

NATIONAL COUNCIL OF PROVINCES

NORTHERN CAPE
26-29 OCTOBER 2020

Institutional Challenges

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- ❑ Negative Audit Outcomes
- ❑ Persistent Operating Deficit (2014/15-2019/20)
- ❑ Property Rates not linked to applicable services for Rate & General
- ❑ Property Rates Levy Compliance Issues
- ❑ Trading Services Tariffs not Cost Reflective: putting undue pressure on Rates & General
- ❑ Revenue Collection & Debt Management
- ❑ Lack of Infrastructure Replacement Programme & Funding
- ❑ Lack of O & M Programmes/Funding gap (Reactive Repairs)
- ❑ Lack of appropriate tools of trade for service delivery programmes

Annual Budget Synopsis

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Description	2019/20 Budget	2020/21 Budget
Total Operating Revenue	339,994,014	424,931,462
Total Operating Expenditure	294,430,553	346,620,452
Surplus/ (Deficit)	45,563,461	78,311,010
Total Capital Expenditure	62,434,043	93,082,214

Un-funded Budget & Persistent Operating Deficit

YEAR	REVENUE	EXPENDITURE	DEFICIT
2020	330,399 000	344,551 000	(14,152 000)
2019	R351 757 784	R421 294 468	(R69 536 684)
2018	R333 260 329	R386 333 875	(R53 073 546)
2017	R297 737 223	R375 564 759	(R77 825 536)
2016	R292 907 987	R349 583 112	(R56 675 125)
2015	R279 795 738	R350 598 104	(R77 802 366)
2014	R219 573 698	R297 621 532	(R78 047 825)
2013

THE HARSH REALITY OF PHOKWANE: Debtors Balances at June 2020

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Debtor Profile	Arrears Balances
Government	R 29 865 982
Business	R 44 822 333
Agriculture/ Farmers	R 32 879 626
Residents / households	R493 729 139
Indigents	R 35 202 794
Total	R636 499 874

Revenue Billing vs Revenue Collection

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ANNUAL TOTALS 2019/20	Billing: Annual Total	Collection: Annual Total	%
Property Rates and	R27,606,752	R15,965,979	57.8%
Water	R35,389,454	R34,878,500	98.6%
Waste Water	R15,419,050	R3,777,051	24.5%
Electricity	R84,849,524	R59,810,400	70.5%
Refuse	R10,624,682	R2,521,150	23.7%
Total	R173,889,462	R116,953,080	67.3%

Historical Debt to Eskom & Water Board June 2020

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□ **Total Debt for all: R278 988 345**

(a) Eskom R137 140 977

(b) Vaalharts Water R51 935 827

(c) Sedibeng Water R89 911 541

Eskom debt include interest of about 23% of the total.
Water Board do not charge interest yet

ESKOM & WATER BOARD PAYMENT IN 2019/20

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CREDITOR	CURRENT A/C	PAYMENT
ESKOM	R78 073 391,69	R50 000 000,00
VAALHARTS WATER	R28 021 263, 00	R24 020 523,81
SEDIBENG WATER	R35 980 105,55	R15 364 147,91

Have submitted a fresh Payment Plan to Eskom which covers full current account plus contribution to debt reduction

Institutional Challenges: Audit Outcomes

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❖ Audit Outcomes

- 2018/19: Awaiting Audit Outcome (delayed by covid-19)
- 2017/18: Qualified Opinion
- 2016/17: Qualified Opinion
- 2015/16: Disclaimer
- 2014/15: Disclaimer
- 2013/14: Disclaimer
- 2012/13: Disclaimer
- 2011/12: Disclaimer

Action Plan: Audit Outcomes

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- ❑ Action Plan on AG Audit findings for year ended 2017 and 2018 have been completed. However, the quality of implementation of such Action Plans has been middling. Moreover, we haven't been able to subject progress of such implementation to an internal audit process
- ❑ as part of overall response to Governance and Systems improvement, we have sought to outsource Internal Audit to suitably qualified SP. The brief include skills development on preparation of Action Plans and implementation thereof including Risk Management coaching. The tender is presently under evaluation
- ❑ internal auditors will quality-review Action Plans, audit Implementation reports, Financial Recovery Plan (FRP led by the NT) implementation, etc.

Working Capital Management

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- ❑ Cash flow standing improved significantly due to cost/expenditure management
- ❑ Notwithstanding having not received Equitable Share in July 2020, we have been able to meet all planned financial obligations without stress due to the savings we had accumulated in the past months
- ❑ We have an agreed to payment plan with Vaalharts Water and Eskom is considering our proposed payment plan. Currently (2019/20) paying 64% of Eskom total account.
- ❑ The contract with Sedibeng Water is under review due to the fact that Sedibeng lacks operating capacity to deliver on the contract.

Service Delivery: Tools of Trade

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Tools of Trade	
Honey Sucker (3)	R3 200 000.00
Refuse Truck (3)	R6 300 000.00
Tipper Trucks (2)	R1 900 000.00
TLB (3)	R3 200 000.00
Bakkies (6)	R2 400 000.00
Cherry Picker (1)	R1 300 000.00
Skip Loader Truck(1)	R1 100 000.00
Refuse Skips (40)	R1 000 000.00
HV Sewer Cleaner(3)	R1 300 000.00
Bossieslanger(3)	R1 300 000.00
Bulk Metering-WTW	R2 000 000.00
TOTAL	R25 100 000.00

Capital Expenditure

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Internal Funding	R25 100 000.00	<ul style="list-style-type: none"> Refer to the next slide for breakdown
MIG Funding	R 26 112 000.00	<ul style="list-style-type: none"> Highmast Lighting for Pampierstad and Ganspan (R2 196 065.91) Upgrade of Existing Asbestos Water Reticulation Network in Pampierstad-Phase 5 (R13 851 934.09) New Pumpstation and Related Bulk Sewer Outfall Lines in Masakeng (R10 000 000.00)
WSIG Funding	R 21 500 000.00	<ul style="list-style-type: none"> Upgrade of Waste Water Pumpstations and Bulk Outfall Lines in Pampierstad (R18 434 213.97) Feasibility Studies for WTW in Jankempdor, Pampierstad & Hartswater (R 3 000 000.00)
INEP Funding	R 6 600 000.00	<ul style="list-style-type: none"> Electrification of Nkandla – Phase 2
TOTAL	R 79 312 000.00	

Conditional Grants 2019/20

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Project Name	Total Transfers	Expenditure as at 30 June 2020	Balance as at 30 June 2020	% Under-expenditure/ (Over-expenditure)
MIG	R 14,285,000.00	R 8,524,698.51	R 5,760,301.49	40%
INEP	R 14,458,000.00	R 2,351,024.58	R 12,106,975.42	84%
EPWP	R 1,142,000.00	R -	R 1,142,000.00	100%
WSIG	R 35,000,000.00	R 27,776,166.15	R 7,223,833.85	21%
FMG Capex	R 1,430,000.00	R 1,131,094.43	R 298,905.57	21%
FMG Opex	R 1,250,000.00	R 834,619.04	R 415,380.96	33%
Library	R 874,300.00	R 2,240,199.59	-R 1,365,899.59	-156%