultant's estimates which were included in the original business plan and technical report were too low. Therefore, the consultant has submitted a request for budget maintenance in order to address the shortfall amount. This amount will increase the project budget as well as the construction and professional fees for the project. This proposal will ensure sufficient availability of funds required to adequately finish the project.

LEGAL IMPLICATIONS

Constitution section 152, MSA MFMA section 19's section 116 "The accounting officer of a municipality or municipal entity must (2)(b) Monitor on a monthly basis the performance of the contractor under the contract or agreement. (2)(d) Regularly report to the council of the municipality or the board of directors of the entity, as may be appropriate, on the management of the contract or agreement and the performance of the contractor."

FINANCIAL IMPLICATIONS

Item no.	Description	Amount
1	Original Project Budget	R 18 021 120.00
2	Revised Project Budget	R 35 416 600.07
3	Professional Fees	R 3 922 004,35
4	Construction costs	R 31 494 595,70
5	Additional Funding Required	R 17 395 480,07

OTHER IMPLICATIONS

The project will not be completed successfully without approval of the budget maintenance, thus affecting its intended purpose.

RECOMMENDATIONS

1. That the Exco meeting takes note of the report
2. Exco approve the application for additional funding.

EM19/2019

NYAKALLONG/ALLENRIDGE REPLACEMENT OF OLD GALVANIZED STEEL PIPES: REQUEST FOR BUDGET MAINTENANCE (EDI)

PURPOSE

The purpose of this item is to present before Committee (EXCO) the current status and progress report on the replacement of old galvanized steel pipes with uPVC in Allanridge and Nyakallong Townships under Vukuphile Learner Contractor in compliance with Municipal Systems Act 32 of 2000; Section 73 (1), and to request approval of the budget maintenance.

BACKGROUND

The replacement of old galvanized steel pipes with uPVC in Allanridge and Nyakallong Townships project is currently being implemented by the Municipality through MIG funding. The project was registered in 2018/2019 financial year. This project entails the following scope of work:

Allanridge:

- the replacement of 893m of old galvanized steel pipes with new 250mm diameter uPVC Class 12 pipes.
- The inspection and repair or replace of valves and fire hydrants.
- Inspect and repair of all leaking pipes at households.

Nyakallong

- the replacement of 1.7 km of old galvanized steel pipes with new 250mm diameter uPVC Class 12 pipes.
- The inspection and repair or replace of valves and fire hydrants.
- Inspect and repair of all leaking pipes at households.
- Maintenance of water meters

DISCUSSIONS

Upon going out on tender the MIG registered value of the project was R 682 316,78. The Vukuphile Learners successful bidders' tender prices is R 5 435 744,15 and professional fees is R 986 535,67 which is a total of R 6 422 279,82. The revised total project cost is R 7 690 399,86 due to price escalations:

- The learner contractors have under- priced the BOQ for the above mentioned project and the contractors risk a chance of making losses and ending up with the debt with the possible results of being blacklisted by not finishing the work due to insufficient funds on the available budget. The municipality has made a decision to balance the rates for the learner contractor based on the advice from the engineer on the project.
- The project was reserved for the learner contractors under the EPWP program as part of the learnership however there was no assistance in pricing the BOQ due to public works

internal logistics and the contractors worked alone for the first time as public works could not provide mentors as committed initially.

- The consultant recalculated the priced BOQ and found the errors which led to the BOQ to be priced again to meet the market value priced materials.
- The Consultant proposed that the awarded contract amounts be amended to suit the recommendation. The revised contract amount is R 7 690 399, 86 thus the additional funding of R 1 268 1198, 83 is needed of which R 260 036,88 will be available from MIG budget allocation and R 1 008 082,95 is need for counter funding from municipality.
- The project was registered in October 2017 while the VAT was 14% and it also affected the BOQ price when it was increased to 15% in April 2018.

LEGAL IMPLICATIONS

Constitution section 152, MSA MFMA section 19's section 116 "The accounting officer of a municipality or municipal entity must (2)(b) Monitor on a monthly basis the performance of the contractor under the contract or agreement. (2)(d) Regularly report to the council of the municipality or the board of directors of the entity, as may be appropriate, on the management of the contract or agreement and the performance of the contractor."

FINANCIAL IMPLICATIONS

ITEM	DESCRIPTION	APPROVED AMOUNT	AMMENDED SCOPE AMOUNT	VARIANCE
1	Site Clearance	R 233 460,00	R 236 483,75	R 3 023,75
2	Excavations	R 326 844,00	R 595 431,01	R 268 587,01
3	Excavations in rock	R 90 174,00	R 89 515,00	R 659,00
4	Breaking of existing services	R 45 000,00	R 182 115,00	R 137 115,00
5	Supply & Lay 250mm Dia.Upvc Class 12 pipe	R 603 450,00	R 1 391 073,38	R 787 623,38
6	Supply & Lay 110mm Dia.Upvc Class 12 pipe	R 408 000,00	R 105 999,03	R 302 000,97
7	Bedding	R 172 501,00	R 138 995,00	R 33 506,00
8	Backfilling	R 68 092,50	R 319 603,50	R 251 511,00
9	Road Crossing	R 32 500,00	R 184 162,18	R 151 662,18
10	Construction of Valves & Meter Boxes	R 300 000,00	R 63 990,95	R 236 009,05
11	Supply & Installation of Valves & Meters	R 378 000,00	R 111 075,93	R 266 924,07
12	Reinstate Existing Services (Paving)	R 33 600,00	R 23 072,50	R 10 527,50
13	Reinstate Existing Services (Concrete Slab)	R 16 800,00	R 3 820,00	R 12 980,00
14	Reinstate Existing Services (Grass)	R 2 310,00	R 250,00	R 2 060,00
15	Repair of leaking at house connections were necessary	R 130 000,00	R -	R 130 000,00
16	Installation of New Flow Meters at houses including connections	R 356 900,00	R -	R 356 900,00
Sub-Total 1		R 3 197 631,50	R 3 445 587,23	R 247 955,73
Plus: Preliminary & Generals		R 799 407,88	R 1 853 910,00	R1 054 502,12
Sub-Total 2		R 3 997 039,38	R 5 299 497,23	R1 302 457,85
Plus: Contingencies		R 999 259,84	R 529 949,90	R 469 309,94
Sub-Total 3		R 4 996 299,22	R 5 829 447,13	R 833 147,91
Plus: Allowance for Professional Fees (Excl. Vat)		R 865 381,29	R 857 857,10	R 7 524,19
Total Project Costs		R 5 861 680,51	R 6 687 304,23	R 840 672,10
Plus: Vat		R 820 635,27	R 1 003 095,63	R 126 100,82
Total Estimated (Incl. Vat)		R 6 682 315,78	R 7 690 399,86	R1 008 082,95

OTHER IMPLICATIONS

The project will not be completed successfully without cost adjustments, thus affecting its intended purpose and effective use.

RECOMMENDATIONS

It is hereby recommended as follows:

- That the budget maintenance of an additional amount of **R 1 008 082, 95** be approved to increase the project value to **R 7 690 399, 86**.