

FUNDING SHORTFALL ON ROADS PROJECTS: 2024/2025

Report of the Director of Financial Services: Ms. E. Wassermann

Department	Financial Services
Section	Expenditure
File number	5/1/R

PURPOSE OF REPORT

The purpose of the report is to consider unforeseen and unavoidable expenditures to award the roads tenders.

FACTS AND BACKGROUND

The municipality advertised a tender for the following two projects:

- Upgrade/rehabilitation of approximately 382m of Russel Street – R3 000 000
- Upgrade/rehabilitation of approximately 250m of Van Riebeeck Street – R2 100 00

The scope of works for Russel Street will consist of the following;

- Demolish and remove existing asphalt surfacing up to 60mm deep, and spoil off site.
- Excavate and remove existing road layer works up to 200mm deep and stockpile for re-use.
- Excavate and remove existing road layer works up to 250mm deep and spoil off site.
- Compact in-situ material to 93% MOD AASHTO.
- Construct 150mm SSG layer using existing material that was stockpiled, and compact to 93% MOD AASHTO.
- Construct 150mm C4 subbase layer and compact to 95% MOD AASHTO.
- Construct 150mm G3 base layer and compact to 98% MOD AASHTO.
- Construct 40mm Colto Medium Continuously Graded asphalt layer.
- Construct 80mm concrete paver on a 20mm sand layer.
- Traffic Accommodation

The scope of works for Van Riebeeck Street will consist of the following:

- Demolish and remove existing asphalt surfacing up to 60mm deep, and spoil off site.
- Excavate and remove existing road layer works up to 150mm deep and spoil off site.
- Rip existing road layer works up to 125mm deep, process and stabilise with 2% cement, compacted to 95% MOD AASHTO.
- Construct 150mm G4 base layer and compact to 98% MOD AASHTO.
- Construct 40mm Colto Medium Continuously Graded asphalt layer.
- Temporary removal and reinstatement of road furniture, i.e. dustbins etc.
- Traffic Accommodation

DISCUSSION

The tenders closed after the adjustments budget. During the evaluation process it was established that the tender amounts are above the budgetary provision. Below a breakdown of the proposed bids:

Tender Value Comparison	Russel Street	Van Riebeeck Street
Description		
Budget (Excl. Fees & VAT)	R 3 000 000.00	R 2 100 000.00
Fees (Excl. VAT)	R 398 717.00	R 335 375.00
Construction Budget	R 2 601 283.00	R 1 764 625.00
Tender value	R 2 781 464.54	R 2 046 499.66
Preliminary & General @ 38.37%	R 1 067 247.94	R 785 241.92
Total Tender Value	R 3 848 712.48	R 2 831 741.58
Budget Shortfall	-R1 247 429.48	-R1 067 116.58

The tenders can therefore not be awarded as there are insufficient funds on the budget. There is no framework to do a second adjustments budget, except if it is for additional government grants, unauthorised expenditure in terms of section 28 (2) (g) of the MFMA, roll-over budget and section 29 of the MFMA for unavoidable and unforeseeable expenditure.

The capital projects are within the function roads. The budget implementation and monitoring policy allows to shift funds within a function to a maximum of 40%. The technical departments are considering to reduce the scope of works to ensure that it is still practical to implement. The only other option is to address the short fall within the function roads and re-allocate additional funding on the draft budget before final approval.

This will result that the projects will not be implemented as planned and will only be finalized in the 2024/2025 financial year subject to Council final approval in May 2024.

If the tender is not awarded the following risks should be considered:

- The cost of the roads may escalate further with a second tender process;
- Delay in service delivery;
- Further deterioration of the roads could result in increased cost;

The following is proposed:

- That Van Riebeeck Street implementation be delayed to the 2024/2025 financial year.
- That the tender be awarded in two phases subject thereto that additional funds be approved when considering the final budget. Should no funds be approved for Van Riebeeck Street, the project will not be proceeded with.
- That the following projects on the 2024/2025 draft capital budget be reconsidered with Van Riebeeck Street to address the tender shortfall or any other project:
 - Bronn Street – R1 000 000
 - Upgrade Waste Water Treatment Works – R1 000 000
 - Guard hut with toilet for Barrydale and Suurbraak Landfill Sites – R460 000
- That Council condone to deviate from the policy to shift the funds within function roads of more than 40%.

LEGAL IMPLICATIONS

Municipal Finance Management Act and regulation.
Budget Implementation and Monitoring Policy.

FINANCIAL IMPLICATIONS

The shifting of funds from Van Riebeeck Street to Russel Street of R1 247 430 to commence with Russel Street.

PERSONNEL IMPLICATIONS

None

COMMUNICATION IMPLICATIONS

None

COMMENTS FROM DEPARTMENTS

Director: Corporate Services

None

Director: Community Services

None

Director: Financial Services

None

Director: Infrastructure Services

Municipal Manager

RECOMMENDED

1. that Van Riebeeck Street implementation be delayed to the 2024/2025 financial year.
2. that the tender be awarded in two phases subject thereto that additional funds be approved when considering the final budget. Should no funds be approved for Van Riebeeck Street, the project will not be proceeded with.
3. that the following projects on the 2024/2025 draft capital budget be reconsidered with Van Riebeeck Street to address the tender shortfall or any other project:
 - a. Bronn Street – R1 000 000
 - b. Upgrade Waste Water Treatment Works – R1 000 000
 - c. Guard hut with toilet for Barrydale and Suurbraak Landfill Sites – R460 000
4. that Council condone to deviate from the Budget Implementation Policy to shift the funds within the function roads more than 40%.