

# Letsemeng Local Municipality (FSI6I)

*Draft Annual Report 2008/9 Financial Year*

## **Introduction**

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### **Foreword by the Mayor – Mr. M.A. Mpatshela**

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Letsemeng Local Municipality has committed itself to execute the electoral mandate given to its Council and Administration by the residents of its municipal jurisdiction, no matter how mammoth the mandate might look like. 2008 has however not been one the easiest years in the history of the Letsemeng Municipality because of the challenges it was faced with, ranging from political instability to Section 106 investigations.

Our municipality has not only been on the receiving side of bad attributes but also very good ones, initiatives like the launch of the War on Poverty by the office of the Presidency on our own soil marked the importance of the collective responsibility of government towards relieving the plight of the poor as it involved National, Provincial and Local Government at once.

On behalf of the Letsemeng Municipality, I would like to express our sincere appreciation to the office of the Deputy President of the Republic, Mr. Kgalema Motlanthe, the Presidency, the former Premier of the Free State Province and Members of the Executive Committee, the Executive Mayor of the Xhariep District, Mr. Mongi Mtwanambi and his administration, my counterparts of the two sister municipalities in our District, Councillors, the Director General of the Free State Province, Dr. M.C. Nwaila, Heads of Departments of the respective Sector Departments, Municipal Managers as well as all officials and civil servants who forms part of the War Room.

For the year under review we have set a roadmap entailing a developmental agenda to propel the municipality on a path towards the attainment of service excellence. We have identified institutional development and performance based rewards and incentives as critical components to promote the achievement of the mentioned service excellence.

The strategic document that we developed during a strategic session will be our guiding tool in terms of taking the municipality exactly where we want it to be in the coming 3 – 5 years, a developmental agenda is key and very fundamental.

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To all Councillors and the whole staff component of the municipality; I plea in pursuit of service excellence that we should be driven by an outmost passion, loyalty and commitment for our jobs. Perseverance will carry us through.

I thank you all.

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## **CHAPTER 1:**

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### ***INTRODUCTION AND OVERVIEW OF THE MUNICIPALITY***

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Letsemeng Municipality is situated in the South Western Free State and forms part of the Xhariep District Municipal area. The municipality (FS 161) covers a total of 10.180.71 Km in extent and comprises of Koffiefontein which constitutes the Head Office of the municipality, Jacobsdal, Petrusburg, Luckhoff and Oppermansgronde. Petrusburg forms the gateway between Bloemfontein (Free State Province – Capital City) and Kimberley (Northern Cape Province – Capital City) as the N8 pass through Petrusburg. A piece of land adjacent to the N8 has been identified for the establishment of a filling station, a food court and cultural villages. Planning, surveying, rezoning and subdivision of the land are in progress. The Letsemeng municipal area is dominated by the agricultural and farming sectors.

#### ***DEMOGRAPHIC OVERVIEW***

##### ***Population distribution per town***

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The statistics below indicates that the largest population is located in Koffiefontein where the Head Office of Letsemeng Municipality is situated, it consist of three Wards of the five Wards of Letsemeng Municipality, hence the big population.

The estimates also impacts on allocation of equitable share and the allocation of funding for projects and the budget allocated as figures used dated from nine years back despite expansion of the towns.

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Area	Black Africans	Coloured	Indian/Asian	White	Total
Jacobsdal	668	1102	0	550	2320
Ratanang	5100	657	20	5	5782
Koffiefontein	271	344	10	1000	1625
Diamanthoogte	356	854	0	0	1210
Ditlhake	8869	1500	20	0	10389
Luckhoff	887	1910	5	400	3202
Relebohile	1200	1640	0	0	2840
Petrusburg	100	50	0	660	810
Bolokanang	6799	539	10	6	7354
Oppermans	30	1500	1	10	1541
<b>TOTAL</b>	<b>24280</b>	<b>10096</b>	<b>66</b>	<b>2631</b>	<b>37073</b>

## ***EXECUTIVE SUMMARY***

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The Letsemeng Local Municipality has changed its vision statement during a Strategic Session held in Gariep Dam which was subsequently adopted by Council, which reads as follows:-

### ***Vision Statement***

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**“MAXIMIZED QUALITY SERVICES TO LOCAL COMMUNITIES”**

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The municipality has also set out a mission statement, with 3 objectives and it reads as follows:-

## ***Mission Statement***

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**“BY PROVIDING THE BEST RESOURCE MANAGEMENT CAPABILITY AT OUR DISPOSAL”**

The municipality has also set a motto for themselves, which is intended to bring that sense of motivation to get the most outstanding performance from Councillors and Officials of the municipality, and it reads as follows:-

## ***Motto***

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**“WE SPARKLE”**

The municipality has identified all its strategic goals with objectives for the said financial year and has prioritised it as key focus areas:-

### **1. To provide a democratic & accountable municipality for local communities**

- broaden local democracy
- local government accountability
- administrative support to council
- effective execution of council decisions

### **2. To provide services to communities in a sustainable manner**

- infrastructure services
- social services

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- economic services

### **3. To ensure good governance practices**

- corporate governance
- business leadership
- resource management
- programme management
- project management
- performance management
- risk management

This exercise undertaken by the Letsemeng Management Team and Council confirmed their intentions to bring effective change to the municipal administration as this was the first time since the inception of the Letsemeng Municipality that a strategic document was developed to guide the municipality in terms of its planning and implementation of its programmes.

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## **CHAPTER 2:**

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### **PERFORMANCE HIGHLIGHTS**

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Strategic Priority:

**Service Excellence**

- **Services for all**
  - **Water and Sanitation**
    - Koffiefontein: Upgrading of sewer purification works;
    - Ratanang/Saundershoogte: Provision of sanitation for 740 stands;
    - Jacobsdal: Upgrading of waste water treatment works;
    - Koffiefontein: Upgrading of sewer purification works;
    - Ratanang/Saundershoogte: Provision of sanitation for 740 stands;
    - Jacobsdal: Upgrading of waste water treatment works;
    - Luckhoff/Relebohile: Ext 2 – Provision of water & sanitation for 295 stands;
    - Teisesville: Bucket eradication for 200 sites;
    - Petrusburg/Bolokanang: provision of 342 VIP structures & 29 waterborne toilets;
  - **Electricity**
    - Electrification of 300 sites in Luckhoff;
- **Roads and infrastructure development**
  - The construction and paving of Mthonjeni Street in Bolokanang, Petrusburg;
  - The construction and upgrading of storm water infrastructure in Petrusburg;

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- The construction and paving of Leeubekkie Street in Teisesville;
- The repair and reseal of Fourth and Skool streets in Saundershoogte, jacobsdal;

Strategic Priority:

## ***Economic Development and Planning***

- **IDP** – The IDP of the Letsemeng Local Municipality is currently in its review phase and is fairly in line with time frames as set out in its IDP process plan. The Department of COGTA has embarked on a capacity building initiative in the form of an IDP Learnership through the Central University of Technology, Letsemeng Municipality do have a learner on the said programme. A provincial Implementation Development Forum has also been established by the Department of COGTA which is monitoring progress of municipalities in terms of its IDP's.
- **Local Economic development**
- **SMME support**



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## **CHAPTER 3:**

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### ***LOOKING AHEAD TO 2009/2010***

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The municipality has set out critical core business values for itself in terms of looking ahead to the 2009/10 financial year and for future planning for the municipality, it has commit itself to live and strive towards compliance and adherence to its core values, which are:-

- Commitment
- Visionary
- Innovative
- Creative
- Integrity

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## **CHAPTER 4:**

### **HUMAN RESOURCES AND OTHER ORGANIZATIONAL MANAGEMENT**

The municipality has identified the gaps in terms of its current organogram and has admitted that there are a number of critical vacancies to be filled but which unfortunately was not covered in the current organogram. A fundamental realisation was then made which acknowledges that the municipality needs urgent Institutional Transformation and Human Resource Development in the municipality. The following key issues were identified as some of the loopholes in the Human Resource Structure of the municipality:-

- Lack of career development opportunities;
- No line Management structure;
- Ineffective utilisation of available skills and knowledge base;
- Lack of capacity building initiatives/limited;

On this basis the Accounting Officer was tasked to develop a new organogram which needs to be tabled to Council for approval, adjustment to the budget and subsequent implementation thereof. The newly proposed organogram looks as follows and it seeks to address the gaps identified in the current organogram and operational gaps.

The municipality has also identified in its objectives, Resource Management and Human Capital as critical areas and has identified strategies to address the gaps:

<b>Objectives</b>	<b>Strategies</b>
<i>Resource Management</i>	Develop an Organisational Structure and Change Management Process for the Municipality
<i>Human Capital</i>	Develop a Funded and Unfunded Mandates Policy

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	Develop an Integrated Human Capital Management Plan
	Develop an HR Management Framework
	Develop an HR Acquisition Strategy
	Develop an HR Development Strategy
	Develop an HR Maintenance Strategy

In ensuring the realisation of all this plans and effective implementation thereof the municipality has resolved to beef up its performance management system by developing:-

- Develop a Performance Management Plan;
- Develop a Performance Management Infrastructure;
- Develop a Performance Management Regulatory Framework;
- Develop a Performance Management Monitoring and Evaluation Reports System;

The municipality has also tied close working relations with the Performance Management Directorate of COGTA dealing with the performance management of Section 56 Managers, more especially on their Section 57 employment and performance contracts. The municipality however felt that it should expand its performance management system to the rest of the staff component by developing Personnel Development Management Systems.

However, all is not lost with the current administration as it has strived to develop the following policies during the last financial year and some have been proven to be amongst some of the best policies in the Free State Province.

The following policies were compiled:-

- **All budget related policies**
  - Tariff policy
  - Indigent policy
  - Fixed Asset Policy

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- Budget Policy
- Integrated Development Policy
- Credit Control Policy
- Property Rates Policy
  
- **Human Resource Policy**
  - Leave Policy
  - Comprehensive HR Policy
  - Fraud Prevention Plan
  - LED Strategy and Plan
  - Integrated Waste Management Plan

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## **CHAPTER 5:**

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### **AUDITED FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION**

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#### **General Information and Financial Viability and Sustainability**

##### **Letsemeng Local Municipality - Financial Sustainability**

Since the advent of local government system in 2000, the Letsemeng Local Municipality, has maintained its position as one of the most viable municipalities in the Free State Province. The Council has over the years displayed a sound financial profile, as evidenced by its healthy discretionary cash flows and high level of investments. Furthermore, the municipality has in the recent past exhibited negligible levels of gearing and a strong net cash position. Capital projects have been funded from internal funds (reserves) over the years. The Council is however, no longer in a position to continue the practice of financing capital out of own funds. The turnaround has been brought about by a number of fundamental challenges that include:

- Insufficient revenue growth in operating and capital requirements;
- Rising debtors books and dwindling investments;
- Expenditure pressure due to ageing infrastructure
- Maintenance backlogs in respect of Council's assets through lack of development of a long-term maintenance plan and adequate funding of infrastructural assets.
- Level of provision for bad debts; and,
- Insufficient provision for the impact of the bucket eradication programme on the operating budget linked to:
  - Capacity of the sewerage treatment plants;
  - Possible increase on the debtors book (more than free basic water usage);
  - Overtime for maintenance work; and
  - Personnel capacity to maintain the network.

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## OVERVIEW OF FINANCIAL PERFORMANCE

The actual revenue as at **30 June 2008** amounts to **R 44 983 481** million against the budgeted amount of **R 46 189 819** million.

The expenditure for the **2007/08** financial year amounts to **R 38 298 780** million against the budgeted amount of **R 48 544 075** million.

The net results of the 2007/08 budget indicate substantial improvements in terms of the budgeted amount for the financial year ending on 30 June 2008. As part of the municipality's strategy to continue meeting the ever increasing demands of addressing the existing infrastructural backlog, *the Municipality put more emphasis on:*

- Paying attention to debt collection as means of improving the cash flow situation;
- Prioritization of competing capital investment projects;
- Leveraging of available cash resources in order to meet increased service delivery demands;
- Investigating the possibilities of obtaining external funding.

*The municipality has and will still embark on the following strategies to maintain financial viability and capability to sustain services:*

- Commissioning a data-cleansing project to authenticate our consumer accounts database and timeous consumer billing.
- A water leakage project, aimed at fixing leakages in areas where there is high consumption of water due to wastage, resulting in high household accounts.
- Strengthen oversight of the business entity on behalf of Council for the enhancement of shareholder's value and efficiencies.
- Development and updating of Financial Policies so as to ensure compliance to internal controls.
- Implementation of cost cutting measures in an effort to relieve pressures on the operating budget

The financial activities of the 2007/2008 financial year are reviewed in the financial statements of this report.

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## INCOME AND EXPENDITURE FOR 2008/09 FINANCIAL YEAR

2008/09	DEBITS		INCOME		CREDITS	
Month	Levy	Equitable Share	Cash	Equitable Share	TOTAL	Payment Rate
July	2 068 465.05		855 058.92	597 154.35	1 452 213.27	70.2
August	2 117 748.40		1 194 446.15	831 402.69	2 025 848.84	95.66
September	2 164 543.30		1 262 130.44	609 167.75	1 871 298.19	86.45
October	2 183 900.35		1 250 334.64	760 888.60	2 011 223.24	92.09
November	2 191 381.40		1 143 593.98	653 964.20	1 797 558.18	82.08
December	2 209 905.10		1 342 796.75	654 298.02	1 997 094.77	90.37
January	2 332 552.25		1 070 097.27	684 984.28	1 755 081.55	75.24
February	2 211 868.15		1 274 249.16	665 977.95	1 940 227.11	87.71
March	2 134 837.65		1 117 916.60	818 981.15	1 936 897.75	90.72
April	2 234 256.35		1 019 817.48	661 557.65	1 681 375.13	75.25
May	2 236 580.80		1 036 464.00	663 039.25	1 699 503.25	75.98
June	2 220 139.20		1 383 561.77	742 871.13	2 126 432.90	95.77
<b>TOTAL</b>	<b>26 306 178.00</b>		<b>13 950 467.16</b>	<b>8 344 287.02</b>	<b>22 294 754.18</b>	<b>84.75</b>

Report from the Auditor-General

Municipal Responses to the Auditor General

Report of the Chief Financial Officer

Statement on Financial Position

Statement of Financial Performance

Notes to the Annual Financial Statements

**Appendices**