



WHEN THE SUN RISES  
WE WORK HARD TO DELIVER

# NCOP PROVINCIAL WEEK MEC'S OVERVIEW: PRESENTATION ON LEKWA LOCAL MUNICIPALITY

## PURPOSE

To present to state of Lekwa Local Municipality.

**PILLAR 1:  
PUTTING PEOPLE FIRST**

Ward Committees:

MUNICIPALITY	NUMBER OF WARDS	WARD COMMITTEES ESTABLISHED	NUMBER OF WARD COMMITTEES THAT ARE FUNCTIONAL	NUMBER OF WARD COMMITTEES THAT ARE NONE FUNCTIONAL
Lekwa Local Municipality	15	15	15	00

Community Development Workers (CDW)

MUNICIPALITY	NUMBER OF CDW APPOINTED	NUMBER OF CDW POST VACANT	NUMBER OF PROTESTS
Lekwa Local Municipality	12	05	01

Operation Vuka Sisebenze (OVS) War Rooms

MUNICIPALITY	NO. OF ESTABLISHED WAR ROOMS	FUNCTIONAL WAR ROOMS	NOT FUNCTIONAL WAR ROOMS
Lekwa Local Municipality	15	06	09



# PUBLIC PARTICIPATION

## **ANALYSIS**

- The Municipality doesn't have an engagement programme with communities
- All established ward committees are functional.
- Over the past three years, the municipality has been marred by violent protests due to its poor service delivery record.
- The municipality does not have a public participation strategy in place

**PILLAR: 2**  
**BASIC SERVICES DELIVERY**

# ACCESS TO BASIC SERVICES

Services	Total Number of House Holds	Number of Households with Access	Percentage with Access	No. of Households without Access	Percentage without Access
Water	37 334	34 987	93.7%	23 47	6.3%
Sanitation	37 334	36 220	97.0%	1 114	3%
Refuse removal	37 334	25 946	69.5%	1 1388	30,5%
Electricity	37 334	34 341	92.0%	2 993	8%

# ACCESS TO BASIC SERVICES

CHALLENGES	INTERVENTIONS/ PROGRESS
<ul style="list-style-type: none"> <li>Scourge of sewer spillages in almost all wards and town of the municipality.</li> </ul>	<ul style="list-style-type: none"> <li>The Provincial Government through DHS had already appointed a Professional Service Provider for designs and project management for sewer spillages in Standerton Ext 8 this will include the installation of Bulk Outfall Sewer Line, 2x New Pump Stations, Booster Pump and Elevated Tank at a budget of R30m</li> </ul>
<ul style="list-style-type: none"> <li>Currently the Standerton Waste Water Treatment Works were designed originally to purify 11 MI/ Day however currently a total of 18ML/ Day is received by the Works.</li> </ul>	<ul style="list-style-type: none"> <li>Extensive work still needs to be done for the Standerton Waste Water Treatment Works for the refurbishment of the 11 ML WWTW. The Plant is operated in two parts. One part is an old technology of a bio-filter which is only 2 ML that was installed in the 1950's whilst the other part is an activated sludge technology which is 9 ML that was installed in the 1970's.</li> <li>The 2 MI Plant will be totally decommissioned whilst the 9ML/Day Plant shall be refurbished to bring it back to operation and later get upgraded to the required 30ML/day to cope with the demand.</li> <li>A consulting engineer was appointed and is already working on the refurbishment of the Plant as Phase 1 of the intervention to fix cables, pumps, aerators etc, in order to bring it to functionality</li> </ul>
<ul style="list-style-type: none"> <li>As a result of a Court Order Issued against the Municipality by October 2018 for the Municipality to implement corrective measures to stop further sewer spillages. The applicant in this case was the Minister for Water and Sanitation.</li> </ul>	<ul style="list-style-type: none"> <li>More than R70million has been spent by the Department of Water and Sanitation through it Water Services Infrastructure Grant to assist the Municipality to refurbish the sewer network in Rooikopen.</li> </ul>



# ACCESS TO BASIC SERVICES

KEY DELIVERY ISSUE	CHALLENGES	INTERVENTIONS/ PROGRESS
<p>Sanitation:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> 86.6% (32 318) HH with access to flush toilets, 10.5% (3 902) HH with access to VIP and 3.0% (1 114) HH without access</li> <li><input type="checkbox"/> Wards with households without access: 1 ,3, 5 to 7 &amp; 9 &amp; 11 to 15</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> The following sewer infrastructure is partially or totally dysfunctional leading to sewer spillages: <ul style="list-style-type: none"> <li>✓ Muller Pump Station,\</li> <li>✓ Rooikopen 1 and 2 Pump Station;</li> <li>✓ Steijn Pump Station;</li> <li>✓ Johan Pump Station;</li> <li>✓ Standerton Wastewater Treatment Works;</li> <li>✓ Taljaard Pump Station;</li> <li>✓ Muller Pump Station</li> </ul> </li> <li><input type="checkbox"/> Heavy sewer flowing from the residential areas down the streams making way into the Vaal River</li> <li><input type="checkbox"/> Minister of Water and Sanitation issued a Court Order in October 2018 against the Municipality to stop the sewer spillages.</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Resourcing of the Intervention Plan through the Municipality and the District Municipality of Gert Sibande is of priority.</li> <li><input type="checkbox"/> Deployment of additional expertise from MISA to provide hands-on support eg resident Engineers.</li> <li><input type="checkbox"/> Appointment of Technical staff and Maintenance technicians is long overdue and must be prioritized for appointments before end of May 2019</li> <li><input type="checkbox"/> Conduct immediate feasibility studies and designs for the upgrading of the Waste Water Treatment Plant.</li> <li><input type="checkbox"/> Draw-up Technical reports and Business Plans for the installation of the Sewer Package Plant prioritized from MIG as a temporary measure to curb further spillages and overflows.</li> <li><input type="checkbox"/> Expedite the development of Master Plans and Comprehensive Infrastructure Plans</li> <li><input type="checkbox"/> Four (4) Pump stations already refurbished</li> <li><input type="checkbox"/> Work in progress with the refurbishment of Rooikopen sewer network. DWS has already spent more than R70m.</li> <li><input type="checkbox"/> DHS is also installing 2 Pumps in Standerton Ext 8.</li> </ul>



# ACCESS TO BASIC SERVICES

CHALLENGES	INTERVENTIONS/PROGRESS
<ul style="list-style-type: none"> <li>Inconsistent supply of water to high lying areas and rural/farm areas due to ageing infrastructure and water infrastructure requiring upgrade.</li> </ul>	The municipality has projects that are currently underway and planned to address some of the water challenges within Lekwa LM.
<ul style="list-style-type: none"> <li>Water leakages within water infrastructure mainly due to ageing infrastructure which requires replacement and upgrades as well as an insufficient budget to deal with operation and maintenance issues.</li> </ul>	Replacement and upgrades old infrastructure. The municipality must allocate sufficient budget to deal with operations and maintenance issues
<ul style="list-style-type: none"> <li>Standerton WWTW not functional( i.e Sand filters, valves, water pipelines, air blowers, clear water pumping units) and design capacity no longer meeting demand.</li> </ul>	Plans in place to refurbish (ML activated sludge plant by October 2019)
<ul style="list-style-type: none"> <li>Sewer spillages</li> </ul>	The municipality has appointed a consultant to implement the project to minimise the sewer blockages in Rooikopen. Minister of Water and Sanitation issued a Court Order in October 2018 against the Municipality to stop the sewer spillages.
<ul style="list-style-type: none"> <li>Insufficient refuse collection vehicles to service all areas</li> </ul>	Municipality to budget for the acquisition of more refuse vehicles
<ul style="list-style-type: none"> <li>Litter with the municipal area of jurisdiction</li> </ul>	The municipality must invest in skip bins and collect them at least once a week.



# ACCESS TO BASIC SERVICES

## Analysis

- The MIG allocation for the financial year 2019/20 the amount of R28 844m was allocated and the revised allocation was 19 293 and they fully spent the amount by June 2020.
- The municipal MIG Allocation for 2020/21 FY was R28 672m and R 615 000 (2.14%) has been spent as of end September 2020.
- It is however of concern that some pumps had already been refurbished in the last two financial years but due to vandalism, they have also collapsed and no longer functional.
- The Department of Human Settlements is also assisting with the installation of two Pumps within the new settlement of Standerton Ext 8.
- COGTA and the Municipality are currently engaging the national Government and DBSA with the aim of getting further financial assistance especially for the refurbishment and the upgrading of the Standerton Waste Water Treatment Plant which is estimated at around R250m.
- The department has also received a letter from South African Human Rights Commission(SAHRC) indicating that it has done an assessment of the deteriorating situation in Lekwa Local Municipality and is of the view that the municipality is not self sustainable, on the brink of collapse and incapable of discharging its constitutional obligations to its citizens.
- The SAHRC has called on the department to intervene in terms of section 139(1)(b) of the Constitution of Republic Of South Africa in Lekwa Local Municipality.

# **LOCAL ECONOMIC DEVELOPMENT**

## CHALLENGES

Lack of effective LED Strategy to respond to unemployment, poverty and inequality especially among young people. Unemployment rate of 27.5% in 2019 (Stats SA). Even though Lekwa LM had the 7<sup>th</sup> lowest unemployment rate relative to other Municipalities in the Province, the unemployment rate was 32.5% for females, 23.1% for males and overall youth unemployment rate of 57.8%

## INTERVENTION

- ❑ The Provincial Executive Council has already mandated Cogta and DEDT to assist the Municipality to develop and implement an effective LED Strategy through the District Development Model. The current LED Strategy of the Municipality is outdated and not relevant to the current economic climate. The Intervention by COGTA, DEDT and the District shall result in a product that the Municipality together with its stakeholders can jointly work on to grow the economy and create employment opportunities for the people of Lekwa.
- ❑ LED Initiatives such as the Vlakfontein Refurbishment Projects, the development of a new Mall, the proposed Truck Stop Project, and Social Labor Plan Projects from Eskom and New Denmark Mine all need to be supported to stimulate the economy and create employment for local people and business opportunities for small enterprises.
- ❑ COGTA to continue provide a safety net for the most impoverished in the Municipality through the implementation of the Community Works Programme which currently employs 1 151 participants within Lekwa.
- ❑ COGTA has also been working with the District, DEDT and SEDA to roll out municipal workshops for SMMEs and Cooperatives to apply for funding through TREP (Township and Rural Enterprise Programme). Workshop successfully held on the 13<sup>th</sup> October 2020 in Sakhile, Standerton Town Hall and Morgenzone Community Hall

CHALLENGES	INTERVENTION
Minimal implementation of LED Strategy due to lack of funding and the inability of the municipality to initiate and establish partnerships with the private sector.	<ul style="list-style-type: none"> <li>❑ COGTA, DEDT and the District working on establishing a District Business Forum with the primary aim of packaging and mobilizing resources from big business within the area and externally for the implementation of LED initiatives and projects identified previously but never implemented.</li> </ul>
LED Stakeholder Forum not functional	<ul style="list-style-type: none"> <li>❑ The Municipal LED Stakeholder Forum will be relaunched in the 3<sup>rd</sup> quarter of the current financial year. Stakeholder mapping by COGTA and the Municipality has been done already.</li> </ul>
Low Business confidence	<ul style="list-style-type: none"> <li>❑ The failure by the Municipality to provide reliable services to both communities and the business sector results in low confidence. Improvement in governance, red tape reduction, provision of services, turnaround time on approvals, tax rebates/incentives for business and regular interactions with the business sector to establish and respond promptly to needs shall be part of the effective LED Strategy and business trust and confidence to be reignited.</li> </ul>

# **SPATIAL PLANNING AND LAND USE MANAGEMENT**

# SPATIAL PLANNING AND LAND USE MANAGEMENT

## CHALLENGES OF SPLUMA IMPLEMENTATION BY MUNICIPALITIES

FOCUS AREA	CHALLENGES	INTERVENTIONS
Spatial planning – spatial development framework (SDF)	<ul style="list-style-type: none"> <li>✓ SDF is SPLUMA compliant</li> <li>✓ The alignment of the Land Use Scheme maps to SDFs, especially regarding protected areas</li> <li>✓ The implementation plan lacks implementation targets, dates and monitoring indicators</li> </ul>	<ul style="list-style-type: none"> <li>✓ All illegal land uses must be managed through the SDF and Land Use Scheme</li> <li>✓ The SANBI guidelines must be considered in the compilation of municipal spatial plans</li> <li>✓ The implementation targets, dates and monitoring indicators must be included in line with section 21 of SPLUMA</li> </ul>



# SPATIAL PLANNING AND LAND USE MANAGEMENT

## CHALLENGES OF SPLUMA IMPLEMENTATION BY MUNICIPALITIES

FOCUS AREA	CHALLENGES	INTERVENTIONS
Land use management	<ul style="list-style-type: none"> <li>✓ Land invasion.</li> <li>✓ Proclamation of the approved land use scheme.</li> <li>✓ Delay in the finalization of processes for the Standerton Mall development.</li> </ul>	<ul style="list-style-type: none"> <li>❑ The municipality to improve on monitoring and reporting. Develop pro-active measures and policy to deal with the matter. The municipality to take a new council resolution approving the land use scheme to enable promulgation of the scheme within 60 days after adoption by council.</li> <li>❑ COGTA continues supporting the municipality to finalize service level agreement and town planning related processes for the Standerton Mall development.</li> </ul>

**PILLAR: 3**  
**GOOD GOVERNANCE**

# GOOD GOVERNANCE

STRUCTURAL ARRANGEMENTS	STATUS QUO	FUNCTIONALITY
Council sittings	Council is having meetings	Ordinary Council meetings are sitting, however there is a challenge with regards to processing and finalising items submitted to council
Mayoral Committee	Composed of 2MMC's plus the Executive Mayor	Meet as and when possible
Section 80 committees	3 Section 80 Committees have been established namely Corporate & Community Services; Technical services, Planning and Development as well as Budget and Treasury Office	Technical Services, Planning and Development Committee is struggling to have meetings due to the instability
Section 79 committees	3 Section 79 established namely the MPAC, Rules and Ethics as well as the LGNC	LGNC is not effective even though their members have been restructured several times to improve its functionality. Rules and Ethics is also struggling to sit. Only MPAC is sitting effectively
Municipal Troika	Relationship is currently good	The Troika is meeting
<b>HIGH LEVEL ANALYSIS</b>		<b>CHALLENGES</b>
<ul style="list-style-type: none"> <li>The Section 79 &amp; 80 committees and LLF are now sitting although not frequent enough. Only MPAC is effective</li> <li>Council is now sitting without challenges</li> <li>A new Troika member has been appointed as Chief Whip ( Cllr BT Molo). The former Chief whip is now MMC</li> </ul>		<ul style="list-style-type: none"> <li>Troika is now meeting after the re-appointment but there is still no good working relationship amongst themselves,</li> <li>Section 80 and Mayoral Committee are struggling to have effective meetings but there is an improvement</li> <li>Council is not able to process items submitted to it largely due to the divisions in council</li> </ul>



# GOOD GOVERNANCE

## Analysis

- Since 2016 Local Government Elections, Lekwa has had challenges in convening Council meetings and poor working relations of the TROIKA which has impacted on the functionality of the Municipality. Several attempts were made to resolve these however without yielding any positive results.
- After the election of the Mayor and Speaker on 05 June 2020, Troika has been reconstituted.
- Council is still struggling to have effective meetings. Section 80 and Mayoral Committees are struggling to have effective meetings, due to the non functionality of the council. The department will support the municipality in ensuring that its oversight committees are functional by providing training on their roles and responsibilities.
- The department has requested the municipality to develop an action plan to respond to the findings of the S106(1)(b) report. To date the municipal council has not met to process the report, largely due to the challenges in council.

# **PILLAR 4: FINANCIAL MANAGEMENT**

### Audit outcomes over the past six financial years

Municipality	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	Status/ Comment
Lekwa LM	Unqualified	Unqualified	Unqualified	Unqualified	Qualified	Disclaimer	Regressed

- The municipality received an unqualified audit for the past 4 years and regressed to a disclaimer Audit opinion in 2018/19
- Audit action plans has been developed and being implemented.

# ESKOM ARREARS AS AT 31 July 2020

Current	R51 751 210
16-30 days	0
31-60 days	35 985 637
61-90 days	27 920 218
91-120 days	1 061 620 169
Total	1 177 277 234

- **LEKWA Local Municipality owes Eskom R 1 177 277 234 billion as at the end of July 2020.**
- This is a clear indication that municipality is not adhering to its payment arrangements with Eskom and this have a negative impact on their financial viability and might further spark service delivery protests if Eskom cuts electricity supply within a municipality as part of their credit control measures.



# FINANCIAL MANAGEMENT

- Failure by municipality to implement revenue enhancement strategies and credit control policies which resulted in:
  - ❖ Negative/low cash flow balances
  - ❖ Escalation of debtors book
  - ❖ Escalation of bulk accounts (Eskom)
  - ❖ Non payment of creditors within 30 days
- The low expenditure on capital budget affected by delays in supply chain processes, cash flow deterioration and non submission of the capital acquisition returns.
- The municipality has the lowest billing and collection rate of 65%
- The municipality budget for Operation and maintained is below 8%.
- Lekwa has an escalating debt R 1, 177 billion to Eskom This is a clear indication that municipalities are not adhering to their payment arrangements with Eskom and this have a negative impact on their financial viability and might further spark service delivery protests if Eskom cuts electricity supply within a municipality as part of their credit control measures.
- The municipality has a dispute on water account bill with Department of Water and Sanitation for almost +/-492 million





# FINANCIAL MANAGEMENT

## Analysis

- Lekwa is one of the eight municipalities in the province that are major contributors to the escalating Eskom debt, namely: Lekwa owes R1,1 billion. This is an increase of R310 333 617 from December 2018 to date with average monthly account of R36,4m and average monthly capability of R19m.
- The municipality is unable to honour its repayment plan made with Eskom attracting monthly average interest of R10,1m.
- As at 31 December 2019, Lekwa LM had a variance of - R175 441 592 on its electricity revenue against its bulk purchases (purchased R323 518 592 against revenue billed R148 077 000).
- Lekwa Local Municipality has been receiving an unqualified audit outcome from 2013/14 to 2016/17. The municipality regressed to a qualified audit outcome in 2017/18 and further regressed to a disclaimer in 2018/19.
- Between December 2018 and December 2019 Lekwa's debtors grew from R865 106 000 to R1 041 024 000.

# FINANCIAL RECOVERY PLANS

## LEKWA LOCAL MUNICIPALITY

- The Executive Council took a resolution to invoke in terms of section 139(1)(a) of the Municipal Finance Management Act in the Lekwa Local Municipality in July 2018.
- Engagements completed with municipality on detailed assessment of status and root causes identified for challenges.
- Detail status and root causes used to develop draft recovery plan.
- Engagements done with management.
- Engagements with labour and top creditors still not completed as creditors did not respond on written invites by the municipality for consultation process.
- Draft Plan published on municipal website and one Local newspaper on 22 March 2019 requesting further inputs from all stakeholders.
- Received inputs will be incorporated into final draft FRP.
- The Financial Recovery Plan was approved by the MEC for Treasury in August 2019 and was adopted by the Municipal Council in November 2019.
- To date the following has been achieved on the Financial Recovery Plan:



co-operative governance  
& traditional affairs  
MPUMALANGA PROVINCE  
REPUBLIC OF SOUTH AFRICA



**Overall Achievement:**

1. Recovery Plan Institutionalised by its integration to the SDBIP for 2020/2021 and Key Performance Indicators aligned to each Department.
2. Performance Agreement for s57 (HOD) to factor Financial Recovery Plan activities.

**Legend**

Done/Achieved	
Not Done	
In progress/ Planned in 2020	

**Strategy One - STRENGTHENING ADMINISTRATION, GOVERNANCE AND INTERNAL CONTROLS****Budget:**

**Strategy one – Comprises of 45 activities of which 10 were concluded, 11 activities were almost completed, we have just commenced with 20 activities and 04 activities not yet implemented**

**Strategy One: STRENGTHENING ADMINISTRATION, GOVERNANCE AND INTERNAL CONTROLS****Challenges**

- Governance challenges in Lekwa council having negatively impeded the execution or approval of required Council resolutions. This resulted in late approval of budget which took place on 29 June 2020.
- Standing Item on the progress of the implementation of municipal financial recovery plan at mayoral and Council meetings; Due to governance and political instability, the item could not be served as a standing item.

**Remedial Actions (Internal)**

- Strengthen the functionality of governance oversight committee through the office of the speaker.
- Targeted Training for TROIKA to strengthen Capacity, Roles and Responsibility.
- targeted training of TROIKA will lead to effective S79 and S80 oversight committees.

**Achievement****Slow Progress Activities****Support needed by support by Government Department(External)**

- Risk Management Committee established seating on 21 July 2020
- Review of by- laws and by-law enforcement-*(Process plan on processing the By Laws to be tabled for approval by Council end of July 2020)*
- Development and implementation of an updated contract register @ 40%- No payments made without contract and/or Appointment letter attached.
- Audit all contracts and cancel those without proper records and irregular contracts- **On-going**
- Development of litigation strategy and an updated litigation register-**100%- Litigation register remains is a standing Item on MAYCO and Risk and Audit Committees and updated continuously.**

- Capacitate councillors on finance, governance issues- Proposed Committees to be confirmed end of July 2020 By council.
- Implementation of municipal service standards

- SALGA and COGTA to provide training on good governance to Capacitate Political office bearers
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**Financial Recovery Plan Lekwa Municipality July 2020**

## Strategy Two – ORGANISATIONAL RESTRUCTURING AND HUMAN RESOURCES

### Budget:

### Strategy Two – ORGANISATIONAL RESTRUCTURING AND HUMAN RESOURCES

#### Challenges

#### Remedial Actions (Internal)

- 1.1 High vacancy rate in strategic positions.
- 1.2 No performance agreement for managers under S56
- 1.3 HR policy outdated
- 1.4 Outdated HR structure

- Financial Recovery Plan integrated to SDBIP and Performance agreement to be sign as per legislation with s57/s56.
- Expedite recruitment of IT manager to lead IT steering committee.
- Strengthen the functionality of governance oversight committee through the office of the speaker

2.1 Inadequate review of HR policies

- 3.1 Ineffective IT steering committee.
- 3.2 High turnover rate of IT services.
- 3.2 Ineffective review of IT policies.

#### Support needed by support by Government Department (External)

- COGTA to provide training on IT steering committee and Contract management unit.
- COGTA to support in sharing TOR's for the functioning of the IT steering committee and Contract management unit.
- COGTA to support in conducting a desk review of our current HR policies
- COGTA to support in expediting the appointment of s56 Managers

#### Key Activities

1. HRM
2. HR Policies and procedure
3. IT Framework
4. Contract Management.

4.1 No Contract Management unit

- Training of managers on the new model regarding leave management system or procedures
- None sitting of council impede the implementation of activities (refer to statement as captured under Strategy 1)

### Financial Recovery Plan Lekwa Municipality 2020



**Overall Achievement:**

**1.**

**Strategy Three – LOCAL ECONOMIC DEVELOPMENT**

**Budget:**

**Strategy Three – Comprises of 26 activities of which 06 were concluded, 02 activities were almost completed, we have just commenced with 14 activities and 04 activities not yet implemented.**

**Strategy Three – LOCAL ECONOMIC DEVELOPMENT**

**Challenges**

**Remedial Actions (Internal)**

- Outdated policies and plans as well as inadequate internal capacity to review, and those include: -
  - Housing Sector Plan,
  - LED Strategy
  - Informal Settlements By-Law
  - Outdoor advertising policy
  - Informal Business Policy
  - Inadequate human resource capacity to deal with land invasion,
  - Dysfunctional LED Forum:
  - No funding to implement LED projects
  - Absence of GIS Unit
- Mapping of spatial data and infrastructure investment

- Assistance with review of Sector plans and policies,
- Assist with mapping of spatial data,
- Financial resources to review policies, and plans
- Ongoing engagement with social partners and all stakeholders to align SLP and LED projects.

**Achievement**

- Review, updated and implemented town planning schemes;
- Conducted a land audit on all properties
- Notices are being issued as and when construction in contravention to building regulations are under construction

**Slow Progress Activities**

- Implementation of the Spatial Development Framework; prosecution of those contravening municipal by-laws dealing with illegal land use activities; Enforcing law on illegal developments and land grabs and illegal invasion of land
- Review of Housing Sector Plan; slow implementation of bulk-service by the department of Human Settlement in the newly established township
- Publish and advertise on awareness on building plan regulations, rezoning, invasion is illegal and indicate consequences

**Support needed by support by Government Department (External)**

- Department of Economic Development and Tourism and COGTA- to support recitation and refocusing of LED forum.
- Capacity to enforce By-Laws (Land Use, Building Control, Land Invasion) by COGTA and Department of human settlement.
- Support build capacity for GIS Operations (Desktop, Software, shapefiles and personnel) COGTA, GIS, MISA, and GSDM
- Mobile social partners for funding to LED programmes and projects.

**Financial Recovery Plan Lekwa Municipality July 2020**



**Overall Achievement:**  
1.

**Strategy Four – Revenue Management and Enhancement**

**Budget:**

**Strategy Four – Comprises of 52 activities of which 06 were concluded, 04 activities were almost completed, however, 13 activities are at a slow progress And 27 activities not yet implemented.**

<p><b>Strategy Four – Revenue Management and Enhancement</b></p>
<p style="text-align: center;"><b>Achievement</b></p> <p>Revenue Management and Enhancement related areas where progress/achievement is recorded includes:</p> <ul style="list-style-type: none"> <li>• Implementation of the new valuation roll; Land use management audit- <b>On going/70%</b></li> <li>• Promulgated new by-laws for revenue enhancement – <b>Not done</b></li> <li>• Appointed the service provider to assist in debt collection on commission basis for all debts older than 90 days;- <b>Service provider appointed</b></li> <li>• Establishment and implementation of cash flow management committee and Cash flow management tool- <b>Done</b></li> </ul>

<p style="text-align: center;"><b>Challenges</b></p> <p>Inadequate resources for revenue enhancement</p> <ul style="list-style-type: none"> <li>• Human Resources</li> <li>• Financial Resources</li> <li>• Tools of Trades</li> </ul> <p>Leakages in the Revenue Management Value Chain,</p> <ul style="list-style-type: none"> <li>• Inaccurate billing</li> <li>• Inadequate metering</li> </ul> <p>Inadequate reconciliations (Valuation Roll, Tariffs &amp; Metering) to ensure accurate billing</p> <ul style="list-style-type: none"> <li>• Inadequate payment of services by consumers (Low Consumer confidence)</li> <li>• Outdated consumer details that hampers debt collection</li> <li>• Low registered indigent households relative to the consumer survey stats</li> <li>• High distribution loss due to faulty meters and illegal connection.</li> </ul>	<p style="text-align: center;"><b>Slow Progress Activities</b></p> <ul style="list-style-type: none"> <li>• Appointment of personnel in the testing station and procurement of 1 vehicle-</li> <li>• Upgrading of telecommunication system in the call centres; Installation of new fire hydrants within municipal areas- <b>Not done</b></li> <li>• Develop cost reflective tariffs – <b>Done</b></li> <li>• Purchase of new compactor truck-<b>Done</b></li> <li>• Submitting monthly outstanding debts per ward to ward councillors – <b>Planned for July 2020</b></li> <li>• Campaigns to revive the payment/culture not yet stepped up- <b>Not yet done due to governance and covid 19 challenges</b></li> <li>•</li> </ul>
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<p style="text-align: center;"><b>Remedial Actions (Internal)</b></p> <ul style="list-style-type: none"> <li>• Testing Station under Community services and safety</li> <li>• Restructure the Revenue Management Section and prioritization of filling of vacant positions</li> <li>• Skills Audit (competency and minimum requirements for the position)</li> <li>• Reconciliation of the financial system (valuation roll, tariffs &amp; metering)</li> <li>• Updating of consumer information on the financial system (data cleansing)</li> <li>• Intensify payment of services campaigns (procure mobile pay point systems)</li> <li>• Establishment of customer care unit</li> <li>• On-going removal of illegal connection and replacement of faulty meters.</li> </ul>	<p style="text-align: center;"><b>Support needed by support by Government Department (External)</b></p> <ul style="list-style-type: none"> <li>• COGTA supported try-parted agreement for debt collection service provide.</li> <li>• COGTA to play an active role in monitoring the tray-parted project.</li> <li>• Treasury to support in funding our data cleansing programme.</li> <li>• Treasury to support with tariffs review to curtail distribution loss and LM tariffs to be cost reflect.</li> <li>• Treasury is supporting in enhancing our financial management capacity through a deployed of a technical advisor.</li> </ul>
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**Overall Achievement:**

1. 2019/2020 funded budget adopted
2. 2020/2021 funded budget adopted

**Strategy Five – IMPROVE FINANCIAL PLANNING/ BUDGETING****Budget:**

**Strategy Five – Comprises of 38 activities of which 05 were concluded, we have just commenced with 28 activities and 07 activities not yet implemented**

**Strategy Five – IMPROVE FINANCIAL PLANNING/ BUDGETING**
**Challenges**

- Finance staff Capacity.
- Training of departments on SCM SOPs- planned for August 2020
- Inadequate resources to implement the FRP Reforms
  - Human Resources
  - Financial Resources
  - Tools of Trades
- Inadequate Integration of sub-systems with the core system
- Inadequate long-term financial plan to achieve a funded budget.
- Inadequate Implementation of cost containment measures policy; and Standard operating procedures on cost containment measures.

**Remedial Actions (Internal)**

- Planned skills audit in July 2020, to identify competency gap, capacity gaps and minimum competencies.
- Proper staff placement post skills audit
- COGTA has seconded CFO to Capacitate Budget and Treasury Department.
- Advance plans to institutionalised cost containment circular.

**Achievement**

Improved financial planning and budgeting related areas where progress/achievement is recorded includes:

- Introduce control on full SCM and expenditure process – **Implemented from July 2020**
- Reconciliation between the system and suppliers' statements- **On going**
- Ring-fence all retention per project – **Retention register available, but funds not yet ring fenced. To be implemented from July 2020.**
- Ring-fence conditional grants and comply with conditional grant funding requirements- **Done**
- Establishment of cash flow management committee - **Planned for July 2020**

**Slow Progress Activities**

- Undertaking activity-based costing to achieve cost reflective tariffs – **Not Yet done**
- Development of a long-term financial plan to achieve a funded budget- **Revenue Enhancement Plan developed to address financial challenges**
- Integration of sub-systems with the core system- **Not yet done**
- Implementation of mSCOA change management processes- **Done**
- Introduction of VAT review process- **Not done, but a plan is underway**
- Workshop all departments on SCM SOPS- **Planned for August 2020**
- Submission of all requisitions for procurement to Cash management committee- Centralise all procurement to SCM
- 

**Support needed by support by Government Department (External)**

- Treasury support with the assessment and establishment of long-term financial viability plan.

**Financial Recovery Plan Lekwa Municipality July 2020**


**Strategy Six – SERVICE DELIVERY AND INFRASTRUCTURE MANAGEMENT**

**Budget:**

**Comprises of 52 activities of which 03 were concluded, 02 activities were almost completed, however, 38 activities are at a slow progress And 10 activities not yet implemented.**

**Strategy Six – SERVICE DELIVERY AND INFRASTRUCTURE MANAGEMENT**

**Challenges**

- Sourcing funding to install water borne sewerage; replacement of asbestos pipes
- Development of Master plans due to inadequate of funds
- Alignment of the organogram for it to cater for the establishment of the electrical workshop section-
- Settlement of Eskom Account and development of strategies to ensure adequate revenues for settlement of Eskom Account – **In progress. To pay Eskom current account on monthly basis.**
- Capacity challenges in supply of electricity, we need to increase NMD from 55MVA to 110MVA (demand exceed supply)
- Water supply to rural areas and high laying area.

**Remedial Actions (Internal)**

- DBSA funding application towards asset care supported by COGTA and MISA.
- Sasol has agreed to reprioritise their SLP funding toward addressing water supply high lying areas.
- Upgrading of water treatment plant.

**Achievement**

- Limit the use of consultants- **Done**
- Updated the 11KV reticulation system and standardize on mini subs 11KV/400V- **In progress**

**Slow Progress Activities**

- Establish an Asset Management Committee; investigation on any differences and adjustment of the asset register- **Not yet**
- Reconcile the infrastructure elements from the GIS and status quo analysis with the asset register- **Not yet**
- Promulgation of the by-laws to regulate maximum demand for all at consumers – **In progress**
- Maintenance of infrastructure and of substations for reduced technical losses- **In progress**
- Create sustainable electrical workshop maintenance procedure, establish and upgrade of existing facility- **Not yet**
- Install water borne sewerage serve 500 households still using septic tanks and 4000- **In progress**

**Support needed by support by Government Department (External)**

- Continues engagement with Eskom and COGTA, in support of LM to deal with Eskom debt.
- Funding support to address ageing infrastructure and asset care (B 15,2 Mil) short term.
- Funding for the upgrading of water treatment plant.



**PILLAR 5:**  
**INSTITUTIONAL CAPACITY AND**  
**ADMINISTRATIVE CAPABILITY**

Performance indicators	Progress made
Municipal Organisational Structure	<ul style="list-style-type: none"> <li>• The Organisational Structure was approved on <b>11/10/2018</b>.</li> <li>• The Municipal Organogram complies with Section 4(2) of the Regulations that deals with the Appointment and Conditions of Employment for Senior Managers.</li> <li>• There are <b>1034</b> posts, <b>522</b> are filled and <b>512</b> are vacant.</li> <li>• Number of Males:: <b>336</b>, Females: <b>186</b>, Youth: <b>94</b> and Disability: <b>2</b>.</li> </ul>
<b>Filling of top six posts:</b> Municipal Manager, CFO, Corporate Services, Technical Services, Community Services and Development & Planning	<p><b>Number of posts :</b> 6.</p> <ul style="list-style-type: none"> <li>• <b>Posts Filled:</b> MM, Director Development &amp; Planning and Director Community Services. They have all signed performance agreements for 2020/2021.</li> <li>• <b>Vacant posts:</b> :CFO, Director Corporate Services and Director Technical Services.</li> </ul>
Organisational Performance Management System	<ul style="list-style-type: none"> <li>• The municipality has an Organisational Performance Management System in place.</li> </ul>

CHALLENGES	INTERVENTION
The post of CFO, Director Technical Services and Director Corporate Services are vacant.	<ul style="list-style-type: none"> <li>• COGTA has seconded an Acting Chief Financial Officer and a acting Director Technical Services for a period of 6 months.</li> <li>• Municipality to fill these vacant S56 positions</li> </ul>
<p>The municipality is not cascading Performance Management System to lower levels.</p> <p>Municipality has no effective HR Plan in place</p> <p>Ineffective monitoring of staff at Regional Service centres on service delivery</p>	<p>The municipality to cascade Performance Management System to lower levels in this municipality so that service delivery can be improved.</p> <p>The municipality need to develop effective HR Plan that will assist in prioritization of posts to be filled and improve the organisational culture</p> <p>Municipal Manager must advise senior managers accountable to her to sub-delegate monitoring responsibilities to Regional Managers</p>



# BUILDING CAPABLE INSTITUTIONS

## Analysis

- S56 posts have been vacant for a very long time, which affects the stability of the Administration.
- The Chief Financial Officer and Director Corporate Services, Director Technical Services Senior management positions are vacant. The department has pushed the municipality to advertise these vacant funded posts. These must be filled before the end of the mid term of the current financial year.
- The department has seconded an Acting Chief Financial Officer and a Director technical Services for a period of 6 months.
- All Staff members will be assessed for performance review and whether legislation is adhered to.
- The Department, District and SALGA to step in to address the instability in the administration especially labour related challenges

# CONCLUSION

- There are persistent challenges in the municipal council, which is impacting on its functionality. Though they are able to meet, they are not able to effectively process items submitted due to divisions in council
- There are tensions between the political and administrative arms of government which make it difficult for the municipality to function effectively. The working relations between the Executive Mayor and Municipal Manager are poor.
- As part of the Provincial Support in terms of Section 154(1) and 155(6) of the Constitution of the Republic Of South Africa, 1996 Read with Section 105(1) of The Local Government: Municipal Systems , 2000 (ACT NO. 32 OF 2000, the department has seconded an Acting Chief Financial Officer and a Director technical Services for a period of 6 months.
- The acting CFO and Acting Director Technical Services who have been seconded to assist the municipality are finding it very difficult to work in the municipality due to the tensions between the political and administrative arms of the municipality.
- The municipality experienced one of the longest unprotected strike action seen in the province when workers went on strike from 03 August 2020 to 08 September 2020
- Subsequent to the unprotected strike action the municipality conducted a disciplinary process which led to 194 municipal officials being charged and 97 have been found guilty and dismissed. This has potential to cause further instability in the municipality.



# CONCLUSION..cont..

- In June 2018, the Department decided to intervene in Lekwa Local Municipality in term of S106 (1)(b) of the Municipal Systems Act. A service provider was appointed to conduct a forensic investigation on the allegations levelled against the Municipality. The appointment was for a period of 30 days effective from 20 June 2018. The investigation was completed and a report was submitted to (COGTA).
- The S106(1)(b)report was presented to the municipal council for implementation of the recommendations on 10 July 2020.
- The department has requested the municipality to develop an action plan to respond to the findings of the S106(1)(b) report.
- To date the municipal council has not met to process the report, largely due to the non-functioning of council
- The municipality must accelerate the implementation of the FRP and submit regular reports to PT. The municipal council must monitor this closely because failure to implement the FRP can have dire consequences on the municipality such as the invoking of section 139(5)(b) of the Constitution, read with section 146(3)(a) of the Municipal Finance Management Act, 2003.
- The department is in the process of making a submission to the Executive Council to place the municipality under administration in terms of Section 139 (1)(b) of the Constitution of the Republic of South Africa, 1996.



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