



# **MASILONYANA LOCAL MUNICIPALITY**

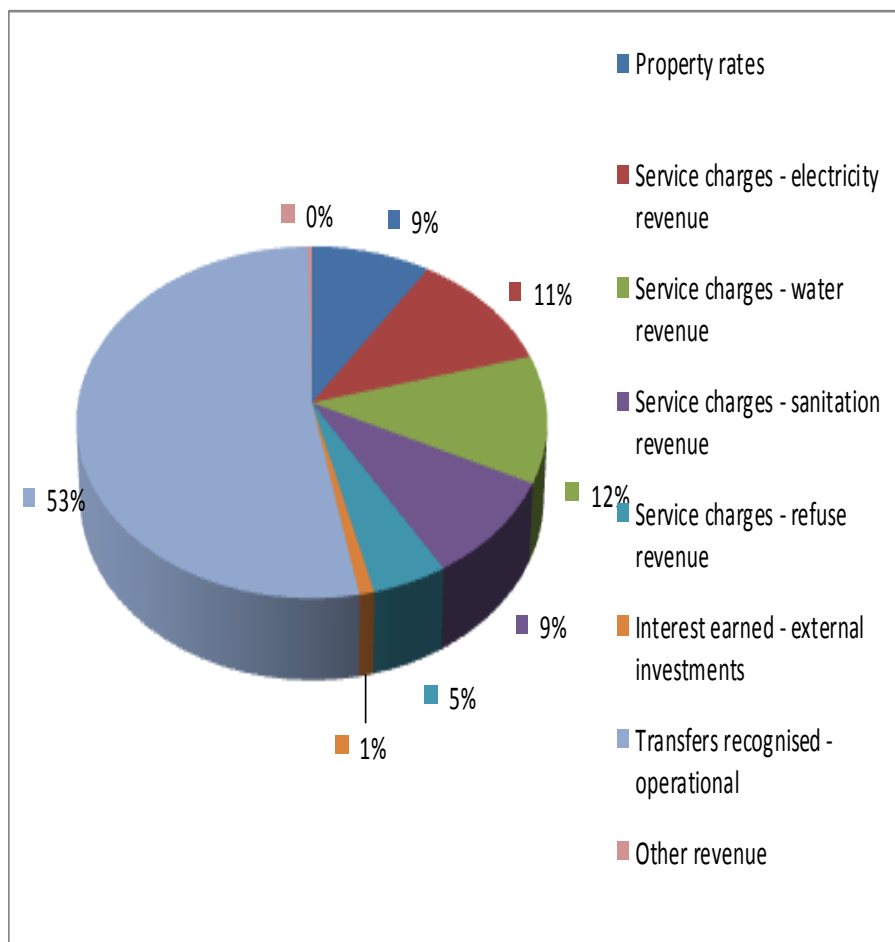
**PRESENTATION TO THE NCOP  
SELECT COMMITTEES ON  
FINANCE AND APPROPRIATIONS**

**8 September 2011**



# 1. Development and Implementation of Budget Planned Revenue vs Actual Collected by Source

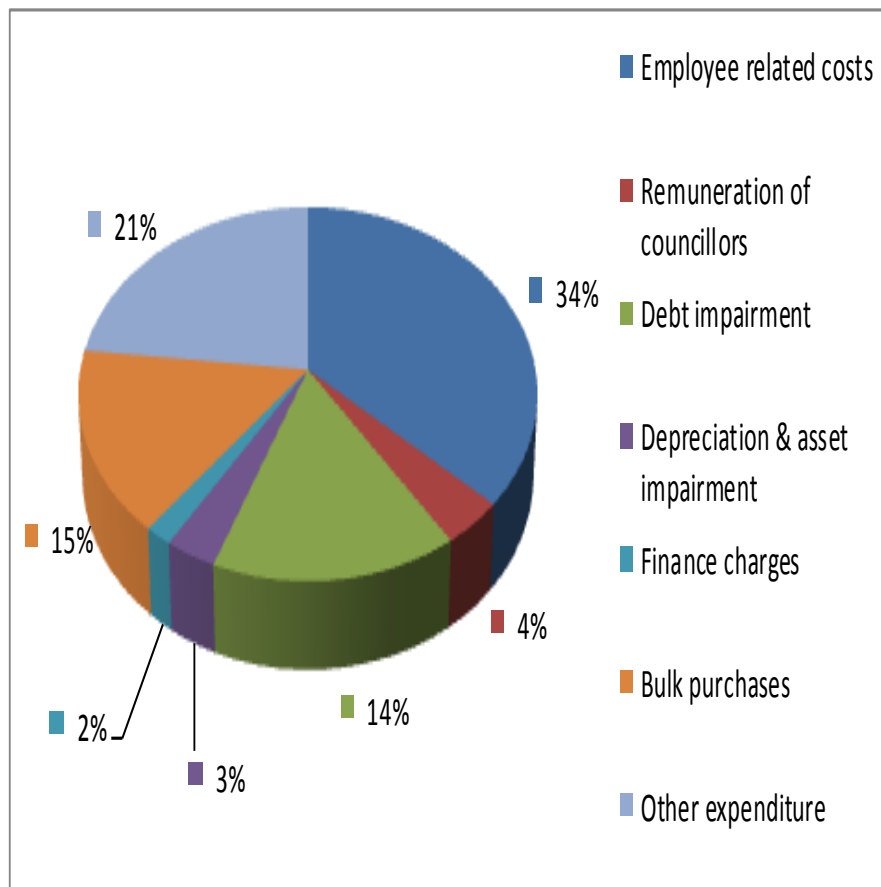
Description R thousand	Financial Year 2010/11		
	Original Budget	Adjusted Budget	Pre-audit outcome
<b>Revenue By Source</b>			
Property rates	14 556	13 240	14 035
Service charges - electricity revenue	26 633	19 502	17 693
Service charges - water revenue	14 375	14 324	18 022
Service charges - sanitation revenue	14 759	15 032	14 233
Service charges - refuse revenue	7 810	7 795	7 186
Service charges - other	392	(1 089)	4
Rental of facilities and equipment	189	155	130
Interest earned	3 018	3 024	1 423
Dividends received	26	26	2
Fines	100	81	49
Transfers recognised - operational	69 939	80 939	81 024
Other revenue	205	130	497
<b>Total Operating Revenue</b>	<b>152 003</b>	<b>153 160</b>	<b>154 298</b>





# 1. Development and Implementation of Budget Planned Expenditure vs Actual by Item

Description R thousand	Financial Year 2010/11		
	Original Budget	Adjusted Budget	Pre-audit outcome
<b>Expenditure By Type</b>			
Employee related costs	41 588	41 788	45 190
Remuneration of councillors	4 544	4 544	4 804
Debt impairment	34 115	37 528	19 031
Depreciation & asset impairment	400	400	3 944
Finance charges	1 006	1 006	2 114
Bulk purchases	22 098	19 300	19 533
Free Basic Services & Indigents	12 400	12 400	10 694
Other expenditure	31 434	36 030	28 735
<b>Total Expenditure</b>	<b>147 584</b>	<b>152 995</b>	<b>134 046</b>





# 1. Development and Implementation of Budget

## Growth in Revenue Budget – 2011/12

2% Growth in Revenue mainly due to a 29% increase in electricity tariffs, and an 8% reduction in operating grants.

Description R thousand	Financial Year 2010/11		Budget Growth	
	Original Budget	Adjusted Budget	Budget Year 2011/12	%
<b>Revenue By Source</b>				
Property rates	14 556	13 240	14 455	9%
Service charges - electricity revenue	26 633	19 502	25 150	29%
Service charges - water revenue	14 375	14 324	15 021	5%
Service charges - sanitation revenue	14 759	15 032	15 783	5%
Service charges - refuse revenue	7 810	7 795	8 184	5%
Service charges - other	392	(1 089)	(855)	-21%
Rental of facilities and equipment	189	155	174	13%
Interest earned - external investments	21	27	50	87%
Interest earned - outstanding debtors	2 998	2 998	3 096	3%
Dividends received	26	26	11	-58%
Fines	100	81	67	-17%
Transfers recognised - operational	69 939	80 939	74 392	-8%
Other revenue	205	130	53	-60%
<b>Total Operating Revenue</b>	<b>152 003</b>	<b>153 160</b>	<b>155 580</b>	<b>2%</b>



# 1. Development and Implementation of Budget

## Growth in Expenditure Budget – 2011/12

1% Growth in Expenditure Budget includes an 8% increase in salaries and a 22% increase in bulk purchases (electricity), offset mainly by a reduction in debt impairment (bad debt provision) of 16%.

Description R thousand	Financial Year 2010/11		Budget Growth	
	Original Budget	Adjusted Budget	Budget Year 2011/12	%
<b>Expenditure By Type</b>				
Employee related costs	41 588	41 788	44 924	8%
Remuneration of councillors	4 544	4 544	4 835	6%
Debt impairment	34 115	37 528	31 437	-16%
Depreciation & asset impairment	400	400	3 100	675%
Finance charges	1 006	1 006	514	-49%
Bulk purchases	22 098	19 300	23 575	22%
Contracted services	–	400	500	25%
Transfers and grants	–	12 400	10 649	-14%
Other expenditure	43 834	35 630	35 521	0%
<b>Total Expenditure</b>	<b>147 584</b>	<b>152 995</b>	<b>155 054</b>	<b>1%</b>



# 1. Development and Implementation of Budget

## Capital and Operating Budget Comparison by Source

The municipality is highly dependent on grants for both operating ( $\pm 50\%$ ) and capital ( $\pm 90\%$ ) funding requirements.

Description	Financial Year 2010/11		2011/12 Medium Term Revenue &		
	Original Budget	Adjusted Budget	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>R thousand</b>					
<b>Operating Budget by Source</b>					
Property rates	14 556	13 240	14 455	15 222	16 059
Service charges	63 969	55 564	63 282	71 094	80 138
Investment revenue	21	27	50	52	55
Transfers recognised - operational	69 939	80 939	74 392	82 280	87 542
Other own revenue	3 518	3 390	3 401	3 581	3 778
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>152 003</b>	<b>153 160</b>	<b>155 580</b>	<b>172 229</b>	<b>187 572</b>
<b>Capital Budget by Source</b>					
Transfers recognised - capital	33 211	25 211	30 322	36 868	38 896
Internally generated funds	3 850	3 850	3 820	–	–
<b>Total sources of capital funds</b>	<b>37 061</b>	<b>29 061</b>	<b>34 142</b>	<b>36 868</b>	<b>38 896</b>

<b>Operational Grants Dependency</b>	46%	53%	48%	48%	47%
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<b>Capital Grants Dependency</b>	90%	87%	89%	100%	100%
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# 1. Development and Implementation of Budget Operating Ratio's

## Revenue Collection – 52%

- Revenue collection is steadily increasing from 45% in 2009/10 to current levels of approximately 52% in 2010/11.
- Recent strike had a significant influence on payment levels!!
- The municipality is aiming to increase revenue collection to 70% in the 2011/12 financial year.

## Salaries – 29% of the operating budget

- Critical vacancies still need to be filled.

## Repairs & Maintenance – 5% of the operating budget

- Repairs and maintenance is too low and must be increased to at least 10% of the operating budget.
- Infrastructure in major towns has all but reached the end of its lifespan, and will have to be replaced to avoid a complete collapse.



## 2. Compliance with the MFMA

### a) Supply Chain Management:-

- There is no supply chain management unit that can give effect to policy compliance due to financial constraints;
- Bid committees – None.

**b) Budget and Treasury Office** – No budget office, and the treasury office is not fully complimented due to financial constraints.

**c) 2009/10 and 2010/11 AFS** was submitted on time. Major constraints in 2010/11 due to industrial action/ intimidation.

**d) Section 71 Reports** are submitted on time.

**e) Internal audit unit and audit committees** – not yet established.

**f) Status of the annual reports** – 2010 fin year completed. 2011 fin year in progress.





### 3. Performance of Conditional Grants DORA Allocations

**100% Spending of conditional grant funds transferred to the amount of R41 mil, plus spending of roll-overs to the amount of R7,7 mil.**

<b>Grant Description</b>	<b>DORA</b>	<b>Transferred</b>	<b>Expenditure</b>
MIG - Municipal Infrastructure	25 211	25 211	100%
FMG - Financial Management	3 000	3 000	100%
MSIG - Municipal Systems Improvement	750	750	100%
COGTA Free State - Relief	12 085	12 085	100%
<b>TOTAL</b>	<b>41 046</b>	<b>41 046</b>	<b>100%</b>



## 3. Performance of Conditional Grants Achievements

### **MSIG (Municipal Systems Improvement Grant) –**

- Public participation
- Development and implementation of some policies
- Addressing water quality issues
- Addressing Auditor General's management letter reports
- Upgrading of water treatment plant

### **FMG (Financial Management Grant) –**

- Appointment of interns
- Implementation of the new financial management system
- Accounts data purification
- Compilation of GRAP compliant AFS
- Staff development / training



## 3. Performance of Conditional Grants Achievements

### **MIG (Municipal Infrastructure Grant) –**

- Bucket Eradication Phase 2 (445 Units) - Masilo/Theunissen
- Bucket Eradication Project (Phase 3) - Verkeerdevlei/Tshepong
- Bucket Eradication Project (1 267 Units) - Masilo/Theunissen (Labour)
- Bucket Eradication Project (2 265 Units) - Masilo/Theunissen
- Bucket Eradication(1 261 Units) - Makeleketla/Winburg
- Bucket Eradication (400 Units) - Ikgomotseng/Soutpan
- Bucket Eradication: Construction of a 1.2km Trunk Sewer Line - (Theunissen/Masilo)
- Construction of Access Road Project - Verkeerdevlei/Tshepong
- Construction of Community Hall and Sports Complex - Soutpan/Ikgomotseng
- Provision of Basic Services - Majwemasweu-Ext 4
- Refurbishment of Pumpstation 1 and 2 - Winburg



## 3. Performance of Conditional Grants Achievements

### **MIG (continued) –**

- Upgrading of 2.5km Road with Stormwater Appurtenant Works - Ikgomotseng/Soutpan
- Upgrading of 4km Bus Route from Gravel to a Surfaced Road - Masilo/Theunissen
- Upgrading of Sewer Ponds, Effluent Disposal System and Sewer Collector Mains - Ikgomotseng/Soutpan
- Upgrading of Storm Water Drainage Infrastructure - Majwemasweu
- Upgrading of Storm Water Drainage Infrastructure - Makeleketla
- Upgrading of Streets from Gravel to a Surfaced Road - Theunissen/Masilo
- Upgrading of the Water Reticulation Network and Isolation Valves(Boitemelo) - Winburg/Makeleketla
- Upgrading of Water Meters - Masilonyana
- Upgrading of Water Purification Plant - Brandfort/ Majwemasweu
- Upgrading of Water Purification Plant - Soutpan/Ikgomotseng
- Upgrading of Water Reticulation Network(Asbestos) - Winburg/Makeleketla



## 4. IGR – Intergovernmental and Other Relations Commitments

The Free State Provincial Government Sector Departments have approved a number of projects for the 2011/2012 financial year. These projects cover key provincial functions such as police, roads and transport, education and health.

Sector Department	Projects/Service Description
Police, Roads and Transport	<ul style="list-style-type: none"> <li>i) Extension of ZR Mahabane (formerly R30) road between Glen and Virginia</li> <li>ii) Construction of Access roads in Masilo, Ikgomotseng (Soutpan) R10 million = R5million each and Tshepong Verkeerdevlei)</li> <li>iii) Soutpan – Bultfontein – Wesselsbron – Hoopstad_REH = R10million</li> <li>iv) Construction of Access road in Winburg/Makeleketla</li> </ul>
Cogta – FS – MIG	Construction of a Community Hall in Ikgomotseng (Soutpan)
Department of Public (Government Garage) Works and Rural Development / Premier's office	<ul style="list-style-type: none"> <li>i) Fleet Management</li> <li>ii) Renovation of dilapidated Ipeleng Community Hall at Majoemasweu / Brandfort</li> <li>iii) Construction of the foot bridge (N.B. this project has been in the IDP for the past 10 years) in Boipatong and Masakeng –Makeleketla / Winburg</li> </ul>
Health	<ul style="list-style-type: none"> <li>i) Provision of ambulances and HIV / AIDS outreach programs</li> <li>ii) Winburg Clinic – Medical Equipment = R500,000</li> <li>iii) Majwemasweu clinic – Medical Equipment = R500,000</li> </ul>



## 4. IGR – Intergovernmental and Other Relations Commitments

Sector Department	Projects/Service Description
COGTA & Human Settlements	<ul style="list-style-type: none"> <li>i) Provision of R1 million grant to enlist CFO support</li> <li>ii) Renovation of Ipeleng Community Hall at Majwemasweu – Brandfort</li> <li>iii) R30million MIG</li> <li>iv) 300 subsidies towards centenary celebrations (Brandfort &amp; Winburg)</li> <li>v) Multi-purpose centre (Masilo) R10 million</li> <li>vi) Street and storm-water drainage system (Makeleketla &amp; Masilo) = R22 million</li> <li>vii) Water and sanitation, household connections (VV – Tshepong, Ikgomotseng and Masilo (Tshepong) = R18 million</li> </ul>
Department of the Premier	Funded brick making project at Tshepong / Verkeerdevlei to the value of R1.2 million
Development Bank of Southern Africa (DBSA)	Provided technical and financial experts as well as young professionals in both fields
Department of Social Development	Funded two Bakery projects in Tshepong / Verkeerdevlei and Makeleketla / Winburg to the value of R600,000 (R300,000 per project)



## 4. IGR – Intergovernmental and Other Relations Commitments

Sector Department	Projects/Service Description
Public Private Partnership – Masilonyana, Harmony, Goldfields and Star Diamonds	<ul style="list-style-type: none"> <li>i) Funded the brick making project at Masilo to the value of R3 million</li> <li>ii) Extension of classrooms in Masilo (Reseamohetse), Wynandsfontein (Theunissen) and Sasconia (Brandfort)</li> <li>iii) Fencing of cemeteries in all Masilonyana Units</li> </ul>
Lejweleputswa District Municipality / Harmony, Goldfields and Star Diamonds	<ul style="list-style-type: none"> <li>i) Fencing of cemeteries in all Masilonyana Units</li> <li>ii) Upgrading / Paving of gravel roads leading to Phahameng cemetery (Masilo) and Theunissen cemetery (Theunissen)</li> </ul>
Department of Water Affairs	<ul style="list-style-type: none"> <li>i) Masilonyana – Feasibility study = R650,000</li> <li>ii) Blue &amp; Green drop interventions</li> </ul>
Department of Agriculture	<ul style="list-style-type: none"> <li>i) Provision of R480,000 for Storeroom, Handling facility, Water Reticulation &amp; Fence at Theunissen (Maphira Trust- Beef and Pig Production)</li> <li>ii) Provision of R560,000 for Storeroom, Handling facility, Water Reticulation &amp; Fence at Theunissen (Mothe Trust- Beef Production)</li> <li>iii) Provision of R350,000 for Handling facility for beef cattle at Theunissen(Monare- Beef Cattle)</li> <li>iv) Dijane Trust – Land care and establishment of pastures</li> <li>v) Glen Upgrading – Office infrastructure</li> <li>vi) Brandfort – Fish Project = R750,000</li> </ul>
FS – Treasury	Operation clean audit



## 5. Service Delivery and Capacity Constraints

The municipality provides services to 4,580 registered indigents, and we are currently in process of an expanded registration drive to ensure services to those in need. The following table provides an overview of services rendered to households and planned additions.

Service	Exclusions	Households		Target 2011/12
Electricity	Farms & Townships	6 207	500	Household Connections
Water	Farms	14 438	2 000	Installations of Site Taps
Refuse	Farms	14 438	2 500	Extend to all Households
Sanitation	Farms	14 438	2 500	Connections to Waterborne Sewer
Roads			20km	Re-grading, Re-gravelling and Surfacing of Roads and Patching of Potholes





## 5. Service Delivery and Capacity Constraints

### Financial Management Capacity Constraints:-

- The municipality had been placed under administration, and are experiencing severe financial and staff constraints.
- The municipality had been victim to a number of unprotected industrial actions over the past three months, which adversely affected financial viability and collection rates.
- Industrial action resulted in non participation during compilation of 2010/11 AFS
- There are 34 critical positions that need to be filled that will inform:
  - Establishment of the supply chain management unit;
  - Customer care / debt collection unit;
  - Asset management;
  - Functional Budget and Treasury Office.
- For the past 15 months the Municipality was dependent on financial management support from an external service provider to manage key activities such as the budget process, revenue section as well as compilation of financial statements for 2009/10 and 2010/11. This support is planned to end in December 2011. No internal capacity.



## 5. Service Delivery and Capacity Constraints

### Roads Capacity Constraints:-

- The road networking in the municipality is well developed but the road conditions are deteriorating at a rapid rate, as very little maintenance is taking place.
- Due to financial constraints, only R800,000 has been budgeted for the maintenance of roads.

### Water and Sanitation Capacity Constraints:-

- The provision of sanitation services in the municipality fall well below RDP standards, as far as the urban areas are concerned, 50% of residential stands are without waterborne sanitation facilities and services.
- The water network (pipes) are in dire need of replacement, requiring constant maintenance and adding to water losses in excess of 40%.



## 5. Service Delivery and Capacity Constraints

### Refuse Removal Capacity Constraints:-

- Most towns in the municipality are experiencing difficulties in the management of their waste disposal sites and struggle to meet the requirements for such sites as set out by the Department of Water Affairs (DWA).
- There is a requirement for a wide strategy and framework for effective waste disposal including the possibility of additional dumping sites and the disposal of toxic waste. No internal funding capacity to undertake such projects



## 6. Alignment of IDP to Provincial Growth and Development Strategy

<b>Masilonyana Local Municipality</b>	<b>Free State GDS</b>	<b>Government Policy Priorities</b>
Identification and implementation of catalytic and strategic LED projects (including mining and biofuel) – leveraging resources for resourcing and implementing LED projects.	Economic Development and Employment Creation	Supporting meaningful local economic development (LED) initiatives that foster micro and small business opportunities and job creation.
Fast-tracking services delivery, ensuring adequate maintenance of service delivery infrastructure and utilities and ensuring effective provision of municipal services.	Social and Human Development	<p>Ensuring delivery of effective services;</p> <p>Ensuring that drinking water and waste water meet the required quality standards all the time;</p> <p>Securing the health of municipal asset base (especially the municipality's revenue generating assets) by increasing spending on repairs and maintenance;</p> <p>Expediting spending on capital projects that are funded by conditional grants.</p>



## 6. Alignment of IDP to Provincial Growth and Development Strategy

<b>Masilonyana Local Municipality</b>	<b>Free State GDS</b>	<b>Government Policy Priorities</b>
Effective provision of social services – libraries, Youth Development Centres, social amenities.	Social and Human Development	Protecting the poor from the worst impacts of the economic downturn.
Stabilising the municipal administration – finalising placement and filling of critical vacancies and implementation of organisational performance management system; hold regular management meetings; Evolving a sound and prudent financial management – cash flow management, clean audit, enhancing the credibility and transparency of Supply Chain Management; Implement revenue enhancement strategy – implementation of credit control measures.	Efficient Administration and Good Governance	Ensuring adherence to Supply Chain Management Policy and fight corruption; Evolve performance culture where people are held accountable for their actions, accompanied by clear, measurable outcomes related to key development priorities’.