



SALGA

South African Local Government Association



SALGA FS BRIEFING ON THE STATE OF MUNICIPALITIES IN THE FREE STATE PROVINCE TO THE

SELECT COMMITTEE 07th SEPT 2005

Overview of the Financial state of Free State Municipalities

- Dihlabeng

Consumer debt levels	Increased	Dec – 2004 R160m	June 2005 R180m
Efficiency of revenue collection	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
Audit Reports	2002/03 Disclaimer	2003/04 Outstanding	2004/05 Dec – 2004
Gaps between Income and expenditure	Actual Income 2004/05 R12m Payment rate 61%	Expenditure 2004/05 R16.25m	Shortfall covered by government grants
MFMA implementation	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

- Setseto

Consumer debt levels	Decrease	2003/04 R65m	2004/05 R62m
Efficiency of revenue collection	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
Audit Reports	2002/03 Adverse	2003/04 Adverse	2004/05 Financial statements Submitted to AG
Gaps between Income and expenditure	Actual Income 2004/05 R54m Payment rate 80%	Expenditure 2004/05 R57m	Shortfall covered by government grants
MFMA implementation	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

Consumer debt levels	Decrease	2003/04 R33m	2004/05 R29m
Efficiency of revenue collection	Credit control policy in place	Not efficient due to unemployment rate	Municipality is able to collect from those that can pay
Audit Reports	2002/03 Qualified	2003/04 Qualified	2004/05 Financial statements submitted
Gaps between Income and expenditure	Actual Income 2004/05 R23m Payment rate 75%	Expenditure 2004/05 R20m	Surplus
MFMA implementation	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

Consumer debt levels	Decreased	2003/04 R118m	2004/05 R83m
Efficiency of revenue collection	Credit control policy was developed	Policy is proving to be effective and efficient	Municipality is able to collect from those that can pay
Audit Reports	2002/03 adverse	2003/04 Qualified	2004/05 Financial statement Submitted
Gaps between Income and expenditure	Actual Income 2004/05 R12.9 Payment rate 60%	Expenditure 2004/05 R6.2	Surplus
MFMA implementation	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

Consumer debt levels	Increase	2003/04 R510m	2004/05 R640m
Efficiency of revenue collection	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
Audit Reports	2002/03 Disclaimer	2003/04 Disclaimer	2004/05 Under Project consolidate as is being assisted in their debt recovery. Have requested for extension
Gaps between Income and expenditure	Actual Income 2004/05 R613m Payment Rate 54%	Expenditure 2004/05 R536m	surplus
MFMA implementation	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**

Consumer debt levels	Increase	2003/04 R125m	2004/05 R127m
Efficiency of revenue collection	Credit control policy in place	Problems in implementing the policy due to unemployment rate	Municipality is able to collect from those that can pay
Audit Reports	2002/03 Disclaimer	2003/04 Disclaimer	2004//05 Financial Statement not yet submitted Requested for extension
Gaps between Income and expenditure	Actual Income 2004/05 R232m Payment Rate 58%	Expenditure 2004/05 R236m	Deficit
MFMA implementation	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

Consumer debt levels	Increase	2003/04 R660 000	2004/05 R699 600
Efficiency of revenue collection	Credit control policy in place	-	-
Audit Reports	2002/03 Unqualified	2003/04 unqualified	2004/05 Financial Statement not yet submitted Requested for extension
Gaps between Income and expenditure	Actual Income 2004/05 R111m Payment Rate 90%	Expenditure 2004/05 R110m	Surplus
MFMA implementation	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**

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

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

Overview of the Financial state of Free State Municipalities

- Tswelopele

Consumer debt levels	Decrease	R42.4m	R41.8m
Efficiency of revenue collection	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
Audit Reports	2002/03 Unqualified	2003/04 Unqualified	2004/05 Financial Statement not yet submitted Requested for extension -
Gaps between Income and expenditure	Income Levied 2004/05 R42m Payment Rate 60%	Expenditure 2004/05 R38.7m	Surplus
MFMA implementation	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



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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. Moqhaka 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) **Maintainance 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

<u>ELECTRICITY</u>	<u>Households provided</u>
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

± 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



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I THANK YOU

Jonas “Madiba” Ramokhoase