



ANNEXURE A1: MFMA INFORMATION STATEMENT

PROPOSED AMENDMENT 05 OF LONGTERM CONTRACT NO. SC 1890D/2018 FOR THE OPERATION AND MAINTENANCE OF BULK WATER & WASTEWATER WORKS

1. OBJECTIVE

Overstrand Municipality has made public the proposed amendment of the municipality's existing long-term contract with Veolia Services Southern Africa (Pty) Ltd, to whom the contract has been awarded following a competitive bidding process, with respect to the operation and maintenance of the municipality's bulk water and wastewater facilities.

The proposed amendment is subject to approval by the Municipal Council in terms of Section 33 of the Municipal Finance Management Act, Act no. 56 of 2003 (MFMA), as the actual implementation period of the proposed amendment of the long-term contract exceeds three (3) years.

The objective of this Information Statement is to inform the community and other interested parties of the proposed amendment of the long-term contract.

2. INVITATION

The local community and other interested parties are invited to submit comments or representations to the municipality in respect of the proposed amendment of the long-term contract.

3. PROCEDURE FOR SUBMISSION OF COMMENTS

Comments or representations in respect of the amendment of the long-term contract can be submitted to:

The Municipal Manager, Overstrand Municipality, before 12:00 on Friday, 17 July 2026, in a sealed envelope clearly endorsed "Proposed amendment of Contract SC 1890D/2018: Water and Wastewater Bulk Works Operation and Maintenance" and be deposited in Tender Box no. 7.

Written enquiries for clarification can be directed to Mr. H Blignaut at e-mail address: hblignaut@overstrand.gov.za.

Persons who are physically disabled or who cannot read or write but wish to participate in the process, may present themselves during office hours to the Municipal Offices, Magnolia Avenue, Hermanus where a staff member will assist that person to transcribe their comments or representations, before 12:00 on Friday, 17 July 2026.

4. PROJECT BACKGROUND

A 15-year contract for the operation and maintenance of Overstrand Municipality's bulk water and wastewater facilities was awarded to Veolia Services Southern Africa (Pty) Ltd on 4 September 2018. The long-term contract was approved by the Overstrand Council on 28 November 2018, and the contract commenced on 8 December 2018.

Clause 6 of the contract between the municipality and the contractor makes provision for adjustment or variation of the scope of the contract during the contract period due to issues arising after the effective date of the contract, which may include but not be limited to any of the following:

- Changes in regulatory provisions,
- Changes in the Bulk Works (either expansion or reduction), or
- Changes in raw water quality.

Clause 6 of the contract further requires that the impact of such a variation must be agreed between the parties, if it is related to the Bulk Works as defined in the contract. The municipality has the right to test or benchmark value for money of the contractor's proposed pricing for the proposed variation against their competitively tendered rates, as escalated, or the market. The pricing schedule shall then be adjusted with the contractor's quoted rates as agreed for the proposed variation.

The purpose of this proposed amendment is to add the following to the contract:

- 4.1. The operation and maintenance of additional and upgraded infrastructure at the Kleinmond Wastewater Treatment Works (WWTW).
- 4.2. The operation and maintenance of an additional mechanical sludge dewatering facility installed at the Hermanus WWTW.
- 4.3. The operation and maintenance of newly constructed on-site chlorine generation systems for disinfection of treated water at the Hermanus WWTW and Preekstoel Water Treatment Works (WTW).
- 4.4. The operation and maintenance of newly commissioned production boreholes in Hermanus as well as the decommissioning of lost production boreholes.
- 4.5. The operation and maintenance of new sewerage pumpstations at Gansbaai and Masakhane and the decommissioning of two sewerage pumpstations at Zwelihle, Hermanus.
- 4.6. The operation and maintenance of an additional mobile generator for backup power supply at bulk water and sewer facilities.
- 4.7. Operational cost of improved security systems at several water and sanitation facilities due to the high frequency of vandalism and theft incidents at essential water services facilities.
- 4.8. Changes in the chemical regimes at the Pearly Beach and Kleinmond WTW's and Gansbaai and Stanford WWTW's to improve stability of the treatment processes.
- 4.9. Addition of 5 process controllers at the Hermanus WWTW and Hawston WWTW to comply with Regulation 3630 in terms of the National Water Act on the classification of treatment plants and its staffing requirements.
- 4.10. The addition of clauses 13.10 to 13.13 to the existing contract to reduce the risk to the municipality in case of specific water quality failures, excessive sewerage spills, exceedance of water abstraction limits, and excessive wellfield downtime.

5. DISCUSSION:

The following is a more detailed discussion of the above items:

- 5.1. The operation and maintenance of additional and upgraded infrastructure at the Kleinmond Wastewater Treatment Works (WWTW), Hermanus WWTW, and Preekstoel Water Treatment Works (WTW) – refer to 4.1 to 4.3 above.

Industry guidelines for operation and maintenance were considered for the operation and maintenance costs of the WWTW upgrade. The 2022 Green Drop Report of the Department of Water and Sanitation recommend the following annual provisions for the operation and maintenance of wastewater infrastructure, based on a combined study by SALGA and the Water Research Commission:

	SALGA/WRC recommended Annual Operation & Maintenance provision % of Asset Value	Capex Cost Kleinmond WWTW	Capex Cost Hermanus WWTW	Capex Cost Preekstoel WTW	Capex Costs Total	SALGA/WRC Recommended Maintenance provision per year	Agreed Operation & Maintenance Provision per year
Civil Structures & Buildings	0.5%	R 31 213 985	R 5 747 383	R 4 211 900	R 41 173 268	R 205 866	
Mech & Electrical Equipment	4.0%	R 9 654 507	R 7 661 000	R 4 957 000	R 22 272 507	R 890 900	
Total		R 40 868 492	R 13 408 383	R 9 168 900	R 63 445 775	R 1 096 766	R 853 825

From the above table it can be derived that favourable rates for the operation and maintenance of the upgraded facilities were negotiated.

- 5.2. The operation and maintenance of newly commissioned production boreholes in Hermanus as well as the decommissioning of lost production boreholes (refer to 4.4 above):

The existing fixed unit rate per borehole was applied to add new production borehole T4/5 in the Hemel-en-Aarde Valley, and to deduct decommissioned boreholes GWE06 and GWP12 at Gateway. The nett effect is the reduction of one borehole in the rates schedule.

- 5.3. The operation and maintenance of new sewerage pumpstations at Gansbaai and Masakhane and the decommissioning of two sewerage pumpstations at Zwelihle, Hermanus (refer to 4.5 above):

The existing fixed unit rate per pumpstation was applied to add 2 new pumpstations at Gansbaai, and to deduct decommissioned pumpstations at sportsgrounds and Peach Houses in Zwelihle, Hermanus. The nett effect is no change of sewerage pumpstation cost in the rates schedule.

- 5.4. The operation and maintenance of an additional mobile generator for backup power supply at bulk water and sewer facilities (refer to 4.6 above):

The existing fixed unit rate per mobile generator was applied to add one additional mobile generator to the rates schedule.

- 5.5. Additional security systems at several water and sanitation facilities (refer to 4.7 above), to reduce the frequency of vandalism and theft incidents at essential basic water services. The total estimated current replacement cost of the Overstrand

Municipality's water services assets is R 5.035 billion. These assets must be preserved and protected as far as possible.

Additional cameras, alarms, and armed response units are added in line with the existing unit rates for these items in the rates schedule.

- 5.6. Changes in the chemical regimes at various treatment plants to improve stability of the treatment processes (refer to 4.8 above). These changes have no effect on the existing variable cost rates for the Stanford, Gansbaai, and Kleinmond WWTW's, and the Preekstoel Conventional WTW, while it results in reductions at the Hermanus WWTW and the other 2 Preekstoel WTW's, and an increase only at the Kleinmond WTW.
- 5.7. Addition of 5 process controllers at the Hermanus WWTW and Hawston WWTW (refer to 4.9 above) to comply with Regulation 3630 in terms of the National Water Act on the classification of these treatment plants and its staffing requirements. These process controllers are added to the Salary Contribution section in the contract, aligned with the existing cost of the relevant classes of process controllers in the contract, and their overhead costs added to the fixed cost rates of the two plants.
- 5.8. The addition of clauses 13.10 to 13.13 to the existing contract in terms of clause 116(1)(b)(iii) of the MFMA (refer to 4.10 above), aimed at reducing the risk to the municipality in case of specific water quality failures, sewerage spills, exceedance of water abstraction limits, and wellfield downtime:
 - 5.8.1. Addition of clause 13.10 to implement additional deductions for water quality failures at reverse osmosis treatment plants.
 - 5.8.2. Addition of clause 13.11 to implement additional deductions for sewerage spillages caused by negligence from the operator.
 - 5.8.3. Addition of clause 13.12 to implement additional deductions where over abstraction of raw water sources occurs without valid reasons.
 - 5.8.4. Addition of clause 13.13 to implement additional deductions where under performance of wellfields occurs due to negligence from the operator.

The anticipated financial impact of the proposed amendment of the contract over the remaining contract period is included in Annexure A2 hereto.

6. LONG TERM SERVICE LEVEL AGREEMENT

All the provisions of the existing long-term contract between Overstrand Municipality and the Operator will apply to this proposed amendment of the contract, with the addition of clauses 13.10 to 13.13 to the contract, as discussed above.

7. NEXT STEPS

Members of the local community and other interested persons are invited to submit to the Municipality their comments or representations in respect of the proposed amendment of the long-term contract as set out above.

The Municipality will also solicit the views and recommendations of other stakeholders, including the National and Provincial Treasuries and the national departments responsible for Cooperative Governance and for Water and Sanitation.

The proposed amendment to the long-term contract, with all comments and views received, will serve at the Council meeting which is scheduled for 26 August 2026.



ANNEXURE A2: FINANCIAL IMPACT STATEMENT

PROPOSED AMENDMENT 05 OF LONG-TERM CONTRACT SC 1890D/2018 FOR THE OPERATION AND MAINTENANCE OF BULK WATER AND WASTEWATER WORKS

1. OBJECTIVE

Overstrand Municipality has made public its intention to amend its existing long-term contract with Veolia Services Southern Africa (Pty) Ltd, for the operation and maintenance of the bulk water and wastewater infrastructure of the municipality. The purpose of the intended amendment is discussed in the MFMA Information Statement, Annexure A1.

Because the actual period of the implementation of the amendment of the long-term contract would be approximately seven (7) years, being the remaining contract period, which are more than three (3) years, the Municipality must comply with section 33 of the Municipal Finance Management Act, in addition to section 116(3) which is relevant to the amendment of the contract.

The objective of this Financial Impact Statement is to quantify the estimated financial implications of the proposed amendment of the contract to Overstrand Municipality over the remaining contract period.

2. ASSUMPTIONS

The following assumptions have been made to inform the financial projections. Any actual deviation from these assumptions will influence the actual financial implications over time:

- The amendment will be applicable for maximum 11 months of the 2026/27 financial year and will apply for the remainder of the contract period up to 7 December 2033.
- The annual escalation on the fixed and variable charges in the financial projections is contractually based on a 50/50 blend of the Consumer Price Index (CPI) and the Producer Price Index (PPI), and w.r.t. the Salary Contribution for the ex-municipal employees, escalation is aligned with the annual SALGBC wage agreements.
- The escalation factors above were assumed to be at an average CPI of 4.5%, PPI of 4.5%, and wage increases of 5.0% per year over the remaining contract period.
- A 2.5% annual growth in the volumes of water and wastewater treated was applied to calculate the variable cost, to make provision for population growth and development.
- The cost of large maintenance and repairs and maintenance requests is not influenced by this proposed amendment of the contract and is assumed to grow at the contractual escalation factor per year over the remaining contract period.
- The potential future operation and maintenance of more additional bulk infrastructure, e.g. seawater desalination for Hermanus have not been included in the projections below and will be handled through separate SCM and budgeting processes in future when required.

3. FINANCIAL IMPLICATIONS OF PROPOSED AMENDMENT OF CONTRACT

Based on the above assumptions and the agreed rates for the operation and maintenance of the new infrastructure and other amendments as discussed in the Information Statement, the following estimations were made of the total annual costs to be incurred annually for the remainder of the long-term contract:

Table 1: Estimated annual contract expenditure after amendment 05:

Financial Year	Estimated Expenditure	Estimated Annual Increase	Comments
2025/26	R 110 536 710	n/a	Original Approved budget = R 112 970 000
2026/27	R 118 747 140	7.4%	(Amendment implemented for max 11 Months) Approved MTREF amount = R 118 747 140
2027/28	R 124 684 490	5.0%	Approved MTREF amount = R 124 684 490
2028/29	R 130 918 710	5.0%	Approved MTREF amount = R 130 918 710
2029/30	R 137 464 650	5.0%	
2030/31	R 144 337 880	5.0%	
2031/32	R 151 554 770	5.0%	
2032/33	R 159 132 510	5.0%	
2033/34	R 76 582 520	5.5 Months only	Contract period ends on 7 December 2033

In the 2024/25 financial year this contract accounted for 39.8% of the total actual expenditure for Water, and 21.6% of the total actual expenditure for Sewerage Services in the Overstrand Municipality.

4. CONCLUSION

The above table indicates that the proposed amendment of the long-term contract will not have a significant adverse effect on future Water and Sewerage operational budgets of the Overstrand Municipality and will therefore also not cause excessive annual increases in water and sewerage tariffs.