

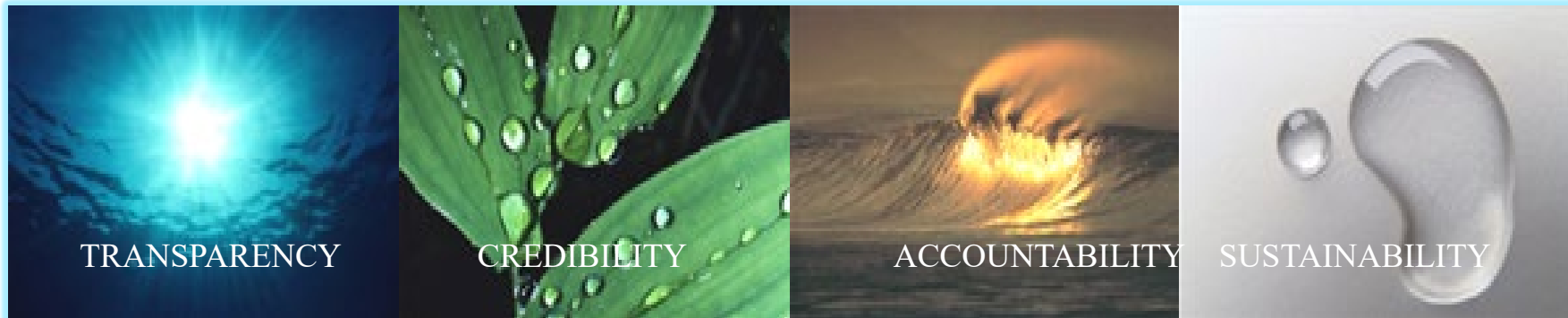


MODIMOLLE MOOKGOPHONG LOCAL MUNICIPALITY NCOP PROVINCIAL WEEK

Presented by: Hon M. Van Staden

Date: 28 October 2020

Venue: Modimolle Mookgophong Council Chambers



PRESENTATION OUTLINE



1. Background

2. Legislative Framework

3. Governance Structures

4. Institutional Capacity

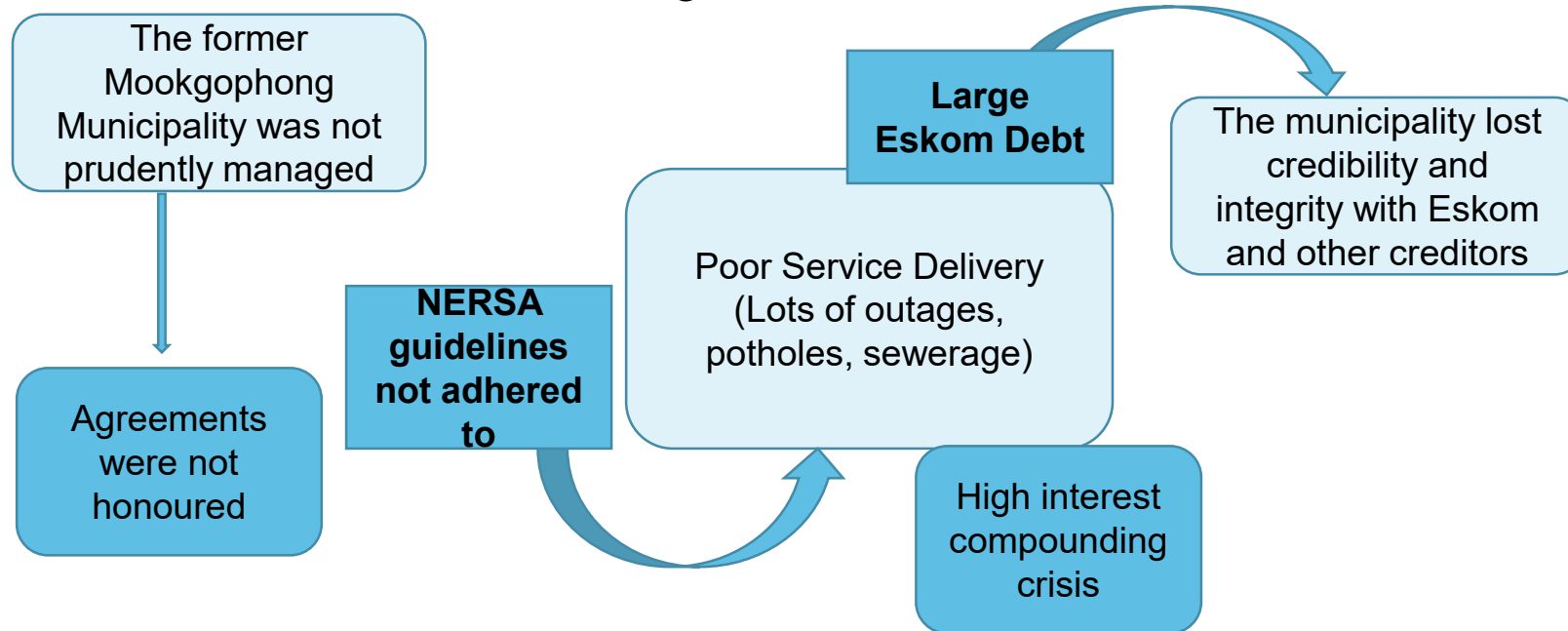
5. Financial Management

6. Institutional Stability




BACKGROUND

- Modimolle -Mookgophong Local Municipality was established on the 11th August 2016
- An amalgamation of Modimolle (Grade 3) and Mookgophong(Grade 2) Local Municipalities
- Each came with its own liabilities including Eskom debts and water boards.



BACKGROUND



- A total of five towns spread over 4 678 km²
 - Total Population is 107 699 people
 - Staff complement stands at 638 employees
 - Over 78% are general workers
 - 626km of road network
 - 502km of water network
 - 28 977 households
 - Licensed distributor of electricity
 - Eskom supplies the Mookgophong high density suburbs
 - High technical & distribution losses due to
 - I. Ageing Infrastructure
 - II. Erroneous application of tariffs
 - III. Inappropriate tariff structure which is not time of use based
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LEGISLATIVE FRAMEWORK

Constitution of South Africa

Municipal Finance Management Act

Municipal Structures Act

Municipal Systems Act



GOVERNANCE STRUCTURES

Council and Council Committees meet monthly

MPAC is established and functional

Audit and Risk Committees meet regularly and report to Council

The Financial Disciplinary Board was established



INSTITUTIONAL CAPACITY

Municipal Manager :vacant

MMLM prevented by an interdict to appoint. We have written to the MEC and Minister for assistance.

CFO: filled

Director Corporate Services: filled

Director SPED: filled

Director Community Services: filled

Director Technical Services: interviews done and busy with competence assessments. Previous MTS resigned in August 2020.

State of Political Leadership

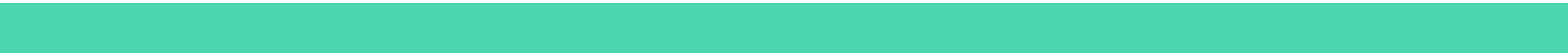
- The political leadership is stable
- Mayor, Speaker and Chief whip of council are in place
- There is harmony among all political parties represented in Council.
- No service delivery protests in the last three years.
- The Local Labour Forum is established and functional
- Ward Committees operational in all 14 wards

FINANCIAL MANAGEMENT (AUDIT OUTCOMES)

MUNICIPALITY	FINANCIAL YEAR	AUDIT OUTCOME
Modimolle Mookgophong	16/17	Disclaimer – legacy issues from the 2 former muni's.
Modimolle Mookgophong	17/18	Disclaimer – legacy issues from the 2 former muni's.
Modimolle Mookgophong	18/19	Disclaimer - great strides made during this year and submitted on time for the first time
Modimolle Mookgophong	19/20	Pending

INTERVENTIONS



- MMLM was placed under Section 139 (1)(b) of the Constitution in 2018 after a request for assistance from the municipality and approved by the council.
 - The PEC approved a R70 million relief grant in 2018. The type of creditors that were paid were strictly regulated and a large amount of this monies went to government debtors like Eskom, SARS and Magalies. Smaller creditors were not allowed to be paid, so we still struggle with creditors inherited from the former 2 municipalities to date.
 - A Financial recovery plan was approved by the MEC on the 8th of November 2018 and adopted by Council February 2019
 - The PEC rescinded the decision in 2019 and decided to rather assist the municipality under section 154
 - The municipality also applied for Section 153 in terms of the MFMA.
 - CoGHSTA and Provincial Treasury teams continued to provide technical support to the municipality.
 - National Treasury also provides an advisor through the MFIP programme.
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TURNAROUND INTERVENTIONS

- ❖ In October 2019 MMLM initiated turnaround plans for the electricity business
- ❖ MMLM has applied to NERSA for a tariff restructuring to time of use
- ❖ Took over the vending of electricity and is now being done in-house.
- ❖ Total electricity revenue collected to date is just over R 210m from about R12m (fluctuations expected due to back billing)
- ❖ MMLM is making the 60% weekly payments to Eskom since October 2019 to 23/10/2020 totalling R 122 m
- ❖ MMLM has 28 electricity accounts with Eskom
- ❖ 27 are paid via debit orders totalling just over R1m per month
- ❖ Over 1 000 faulty meters have been replaced
- ❖ The total active large power users 87
- ❖ 3544 customers left on post paid meters
- ❖ An electronic customer service support centre has been established
- ❖ Cutting on the wage bill and bringing down the standby and overtime allowances
- ❖ Ending contractual services and acquiring our own fleet – bit by bit

TURNAROUND INTERVENTIONS



- Job evaluation was completed - after an extremely long process that caused a lot of low morale, unproductivity and disciplinary issues in employees. The process was handled by SALGA
- The final placement report was adopted by Council in May 2020 and implemented in July 2020.
- Only 6 appeals left

- Filled positions are 582 and vacant positions are 204.

CHALLENGES THAT IMPACT SERVICE DELIVERY

- ❖ ESKOM – High interest charge Prime +2,5, High admin charges, monthly compounded interest, Eskom being extremely demanding even though we are busy with a turnaround strategy
- ❖ NERSA – Nersa have not approved our time of use applications and have ignored the muni's request for a full year. We have now started litigation against them
- ❖ PROPERTY RATE CATEGORIES – We have applied to the Minister to allow for additional categories but have not received a response yet. (Section 8 (4) MPRA)
- ❖ WSIG 6B – The Dept. took more than a year to finally approve MMLM to be the implementing agent for the projects resulting in MMLM losing a full year and now takes extremely long to pay invoices once submitted, causing contractors to leave site.
- ❖ MISA – Landfill Site and Leseding Sports Facility
- ❖ WATER CHALLENGES AND DROUGHT - Demand higher than supply. Need to clean dam in Mookgophong. Need additional pipeline from Magalies. Project approved but no funding
- ❖ HIGH INHERITED EMPLOYEE COST – inherited two sets of employees duplicated positions everywhere. 1 + 1 was not suppose to be 2

CHALLENGES THAT IMPACT SERVICE DELIVERY

❖ PROPERTY BELONGING TO NATIONAL OR PROV DEPT OF PUBLIC WORKS

- already occupied property with informal and formal settlements in our muni still belongs to the dept. and the municipality have requested them to donate the property to us.
- illegal occupations on public works property – taking very long to get an interdict and then we sit with the problem
- empty houses, old clinics, other state departments owned by the Dept. in all towns – not being occupied and not well kept
- outstanding property rate accounts that must be settled by the Dept. i.e. schools
- maintenance of roads and bridges in the area not done, no formal schedule and some areas have been damaged by rain in 2016 not repaired since then. Road to Donkerpoort dam block the flow of the water, been reported since 2017 – still not repaired


❖ TITLE DEEDS - a large amount of residents in our municipality have been waiting for a long time to receive title deeds. We have only received 200 title deeds for Alma since 2016

❖ BULK SERVICE INSTALLATION AND HOUSE HOLD RETICILATION – a large outstanding amount

❖ LITIGATION REGISTER – since 2018 we have been constantly in court litigating against creditors from the former Mookgophong Muni. Most of the claims had a previous default judgement and we have won 50 court cases in a row in the Polokwane High Court but its costing us a fortune every year.

CHALLENGES THAT IMPACT SERVICE DELIVERY



- ❖ MIG – project appraisal taking too long. No spending allowed in the first 2 quarters of the year because MIG are putting a halt on everything.
 - ❖ INEP – project appraisals – withholding the muni from advertising for contractors and now no spending in the first 2 quarters of the 2020/2021 year.
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FINANCIAL MANAGEMENT (CREDITORS)



The major creditors consist of bulk purchases

Eskom- **Proposed payment plans awaiting council approval**

Magalies Water Board-**R300k weekly Payment Agreement in place**

Trade creditors-**R44m**

The municipality is unable to pay creditors within the 30 days as stipulated in Section 65 of the MFMA

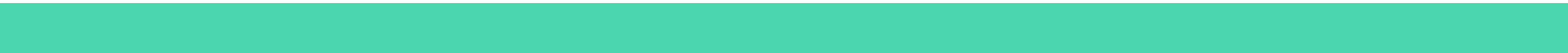
Litigations total **R15 million**



FINANCIAL MANAGEMENT (DEBTORS)



Total debt as at 30 September 2020- R 566 955m – a large amount of this debt was inherited by the former 2 muni's and will never be recovered.

- An amount of R472 658 million is sitting in the Over 90 Days category
 - The municipality experiences serious challenges in collecting long outstanding debtors.
 - Household debtors account for R314 million
 - Current collection rate for Electricity is – 87%
 - Current collection rate for other services – 63% (Lockdown neg impact)
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FINANCIAL MANAGEMENT (DEBTORS)

DEPARTMENT	AMOUNT OWED	DISPUTES	TOTAL
Department of Transport	R114 257	None	R114 257
Department of Health	R1 111 101	None	R1 111 101
Department of Social Development	R32 485	None	R32 485
National Public Works	R4 712 429	Yes, disputing R1 024 021 for rates in farm areas	R3 688 408
Provincial of Public Works, Roads and Infrastructure	R3 536 862	Yes, disputing R355 239,12 for rates in farms areas	R3 181 622
Department of Education	R2 455 910	None	R2 455 910
Department of Rural Development	R4 444 333	Yes, disputing R1 423 616.57	
Total	R16 407 377		R13 604 500.31

PROJECT VISIT SUGGESTIONS:

PROJECT FUNDER:	TOWN	PROJECT NAME	STATUS
MIG	MODIMOLLE	New Modimolle Landfill Site	65% complete
INEP	PHAGAMENG	Sub-Station	Phase 2 Civil Works
WSIG	PHAGAMENG	Jay-Naidoo	Phase 2 Laying of the 300mm x 1,2 kilometers pipeline



Thank You!