

# **SALGA FS**

## **BRIEFING ON THE STATE OF MUNICIPALITIES IN THE FREE STATE PROVINCE TO THE**

**SELECT COMMITTEE 07<sup>th</sup> SEPT 2005**

# Overview of the Financial state of Free State Municipalities

- Dihlabeng

<b>Consumer debt levels</b>	Increased	Dec – 2004 R160m	June 2005 R180m
<b>Efficiency of revenue collection</b>	Credit control policy in place	Problems in Policy implementation due to suspension of ± 46 officials: Municipal Manager, Chief Finance Officer	Council Resolution was taken to implement a new system which eliminates the legal costs by not handing over debtor to lawyers
<b>Audit Reports</b>	2002/03 Disclaimer	2003/04 Outstanding	2004/05 Dec – 2004
<b>Gaps between Income and expenditure</b>	Actual Income 2004/05 R12m <b>Payment rate 61%</b>	Expenditure 2004/05 R16.25m	Shortfall covered by government grants
<b>MFMA implementation</b>	No audit committee in place (Using Services of district Audit committee)	Finance department understaffed/suspended and SALGA is intervening	CFO suspended Positions of critical posts are vacant: Collection Clerks (2)



# Overview of the Financial state of Free State Municipalities

- Setsoto

<b>Consumer debt levels</b>	Decrease	2003/04 R65m	2004/05 R62m
<b>Efficiency of revenue collection</b>	Credit control policy in place	Challenges in Policy implementation,	Strict measures are put in place to ensure that those who afford to pay do pay
<b>Audit Reports</b>	2002/03 Adverse	2003/04 Adverse	2004/05 Financial statements Submitted to AG
<b>Gaps between Income and expenditure</b>	Actual Income 2004/05 R54m <b>Payment rate 80%</b>	Expenditure 2004/05 R57m	Shortfall covered by government grants
<b>MFMA implementation</b>	Audit committee has recently been established	Ongoing of personnel in the finance department	±50% Ready to implement MFMA

# Overview of the Financial state of Free State Municipalities

- Mantsopa

<b>Consumer debt levels</b>	Decrease	2003/04 R33m	2004/05 R29m
<b>Efficiency of revenue collection</b>	Credit control policy in place	Not efficient due to unemployment rate	Municipality is able to collect from those that can pay
<b>Audit Reports</b>	2002/03 Qualified	2003/04 Qualified	2004/05 Financial statements submitted
<b>Gaps between Income and expenditure</b>	Actual Income 2004/05 R23m <b>Payment rate 75%</b>	Expenditure 2004/05 R20m	Surplus
<b>MFMA implementation</b>	Audit committee operational	Ongoing training needed in the Finance Dept	Complying with all sections of MFMA applicable to medium capacity Municipality



# Overview of the Financial state of Free State Municipalities

- Ngwathe

<b>Consumer debt levels</b>	Decreased	2003/04 R118m	2004/05 R83m
<b>Efficiency of revenue collection</b>	Credit control policy was developed	Policy is proving to be effective and efficient	Municipality is able to collect from those that can pay
<b>Audit Reports</b>	2002/03 adverse	2003/04 Qualified	2004/05 Financial statement Submitted
<b>Gaps between Income and expenditure</b>	Actual Income 2004/05 R12.9 <b>Payment rate 60%</b>	Expenditure 2004/05 R6.2	Surplus
<b>MFMA implementation</b>	Audit committee fully functional	Municipality is on course to fully implement the Act before the set date	±70% compliant with MFMA

# Overview of the Financial state of Free State Municipalities`

- **Matjhabeng**

<b>Consumer debt levels</b>	Increase	2003/04 R510m	2004/05 R640m
<b>Efficiency of revenue collection</b>	Credit control policy in place	Problems in implementing the policy due to insufficient in the credit control department	Municipality is able to collect from those that can pay
<b>Audit Reports</b>	2002/03 Disclaimer	2003/04 Disclaimer	2004/05 Under Project consolidate as is being assisted in their debt recovery. Have requested for extension
<b>Gaps between Income and expenditure</b>	Actual Income 2004/05 R613m <b>Payment Rate 54%</b>	Expenditure 2004/05 R536m	surplus
<b>MFMA implementation</b>	Audit committee none functional, Budget office, supply chain management office are established but not effective	Shortage of staff and present staff needs training, Municipal Manager suspended, CFO acting as MM	Not ready for the implementation of MFMA. As the CFO is acting as Municipal Manager



# Overview of the Financial state of Free State Municipalities

- **Metsimaholo**

<b>Consumer debt levels</b>	Increase	2003/04 R125m	2004/05 R127m
<b>Efficiency of revenue collection</b>	Credit control policy in place	Problems in implementing the policy due to unemployment rate	Municipality is able to collect from those that can pay
<b>Audit Reports</b>	2002/03 Disclaimer	2003/04 Disclaimer	2004//05 Financial Statement not yet submitted Requested for extension
<b>Gaps between Income and expenditure</b>	Actual Income 2004/05 R232m <b>Payment Rate 58%</b>	Expenditure 2004/05 R236m	Deficit
<b>MFMA implementation</b>	Audit committee fully functional, Budget office, supply chain management office	Shortage of staff and present staff needs training	Challenges in implementation of MFMA

# Overview of the Financial state of Free State Municipalities

- **Lejweleputswa**

<b>Consumer debt levels</b>	Increase	2003/04 R660 000	2004/05 R699 600
<b>Efficiency of revenue collection</b>	Credit control policy in place	-	-
<b>Audit Reports</b>	2002/03 Unqualified	2003/04 unqualified	2004/05 Financial Statement not yet submitted Requested for extension
<b>Gaps between Income and expenditure</b>	Actual Income 2004/05 R111m <b>Payment Rate 90%</b>	Expenditure 2004/05 R110m	Surplus
<b>MFMA implementation</b>	Audit committee fully functional, Budget office, supply chain management office	Shortage of staff MM suspended, Director corporate services resigned, New Mayor appointed	Challenges in implementation of MFMA



# Overview of the Financial state of Free State Municipalities

- **Nketoana**

<b>Consumer debt levels</b>	Increase	2003/04 R55m	2004/05 R60m
<b>Efficiency of revenue collection</b>	Credit control policy in place	Implemented but not enough revenue is collected	Municipality is able to collect from those that can pay
<b>Audit Reports</b>	2002/03 qualified	2003/04 outstanding	2004/05 Financial statements submitted
<b>Gaps between Income and expenditure</b>	2004/05 Actual Income R52m <b>Payment Rate 60%</b>	2004/05 Actual Expenditure R80m	Deficit, Shortfall covered by the reserves
<b>MFMA implementation</b>	Audit committee fully functional	Shortage of staff	Challenges in implementation of MFMA , because of the timeframe

# Overview of the Financial state of Free State Municipalities

- **Maluti A Phofung**

<b>Consumer debt levels</b>	Increase	2003/04 R189m	2004/05 R192m
<b>Efficiency of revenue collection</b>	Credit control policy in place	Implemented but there are problems due to unemployment rate	Municipality is able to collect from those that can pay
<b>Audit Reports</b>	2002/03 Disclaimer	2003/04 Outstanding	2004/05 Financial Statement not yet submitted Requested for extension
<b>Gaps between Income and expenditure</b>	Income Levied R265m <b>Payment Rate 85%</b>	Expenditure R260m	Surplus
<b>MFMA implementation</b>	Audit committee is established	Shortage of staff	45% implementation of MFMA



# Overview of the Financial state of Free State Municipalities

- **Tswelopele**

<b>Consumer debt levels</b>	Decrease	R42.4m	R41.8m
<b>Efficiency of revenue collection</b>	Credit control policy in place	Revenue collection currently not efficient	Munic in the process of revising credit control policy and the training of credit control officers
<b>Audit Reports</b>	2002/03 Unqualified	2003/04 Unqualified	2004/05 Financial Statement not yet submitted Requested for extension -
<b>Gaps between Income and expenditure</b>	Income Levied 2004/05 R42m <b>Payment Rate 60%</b>	Expenditure 2004/05 R38.7m	Surplus
<b>MFMA implementation</b>	Audit committee were appointed and internal audit is outsourced	Ongoing training of personnel in the finance department	Not fully geared to implement MFMA

# Overview of the Financial state of Free State Municipalities

- Masilonyana
- All senior staff in the finance department have been suspended and the new CFO has only been appointed recently, and there is a programme of restoring functionality of the department
- Phumelela  
Currently under section 139(b)
- Moqhaka, Naledi, Kopanong,  
Under project consolidate
- Fezile Dabi DC  
Shortage of staff, present Staff not 100% ready for the implementation of MFMA  
New Financial system is in progress of being implemented to help with the compliance with MFMA and GRAP standards
- Thabo Mofutsanyana  
Consumer debt Collection rate 60%  
Shortage of staff, Present Staff not 100% ready for the implementation of MFMA  
New Financial system is in progress of being implemented to help with the compliance with MFMA
- Xhariep
- Consumer debt level R270 000, Audit report are outstanding, Deficits for the past three years



# **PROJECT CONSOLIDATE**

- **Twelve Free State Municipalities have been identified under Project Consolidate**

- 1. Moqhaka**
- 2. Kopanong**
- 3. Xhariep DC**
- 4. Tokologo**
- 5. Matjhabeng**
- 6. Tswelopele**
- 7. Nala**
- 8. Naledi**
- 9. Maluti A Phofung**
- 10. Setsoto**
- 11. Phumelela**
- 12. Mohokare**

# Project consolidate Focus Areas

**R7.6m was allocated from Provincial Infrastructure Fund (PIF) to the following Municipalities:**

**1. Phumelela R1.2m**

**Project**

**Upgrade of gravel roads, and stormwater**

**Progress**

**Completed**

**2. Tokologo R2.5m**

**Project**

**Bulk water supply,**

**Progress**

**60% completed, work in progress**

**3. Moghaka R1.2m**

**Project**

**Refurbishment of Sewage plant in Kroonstad  
and Viljoenskroon**

**Progress**

**First phase completed**

**Municipality to provide for the  
second Phase**

**4. Maluti A Phofung R2m**

**Project**

**Planning, surveying and installation of 4 highmast lights**

**Progress**

**Work in process**



# **Project consolidate** **Focus Areas**

**R4.5m was allocated from Municipality Infrastructure Capacity Building Grant to eight Municipalities:**

- 1. Moqhaka,**
- 2. Kopanong,**
- 3. Setsoto,**
- 4. Phumelela,**
- 5. Mohokare,**
- 6. Matjhabeng,**
- 7. Tokologo,**
- 8. Maluti A Phofung**

## **Projects**

**The money allocated was to be used for the following Projects:**

- (a) Maintenance of water treatment plants,**
- (b) Maintaining, repairing and buying required equipment**
- (c) All these above projects are still continuing**

# **Project consolidate** **Focus Areas**

## **Technical support staff**

Two technicians have been enlisted to the following Municipalities:  
Phumelela,  
Naledi

## **Progress**

Phumelela is encountering difficulties in recruiting the second technician

## **Support of sectoral departments and other critical stakeholders**

This has been elicited through broader stakeholder and bilateral meetings



# **Project consolidate** **Focus Areas**

## **Early Deliverables**

Nine out of twelve project consolidate municipalities are supposed to have completed their allocated funds by the end of June 2005. These are

1. Kopanong
2. Xhariep DC
3. Tswelopele
4. Nala
5. Naledi
6. Maluti A Phofung
7. Setsoto
8. Phumelela
9. Mohokare

Three Municipalities namely: Matjhabeng, Moqhaka and Tokologo have not yet begun with their projects

# **Project consolidate** **Focus Areas**

## **Assignment of Service Delivery Facilitators (SDFs)**

SDFs reports on performance and situational analysis and the proposed intervention plans have been discussed and will be implemented soon

## **Local Government support Programme**

Kopanong, Mangaung and Letsemeng Municipalities are participating on a three years Local Government Support Programme funded by USAID for implementation of key elements in project consolidate and revenue collection. Support would be extended to Xhariep DC

Technical Support would be leveraged from the programme



# **Project consolidate** **Focus Areas**

- **To mainstream issues of gender, youth, people with disabilities and HIV/Aids as central cross-cutting issues in the local government developmental agenda**
- **Promote a lawful governance system which will enable service delivery in a developmental state**
- **Promote the credibility and relevance of the local government agenda in national policy and programmes**
- **Promote the enhancement and mobilization of existing capacity within the local government sphere to share responsibility for its own development**

# **SERVICE DELIVERY**

## **WATER**

## **Households provided**

Thabo Mofutsanyana District Municipality	100%
Motheo District Municipality	100%
Lejweleputswa District Municipality	100%
Xhariep District Municipality	100%
Fezile Dabi District Municipality	100%

**All Municipalities are compliant to the Free Basic Water policy**



# **SERVICE DELIVERY**

<b><u>ELECTRICITY</u></b>	<b><u>Households provided</u></b>
Thabo Mofutsanyana District Municipality	100%
Motheo District Municipality	100%
Lejweleputswa District Municipality	100%
Xhariep District Municipality	100%
Fezile Dabi District Municipality	100%

**All Municipalities are providing Free Basic Electricity**  
**Provision of Free Basic Electricity vary from municipality to municipality**

## **Challenges**

**In most area where Eskom is providing electricity there is a communication problem between Eskom and the communities**

## **REDs**

**Municipalities are constantly being informed about the REDs.**  
**Ring-fencing, REDs and Section 78 workshops have been done at district and provincial level**  
**Mangaung Municipality has established CENTLEC a company for electricity**

# **SERVICE DELIVERY**

## **SANITATION**

**Thabo Mofutsanyana District Municipality**

## **Backlog**

**± 50%**

**Motheo District Municipality**

**± 85%**

**Lejweleputswa District Municipality**

**± 65%**

**Xhariep District Municipality**

**± 65%**

**Fezile Dabi District Municipality**

**± 70%**

## **BUCKET ERADICATION**

**The following municipalities have been earmarked for bucket eradication**

**Mohokare**

**Naledi**

**Mangaung**

**Masilonyana**

**Matjhabeng**

**Nala**

**Setsoto**

**Dihlabeng**

**Nketoana**

**Phumelela**

**Moqhaka**

**Metsimaholo**

**Mafube**



# **SERVICE DELIVERY**

- **Housing Accreditation**
  1. A pilot study was done with big municipalities such as Mangaung
  3. Currently there are no municipalities accredited within the province

**I THANK YOU**  
**Jonas “Madiba” Ramokhoase**