

KwaDukuza Municipality KZN292

April/May 2022 flood disaster relief projects report
Response/Rehabilitation and Reconstruction Funding

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Date: Wednesday, 30 August 2023



COMMITTED TO SERVICE DELIVERY

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1. INTRODUCTION

- KwaDukuza Municipality was affected by floods that occurred in April/May 2022, the heavy rains caused damage to property, flooding, sinkholes, and landslides in the KwaDukuza Municipality and caused damages to infrastructure i.e., electrical, civil engineering, building and public amenities.
- KwaDukuza Municipality undertook the initial assessment of the infrastructure damages and interim cost estimates for reinstating infrastructure was produced for the purposes of submitting the business plan.
- As part of the swift disaster response intervention amongst other things KwaDukuza Municipality was able to restore electricity supply, deploying Regulation 36, embarked on a mopping exercise clearing residue (rubble, branches), mobilized social relief for floods victims and housed displaced communities in community facilities.
- Parallel to that KDM appointed professional service providers (Engineering Consultants) to undertake detailed investigation and produce detailed designs that are climate resilient.

INTRODUCTION CONTINUES...

- In line with the provisions of section 154 of the Constitution the national and provincial governments COGTA provided support and strengthened the capacity of the municipality by deploying professional engineers from MISA to assist with the costing of damaged infrastructure) to assist with collating baseline information essential for reconstruction and rehabilitation of damaged infrastructure.
- The engineer's estimated costs for R&R funding came to R 1.4 billion due to infrastructure being severely damaged / infrastructure upsizing to withstand to prevailing climate conditions.
- The above costing was used a motivation for funding costs from NDMC and this included our insurance claims.

4. Procurement strategy during disasters

- **Deployment of Regulation Section 36**

KwaDukuza invoked regulation 36 of the Municipal Finance Management Act 56 of 2003 (MFMA) to deal with emergency procurement to speedily restore municipal services. At the time it was justifiable to use emergency procurement regulation 36 to swiftly respond in the restoration of infrastructure, once considerable amount of time has lapsed (three months later) since the occurrence of disaster. The Auditor General is likely to classify such expenditure incurred without following SCM framework as irregular.

- **National Treasury issued Circular 117 on 09 May 2022,**

In application of sound financial management principles and keeping with the provision of **National Treasury MFMA SCM Circular 117** which emphasised that the procurement of goods and services must be conducted in accordance with Section **217 (1)** of the Constitution. It stipulated that the municipality must report on a weekly bases to the National Treasury on disaster expenditure. As part of compliance with 217, the Accounting officer invoked section 22 of the KwaDukuza SCM policy which allows the municipality to reduce the advertising period of tenders. ie. Ordinarily, procurement above an amount of R10 million (ie Hullet Bridge) must be advertised for a minimum period of 30 days but in these instances, they were advertised for seven (7) days. Within this process, bidders were still allowed to appeal bids.

5. Sources of funding

The MFMA Budget circular 116 refers municipalities to four main sources of funding available:

- Reprioritization within the existing municipal budget;
- Disaster relief/response conditional grants;
- Reallocations within other conditional grants; and
- Utilization of the contingency reserve for 2022/23.

Immediately after the disaster, KwaDukuza municipality in response to circular 116, **reprioritized** its budget to restore critical infrastructure. ie, Electricity and mop-ups.

1. Municipal Disaster Recovery Grant

On **29 July 2022**, National government approved the Municipal Disaster Recovery Grant amounting to **R109 million** for the rehabilitation of 30 infrastructure projects.

2. Municipal Disaster Response & Rehabilitation Grant

National government on **17 March 2023**, further approved the Reconstruction and rehabilitation Grant at a value of **R1.2 billion** on for the reconstruction of 400 projects.

6. Background information in relation to the Municipal Disaster Recovery Grant (R109 043 000)

- KwaDukuza Municipal Council on the **30 May 2022**, approved the 2022/23 Financial Year budget which was exclusive of disaster related allocations.
- On the first month of the 2022/23 financial year on **29 July 2022**, KwaDukuza Municipality received Municipal Disaster Response Grant funding to the value of **R109 043 000.00**, inclusive of VAT for the rehabilitation of 30 roads and stormwater projects.
- In terms of section 28 of the MFMA, Council had to revise its annual budget 2022/23 in order to recognise funding received from national government, a special adjustment budget was tabled and approved by Council in its meeting held on the **18 August 2022**.

7. Disaster response procurement strategy and approach linked to R109 043 000.00

- This grant was received four months following the occurrence of the the disaster, therefore emergency procurement (Section 36) could not be invoked and justified.
- **National Treasury issued MFMA Circular 117 which reinforce compliance with Section 217 of the Constitution and also introduced weekly reporting on disaster related expenditure.** Section 217 (1) of the Constitution prescribes that when an organ of state in the national, provincial or local sphere of government or any other institution identified by legislation - if contracting for goods or services, it must do so in accordance with a system which is fair, equitable, transparent competitive and cost effective.
- **To avoid any adverse findings by the Auditor General on the abuse of regulation 36**, upon receiving the Municipal Disaster Recovery Grant funding of R109 million, the Municipality had to strike a balance between accelerating procurement and upholding sound financial management principles.
 - To that end, a **competitive bidding** process was followed which entailed issuing a public tender inviting prospective service providers to submit bids for reconstruction and rehabilitation projects.
 - The accounting officer **reduced the number of days** (seven days) for the advertising period and closing dates for submission of bids in terms of Section 22 of Council supply chain management policy.

8. Reconstruction and rehabilitation funding: Procurement R109, 043 000.00

- KwaDukuza also used the panel of contractors for the roads rehabilitation as well as stormwater that were already established and procured through a competitive bidding process.
- Furthermore, the accounting officer took a decision to strengthen the capacity of bid committees to handle high volume by establishing two Bid Specification and Bid Evaluation Committees.

Procurement Method	Total number of commitments/awards	Value	Period
Full SCM: 11 Public tenders issued	11 (90% local contractors)	R 90.5 million	September 22- June 23
MN 07/2022 Roads Rehabilitation	13	R 8.7 million	September 22- June 23
MN 56/2020 Panel of Contractors for storm-water	3	R 1.3 million	September 22- June 23

Projects at Planning & design stage

Planning & Design	3	R 8.4 million	September 22- June 23
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9. Grant Expenditure Performance

- In application of the above constitutional obligation, KwaDukuza had to follow Supply Chain Management process thereby issuing a public tender through a **competitive bidding process**, inviting prospective service providers to submit bids for the 30 roads and stormwater projects.
- Subsequently, service providers were appointed, and construction works commenced for 27 Reconstruction and Rehabilitation projects, as at the end of June 2023 at least 24 of the 27 projects have been successfully completed.
- The variance of **six** projects are constituted of the three (3) bridges that are under construction, **(i) Hullet Bridge (ii) Sugra Road Culvet & (iii) KwaMfanomdala Culvet**. By design, the construction of bridge structure take longer periods when compared to road & stormwater infrastructure.
- The other three projects at conceptual stage were planned for implementation in the new financial year and owing to budget constraints, the allocation was limited to cover project planning and design. **(i) Zen Drive (ii) Salt Rock Bridge & (iii) Mnyundwini Bridge**

10. Summary of expenditure - R109 043 000.00

SERIES OF EVENTS

- Grant received **29 July 2022**
- Adjustment budget **18 August 2022**
- Project Planning (Design development) **30 August 2022**
- Document & procurement **30 August 2022**
- Project execution over 10 months (**September – 30 June 2023**) as per the condition of the Grant.
- The table below provides a summary of expenditure as at the end of the financial year **30 June 2023**
- It be noted that there might be inconsistency on expenditure reporting between the figures presented by KwaDukuza Municipality and KZN PDMC, because KDM figures as extracted from the system are inclusive retention whilst the proof of payments submitted exclude the retention figures.
- It be recorded that the administrative process of submitting proof of payments to support expenditure reporting of accruals is ongoing

Date of Transfer	Total Amount	Actual Expenditure	% Actual Expenditure	Variance	Reason For Variance
29 July 2022	R 109 million	R 79. million	73%	27%	<ul style="list-style-type: none"> • Inclement weather • Work stoppage by business forums • Management of subcontracting • Nature of construction works (Bridges take longer)

11. MDRG ROLLOVER APPLICATION LINKED TO R109M

Rollover applications for roll over of an amount totalling to **R29.9** has been prepared for the following three (3) projects that are under construction post 30 June 2023.

NO	DESCRIPTION	REASONS FOR DELAYS
1.	Replacement of Hullet Bridge in Ward 2	Prolonged SCM process due to appeal Works stoppage by business forums & Community.
2.	Upgrade of Mnyundwini Culvert Bridge in Ward 9	Challenges with budget shortfall identified during the initiation phase. Savings identified.
3.	Install new bridge Sugra and Mbozamo	Works stoppage by business forums & Community

12. GENERAL CHALLENGES ENCOUNTERED

- The municipality had to ensure approval of the adjustment budget before the Disaster projects could be implemented. Prior to the approval of the adjusted budget, municipal officials had to prepare and upload relevant budget schedules to National Treasury's Local Government database in compliance with MSCOA standards.
- In some instance, project design development took longer periods to finalize due to specialist investigations which required in order to build climate resilient infrastructure.
- Flowing from the MFMA SCM Circular 117, the Municipality had to follow competitive bidding process for 11 projects which took an average of more than four (4) months to finalize before contractors were appointed. The main cause for the delays were design development by professional engineers.
- At least two (2) appeals were received from unsuccessful bidders which further delayed the appointment of contractors.
- Contractors' year-end shut down period (15 December to 15 January 2023) impacted on project implementation as most of the contractors suppliers were closed during this period.
- Delays encountered due to work stoppages linked to sub-contracting or business forums or community members.
- Inclement weather conditions.

13. BACKGROUND INFORMATION RELATED TO RESPONSE & REHABILITATION (R&R) GRANT: R 1,2 BILLION

- KwaDukuza Municipal Council approved the **2022/23** budget on the **30th May 2022**.
- On the **17 March 2023**, KwaDukuza Municipality received Municipal Disaster Response & Recovery Grant funding of **R1, 271 098 000.00** inclusive of VAT.
- In the absence of drawdown schedules or confirmation of the grant, the funding could not be recognized or accurately cashed flowed immediately, a significant administrative work of itemizing 400 disaster project entries into budget schedule had to be undertaken.
- After considerable deliberation, project prioritisation and review of internal capacity compared to the quantum of the grant received **R1, 271 098 000.00**, at budget steering committee level. The allocation was forecast, and cash flowed over to be spent over two financial years i.e. **2022/23** and the **2023/24** financial year.
- To that end an amount of **R577 million** was recognised in the **2022/233** financial year due to end on the **30th June 2023** with the balance of **R693 million** to be spent in the 2023/24 financial year which ends **30 June 2024**.
- Accordingly, Council had to revise its annual budget 2022/23 in order to recognise the funding received from National Government, a third special adjustment budget was tabled and approved by Council in its meeting held on the **14 April 2023**.
- For the period spanning over two and half months taking us to 30th June 2023 budget allocated = **R 577 million** to cater for 184 reconstruction and rehabilitation projects as well as professional fees for 400 project.

14. EXPENDITURE BACKGROUND FOR DISASTER RESPONSE & REHABILITATION GRANT

The table below provides a summary of how the R1.2 billion was cash flowed and budgeted to be spent over two financial years.

		Capital Allocation	Vat
2022/23	577,291,844.00	501,992,908.00	75,298,936.00
2023/24	693,806,156.00	603,309,700.00	90,496,456.00
	1,271,098,000.00	1,105,302,608.00	165,795,392.00

15. DISASTER RESPONSE PROCUREMENT STRATEGY AND APPROACH LINKED TO R1.2 billion

At the time of receiving Municipal Disaster Recovery Grant funding totaling to **R1.2 billion** KwaDukuza had already established various panel of contractors through competitive bidding process for the period of three years for a period of three years.

- **MN 56/2022 PANEL OF STORMWATER**
- **MN 89/2021 REGRAVEL OF ROADS**
- **MN 07/2022 ROADS REHABILITATION**
- **MN 79/2021 COSTAL MAINTAINANCE CONTRACT**

Furthermore, the Municipality had commenced with procurement process aimed at establishing a panel of contractors for (Grades 1-9) for the rehabilitation and creation of new public infrastructure within KwaDukuza area of jurisdiction.

- **MN 213/2022 PANEL OF CONTRACTORS (GRADES 1-3)**
- **MN 215/2022 PANEL OF CONTRACTORS (GRADES 4-6)**
- **MN 216/2022 PANEL OF CONTRACTORS (GRADES 7-9)**

In application of sound financial management principles and keeping with the provision of **National Treasury MFMA SCM Circular 117** which emphasised that procurement of goods must conducted in accordance with **217 (1)** of the Constitution, emergency procurement couldn't be persuade.

16. PROJECT PROGRESS FOR THE YEAR 2022/23: GRAVEL ROADS

Number of projects awarded to date	18
Value of projects awarded to date	R 33 911 500,19
Projects completed	18 (100%)
Value of completed gravel road projects	R 33 911 500,19

Close out reports being finalized and sent to PDMC in batches

17. PROJECT PROGRESS FOR THE YEAR 2022/23: ROAD REHABILITATION (AS AT 30 JUNE)

Number of road rehab projects awarded to date	163
Value of projects awarded to date	R 333 503 673,63
Projects completed to date	82 (50%)
Value of projects completed to date	R 155 927 032,28

Close out reports being finalized and sent to PDMC in batches

19. MDR & RG Expenditure Report for the 2022/23

Expenditure progress of R577 million due to be spent in the year 2022/23 financial year
30/06/2023

SUMMARY OF DISASTER CAPITAL PROJECTS EXPENDITURE AND EXPENDITURE PERCENTAGE				
FUNDING SOURCE	ALLOCATION (Incl. VAT)	EXPENDITURE (Incl VAT)	EXPENDITURE %	COMPLETED PROJECTS
MDR&RG	R 577 291 839.60	R 364 487 610	63%	18 Gravel Roads projects 82 Road Rehabilitation projects

The amount disclosed above is exclusive of 10% retention held by the municipality

20. RECONSTRUCTION AND REHABILITATION FUNDING- PROCUREMENT R693 MILLION DUE TO BE SPENT IN 2023/24 FINANCIAL YEAR

Procurement method	Total number of commitments/awards	Value	Date
MN 56/2022 Panel of Stormwater	34	R 29.4 million	1 July – August 2023
MN 89/2021 Re-gravel of Roads	4	R 2.3 million	1 July – August 2023
MN 07/2022 Roads Rehabilitation	41	R 53.9 million	1 July – August 2023
MN 79/2021 Costal Maintenance Contract	3	R 20.2 million	1 July – August 2023
MN 216/2022 Panel of Contractors (Grades 7-9)	4	R 144.4 million	1 July – August 2023
MN 215/2022 Panel of Contractors (Grades 4-6)	5	R 44.1 million	1 July – August 2023

21. RECONSTRUCTION AND REHABILITATION FUNDING- PROCUREMENT R693 MILLION DUE TO BE SPENT IN 2023/24 FINANCIAL YEAR

Procurement Method	TOTAL NUMBER OF COMMITMENTS/AWARDS	MILESTONE ACHIEVED	DATE
Close bidding process-linked to panel of contractors	126	TSC	1 July – August 2023
Close bidding process-linked to panel of contractors	8	To be at Tender Specification Committee scheduled for August 2023	1 July – August 2023
Total	134		1 July – August 2023

21. MONITORING AND OVERSIGHT

The KwaDukuza Municipality is on track at ensuring that the R 1,2 billion Disaster grant will be spent by 30 June 2024 in terms of the following:

- Consultants provide weekly progress reports to the Project Management Unit. The reports are subsequently consolidated for onward submission to internal and external reporting structures.
- The Local Command Council (LCC) that chaired by the mayor and attended by members of the Executive, Chief Whip of Council and Speaker of Council on a weekly basis considers progress reports from the administration. Members of and officials conducts unannounced inspections to sites when possible.
- Close monitoring of projects is performed by municipal officials and consulting engineers.
- Ongoing real-time audits are performed by both internal and external auditors.
- The municipality regularly reports to KZN Provincial and National Disaster Management Centre.

22. CONCLUSION

- KwaDukuza Municipality is committed in spending the allocated budget within the SCM prescript and grants conditions.
- The political oversight by members of LCC shall continue in efforts to ensure the successful delivery of high-quality projects.
- The municipality appreciates and acknowledges the continuous support received from the District, Province and National, this collaborative approach reinforces the principles of District Development Model (DDM).
- On behalf of KwaDukuza Council, I would like to appreciate the interest shown by the Premier and her Executive on the restoration of infrastructure which was damaged by the floods and on how are we spending the allocated grants.

Ends



Cabinet Presentation



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