



Visit of the National Council of Provinces
Building and ensuring a capable and sound financial municipality



KANNALAND
MUNISIPALITEIT | MUNICIPALITY

29 October 2020



Wes-Kapse Provinsiale Parlement
Western Cape Provincial Parliament
IPalamente yePhondo leNtshona Koloni



Delegation

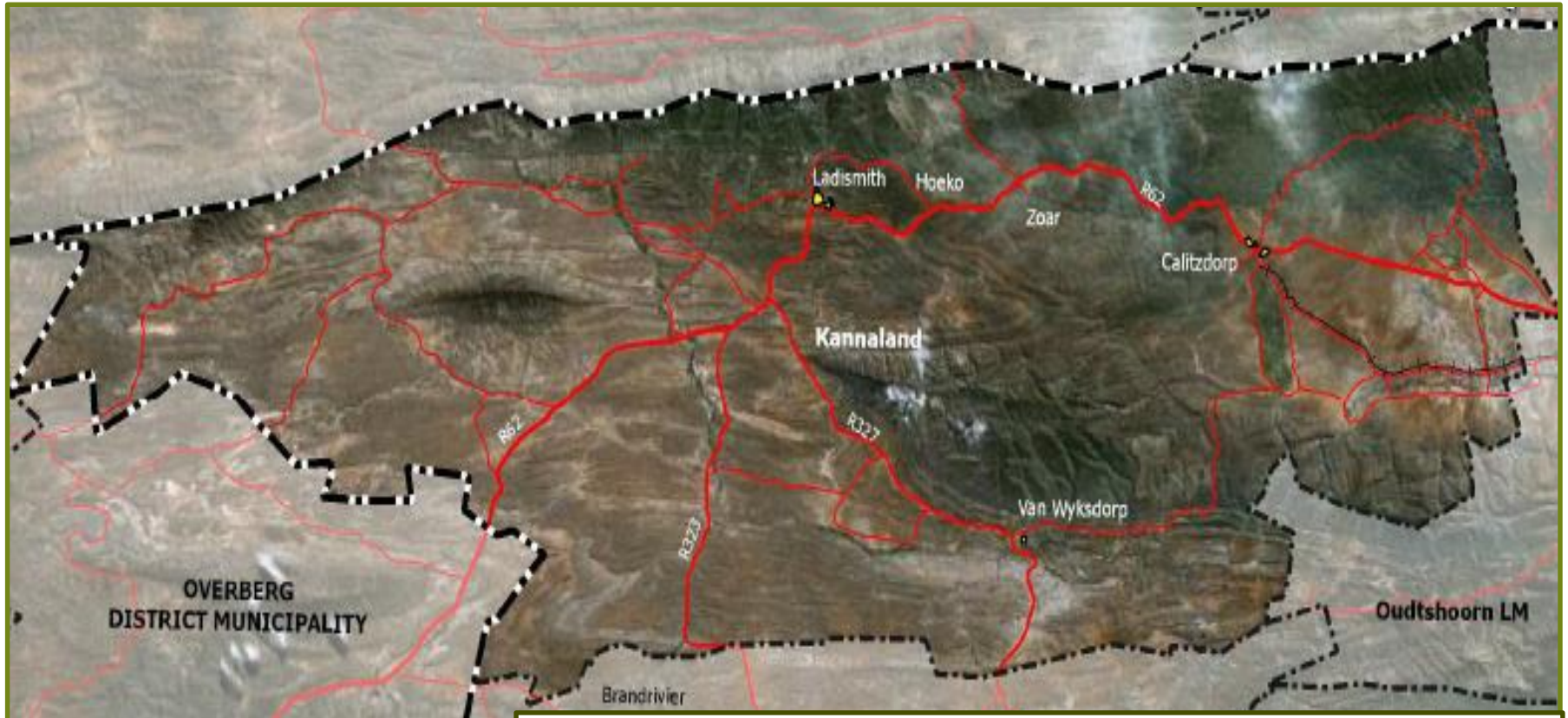
Executive Mayor

Outline of Presentation

- Introduction
- Outline of the municipal audit outcome
- Critical service delivery challenges
- Drought impact interventions
- Service Delivery
- Financial Overview
- Concluding remarks



INTRODUCTION



DEMOGRAPHIC INFORMATION:

Population : 22 956

Households : 5 570

Source: MERO 2019

BACKGROUND

Financial problems and risks facing the municipality

- Cash flow to ensure services delivery
- Limited resources
- Currently a FRP is in to mitigate this risk. The withholding of funds by the Provincial Executive has a direct impact on the municipality's ability to implement certain objectives as set out on the FRP which requires grant funding.

Other information considered relevant

The municipality has further strengthened its workforce by making appointment of the Manager Budget and Treasury with the Accountant for MFMA reporting and reconciliation on the 1st of October 2019.

These appointments have been welcomed by the Western Cape Provincial Treasury and noted by the office of the AG impact in the current audit.



BACKGROUND

- Since 2015 the drought has an extreme negative impact on the water supply and storage security– which also affected the industries in terms of job shedding;
- Attracting new businesses will promote economic growth and create jobs.
 - However, in order to do so, an enabling environment must be created (VISION).
 - This includes spatial planning, land and infrastructure availability.

Cont....

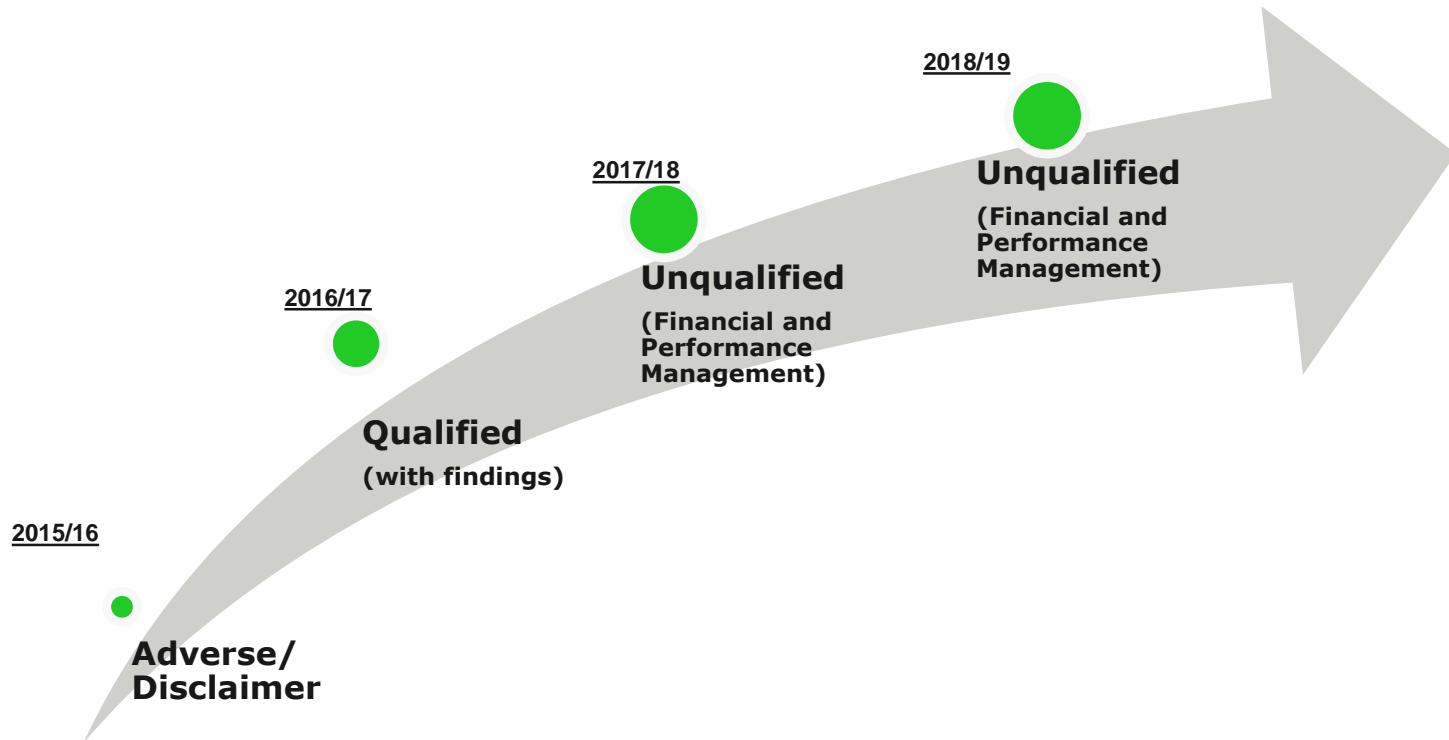
- The low economic growth contributed to district growth is underscored by significant variation in industry-specific growth rates:
 - Agricultural sector **(Main contributor to employment):**
 - Residents predominantly dependant on seasonal work
 - Drought has an impact on harvesting and produce
 - Industries relocating to other towns as result of lack of water security – result in laying off workers – unemployment – negative impact on the payment rate of Kannaland
- Infrastructure needs to be upgraded which will result in:
 - Expansion of businesses
 - Increase employment rate
 - Develop more business opportunities / investments
- Electricity Loss of Income
 - Transfer Eskom usage in Zoar & Van Wyksdorp on Municipal Grid
- **Note: Future PPP solar energy project in pipeline:**
 - It can contribute to the employment growth in Kannaland which will inequality, unemployment and poverty

OUTLINE OF THE MUNICIPAL AUDIT OUTCOME FOR THE PERIOD 2018, 2019 AND 2020

Our audit outcomes of the past three years have improved;

- 2016/17 – Qualified with findings.
- Municipality resolved to apply for Section 139 of the MFMA 2nd December 2018.
- 2017/18 – Unqualified with findings.
- 2018/19 – Unqualified Audit with findings.
- As at 30 June 2020, 29 out of 74 audit findings were resolved.
- The municipality is continually implementing the audit action plan in trying to resolve the outstanding findings.
- Some of these findings will be resolved with the compilation of the 2019/20 Annual Financial Statements.
- 2019/20 – to be audited in November 2020 due to the deadline extension.

AUDIT PROGRESSIVE ACHIEVEMENTS



CRITICAL SERVICE DELIVERY CHALLENGES

□ Water security for Kannaland

- Construction of sufficient water storage capacity “DAMS “ in Kannaland area



□ Sanitation

- Improve the WWTW's capacity

CRITICAL SERVICE DELIVERY CHALLENGES

❑ Upgrading of Roads

- A Master-plan in place, but financial assistance is needed to implement the plan. Potentially only approx. R1.7m would become available for LIC maintenance work

❑ Electricity Supply

- Old infrastructure needs to be upgraded (either bundled overhead cables or underground cable networking, but latter more expensive)

PAVED & UNPAVED ROADS IN KANNALAND

Town	Paved (km)	%	Unpaved (km)	%	Total Network Split (%)
Ladismith	22.07	93	1.61	7	 <p>A pie chart illustrating the total network split between paved and unpaved roads. The chart is divided into two segments: a red segment representing paved roads at 45% and a yellow segment representing unpaved roads at 55%. A legend to the right of the chart identifies the red color as 'Paved' and the yellow color as 'Unpaved'.</p>
Calitzdorp	15.12	84	2.86	16	
Zoar	4.83	16	24.83	84	
Van Wyksdorp	0.58	10	5.50	90	
Totals	42.61	55	34.81	45	

5-YEAR BUDGET REQUIRED (2017-2022)

Town	MIG Area	Other Town Areas	Total
Ladismith	R 857,819	R 15,180,727	R 16,038,546
Calitzdorp	R 4,713,290	R 12,547,853	R 17,261,143
Zoar	R 76,616,770	R 0	R 76,616,770
Van Wyksdorp	R 5,948,425	R 13,137,975	R 19,086,400
Totals	R 88,136,304	R 40,866,555	R 129,002,859

REQUIRED ABOUT R30m per annum – However, spent R0

Drought Impact Interventions



DROUGHT INTERVENTIONS

- Climate change as witnessed through weather patterns for the past few years resulted in many disasters;
- 09 December 2019 Disaster Management Committee was activated throughout and still during the covid 19 pandemic period.
- Extensive communication was broadcast to community and industries in terms of water saving tips;



DROUGHT INTERVENTIONS

Funding support from DLG Drought Funds

R2.25m in 2018/19 – Zoar & Calitzdorp WTW

R7m in 2019/20 – Zoar WTW ph 2

- Ladismith Deep Borehole
- Van Wyksdorp Borehole

R2.6m 2020/21 - Ladismith boreholes

Cont.....

- Water availability – rural areas were addressed
 - Water was transported and distributed to all farming communities;
- Daily monitoring and evaluation took place 24/7;
- Law enforcement officers were deployed to ensure community adhere to restrictions;

CHALLENGES EXPERIENCED

- Budget constraints – Limited resources:
 - Fleet (Water trucks needed in Kannaland – **Urgently**); also bakkies, waste trucks with compaction facilities
 - Own communication equipment
 - Staff (Law enforcement officers);
 - Tools and Equipment

Service Delivery



RELATIVE GOOD WINTER RAINS FOR REGION

WATER STATUS AS AT 19 OCTOBER 2020

- CO Dam increased from 7% (Feb '19) – 66%
- Tierkloofdam from 20% then, now overflowing
- LDS small earth dams gained water & now at 100%
- Daily record from river + BHs = 3.4 MI/d (2,9MI)

DEALING WITH WATER LOSSES

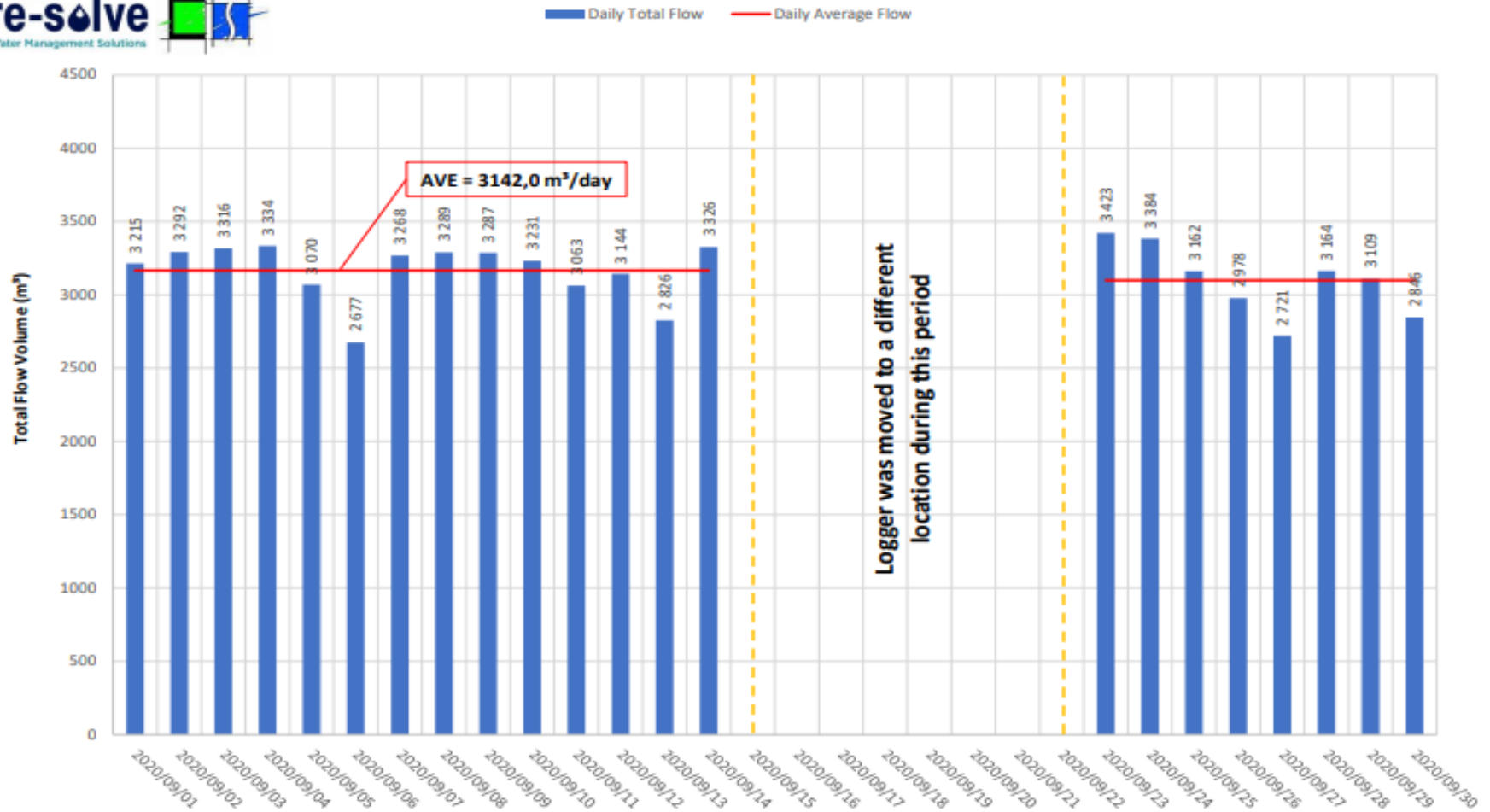
- × **Water Conservation Demand Management**
 - + **Zone meters** to be installed – leak detection
 - + **Water meter audit** & replacement faulty meters – also enhances revenue
 - + **Bulk meter** installed at extraction point = rural deliveries
 - + **FAULT REPORT** – records duration to fix faults
- × **Water Restrictions – drought tariffs**
- × **NEW BULK METER & LOGGER LADISMITH**



BULK WATER METER LOGGING = LADISMITH



Ladismith Daily Total Bulk Flow (September)

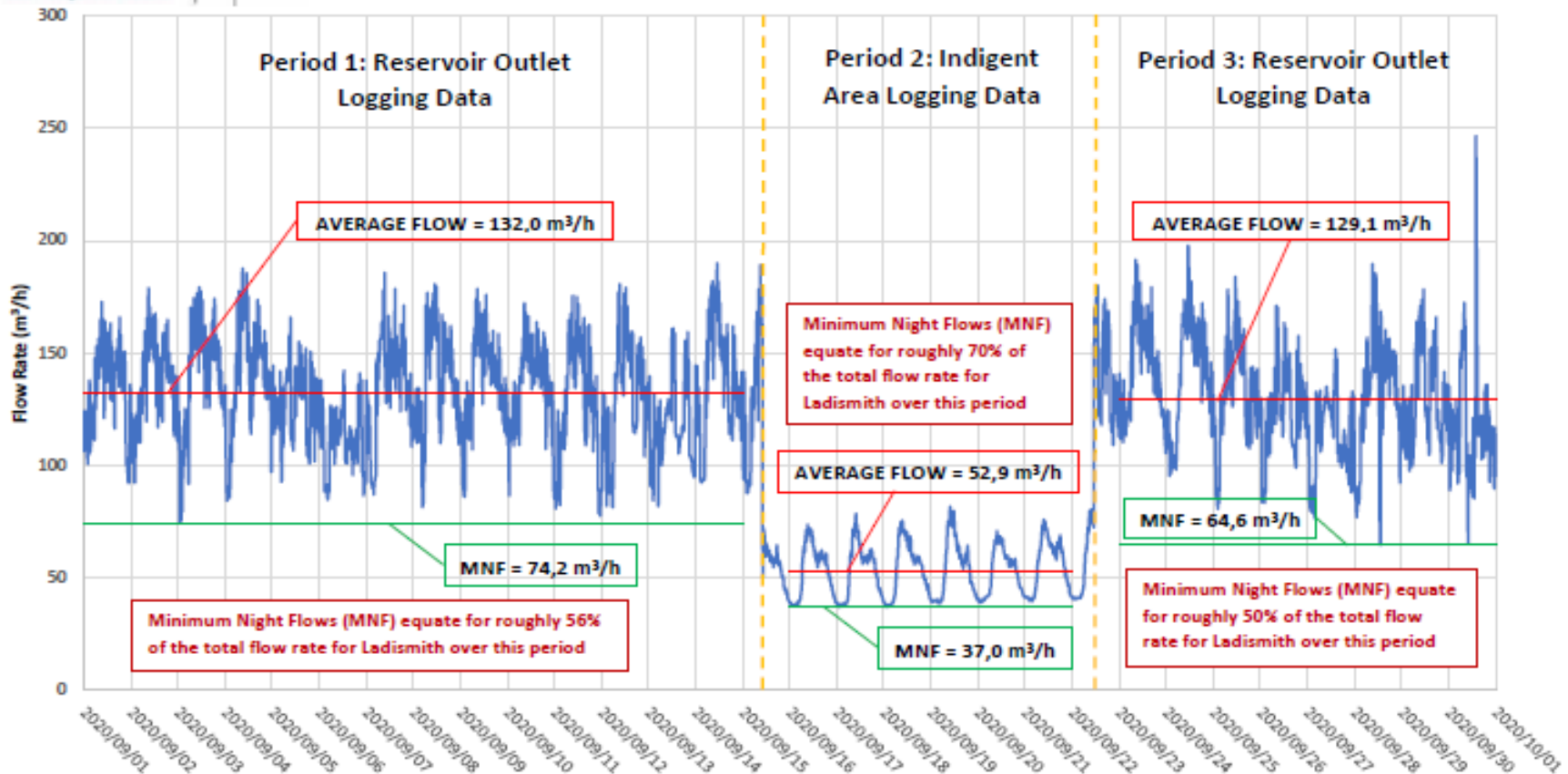


LADISMITH – BULK WATER METER LOGGING



Ladismith Hourly Flow Rate (September)

Ladismith Hourly Flow Rate MNF Average Flow Rate



COMPLETED PROJECTS SINCE 2016/17 – 2019/20

MIG 2017/18	
Calitzdorp Bergsig Rehabilitation of Sportsfield	R 4 854 338,00
Zoar Upgrade Gravel Roads Ph1	R 1 807 829,35
Zoar Upgrade Water Reticulation	R 3 189 332,65
MIG 2018/19	
Zoar Upgrade Water Reticulation (Roll-Over)	R 52 541,51
Calitzdorp New Sportfield Lighting	R 882 930,00
Van Wyksdorp Greenhills New Street Lighting	R 303 240,00
Zoar Upgrade Sportfield Ph2	R 2 222 341,00
Calitzdorp Water Availability Study	R 750 789,00
Kannaland Installation of Water Meters	

COMPLETED PROJECTS SINCE 2016/17 – 2019/20

WSIG	
Calitzdorp Bloekomlaan Reservoir	R 8 000 000,00
DROUGHT RELIEVE FUNDS	
Emergency Drought Relieve Projects	R 3 800 000,00
19/20 FINANCIAL YEAR	
Zoar Upgrade Water Reticulation	R 97 693,40
Calitzdorp Water Availability Study	R 166 293,41
Kannaland Installation of Water Meters	R 861 759,69
Van Wyksdorp Greenhills New Street Lighting	R 247 899,46
Calitzdorp New Sportfield Lighting	R 341 043,89
Zoar Upgrade Sportfield Ph2	R 3 726 953,42
Ladismith New Waste Water Treatment works	R 1 600 000,00
Ladismith Upgrade Water Treatment Works	R 2 715 806,73

Pictorial slides of almost completed Ladismith WTW



WATER PROJECTS

2020/2021

1. Calitzdorp: Deep BH - R17m
2. Ladismith Deep BH (cont) – R2.6m
(Total R5.5m)
3. Ladismith: monitoring system BHs
4. Ladismith – Upgr WTW & WWTW
5. Zoar – 2 No BHs extra



PresenterMedia

MED/LONG TERM WATER SECURITY

Ladismith:

- **Deep BH**
- **Weir & Swart Berg Dam** with storage & gravity feed
- Constructing of the new Swartberg Dam – waiver application was submitted to DWS

Calitzdorp:

- **New Deep BH & Nelsdam** Bulk Sources
- new feed from **KKRWSS** – Blossoms BHs supplies – connection

Zoar:

- **New Dam proposed on Long Term for irrigation & additional drinking water**

Van Wdorp:

- **Additonal BH & water storage**



WATER RESILIENCE IMPROVEMENT

- Participated in **WC DEDAT study** into economic water resilience – results **March 2020**
- Prepare a **Drought Relief Action Plan** from **DLG** covering present and future planned interventions & regular monitor/report
- **DBSA funding application Water Master Planning whole Kannaland**
- **FRP** monitoring **WWTW interventions** – DWS & potentially **reuse of grey water**



Financial Overview



OPERATIONAL BUDGET PERFORMANCE

Revenue

- We have experienced a significant revenue loss under the national lockdown.
- The previous slide demonstrates a $\pm 29.90\%$ revenue decrease of between the third and fourth quarter.
- Debt Collection for the period was 76.36%.
- There was also a further increase on Outstanding Debtors due to non-payment by consumers during this period.
- The municipality expects an increase on the Debt Impairment due to job losses experienced due to the pandemic.
- Data cleaning project in process to ensure correctness, completeness, and credibility of billing information
- To check whether records at deeds office correspond with debtors data.
- To check that all individual properties have meters, building plans, etc.
- To check the completeness of personal details such as street- and postal addresses ensuring updating thereof
- Electronic tool in use will generate a deviation report which will assist the municipality to rectify its database.
- We also envisage updating consumers' deposits to mitigate the future risks of irrecoverable debtors.

Expenditure

- The pandemic resulted to a significant decrease in expenditure particularly the contracted services.
- This has negatively affected the delivery of services.
- The municipality reprioritised these savings into COVID-19 related expenses such as Personal Protective Clothing (PPE).



BREAKDOWN OF COVID-19 EXPENDITURE

COVID-19 Funding and Expenditure	
Grant Funding	Amount
Western Cape Government (Food Parcels)	R 450 000,00
National Government (Disaster Relief Funds)	R 298 000,00
Total Grant Funding	R 748 000,00
Expenditure	Amount
Personal Protective Clothing (PPE)	R 258 651,54
Food parcels including warm meals for the destitute	R 450 000,00
PPE and other related COVID-19 Expenditure	R 808 441,49
Total expenditure	R1 517 093,02
Shortfall	-R 769 093,02
NB: Own Funds had to be reprioritized to cover the shortfall.	



CONSEQUENCE MANAGEMENT

Unauthorized Expenditure – Occurred due to incorrect budgeting which resulted on overspending.

Remedial Action

Effective monitoring of budget spending has resulted into the significant decrease from **R91.7 million to just R4 million**. However we are putting measures in place to ensure that there is no unauthorized expenditure.

Irregular Expenditure – Occurred due to a lack of proper controls which will ensure that every expense is compliant with the Municipal Finance Management Act and Regulations.

Remedial Action

Appointment of skilled personnel, financial control and processes to ensure that all financial transactions are in line with the relevant act and regulations.

Fruitless & Wasteful Expenditure – Occurred due to our financial constraints. This amount is as a result of penalties/interest charged to us by our creditors as we could not meet our financial obligations.

Remedial Action

Preparation of payment plan (30 Sept 2020) and negotiating it with our creditors.

Where corrupt activities have been suspected, we have reported those cases to the law enforcement agencies and their investigations are underway.



FINANCIAL RECOVERY PLAN

- The Municipality voluntarily requested to be placed under Administration, and the Provincial Executive resolved accordingly,
- A Final Recovery Plan was developed as part of a Section 154 Support Package. – to introduce a holistic support strategy to Kannaland
- The FRP allowed access to support from National and Provincial Departments and other stakeholders forming part of the support package
- To support the implementation of the FRP, a dedicated Administrator was appointed.

STATUS QUO

- Project progress with FRP stands at 97%;
- This progress are not necessary equal in terms of the institutional maturity and financial sustainability of the municipality;
- The FRP also does not in every respect comply with section 142 of the MFMA and must be statutorily aligned to set firm financial targets and enhance the financial recovery process (this is currently in progress);
- Definite and measurable targets must be set to positively affect the organisational capacity and institutional knowledge;
- Outcomes and improvement should be measured on a regular basis.
- Although projects are result orientated, results are not necessarily immediate; and
- Projects are defined under 7 key performance areas for project and performance management purposes.

FRP: KEY PERFORMANCE AREAS

- The seven key performance areas identified are the following:
 - a. Institutional Stability
 - b. Good Governance
 - c. Financial Sustainability
 - d. Basic Service Delivery & Infrastructure
 - e. Economic Development
 - f. Planning
 - g. Risk Management and Internal Audit

FRP: KPA 1: INSTITUTIONAL STABILITY

- Organisational review
 - a. Organisational structure reviewed and adopted
 - b. Organisational placement is in progress
 - c. Critical posts identified
 - d. Job descriptions redrafted
- Human Resources
 - a. Review contract appointment and terminations
 - b. HR policies reviewed and redrafted
 - c. Leave audit
 - d. Outstanding disciplinary matters have been finalized and discipline is applied throughout the organisation
 - e. Appointment of acting and permanent senior managers have been concluded

FRP: KPA 1: INSTITUTIONAL STABILITY

- Culture of meetings reintroduced
- Senior Management meetings held
- LLF meetings held
- Workplace stabilised between employer and employee
- Corporate identity and new logo adopted and established

FRP: KPA 2: GOOD GOVERNANCE

- Second unqualified audit opinion
- Development and review of plans & policies
 - a. Storm Water and roads Master Plans
 - b. Electricity Master Plans
 - c. Infrastructure Growth Plans
 - d. Repair and maintenance Framework
 - e. Human Settlements Plan
- Updated Municipal Code comprising of all its By-Laws
 - a. Water and Sanitation By-law (Review, amendment and cost in terms of publication)
 - b. Informal Trading By-law (Review and amendment of By-law)
 - c. Pounds By-law (Development of By-law)
- Review of Delegations
- Training for Councilors on Code of Conduct and MPAC

FRP: KPA 2: GOOD GOVERNANCE

- Public Participation
 - a. Development and monitoring of Citizen/ Client Service Charters
 - b. Ward Committee Functionality: Training, Know Your Ward Committee Campaigns
 - c. Development and review of Ward Committee Operational Plans
 - d. Development and review of Public Participation and Ward Committee Policies
 - e. Design a new municipal corporate Identity

FRP: KPA 4: BASIC SERVICE DELIVERY AND INFRASTRUCTURE

- Water security for Kannaland.

A newly designed Water Tariff Structure as well as unique Drought Tariff structure, specific for each town, introduced for 2020/21 year.

- Progress made to provide Ladismith (High Risk) with water security in terms of the following additional interventions:
 - a. 5 New exploration boreholes drilled by 30 June 2020
 - b. Borehole T1 equipped and connected into the water supply network
 - c. Planning completed for deep borehole drilling into TMG aquifer
 - d. Obtained summary report from Geo-Hydrologist to guide a clear way forward for further drilling and doing the WULA for the whole wellfield
 - e. Replaced existing borehole water meters with non-intrusive meters for more accurate recording
 - f. Filter drain under river bed partly opened and quotation obtained to rehabilitate further

FRP: KPA 4: BASIC SERVICE DELIVERY AND INFRASTRUCTURE

- Water Conservation and Demand Management:
 - a. Replaced the faulty bulk water meter measuring all bulk water into Ladismith town with a new bulk meter and a logger in June 2020 and started recording hourly water into the network.
 - b. Planned the installation of zonal meters and loggers to detect any water leakages
 - c. A recent water balancing report shows great improvement in UAW within acceptable industry norms
- Waste disposal
 - a. Refuse is removed on a daily basis as per Municipal Schedule

FRP: KPA 6: PLANNING

- Spatial Development Framework in process of completion.

FRP: KPA 6: INTERNAL AUDIT AND RISK MANAGEMENT

- Concluded shared services MOA with Garden Route DM for ICT, Internal Audit and Risk Management services;
- Risk based IA plan developed; and
- Internal controls are being restored.

FRP: KPA 7: INTERNAL AUDIT AND RISK MANAGEMENT

- Concluded shared services MOA with Garden Route DM for ICT, Internal Audit and Risk Management services;
- Risk based IA plan developed; and
- Internal controls are being restored.

FRP Projects identified for funding

PDLG	PT
<ul style="list-style-type: none"> Acquisition of a reliable server and offsite hosting of data. 	<ul style="list-style-type: none"> Revenue Management Project & Data Cleansing
<ul style="list-style-type: none"> Property Valuation process 	<ul style="list-style-type: none"> mSCOA Implementation. This includes acquisition of new mSCOA compliant modules such as SCM, HR, Performance Management etc.
<ul style="list-style-type: none"> Fleet Management – The lack of vehicles has a negative effect on basic service delivery as in the technical department some sections must share service delivery vehicles. 	<ul style="list-style-type: none"> Address business continuity matters of all critical ICT systems.
<ul style="list-style-type: none"> Water Conservation & Water Demand Management - Ladismith (Zonal bulk meters & loggers) 	<ul style="list-style-type: none"> Creditor payment strategy
<ul style="list-style-type: none"> Waste disposal – the waste disposal service needs appropriate collection vehicles to ensure the more effective covering of daily waste. 	<ul style="list-style-type: none"> Develop a repayment plan with service provider including verification of financial management and accounting system.
<ul style="list-style-type: none"> Streets upgrading programme all towns 	<ul style="list-style-type: none"> Review Revenue Management Systems to maximise revenue generation.
<ul style="list-style-type: none"> Groundwater Management Plan for Vanwyksdorp 	<ul style="list-style-type: none"> mSCOA and Financial reporting



WAY FORWARD

- Good governance and institutional capacity are improving drastically due to fundamental principles of these KPA's being put in place.
- Financial reporting and accountability have improved, and the Municipality is making steady progress in implementing mSCOA and institutionalising basic measures influencing future financial sustainability.
- Service delivery and accountability therefore is improving constantly; and
- The Municipality has attained administrative stability through these actions of the FRP that creates a platform for a stable future.
- The FRP is in a process of revision and will be amended into a practical tool through which financial improvement will be measurable and tracked and institutional capacity will be developed through mentored engagements.

CONCLUDING REMARKS

Governance and administration

- **Release of funding by DLG and PT to unblock the projects that are dependant on this funding.**
- Review of the organogram to manage workforce numbers within the context of the financial recovery plan and to ensure that it is fit-for-purpose.
- Improved public participation processes.

Service delivery and infrastructure

- Continue to reduce service delivery backlogs and maintaining minimum service delivery standards despite precarious financial position.
- Substantially achieving targets for delivery of infrastructure projects.

Financial management

- Improved implementation of capital funding (FRP MONITORING TOOL).
- Improved internal controls.

SUCSESSES to date

- Implementation of the Financial Recovery Plan.
- Compliance with mSCOA Requirements.
- Appointment of BTO Manager and Senior Accountant on the BTO.

CONCLUDING REMARKS (CONTINUED)

- Clear vision and implementation plan (and link to municipality's vision)
- Setting high expectations with specific goals and objectives
- Clarify roles and responsibilities – take ownership
- Periodically track progress and implement corrective measures
- Build trust and demonstrate courageous leadership
- Recognise, celebrate and reward progress and successes
- Maximise partnerships with public and private sector institutions
- Do the basics right:
 - Basic services: Creating decent living conditions
 - Sound financial management
 - Good governance
 - Public participation: Putting people first
 - Sound institutional capacity

*"It always seems impossible
until it is done."
Nelson Mandela*

CONCLUSION

We believe that infrastructure development is a catalytic focus area and has a positive cross-cutting impact on various sectors.

Our answer in sustainable social and economic development is vested in infrastructure development.





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Thank You
Enkosi
Dankie

QUESTIONS & COMMENTS